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CONVERGENCE

THE FINAL TRAVEL MANAGEMENT FRONTIER

a TIN report

Introduction

36% of corporations worldwide are currently pursuing convergence strategies

Around two thirds of UK travel managers also have responsibility for their organisation's meetings and events spend. On average, that spend equates to between 12% and 35% of an organisation's total T&E costs depending upon industry sector.

British companies spend almost £8 billion a year on 1.5 million conferences & meetings. Large companies spend an average £2.2m a year on meetings, whilst medium sized businesses spend an average £180,000 a year.

With 60% of all meetings held in hotels, consolidating transient accommodation and meetings expenditure, or 'convergence', is an increasingly compelling proposition for the corporate buyer.

36% of corporations worldwide are currently pursuing convergence strategies, but few have made real headway in terms of savings, policy or compliance. This is due partly to the question of whether meetings can be commoditised in the same way as transient travel.

There's much more that can go wrong with a meeting. And when things do go wrong with a meeting, they go wrong on a much grander scale.

Is convergence the Holy Grail or unobtainable fantasy? This edition of BSI's Industry Eye sets out to provide a guide to the opportunities, the barriers, and the solutions.

Britain is a place of networks and networking, a 'connecting economy'

The meetings market

Most frequent types of meeting

Management meetings	39%
Staff conferences	38%
Sales conferences	34%
Presentations	34%
Training	24%

Source: MIA

"Britain is a place of networks and networking, a 'connecting economy'. Since few of us actually make anything, we have meetings, we make presentations, we encourage people and hence our work is based on the influence we have over our networks, especially through meetings."

RAC Foundation & British Chambers of Commerce report, November 2007

The bulk of business trips are for the purpose of one type of meeting or another, so the idea of consolidating the cost of staging meetings with that of accommodating the people attending them is logical.

Meetings with clients (at least in SMEs) form the majority of business travel trips, followed by company-wide meetings, training courses and meetings with business peers.

In fact, over a third of all British companies employing up to 250 people have over 80% of staff travelling on business every day, attending 1.37 million meetings in 2007 and contributing £7.6 billion to the UK economy.

Meetings account for over 40% of the total bed nights in Britain's chain-owned hotels, however the shape of the market is changing, and the number of residential conferences in particular is falling.

62% of meetings are now non-residential, with the average meeting being attended by 53 delegates. The similarities between the meetings and transient accommodation markets are evidenced by the most popular days of the week being the same - Tuesdays, Wednesdays and Thursdays.

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Current market forces

- Procurement taking responsibility for meetings spend
- Meeting planners focus on Return on Objective (ROO); procurement's focus is Return on Investment (ROI)
- Growing demand for specialist venues
- Teleconferencing/video conferences
- Corporate Social Responsibility (CSR) policies
- Economic factors - credit crunch, rising fuel & transport costs
- Increased home working

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What is convergence?

Procurement is becoming involved in meetings spend faster than any other element of Travel & Entertainment (T&E).
Source: Business Travel World

Historically, training and meeting budgets were fragmented, being allocated to each department separately.

In the same way, the sales or marketing function routinely held the budget for major conferences. Quantifying the company's total spend was virtually impossible.

More recently, CEOs and FDs have realised that in-house meeting space is under-utilised and have taken steps to reduce or stamp out the automatic selection of an off-site meeting venue.

This has seen much-needed discipline brought to meetings expenditure, improving management information, standardising buying processes and rationalising the supplier base.

And because most companies use the same hotels for overnight accommodation and meetings, hidden costs can be identified and eradicated if travel and meetings managers work together.

Convergence - the consolidation of transient and meetings expenditure - is gradually pervading the selection of intermediaries too. By merging the two programmes, one set of negotiations and management information can be delivered by one specialist supplier.

Procurement is becoming involved in meetings spend faster than any other element of Travel & Entertainment (T&E).
Source: Business Travel World

The case - for & against

Despite the obvious commercial benefits, there are arguments for and against convergence. As ever, one solution does not suit all.

