# Planners Switch Short-Term Strategies: Lead Times Melting

BY CHRIS DAVIS

The inexorable shrinking of lead time has become the most widespread and inescapable reality of corporate meetings management today, affecting just about every aspect of buyers' internal and external approaches and strategies. Though lead times have melted considerably even in the past six months, whether the trend is a scourge to be ameliorated or a blessing to be exploited varies from buyer to buyer.

According to a *Meetings Today* survey of 109 corporate meetings buyers conducted during the summer, 25 percent of respondents said the average lead time for their companies' meetings of less than 100 attendees was less than one month, a sharp increase from the 14 percent of respondents who indicated as such this spring, the last time *Meetings Today* conducted such a poll (*Meetings Today*, March 25).

About 67 percent of respondents said their average small-meeting lead time was 90 days or less, which is the traditional definition of a short-term meeting. That number, too, rose sharply from the last poll, this one conducted in late 2001.

Several factors have conspired to accelerate the trend. Much of the responsibility is assigned to the soft domestic economy and accompanying disappointing financial results posted by many corporations, which has led many to slash meeting expenditures and, in many cases, book meetings only when quarterly finances allow. Also, a persistently weak hotel market has led to widespread availability, leaving buyers with little fear of not being able to find space for their short-term meetings. More recently, a change in major airlines' policies on nonrefundable tickets—restricting their reuse—has led some buyers to wait to ensure meetings will not be canceled before nonrefundable airfares are booked, limiting the chance these tickets will be rendered useless.

Corona, Calif.-based Watson Pharmaceuticals Inc., which annually books about $6.5 million in domestic air volume, is crafting a new policy that will include mandates designed to increase lead time—spurred, in part, by the airlines' decisions on nonrefundable tickets. "We will mandate the agenda well in advance of the meeting so that we can plan appropriately," said Watson's Morristown, N.J.-based manager of meeting and travel services Debbie Ricciardelli. "We have to make changes and we need as many details as we can. There's new rules now. There was a time when it was all right to book in two weeks, but that's all out the window now." Ricciardelli said the new policy, crafted by her department, will be disseminated to internal departmental vice presidents to communicate to their employees, and that the policy will have consequences for noncompliance. "There will be an exception report for those who do not follow the rules," she said. "We will explain the consequences of booking at the last minute and what change fees cost."

Watson is not alone. Within the past two years, 48 percent of respondents' corporations have initiated internal processes to expedite meeting planning, and of those who have not, a quarter expect to do so in the next 12 months.

The structure of these internal processes varies by company, but, in most cases, some sort of internal meeting registration or calendaring process is included. This often takes the form of a policy in which internal meeting sponsors alert meeting planners of the desire to hold a meeting by either an intranet-based functionality or through lower-tech measures.

These measures are important because, in many companies, the pre-meeting communication necessary is not just between internal sponsor and planner, it is between sponsor, planner, sponsor's boss, the legal department and even the procurement department—none of which changes even when lead time is at a premium.

One key to the administration of the internal aspects of a short-term meeting is the development of a strong event management structure, said Evelyn Laxgang, director of strategic programs and events at Schaumburg, Ill.-based Motorola Inc. "One thing we have going for us is that when I get the call, we know exactly who to go to," Laxgang said. "We can set up a meeting between the key internal people two days later, and it's critical to have the ability to do that when you're a large organization."

Motorola requires legal department involvement in any contract signing, and Laxgang has taken steps, including bringing in meetings industry attorneys, to address all involved personnel on the ins and outs of contracts. "They've been pretty good about reacting in the short term," she said. "They've done their homework. It speeds the process. The more understanding of the market and of meeting contracts, the better things will go."

Other companies have looked to suppliers to help better manage short lead times, if not lengthen the process. Many companies have developed some type of standard contractual addenda to attach to proposed contracts, which, if accepted, limit the amount of time-consuming haggling necessary to finalize a deal.

PricewaterhouseCoopers, which has a standard addendum it adds to all meeting contracts, is taking that concept a step further. The firm is developing a standard meeting contract with some of its preferred hotel chains, said Tampa, Fla.-based director of Americas travel and meeting management Mark Williams. "It will minimize the give-and-take over a given meeting."

