

best practices in SMM STRATEGIC SOURCING



Strategic sourcing has emerged as a critical concept for corporations looking to control meetings spend. It is also a logical first step to more holistic strategic meetings management. Understand the elements of sourcing success and get started now.

cvent

A Meetings Management
White Paper Presented By

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EXECUTIVE SUMMARY

According to statistics from the CWT Travel Management Institute, meetings and event spend typically equals 0.1 to 1.5 percent of corporate revenues and can reach as high as 4 percent in industries such as pharmaceuticals, IT, banking and finance. The same study also indicates that corporations can achieve an average of 10 to 25 percent savings when they implement best practices in sourcing, processes, and policy and compliance.

Strategic sourcing is perhaps the most critical component in that it accounts for 60 to 70 percent of overall strategic meetings management (SMM) savings. As such, a strategic sourcing effort to define a universe of preferred suppliers is often the starting point for a larger meetings management effort.

Establishing preferred suppliers is not an end in itself, however. To achieve actual savings, meetings managers must also drive planners—both professional and ad hoc—to use those suppliers, take advantage of pre-negotiated contracts and supply critical data about their meetings that will power additional sourcing efforts as a meetings management program matures.

At the heart of sourcing success sits a robust meetings management technology solution that enables a corporation to collect standardized meetings data across the enterprise and drives planners through standardized processes to preferred suppliers. Beyond that, quality meetings management tools allow individual meeting planners to source strategically and efficiently among preferred supplier choices to determine the best fit for their programs.

“At its simplest, companies can’t afford not to source meetings strategically—the spend is too big,” says Lisa Palmeri, director of professional services for Cvent, a leading meetings technology provider. “Over time, strategic sourcing has become the best practice,” she adds, and points out that companies that have not engaged their meetings department on this issue are not only leaving money on the table but adding unnecessary risks, as well.

This white paper highlights the business case for strategic sourcing, categories of spend to which it can be applied and steps to implement a strategic sourcing program that achieves industry best practice and drives compliance to corporate meeting policies and preferred partners.

REASONS FOR STRATEGIC SOURCING

Realizing economies of scale with suppliers has long been the purview of procurement. No matter what business-school catch phrase is attached to the practice—strategic sourcing, consolidation, rationalizing the supplier base, etc.—the effort to reduce the number of suppliers from which a company is purchasing commodities or services has been critical to financial success in the corporate environment.

The business case for strategic sourcing goes beyond savings. It hinges on the concept of preferred suppliers—suppliers with whom the corporation contracts pre-negotiated rates, terms and conditions under the auspices of a master service level agreement that dictates the way in which the enterprise will do business with the supplier. The practice has steadily moved outside of narrowly defined purchasing centers and

has influenced all parts of the corporation.

Corporate travel managers, for example, are keenly aware of purchasing practices and many have become sourcing experts, creating preferred partner programs with air, hotel and ground transportation providers and transforming transient travel programs based on those agreements. With the emergence of strategic meetings management over the last several years, meeting planners and managers are being asked to become equally adept, in an effort to realize the following benefits for the organization:

› SAVINGS

SMM overall has proved very effective in excising anywhere from 10 to 25 percent of a company’s meetings spend in a first-pass yield. Experience shows that strategic sourcing is the most critical element of this effort, generating

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60 to 70 percent of all the savings associated with SMM by driving the majority of meetings to preferred suppliers.

› RISK REDUCTION

Standardizing meetings contracts, and including enterprise-approved terms and language in key clauses such as liability, attrition, cancellation, confidentiality and more, the corporation is assured that all legal, corporate and regulatory requirements are met, reducing risk at all levels—particularly the financial penalties that can result from loosely constructed contracts.

› INCREASED SERVICE LEVELS

A well-constructed preferred partner agreement should define the way the partners will do business with each other. In return for volume commitment from the client, a supplier should agree to minimum service level thresholds tracked through key performance indicators and be held accountable for delivering products and services that fail to meet defined standards. On the flip side, meeting managers should expect these agreements to include recourse for suppliers should the corporation not meet its volume or market share commitments.

› SUBJECT TO SOURCING

While any category of a company's meetings spend can theoretically be subject to strategic sourcing, some lend themselves immediately to the process while others won't yield results that warrant the effort in the initial process, or perhaps ever. From a cost savings, standardization and risk management perspective, strategically sourcing hotel suppliers will yield the greatest results for most corporations.

"Hotels have been an area of focus longer than any other in the meetings arena, especially from the technology perspective," says Kari Kesler Wendel, senior director of SMM program management and solutions for Carlson Wagonlit Travel Meetings & Events. "The first [sourcing] marketplace that was opened was online RFPs for hotels." To be sure, the volume of spend, depth of industry experience and availability of well-designed technology solutions make hotels the usual starting point for strategic sourcing. On the other hand, while air might appear to be ripe for strategic sourcing, Wendel notes, "Group air deals have not been as consistently valuable in the past as they've been perceived

to be." In short, a corporation that already has existing air agreements on the transient side is unlikely to uncover better savings from strategically sourcing air just for meetings.

