

New Era of Risk Management for Meeting, Event and Incentive Travel

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It's been a rough ride these past few years for the meeting, event and incentive travel industry. As a result, we can't presume that it will ever be "business as usual". We've learned quite a bit from these events and much has changed. These changes require us to operate differently today, especially when it comes to the areas of contracts, liabilities and bankruptcies.

The series of massive program cancellations over the past few years not only impacted business performance of buyer organizations, but the supplier industry as well. Destination management companies (DMCs), hotel properties, ground transportation providers, airlines and others were faced with some of the most challenging financial times in their history. As our industry begins to rebound, one significant shift in business operations for both buyer and supplier surrounds risk management.

Now, more than ever, buyers and suppliers need to work not just harder, but together to better manage their respective risks. Good, solid best practices need to be incorporated that equally protect one another's interests. The most significant risk management areas and practices to be aware of, consider and avoid include:

Attrition and Cancellation

Expect stricter provisions regarding attrition and cancellation clauses as well as higher deposit requirements. These are common practices in today's market and are not solely based upon situations of "buyer" versus "seller" market conditions, or "peak" versus "off-peak" seasonality.

Underbooking

Avoid situations of underbooking space because you don't have a clear view on the total number of participants that will attend a program. This is a tremendous gamble as supplier capacity to scale may not exist and put your programs performance at risk.

Financial Stability of Suppliers

Understand the financial health of direct suppliers throughout the lifecycle of a program, not just at the beginning. Protection from a worse-case-scenario such as a bankruptcy or foreclosure is something that should be incorporated within your contract's terms and conditions. In addition, consider the following:



- Properties going through financial trouble may change flags or branding. If this occurs, you need to ensure your contract provisions provide options. In some cases, this might include the right to exercise a cancellation based upon ownership changes.
- For suppliers who you may not have a history with, consider securing language within your contract that identifies what deposits are purposed towards. Depending upon the size of your event, a letter of credit wouldn't necessarily be out of the question.
- Choosing to stay with a hotel, DMC or convention center through financial challenges isn't necessarily a bad choice, but you do need to ensure there are no service barriers that could impact program logistics or participant experiences. Be sure to ask a lot of questions, especially surrounding such areas as staffing levels, property upkeep and maintenance. In addition, establish service level agreements (SLAs) and keep tabs on supplier issues through hotel ratings, websites and social media posts.
- In DMC relationships, ensure your supplier possesses the appropriate levels of umbrella insurance coverage for all third-party relationships.

Service Levels

Some properties responded to the increased financial stress of the past two years by decreasing service levels and deferring property reinvestments. Protect yourself by conducting thorough site inspections and talk with others that have operated programs at the properties you are considering, to make sure the property can deliver the service experience you expect.

Today's planners need to make decisions that go beyond just low rates. It's a new era for meeting, event and incentive travel; especially when it comes to risk management positioning. These past few years created a significant shift, calling for a more balanced and shared set of risks between buyer and supplier. How has this changed your approach?



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