Though PwC has watched its standard lead time shrink, Williams said the trend is not particularly problematic for his department. There are no policies governing lead time, and all meetings are posted into a Lotus Notes database for tracking purposes. "Depending on how we're staffed, it could cause a scramble for resources," Williams said. "It's not a huge issue. Our lead time is short, and the decision whether to go or not go with a meeting is a lot closer than it used to be. There's a bunch that are within less than 30 days, which is short for us."

Watson's Ricciardelli, too, said her company is negotiating a national meetings contract with a hotel franchisor. "Hotels are still so hungry for business that they're bending over backwards," she said.

**Corporate meeting lead time plunges**
**Average time for meetings of less than 100 attendees**

| | In 2002 | In 2001 |
|---|---|---|
| Less than one week | 5% | 0 |
| One week to two weeks | 5% | 4% |
| Two weeks to 30 days | 15% | 10% |
| 31 days to 60 days | 28% | 21% |
| 61 days to 90 days | 15% | 18% |
| Three months to six months | 18% | 34% |
| Six months to one year | 12% | 11% |
| More than one year | 3% | 2% |

Source: A Meetings Today survey of 109 corporate meeting buyers

There has been a debate among buyers as to whether the lack of lead time is a financial hindrance or benefit when it comes to hotel negotiations, as some feel hotels become more desperate for any business as the event's start time grows nearer and cancellation and attrition clauses are often simpler, while others believe less time means less opportunity to negotiate.

Williams said finding hotel space in most markets usually is not a problem, and some properties' rates grow more favorable as the date of the event nears, blunting the impact of lessened lead time. However, Motorola's Laxgang doubts booking hotel space in the short term translates into financial advantages for the company. "The more lead time you have, the more time there is to negotiate better deals," Laxgang said. "In the short term, we have longtime vendors that do the best they can, but our needs are specific, and if they cost a particular amount with two weeks out, we'll have to pay that particular amount."

Most buyers said a reversal of the trend is improbable, but believe further shortening also is unlikely. About 69 percent of respondents said lead time will remain about the same, while 16 percent believe lead times will be longer or much longer; the rest said short-term meetings will be even more prevalent.

Some buyers believe the trend has peaked, at least for their own companies. "Our corporate meeting side has held steady, between 60 and 90 days at the most," said Julie Steible, events manager for global recognition programs for Dayton, Ohio-based NCR Corp. "But our incentive travel side is back up to three years out, which is wonderful for us because it had decreased to one year for awhile. It's a huge difference for us."

Steible said the additional lead time is less a function of industry trends than a reflection of increased stability and financial performance of her corporation. The additional time allows NCR to better source the limited number of properties available for its incentive travel programs. "It opens up a huge window of opportunity, because our incentive events can include more than 2,000 people," she said. "There are not many properties around the world that can accommodate us because we don't want to be in 10 or 12 hotels. There's risk here, because business is constantly changing and the event or company could change. But I've been pleasantly surprised with the properties' flexibility. They're receptive to continual communication and they understand the environment."

## Short-Term Meeting Strategies

# *Hotels Learning To Manage Short Lead Times For Mtgs.*

BY CHRIS DAVIS

The evaporation of lengthy corporate meeting lead times has changed the face of hotel yield management: With reams of historical booking data that has lost some of its relevance in an unpredictable economy and meetings market, hotels must walk a tightrope between determining rates and prices that will generate revenue and attract corporate buyers with fair deals.

The lack of lead time colors every aspect of hotelier strategy, from determining whether to accept or reject a corporate meeting lead to rate and ancillary charge levels, all with the knowledge that the buyer may well accept the first realistic offer from the first hotel to respond to the request.

"It's a big challenge. There's no question lead times continue to drop," said Steve Armitage, senior vice president of sales at Hilton Hotels Corp. "It takes more time to bring a contract to closure because buyers are delaying their decisions. We're getting a lot of requests for meetings two weeks out, even for large meetings with hundreds of room nights. There are buyers looking for 1,000-room meetings six to eight weeks out."