For other categories of suppliers—such as AV and production, restaurants, special event venues, destination management companies and meetings management itself—the decision is dictated by two factors, says Lisa Palmeri, professional services director for Cvent.

1. *How much the company is spending*
2. *How easily it can be commoditized*

"It is crucial to determine the level of effort to achieve savings versus the level of savings expected," says Palmeri.

To that end, it is useful to consider the relative ease or difficulty of creating RFPs for each supplier category a company wants to address with a strategic sourcing effort, as well as putting together a scoring mechanism for comparison in each category. "Can the company identify the services or commodities in a way that they can be standardized for contracting?" Palmeri asks.

Only by creating a standardized basis upon which to compare suppliers, can sourcing efforts be truly strategic.

Especially for the hotel category, it is important to recognize that a strategic sourcing effort for meetings differs from similar efforts in transient travel in that the practice must occur on two levels.

The first level establishes baseline agreements to create the preferred supplier universe from which a meeting planner should be choosing a specific property to host their program. Beyond that, however, the planner must have the flexibility to execute a targeted RFP process to identify the best supplier for a given program and negotiate additional details, such as food and beverage or additional concessions that may be available based on number of room nights booked at the hotel, etc.

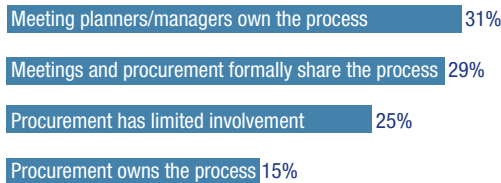
While meetings management or procurement may hold primary responsibility for strategic sourcing (see chart, next page) best practice for a start-up sourcing effort engages a cross-section of meeting stakeholders, tapping into the expertise and



experience of each. A typical effort might include the meeting planning department for insights into the specific needs of an enterprise's unique meeting requirements, procurement and legal for sourcing and contracting expertise, corporate travel for its existing relationships, and a variety of other potential stakeholders such as sales, marketing or communications.

PRIMARY RESPONSIBILITY FOR STRATEGIC SOURCING MAY FALL TO MEETINGS OR PROCUREMENT, BUT FOR 29 PERCENT OF COMPANIES, THE TWO DEPARTMENTS SHARE THE PROCESS. AS SMM CONTINUES TO GROW, PROCUREMENT IS LIKELY TO GET MORE INVOLVED.

How involved is procurement in the sourcing process for meetings in your organization?



Source: Cvent Webinar: Procurement vs. Meetings, Can Both Sides Win? Audience poll question, 117 respondents.

STEPS TO SUCCESS

The process of strategic sourcing includes several steps, all of which are integral to the overall success:

1. Assess the current meetings situation.

Who is currently contracting for meetings? Who are the current suppliers? What is the current meetings volume and spend? Wendel cautions not to get too caught up in trying to do this initial analysis. "The baseline effort will only give very loose data," she says. "Meetings tend to be found in several different budgets. My best baseline efforts have never uncovered more than 30 percent of the total meetings spend."

2. Analyze the market.

Determine which suppliers compete in the space, followed by additional research to determine which ones warrant further exploration. Start with existing suppliers, but now is also a good time to broaden the field and take another look at suppliers who are not currently in the rotation.

3. Develop the strategy.

Before sending out any RFPs, it's key to determine what the end goal is—the number of suppliers to be selected and the scope of the business of each. Limiting the number of suppliers enhances the ability to increase market share and maximize savings. In addition, a prescribed scoring/evaluation model for RFPs helps ensure equitable selection. "Many companies go out to bid without doing this step and try to set a strategy after the bids are already out, which can end up with bids that spiral out of control," Wendel says.

4. Select suppliers and negotiate contracts.

As always, negotiation is a two-way street. Corporations should be prepared to guarantee a certain market share in order to garner the best deal. Beyond basics such as rates, contracts should include protective clauses related to cancellation, attrition, confidentiality, insurance, warranties and so on, as well as value-adds (for example, late check-in or complimentary WiFi) and service level agreements to ensure quality and consistency of service.

5. Launch the program.

In addition to the training and communications necessary at this stage to inform meeting planners—professional and ad hoc—of the new processes, it's critical to incorporate meetings policy into offerings from technology providers to enable the process. (See "Tools To Support the Process," below).

6. Ongoing program management.

This includes both supplier management through reviews of service level agreements and key performance indicators as well as ongoing program analysis through aggregated reporting.

TOOLS TO SUPPORT THE PROCESS

A recent study by The Aberdeen Group showed that corporations that use end-to-end SMM technology solutions to streamline, enhance and automate processes achieved over 30 percent higher cost savings than companies not currently using an end-to-end solution. A specialized SMM technology solution, however, is rarely the starting point for a strategic sourcing effort.

A corporation's existing technology solutions often provide the initial data to define current



spend and volume, whether that comes from a corporation's purchase order or expense reporting system, third-party vendors like a meeting management company or TMC, or the actual suppliers. While the data will likely be incomplete, meeting suppliers may extend preferred agreement consideration to corporations that have a strategic management effort underway.

