

Towards a Framework for Business Models in Event Management

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Abstract—The choice of the right business model has proven to be an important success factor, regardless of the industry. Although in literature and practice the concept of business models has been broadly discussed, a comprehensive definition of business models in the context of event management has not been provided so far. Due to the rising experience-orientation of society – both in private and in business context – event management has emerged to an industry sector of increasing importance. By now, event management represents an interdisciplinary field which requires efficient and effective interactions of all involved business partners. This article describes the derivation of the constituent elements of business models in event management and classifies them to a business model framework. The derived business model framework depicts the underlying relationships between business model elements to the concepts of strategy and business processes.

Keywords-Business models; event management; business model components; business model framework

I. INTRODUCTION

The last two decades have been characterized by a strong development of society towards experience orientation [1]. In literature, this phenomenon is called “fun-society” [2]. Companies and event agencies satisfy this increasing demand of multi-sensual incentives through a diversified offer of events [3]. In doing so, companies and event agencies increasingly use new media and social networks to communicate their marketing activities to the specific target groups. Besides the use of new media and social networks, companies increasingly rely on live-events as communication tool, which supports the establishment of long-term customer relationships, as they enable a direct and personal contact to the recipients of marketing activities [4]. Besides the establishment of a sustainable customer loyalty, live-events allow to tailor information to the specific audience to overcome information overload, which represents nowadays a frequently occurring problem [5].

Recent studies about current trends in event management have shown an increase of expenditures in live-communication from 1.38 billion in 2005 to 2.55 billion in 2012 in Germany, which represents an increase of almost 85% within 7 years [6]. Within the same period the contribution of the total advertising budget that companies provide for events has increased from 14% to 19%. Additionally to this trend that companies initiated as

advertising and image improvement, the last years have also been characterized by an increase of society events, motivated by the rising demand of “special experiences within leisure activities” [7].

In the light of these developments, a large service sector for managing and carrying out events has emerged [8]. This sector includes, e.g., event agencies, technical providers, caterer, carriers of event agencies, artists, etc.

Event agencies are driven by two central motives to organize an event: “Own initiative” and “foreign initiative”. Event agencies that organize an event by their “own initiative” intend to achieve the maximum profit. Within “foreign initiative” events agencies are commissioned by external companies, public / state institutions or private persons, in whose name they act as service provider to plan and carry out the event.

Experts predict further growth in the event management sector which comes along with an increase of competitors in this industry sector [9]. Thus, agencies – whether service providing organizations or independent organizations – should be aware of their business models and the competitive advantages which come along with their business model to establish their organization in the market and prevail over competitors in the long run.

Generally speaking, a business model represents a conceptual tool containing a set of concepts, objects and their relationships amongst each other [10]. A business model supports companies to express their business logic [10], by offering an abstract view on a company’s organizational structure and its value creating activities [11], [12], [13], [14].

Regarding event management, so far literature and practice has mainly concerned about event marketing, not taking into consideration the entirety of key aspects that make up business models in event management. Although in recent time business model research has increasingly focused in specific industries such as the software industry [15] or electromobility [16], aspects about event management to date have not been covered by a scientific approach. This paper describes the derivation of a framework of business models in event management containing the basic elements of business models in this industry as well as a description of these derived business model elements to the concepts of strategy and business processes. The goal of the proposed framework is to support companies in event management to compose their business models according to their key

competencies. In doing so, start-up companies as well as companies that have been active in the market place for some time receive support for the definition of their business model.

The research work presented in this paper follows a design-oriented methodology. Subject matter of design science are artificially created artifacts [17]. These artifacts are classified amongst other things into constructs and models. Constructs represent a collection of terms with the goal to describe artifacts that are in the matter of interest whereas models describe specific artifacts under consideration of the derived constructs [17]. Constructs in the context of the research work in this paper represent business models, business model elements, business processes and event management. Models are described by the target groups (companies – particularly CEOs / COOs) in the event management industry) and an explanation of the relationship between the constituent elements of a business model to the concepts of strategy and business processes by the use of several examples.

The remainder of this paper is organized as follows. Section 2 introduces basic definitions of business models and event management and differentiates these concepts from each other. Section 3 presents the basic elements of business models in event management. These elements form the basis of the event management business model framework in Section 4. Section 5 summarizes the paper and provides an outlook on future research. As specified in the outlook the newly created artifacts will be evaluated in future research using rigorous IS research methods.

II. TERMINOLOGICAL AND CONCEPTUAL BACKGROUND

This section explains the basic definitions and concepts for the derivation of the business model framework in event management. The first sections provide a basic understanding about business models and business model elements in general, followed by an explanation of the underlying definitions and characteristics of event management.