Plus

1. Strengthens preferred supplier relationship
2. Single, consolidated supply contracts save time
3. An effective transient programme is a blueprint for an effective meetings management programme
4. Leverage of transient and meetings spend can drive savings in both sectors

Despite the obvious commercial benefits, there are arguments for and against convergence

Minus

1. Decentralised corporate control over meetings, so harder to deliver converged spend
2. The data necessary to quantify spend is also decentralised, so harder to collate
3. Different demand cycles make it hard to negotiate combined meetings and transient contracts
4. Hotels' reluctance to negotiate consolidated meetings and transient contracts; the respective sales teams are often run as separate profit centres

Compliance

Compliance has long been the mantra of the transient travel buyer, however in most organisations there is limited control on meetings & events expenditure through policy, authorisation processes and compliance measurements.

The first step is to measure spend and introduce controls, possibly with the introduction of a single dedicated payment mechanism. This makes spend visible and provides the overview (and detail) to negotiate effectively with suppliers. Consolidation without a single booking methodology is a non-starter.

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The most common barrier to be overcome in creating a centralised meetings and transient travel policy is finding accurate information for all company meetings and events expenditure. This is because meetings management data is often held by different departments; from marketing, to HR and training.

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Transparency

As procurement's involvement in meetings management increases, greater transparency will be needed to quantify return on investment

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Transparency will mean agencies being open about their cost bases to assist and respond to procurement focussing on the true cost of the processes involved in the service provided by those agencies.

Key to this, and one that BSI has been able to underpin, is the adoption of technology to reduce process costs in venue sourcing which results in lower 'touch' by agents whilst increasing quality control.

Transparent relationships drive commission return to the Corporates by the agency and, as such, procurement professionals are beginning to engage more readily with those service providers that embrace the open book business model.

Yield Management

The dynamics of supply, demand and yield management are very different for meetings and transient. Some hotels are not prepared to give the same rate for 20 rooms or more on one night.

Many hotels run transient and meetings as separate profit centres with separate sales personnel and either cannot or will not consider putting the two together.

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Preferred supplier list

A preferred supplier list is essential for convergence, as is consistency of delivery by buyer and supplier alike.

However, best practice is not just about getting the best rate, but also achieving value. Every company wants to see cost savings, but not all events fit in with preferred supplier lists, and there is a clear trend away from using conventional hotels as meeting venues.

Of the 3,500 UK venues able to host meetings for 50 delegates and above, theatre style, 47% are non-residential. This makes a smaller, consolidated suppler list harder to achieve, but not impossible.

The key lies in understanding the buying organisation's total meetings requirement and matching it to an increasingly diverse supplier landscape.

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Is Convergence a UK- only phenomenon?

Getting started

If you believe Convergence could benefit your organisation, here are some keystones to put in place.

1. Understand how meetings are being planned across the entire organisation
2. Collate as much information as possible to quantify overall spend on meetings
3. Segment by meeting types (e.g. one day non-residential meeting, 100 -200 delegate sales conference with one overnight etc)
4. Consider the corporate culture and systems in place to communicate a combined transient and accommodation programme
5. Identify quick hits to prove the value of a new policy quickly
6. Be flexible for the new meeting policy to succeed
7. Don't try to commoditise meetings management.
8. Allow procurement to take charge of negotiations and meeting planners to manage their events

According to Meeting Professionals International, the move toward globalisation is forcing corporate buyers to look beyond their own shores.

20% expect their global reach to expand over the next year, whilst globalisation is a leading issue for 33% of European buyers.

In Europe, the focus is on communications, cooperation and cost capture. Local meetings policies are more commonplace; the use of TMCs and specialist agencies to secure venues, individual purchase or spot buying, capture data and the use of delegate technology for larger events.

By contrast, in the US formal meetings policies, centralised accounting codes, global guidelines/local policy and standardised hotel contracts are routine. As are RFPs (Request for Proposal), internal venue sourcing, chain contracts and purchasing, a focus on cost containment and data capture of meetings spend.

However, it should also be recognised that standardisation is less complex in the US because of the higher percentage of hotel chains in the venue supply mix than in Europe.

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How much should I save?

A study of pan-European corporate convergence strategies suggests that savings of between 10 and 20% are achievable.

PricewaterhouseCoopers have published savings of 15% on conference and meetings spend, 30% on transient spend and 40% on cancellation charges, all as a result of themselves adopting a strategic, converged transient and meetings programme.