Once a preferred partner network is established, however, the right technology solution must drive and track compliance to preferred suppliers, ensure consistency of process standards and deliver critical data that will allow meeting managers to further refine their sourcing efforts, as well as their meeting program as a whole.

A best-in-class meetings management tool allows corporations and meeting managers to configure the technology to mirror the complexity of the meetings policy. If the policy is tiered, for example, to allow client programs and travel incentives to access five-star hotel properties, the technology solution should allow corporations to withhold these options from other types of meetings but display them when needed for the success of high-end programs. In this way, a quality technology solution is instrumental in driving planners through defined policy and process. Moreover, it is critical for tracking bookings that are made outside of policy and routing policy exceptions for approval, if needed.

Process automation provides more than management controls, however. It can also help planners to source individual meetings more quickly and efficiently by templating the RFP process and providing easy access to meetings history, as well as standardized contract terms and conditions.

When considering SMM technology for strategic sourcing, corporations should consider the following:

› **Consolidate meetings activity onto one technology platform:** Functionality should include meeting registration, budgeting, site selection, attendee registration, travel, housing, and reporting.

› **Bias a search for preferred suppliers:** During the initial site selection process, the planner should be able to easily see which hotels and other suppliers are preferred, with those suppliers optimized for preference to drive behavior to the preferred suppliers.

› **Expedite the RFP process:** The tool should allow the planner to access RFP templates, allow customization to the templates and automatically attach standard terms and conditions to an RFP so any pre-negotiated items are already a part of an RFP.

› **Track the RFP process for individual meetings:** The technology should be able to follow the progress of an RFP for any given meeting, and allow for comparisons between the supplier responses to the RFP.

› **Track compliance to preferred suppliers:** Reporting functionality will allow a corporation to monitor the rate of selection of preferred suppliers versus non-preferreds.

› **Report on data in a variety of forms:** A robust tool will allow planners and other interested departments to slice and dice data in multiple ways for data analysis.

STRATEGY BY MEETING TYPE

Developing a strategy for the RFP process is critical to any successful sourcing effort. Strategy by meeting type is a concept that has grown in acceptance as SMM efforts have matured. The practice encourages procurement and meeting managers to work together to define the different types of meetings held by the company and the appropriate hotels—and other select suppliers—that should be available for a meeting of that type.

For example, internal training meetings require a very different type of facility than a product launch. A conference center, in this case, might be preferable to a flashy, more expensive urban hotel. Yet both types of properties should be sourced as preferred to meet the needs of the organization as a whole. Meeting managers should be able to configure a meetings technology system to collect details on meeting type when a planner registers the meeting and deliver prioritized search results based on those details.



DATA MATURES THE PROGRAM

The initial savings potential of a strategic sourcing effort is often the business case that gets an SMM effort off the ground. Over the long term, however, access to accurate, consistent meetings data and visibility into enterprise-wide meetings spend becomes the real end-game for mature meetings management.

As a warehouse of data, a best-in-class meetings management technology should provide meeting planners, managers and upper-level executives with detailed reporting, as well as summary dashboards, that can guide strategic decision-making for meetings and further optimize sourcing efforts.

Roll-up data that shows critical information to drive a strategic sourcing effort includes:

- › Total meetings registered
- › Overall meeting activity
- › RFPs awarded for future meetings
- › Spend per supplier category

- › Spend per brand or hotel chain
- › Spend per meeting type
- › Meetings activity per department, office location or meeting planner
- › Meetings activity by budget, size or location

A quality technology partner should consistently develop its reporting capabilities to deliver the business intelligence that meeting managers and their corporations require. Access to this data should be available in real time and managed through configurable administrative controls that allow a variety of stakeholders to benefit from the insights that detailed meetings intelligence can provide.

Strategic sourcing is the starting point for an overall meetings management effort. If done well, it can set the stage for immediate savings as well as a successful meetings management program that will continue to protect company interests and pay savings dividends over the long term.

MYTHS VS. REALITY

Despite the increasing prevalence of strategic sourcing within the context of strategic meetings management, misconceptions persist about the realities and true value of strategic sourcing.

Myths

Reality

Supplier rationalization means meeting planners have no choice of hotel for individual meetings.

Corporations will typically choose a range of preferred hotels, allowing planners to choose the most suitable hotel for a given meeting's needs and goals.

Every meeting must use a preferred hotel.

Preferred hotels are most suitable for meetings that are repeatable, business focused and centered in major locations; however, there are always meetings that won't fit well into pre-determined hotel choices, most often board meetings, incentives and product launches.

Meetings can use the same hotels that have been established as preferred suppliers for corporate transient business.

While it certainly makes sense to leverage the synergies between corporate travel and meetings by using the same preferred hotels when possible, meetings and business travel do not always have the same needs. When sourcing meetings hotels, a good look at preferred suppliers for transient travel is only a starting point.

One chainwide agreement will cover all meetings.

Chainwide agreements can be tricky because most chains include properties that are company owned, as well as those that are only company managed and franchises. While overall a chainwide agreement can cover more destinations, most often it's simply a template of terms and conditions, but not an actual contract or specific agreement. Agreements still must be negotiated with individual properties.

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