Perhaps the most critical aspect of short-term meetings lead management is the speedy response to requests for proposals. Hoteliers must balance the need to develop a contract offer that is returned quickly enough for the planner's needs but maximizes the hotel's available space.

"Whoever returns the call first often will get the business," said Mike Beardsley, Marriott International senior vice president of field sales for the United States and Canada. "Customers are dealing with budget and staff cuts too, and they want to get that meeting off their desk."

In today's soft hotel market, of course, many hotels are cursed with plenty of space for any short-term meeting requested. Depending on seasonality, however, that decision can be much trickier for properties with healthy bookings for a given time period.

"Looking at it with the glass half full, once it gets closer to the date of the event, it makes it easier to decide what to take and what we can offer," said Dave Johnson, executive vice president of sales and marketing for Wyndham International. "It lets us make quicker, easier decisions, but it also creates a lot of headaches for forecasting two to four quarters out."

The difference, Johnson said, is that the current lack of lead time forbids hotels from assuming a standard base of early booked future group business. Without that base, decisions on whether to accept individual meetings, and what prices to charge, become rife with uncertainty.

"It creates an inverse thought process regarding pricing," said Brian Stage, executive vice president of sales, distribution and reservations with Carlson Hotels Worldwide. "As it gets closer to the date of the meeting, if there's empty space, certainly we will take what we can, but we have to establish rates that make sure that when we get that business, there is an impact."

Generally, hotels will try to get what business they can within two weeks of a given date, although that figure is not a hard and fast rule and many factors can reduce it considerably, Beardsley said. "Within two weeks, a hotel will try to sell out and take business," he said. "But that could be less than one week if group booking levels are already high."

Johnson is impressed with corporate meeting buyers' sense of restraint and general lack of desire to exact financial revenge for the seller's market of years past, but acknowledged buyers seek discounting and are in a position to succeed.

"Rate is certainly very important," Johnson said. "Attrition and cancellation are also hot, and there's certainly more flexibility for short-term meetings. But for 2004 and 2005, there's less flexibility, because we think that will be a strong market and we want to protect ourselves."

Other ancillary charges need constant review in short-term situations, Johnson said. "We have to look at that on a case-by-case basis and look for effective ways to create results; things like not charging for meeting room rental, because maybe we can get them to buy lunch anyway," he said. Wyndham also is more likely to sell meeting room space without accompanying guest room nights, Johnson said, an anathema only a few years ago. "We have meeting and conference space to sell guest rooms. That's why that space is there," Johnson said. "But we will take more free-standing meetings because they are unsold. Typically, it's not a risk for us with short-term meetings because it's unlikely that will displace someone later."

Other hoteliers agreed that, even for short-term events, rate is far from the lone deciding factor—particularly since some hotels are offering rates that don't match buyers' expectations. "We offer what we can, but buyers are not as rate-sensitive as everyone thinks they are," Beardsley said. "If there's decent food and beverage and we offer 10 percent to 15 percent off the corporate rate, they'll usually do it in the short term. If they want to shop around and play that offer off others, we have to decide."

"Planners look at total costs and they look for the best value, not price only," Carlson Hotels' Stage said. "They'll pick a facility where there's value in price and reliable service. But, in many cases, they'll stay away from high-luxury properties because of the perception." The best that hotels can do now, in a buyer's market with dwindling meeting lead time, is depend on yield management technology and historical data to offer them a road map—if an inexact one. "Automated yield management systems do a good job using historical trends to project the future," Stage said. "Hotels can use them to make better estimates on revenue of a piece of group business."

"It's difficult to apply historical results at all," Hilton's Armitage said. "At no time have we ever seen this type of continual change. There's inconsistency in trends, and buyers are trying to react as quickly as they can. Yield management is a challenge and marketshare is the name of the game. We have to make sure the appropriate data is at our fingertips. With technology, we can virtually immediately know the situation throughout our systems, and we must have a very good idea of our inventory."

