

# Why balancing the books is crucial

One of the most important factors behind organising any successful festival is the budget – as JAMES COBB explains...

MONEY certainly makes the world go round and if all the figures don't add up, then no matter how many people enjoyed your event, it can't be considered a true success.

Considering the importance of balancing the books it is surprising how little discussion takes place between event organisers or promoters on the subject. Over years of experience we have honed our approach to budgeting; sometimes through some painful lessons.

It's worth spending a lot of time planning and thinking about the variables that may affect the budget. For example, when selling tickets to the public two problems arise. Without knowing in advance what the ticket income will be, we don't know our revenues, and without knowing the attendance in advance, we may find we don't know what our costs will be (for example toilets, venue rentals, stewarding may all be costs that increase with larger attendances).

A likely breeding ground for further trouble is the marketing budget. Unlike production and site costs, it's likely that if sales are looking poor, there's a desire to

spend more rather than less.

The first solution is to set a realistic marketing budget in the first place (and use the advice of marketing agencies, media buyers and PR companies in setting the budget).

A useful approach is to take obvious percentage variable costs off the ticket price before we calculate the potential income at different attendance levels. So, for instance, off a £40 ticket we might take agency selling commission, VAT, PRS and venue rental to get to a net income of £23.77.

In the simplest case all our other costs may be fixed, and let's say they add up to £40,000. With a capacity of 2,300 at our venue, our spreadsheet can easily calculate the maximum possible profit, the break-even attendance, and a table of the figures in between.

Max profit = £14,671 (or 18 per cent of sales net of VAT)

Break-even = 1,682 tickets (or 73 per cent of capacity)

I would certainly recommend formatting budgets in a way like this that quickly shows the 'financial shape' of an event, showing attendance required to



**James Cobb**

break even, likely profit, possible losses etc...

Taking things a stage further, it's easy enough to create a spreadsheet that does the same sums, but separates fixed costs, and costs like staffing that may be proportionate to attendance.

A further complication arises when dealing with multiple ticket prices, and concessions. I've seen

budgets which say 'assumes all ticket prices sell evenly' or words to that effect – something that may not be that likely.

A good method is to use a table to calculate the average actual ticket price. So 60 per cent at £40 and 40 per cent at £30, with an overall 25 per cent of attendees being under 16s at half price, would give a starting ticket price of £31.50 before netting down as above.

It's always advisable to set a rigid framework for decision-making at the outset of the planning process. The phrase 'we'll wait and see' can be fatal in event promotion. When the time comes, judgment is often clouded with psychological biases that affect us all.

Without being conscious of it, every one of us fails to write off sunk costs, over-estimates our own accuracy in prediction, and suffers from irrational optimism.

It's advisable to set sales targets, budgets and the like at the outset. And when, on occasion, you're failing to meet the targets, be tough. Stick to your original game plan. Investors know why they need to set stop-losses. Sometimes event promoters need them too...