A. Business Models – Basic Concepts and Definitions

The business model concept is used as a management tool to understand and analyze an enterprise's current business logic. Thereby business models support companies to plan, design and test new business concepts that represent future orientations and therewith enhance current concepts [15]. Timmers, e.g., defines a business as “an architecture for the product, service and information flows including a description of the various business actors; and their roles; and a description of the potential benefits for the various business actors; and a description of the sources of revenues” [18]. The academic analysis of business models represents an emergent research field. Already early works from 1957 [19] and 1960 [20] discuss business models in a broader sense. However, when the dotcom bubble burst in the late 1990s, extensive studies dealing with the business

model concept have extremely emerged [21], [22]. Thereby, evolving business activities from traditional to web-based business have been the main driver for the rising importance of business model research [22].

Fig. 1 shows that business models are often seen as an intermediary between a company's strategy and its business processes [24] [23]. This aspect reflects in different levels of granularity [27]. Business models provide an architectural as well as a conceptual basis for implementing a company's strategy into executable business processes [24], whereas strategy represents the planning layer, as it encompasses all tasks required for executing strategic management activities [25]. Finally, the layer of business processes represents the level of implementation. It represents the concrete process implementation of a scenario in executable process steps [26], [27], [28]. Fig. 1 shows the business model in its role between a company's strategy and its business processes:

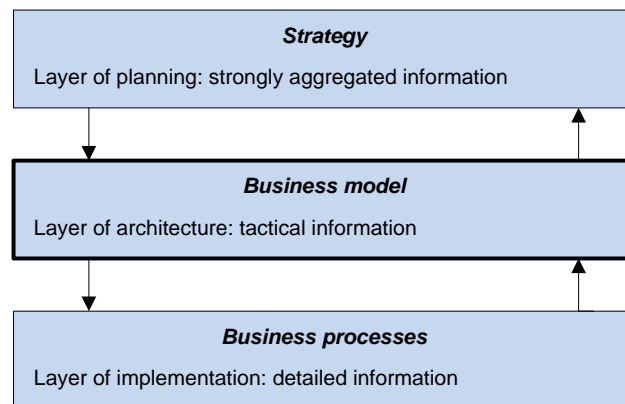


Figure 1. Delimitation of the business model to the concepts of strategy and business processes [29].

Business strategy focuses on competitive aspects whereas the business model describes collaboration of all participating business resources. Finally business processes describe how a business models is transferred in practice.

B. Business Model Elements

Business model elements do not represent an entire business model, but they describe the integral parts that make up a business model. One problem that often occurs in literature and practice is the interchangeably use of the terms “business models” and “business model elements” [30]. To derive a framework for business models within a specific industry (in this context event management), a business model first has to be broken down into its constituent components. Hence, underlying dependencies within the business model itself and to related concepts such as strategy and business processes can be depicted [12]. In literature, several studies and analysis about the constituent elements of business model elements in general have been carried out [23], [31], [32], [33], [34], [35], [36]. The business model elements derived by Di Valentin et al. form

the basis for the business model framework presented in this paper [31]. Thereby, 12 articles about the constituent elements of business models have been analyzed and conveyed to a conceptual framework. According to the literature studies, the main pillars of business models consist of the following four elements [31]:

- *Value Proposition*: Perceived value that a company promises to its customers [37].
- *Resources*: The products and services that a company requires to create a unique service offering [38].
- *Architecture of Value Creation*: Design of the corporate information, product and service flows, required to implement a business model. Hence, this element forms the structural basis of a company, including its technological and organizational infrastructure [11].
- *Revenue Model*: The different ways in which a company generates its revenues [39].

C. *Events and Event Management*

A “special event” represents an orderly scheduled occasion [40] with cultural, personal, leisure or organizational objectives [41]. It can be classified into the following categories: Leisure events (recreation, sports, etc.), personal events (anniversaries, weddings, etc.), cultural events (folklore, heritage, etc.) and organizational events (sales, commercial, etc.) [41], whereas the latter is in the focus of the framework provided in this paper. In organizational context, companies mainly use events as communication tool [42]. Thereby, the following characteristics are relevant: Activation of the participants, uniqueness, positive experience, selected target groups with contact intensity, authenticity and exclusiveness of the in situ experience [42].

Event management encompasses measures about aspects like organization, execution and controlling required for an event [43]. Furthermore, managing an event overlaps with many aspects about project management, which is considered as the entirety of executive functions like organization, technics and measures for initializing, definition and planning projects [8]. As many project related aspects can be also applied to events – both are temporally limited and carried out once – event management is characterized by many project-related characteristics. In terms of business models, influencing factors on event management have to be taken into consideration. These influencing factors are split into three categories:

- Surrounding conditions,
- shifts in the market place and within competitors and
- customer interface.

Surrounding conditions encompass social and legal frameworks, as tragic incidents like mass panics have a strong influence on the safety stipulation of public events. Furthermore, increased charges in event management come along with an impact on existing pricing policies [44]. Particularly in terms of public events, the customer interface

is of great importance as directed advertisement represents an important success factor within the preparatory stage of an event.