# Air Fulfillment Enters Mtg. Planning Fray

BY CHRIS DAVIS

Operating under the traditional belief that group air expenditure is an undermanaged aspect of meeting and incentive travel, a new company aims to serve that need for independent meetings management companies and incentive houses that are losing revenue because of eliminated commissions and lack of air expertise.

Air Fulfillment Service, a Des Moines, Iowa-based company created late last year but only last month introduced itself publicly, serves as an additional third party to corporations planning large meeting and incentive travel. The corporate client never deals with AFS directly or usually even knows of its existence. "We suppress our identity so we could become anything," said AFS vice president of business development Yvonne Long. "Their clients don't know."

AFS offers its services, including air planning, negotiating, contracting and registration to third parties, allowing them, in turn, to offer full air management services to their corporate meeting and incentive clients. The company manages more than $10 million in group air travel, but Long would not disclose any AFS clients, noting such disclosure would defeat the purpose of their discreet relationships.

Long said there is a need for such an arrangement, because air management is hardly a specialty for many third parties.

"Meeting and incentive houses can't deal with this anymore," Long said. "From a financial perspective, they're losing commissions, or their business is at risk because they don't do this well."

AFS charges its clients a transaction-based fee, which varies based on the level of management needed and the method of individual fulfillment and delivery—Web registration, e-mailed or faxed delivery.

# *Airport Hotels Struggle With Less Flights*

BY CHRIS DAVIS

Airport hotels traditionally have been a primary home of small, short-term corporate meetings, as their accessibility and generally lower costs lend themselves to quickly planned events. These properties, however, have not been touched only by dwindling meeting lead times, but must contend with a struggling airline market that has led to capacity and flight cuts, limiting the number of potential hotel occupants.

Several hoteliers noted their meeting lead times have dwindled, some greatly, in the past 12 months. Most of the trends that apply to the overall market—including a shaky economy that has led to corporations delaying meetings until financial performance can be assessed—apply here as well.

"Overall, a year ago our average booking window was about 90 to 120 days, but now that's down to 30 to 45 days," said Paul Sharp, director of sales and marketing at the Washington Dulles Airport Marriott. "There are fewer meetings and they're shorter."

"Gone are the days of booking corporate meetings six to nine months out," said Ed Carey, director of marketing at the Hilton Boston Logan Airport hotel. "Most bookings for us are anywhere from two weeks to four months out. We're getting more short-term meetings than we ever had. And we have been getting some pretty good-size meetings within two months. Just this week, we booked a 35-room corporate meeting with two weeks of lead time, and the contract was completed in three days."

Carey said some short-term meeting trends can be predicted by historical data, but only data collected during the past year. "You can't use data prior to Sept. 11, 2001, because it was a different mindset then," he said.

These properties have to deal with other factors beyond general short-term trends, such as fewer daily flights servicing some destinations. If the allure of an airport hotel as a meeting destination is accessibility and convenience, fewer daily opportunities to travel to the airport limits that accessibility and convenience—or could lead buyers to select another destination. As such, airport meeting business can be affected by the performance of the airlines that use the airport. With most carriers hemorrhaging money, the hotels are hurting as well.

"We are dramatically impacted when airlines scale back capacity and flights," said Sharon Capka, director of marketing at the Dallas Forth Worth Airport Marriott. "When the airport gets a cold, we get pneumonia, and that has happened since 2001, even before Sept. 11."

The situation is similar at Dulles, Sharp said. "There has been a 15 percent to 22 percent drop-off in customer deplanements at Dulles," he said. "Much of that is transient, which has been impacted greatly. There's a surplus of supply. The good news is that we've got long-term relationships with a lot of companies, and they've stuck with us."

Much of the typical business that once comprised the Dulles property has evaporated, Sharp said, causing the property's salesforce to seek out new avenues.

"We have seen about eight to 10 companies in the Dulles tech sector go out of business lately," he said. "That business has gone from 80 percent of our business to 40 percent. Our business mix has changed, and we've been looking at pharmaceutical and the federal government."