However, measuring the return on investment (ROI) on convergence strategies is not easy. This is because the traditional fragmentation of meetings spend makes it harder to find out the most basic fact - what the company spends on meetings.

Implementation - the options

The issue of whether transient and meetings are compatible is the first question to be considered, and in most cases the answer is dictated partly by the corporate culture that exists within the organisation concerned, but also by the expertise available to the client from their HBA/VPA, TMC or in-house..

TMC

In recent years, TMCs have recognised the cross-selling potential resulting from greater focus on their meetings offerings.

They are having to recover lost ground through investment, either independently or by partnering with specialist technology providers. TMCs are also having to broaden their supplier dealings to venues where relationships did not previously exist.

TMCs argue they provide joined-up thinking and an overview of a client's consolidated meetings and transient spend. In the case of larger, overseas events, this can be valuable where some delegates may not be able to use a group fare because they are flying at a different time or from a different airport. TMCs claim they can find better fares for individual flights and can provide co-ordinated data capture and security tracking of travellers.

Quick wins

* Two-thirds of internal meetings space lies empty in any company at any one time. Optimisation of in-house facilities is the move obvious way to reduce costs, and can be as simple as introducing a booking system on the company intranet.

* In any hotel or venue, the biggest influence on rate will be occupancy. Scheduling a meeting for a Monday or Friday will usually help save you money.

* A detailed analysis of meetings activity will demonstrate that most departments' requirements are the same. So reducing the number of suppliers can help reduce costs without compromising ROO (Return on Objectives).

* A consistent policy for authorising spend and signing venue contracts will generate kudos with the accounts department and help drive bookings into preferred suppliers. The key benefit of this is reduced exposure and risk from such checks and balances.

Specialists - HBAs and VPAs
The vast majority of Hotel Booking Agents Association (HBAA) members offer a venue placement service. In fact, of the £850m transient and meetings spend managed by HBAA members, £250m of that relates purely to meetings.

And despite the trend towards consolidating meetings and transient spend, the trend is towards using specialist venue find and event management agencies - such as BSI and Olive360^{O} - and TMCs in dual appointments.

In recent years, TMCs have recognised the cross-selling potential resulting from greater focus on their meetings offerings

According to ITM, 60% of buyers deploy a combination of the two. 41% rate their specialist meetings agency as excellent or good compared to 25% for the equivalent service provided by a TMC.

This is being driven - in part - by the lack of online meetings technology, especially amongst TMCs, whereas specialist suppliers already have the systems and expertise in place.

And with the right choice of specialist provider, convergence can bring about the economies of scale that can be converted to deliver genuine agency fee reductions.

Specialist within a specialist
ICOR is the BSI Group's specialist consultancy division, and is helping an increasing number of corporates with convergence strategies. Savings of over 17% on all new customer implementations are being achieved.

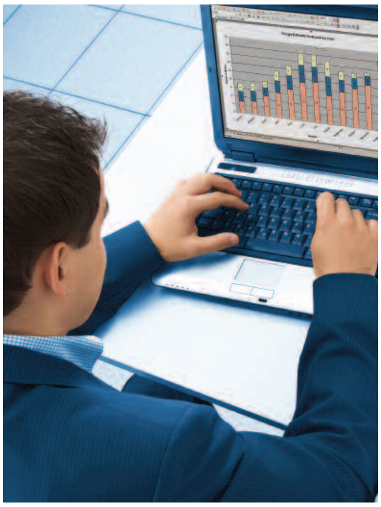
ICOR takes the corporate hotels and meetings RFP process to a level beyond the standard transient accommodation RFP. By mixing BSI technology and expertise, ICOR helps its clients to achieve the right balance of price negotiation, availability and quality of product.

Pro's and Con's

	FOR	AGAINST
Specialist	■ Specialist knowledge, especially of specialist & unique venues ■ Bespoke systems - can manage internal & external space inventory ■ Flexible MI	
TMC	■ One stop shop ■ Integrated MI	■ Over reliance on GDS for bookings ■ Airline focus ■ Inferior product knowledge
In-house	■ Better knowledge of company requirements	■ Cost/employee productivity ■ Booking systems ■ No benchmarking of rates/savings ■ Who challenges the savings achieved?

Data

Savings of over 17% on all new customer implementations are being achieved



To date, the businesses which have successfully merged meetings and transient spend remain in the minority.