III. BUSINESS MODEL ELEMENTS IN EVENT MANAGEMENT

This section presents the business model elements for event management which have been derived and enhanced on the basis of the business model elements by Di Valentin et al. Thereby, each sub-section presents one business model element.

A. *Target Groups: Clients and Visitors*

Event agencies focus their offerings to two main target groups: “Potential clients” and “visitors”. Potential buyers make use of the agency as service provider. Thereby, a large group of people may be addressed such as companies that intend to present a new product at an event or celebrating an anniversary, cities and municipalities, sports associations and / or private persons. It is essential for these target groups to already provide in the initial phase the right frame conditions and concrete characteristics for the planned event.

One further target group present “potential visitors” of the event, whether the event is public or private. To meet the visitors’ expectations agencies must already prognosticate in an early stadium, which requirements are expected by the visitors from the event. Based on these estimations, the event offering has to be arranged [8].

B. *Product Portfolio*

An event managers’ product represents the event itself, which is consumed by the visitors. The agencies conceive, plan and realize all possible kinds of events. The event manager’s task is to carve out a coherent concept and to ensure a smooth execution of the event. A successful implementation of the event represents the tip of the event management iceberg. Fig. 2 shows the efforts in event management:

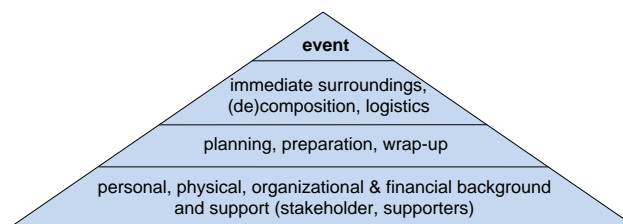


Figure 2. Expenditures in event management [43].

Fig. 2 demonstrates that expenditures for the preparation and post-processing of an event as well as the preparation of an appropriate infrastructure is not visible, however they come along with the largest amount of efforts. It also shows that activities of planning must be finished before the event starts [43]. The main goal of event management is to offer visitors a unique experience. A special challenge for event agencies is to give periodical recurring events an individual flair [43].

C. Resources and Competencies

The main competencies for event management agencies represent employees including their knowledge, core competencies and experiences. Effective organizational structures as well as rapid responses on external influences are inevitable aspects to prevail over competitors in the market place. Additionally, an event management agency’s core competencies should be continuously enhanced and adjusted to the service offering.

D. Network of Business Partners

Events are highly complex services that are generated by more than one partner [45]. The event manager acts as orchestrator as s/he coordinates the services of the business partners and controls the coherence of the final product (see Fig. 3).

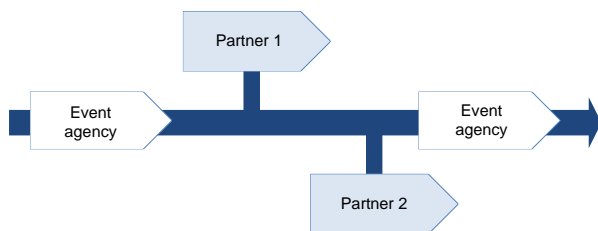


Figure 3. Coordinator – orchestrator model.

A network of authentic and competent business partners is of great importance for the event manager. The network includes, e.g., advertising agencies, caterer, technicians, logistic support suppliers, artists, decorators, security companies and service employees. Based on a large number of service providers that are involved in the process of organizing an event, unfulfilled obligations of partners have a great impact on further areas of the planned event. Hence, mistakes made by business partners can decide whether an event will be successful or not.

E. Revenue Model

Planning and managing events comes along with a high financial risk for event agencies. Hence, event agencies have to determine the break-even point and prognosticate occasional costs [46]. Comparing estimated costs with those of former carried out event represents an advantage. Moreover, running costs of the event managing agency have to be taken into consideration in the calculations. The costs are compensated by incomes, e.g., through entrance fees, consuming of drinks and foods, stall rent, share of the turnover, sponsor incomes as well as incomes from exclusive rights and state subsidies.

In case the event is a remittance work, there exist two different earnings models. Either the service is refunded by a previously agreed form allowance or the expenditures are paid after hours. In the first case, the event manager is generally provided a fix budget.