In addition to shorter lead times, many airport meetings are being staged for shorter duration. Carey said the four- or five-day corporate airport meeting is a thing of the past, replaced by one- or two-day meetings. Many airport meetings feature fewer receptions or related events as well.

The meetings also sport fewer attendees. Some smaller meetings are losing enough attendees after booking to disqualify them from meeting status, Capka said. "If they fall below the threshold of 10 rooms, we have to charge them the standard rate," he said.

Capka added that overall meeting business has increased a bit throughout 2002, led largely by the pharmaceutical and automotive industries.

Even considering the general lack of lead time, corporate meeting buyers still are interested in negotiating, Capka said. "They're negotiating facility service fees and rate," she said. "There's a little competitive pressure because of compression of demand."

# Amway Mtg. Mandates Increase Compliance

BY CHRIS DAVIS

Global direct-selling giant Amway Corp. not only has impacted event lead times but slashed about 11 percent off its nine-figure annual meeting expenditure by centralizing all meeting functions.

The Ada, Mich.-based company, which estimates it spends about $100 million to $120 million annually on more than 200 meetings and events, last year mandated that all meetings of at least 10 attendees use Amway's special events department to source locations and negotiate contracts. Though there is no official penalty for noncompliance, more than 90 percent of Amway meetings now are handled by the events department, up from about 60 percent, said director of global special events Craig Ardis.

The events department already has realized significant savings through better avoidance of onerous contractual clauses. The department already pushes meetings to preferred properties in many cities, Ardis said, and now will attempt to negotiate wider, global deals with particular chains to save even more money down the road.

"Now that the policy is in place, we can negotiate contracts based on the actual volume that we have identified," Ardis said. "We'd like to narrow it down to chains on a global basis. We've been able to identify where our meetings have been going throughout the world."

Amway is the primary subsidiary of Alticor Inc., one of the 50 largest privately held companies in the United States with more than $4 billion in sales last year, and has offices throughout the world. Ardis' department has taken into account the preferences of international affiliates, negotiating preferred deals with individual properties overseas that already had received much of the company's meetings traffic. "If we look at Bangkok, for example, and we see that most of our business there is through the Hyatt, we'll move to include them in our list of preferred properties," Ardis said.

The new policy was born in mid-2001, a time when many companies took a long look at their meeting and travel expenditures, as part of a companywide focus on cost control and more strategic forms of purchasing all types of supplies and services.

"The whole company was focused on consolidation, leveraging and strategic procurement," Ardis said. "We looked at opportunities to reduce costs in the meetings program. It was easy to sell internal meeting sponsors on the use of preferred suppliers because these strategies were ingrained in everyone's heads."

Internal sponsors must contact Ardis' department at the onset of planning a particular meeting, at which point the event is placed on an internal calendar and assigned an event planner. Meeting costs are paid by internal departmental budgets, so though Ardis has no particular direction over how that money is spent, he does require the use of preferred properties.

"We have a lot of influence in that area," he said. "This strategy was presented with the new policy. Though they can use a non-preferred property, they have to justify why they are doing so." There are no specific penalties for noncompliance, Ardis added, but with compliance currently estimated at more than 90 percent, none seems necessary. Usually noncompliants are new employees or those otherwise unaware of the new policy, and a single explanation of the procedures is enough to assure future adherence.

One ancillary benefit of the new policy is the ability of the events department to better control lead times. Although Amway is not exempt from industry-wide trends toward short-term meetings, and no policy mandates that a certain amount of lead time is required, Ardis said centralization allows for better communication between meeting sponsors and his department.

"When we receive a program in which the lead time is short, it gives us an opportunity to educate them that more time helps us, them and the property," Ardis said. "Lead times have been cut down a little and that's forced us to plan a little better. I don't know if it's leading to better deals, because rates are still high but they come down when we push."

Amway's policy changes are still new, and though the program is not yet where Ardis wants it to eventually be, headway has been made. The events department recently was assigned responsibility over other types of employee travel expenditure, as the company in August insourced its corporate transient travel operations and assigned their management to the events department. Ardis said the department is reviewing its processes with suppliers to make that transition efficient.