The problem of data collection is not restricted to the corporate either. Most hotels are unable to separate transient and meetings turnover, leaving the onus on the client to collate invoices from the various departments contracting meetings space.

A robust RFP requires 12 months' full data, and this should also include internal space usage, the utilisation of staff managing internal space, logistics and so on. The key is detail, especially with increasingly diverse requirements such as compliance with Corporate Social Responsibility (CSR) programmes and meeting the needs of disabled and home workers.

Systems are key to maximising compliance, and although several hotel & venue operators have developed stand-alone online meeting tools, these are not practical for meetings of more than 15-20 delegates, or with any degree of complexity.

Meetings GDS

The absence of a meetings equivalent of the travel global distribution systems (GDS) is one of the biggest barriers to convergence.

Only 20% of the 7,000 meeting venues in the UK are bookable, in real-time, online, whilst the four GDS only cover 41% of all UK hotels, 39.5% in France, 44% in Spain and 48.5% in Germany, between them. By comparison, 63% of European hotels on the BSI database are not listed on any GDS channel.

However a number of systems have global ambitions. Founded in the US in 1999, Starcite has developed the equivalent of a self booking tool for meetings, working with major corporates such as Deutsche Bank to support their global meetings programme.

UK-based ABC Connection has evolved its services from data and image publishing to an online Request For Meetings product being rolled out through corporates and intermediaries.

The key is detail, especially with increasingly diverse requirements such as compliance with Corporate Social Responsibility (CSR) programmes and meeting the needs of disabled and home workers

There are also meetings portals on the internet, with varying levels of information available on a limited number of venues. Their lack of standardisation and breadth limits their appeal.

The available technology has impacted negatively on corporates looking to consolidate. Bookers and travellers lose confidence, which manifests in higher rates of policy avoidance as they opt to make bookings directly with hotels.

This in turn produces poor management information because spend patterns are not visible, which prevents the company leveraging its financial position to best effect, consequently missing out on maximum economies of scale, savings and discounts. And with less activity tracked, 'security' reporting becomes a hot issue for corporate travel managers.

Online meetings

In the short & medium term, larger meetings, conferences & events will still be made via traditional voice booking channels. Human intervention is just too important an element of the process. However, online venue bookings for smaller (up to 12/15 delegates) are possible and can help drive process efficiencies.

BSI is launching an internal meeting space management tool which will provide customers with a web-based solution incorporating internal meeting space optimisation and a plan, search & real-time book function for external meeting space.

For internal meetings, the BSI tool - *BSIDirect*™ - allows data and images relating to internal meeting space to be loaded, whilst hotels and venues update BSI's live inventory through a secure supplier extranet. Once online users have entered their meeting requirements, preferred venues appear. Where venues have live availability users can book immediately online or add to a shortlist of potential venues.

Venue choice is therefore controlled, internal space usage maximised, and wastage minimised. The organisation retains a full picture of meetings activity, and the delivery of a preferred agreement with a venue is supported. The essential elements of convergence are in place.

"Procurement alone has not been the solution. Conference organisers don't buy brand, so you have got this friction between procurement and what's going on in the market. If it is best practice you are looking for, the focus should be away from procurement and towards management."

Martin Lewis, editor of Meetings & Incentive Travel magazine

The Future

The challenges facing everyone involved in consolidating meetings and transient spend will, in time, be overcome. Providing, that is, procurement doesn't file meetings management in the 'too difficult' drawer. In many respects, the barriers are the same as the same teams faced in bringing structure and order to transient hotel programmes. For bookers keen to spend four hours of company time finding a hotel £5 cheaper than the preferred supplier, read meeting and event organisers who believe they can do a better job than the professionals.

For having to collate hotel spend information from multiple sources such as expense claims and petty cash, read different departments in the same company making their own purchasing choices and payment mechanisms.

The full scope of potential savings will inevitably vary from company to company; to which identifying and quantifying the aggregated company spend is the key. This in turn makes the choice of meetings supplier crucial.

Sources
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Amadeus
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ICOR - Intelligent Cost Reduction
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Meetings Industry Association
Meetings Professionals International
NBTA
PricewaterhouseCoopers
The Aberdeen Group
RAC Foundation & British Chambers of Commerce

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