IV. FRAMEWORK FOR BUSINESS MODELS IN EVENT MANAGEMENT

Fig. 4 shows the framework for business models in event management. It has been derived based on the previously carved out business model elements for event management. The framework shows the business model in its intermediary role between business processes and strategy. Thereby, underlying interdependencies between the business model elements to the concepts of strategy and business processes are explained. The blue boxes represent the main pillars of the framework consisting of “strategy”, “business models” and “business processes”. The blue arrows between the different layers show that the business model is related to both concepts: strategy as well as business processes. The derived business model elements are classified to the business model layer. A description of the interdependencies between the business model elements is described in [31]. However, the dashed arrows show that the business model elements are in a mutual influence. The main characteristics of the business model element target groups are clients and visitors. The product portfolio is described by the provided services as well as the coherent concept for the execution of an event. An event agencies resources and competencies are described by the existing know-how whereas the business partner network is responsible for the coordination of services and business partners. The revenue model summarizes the financial flows of the underlying business model.

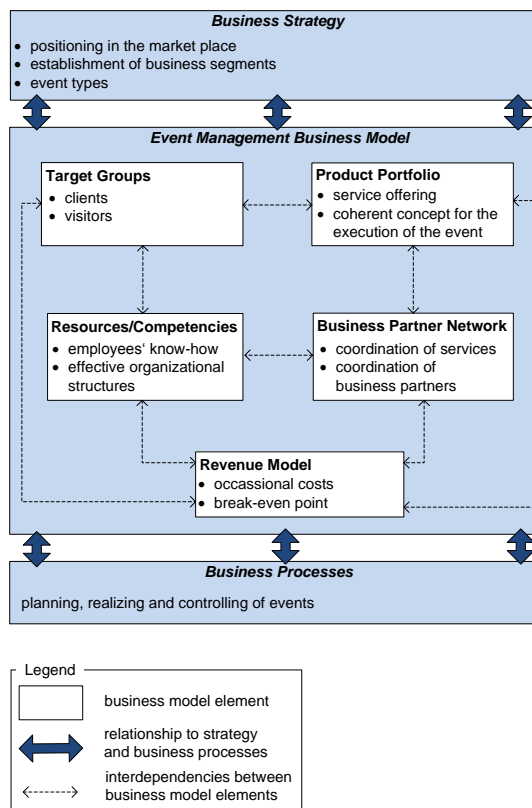


Figure 4. Framework for business models in event management.

In the following, the relationships between the business model elements to the concept of strategy are going to be explained: On strategic level, information gained within the *Network of Business Partners* can be used for optimizing decision support and control of strategic consistency with the rest of the organizational structure of the event management agency. The business model element *Resources and Competencies* requires to be strongly focused on an event agencies strategic positioning [13]. Therefore, an event agencies resources and competencies have to be generated for each *Target Group* to keep an event agency's customer loyalty on a high level [47]. The way, in which *Resources and Competencies* (of an event agency's employees) are combined create new possibilities for carrying out events [12]. Hence, an ideal and efficient allocation of resources consequently depends on an event agency's strategy. In order to carry on boosting an event agency's business model, the *Product Portfolio* must be designed to continuously offering customers – whether visitors of an event or clients – an added value. Revenues within the *Revenue Model* can be determined by calculating financial key measures such sales per event within a certain market or customer segment [48].

The relationship between business models and business processes can be described as follows: Changing demands within the *Network of Business Partners* cause service level agreements to change. In order to bring about the changes which are necessary to provide the services or goods conforming to the service level agreements, the business processes that are carried out within the organization of an event may have to be changed. Within the business model element *Target Groups* processes offer the possibility to align all business activities to the customer's preferences. This comes along with a higher degree of customer satisfaction after a successfully carried out event. The *Revenue Model* focuses on actions being carried out on operative level that have an influence on the financial structure. An efficient allocation of *Resources and Competencies* form the basis for the accomplishment of a successful event. On strategic level a decomposition of business processes offers clarity about the required resources and competencies for the execution of an event which run into the *Product Portfolio* to be offered [49].

V. CONCLUSIONS AND OUTLOOK

This paper presented a framework for business models in event management. To be able to obtain a basic understanding of business models in a specific industry sector, first the underlying components of business models have to be derived. So far, in literature and practice there is no consensus about the constituent elements of business models in event management. Hence, in a first step, the basic definitions of "business model", "business model elements" and "event" have been derived. In a next step, the key components of business models in event management have been defined, which form the basis for the presented framework for business models in event management. This framework consists of the derived business model elements and describes the underlying interdependencies between the

derived business model elements to strategy and business processes.

The elaboration of this research work has shown that in recent years, many scientists addressed the concept of business models. So far, however, these concepts have not been sufficiently applied in the field of event management, although this industry is characterized by a growing number of companies. In the light of these developments, theoretical foundations should be further considered in future research work about business models and event management.

In future research, the derived artefacts will be implemented and evaluated according to rigorous design-science methods. Furthermore, the underlying interdependencies between the derived business model elements will be analyzed to enhance the current version of the framework. A transformation mechanism will be developed to transform changes on the business model in executable business processes, as changes within a company's strategy and business model have an influence on the underlying business processes. Therefore, a value chain for the industry sector of event management will be derived, which consists of the main value creating activities in event management.

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