

'Getting tougher, but the best will always do well'

* * * *

IMEX AGENCY AGENDA '08 – MICE intermediaries reveal views on commission/fee arrangements; procurement; relationships with hotels/convention bureaux/transport suppliers; the environment; and the outlook for the industry.

* * *

The first IMEX AGENCY AGENDA – research specifically targeting MICE intermediaries for their opinions – attracted over 100 respondents by email in October 2008.

Countries represented included 11 across Europe, plus Scandinavia, and also Russia.

The job titles of those participating include the following: sales and marketing manager; managing director; CEO; agency manager; senior project manager; managing partner; MICE organiser and GM; and MICE consultant.

* * *

Context

Questions that provide a context for this work reveal a general picture of the business achievements of the agency sector, as follows:

- agencies were asked what proportion of their events that they book typically take place within their own countries (rather than overseas): Roughly a third of agencies report a proportion of up to 25%; a further third (approx) identify the percentage as being between 26% and 50%; and the balancing third (approx) say the figure is 51% plus.
- agencies were asked what proportion of the events that they book typically are corporate in origin (rather than associations): for 22% of agencies the proportion of corporate events is under half; for 5% of agencies the percentage is from a half to three-quarters; but for the vast majority (73%) the figure exceeds three-quarters (and is in many cases, literally all of their work)
- agencies were asked what proportion of their annual turnover typically is generated through negotiated procurement contracts. For over a quarter no such business is recorded, and for a further 1 in 5 the proportion remains below 10%. For each of the percentage bands, 11%-25%; 26%-

50%+; and over 51%, the figures are broadly equal, at just over 1 in 6 in each case.

Placed business

Agents also explain where, typically, they place their MICE bookings, as **Table 1** summarises:

Proportion of annual turnover of agencies	Placed in hotels	Placed in corporate conference centres	Placed in unusual conference centres (eg historic houses)	Placed in colleges and universities	Placed in 'other' venues
<i>Under a quarter</i>	3%	68%	81%	96%	76%
<i>Between a quarter and a half</i>	37%	21%	19%	4%	24%
<i>Between a half and three-quarters</i>	48%	6%	-	-	-
<i>Over three-quarters</i>	12%	5%	-	-	-

Agents further explain where, typically, in which type of location they place their bookings, as **Table 2** summarises:

Proportion of annual turnover of agencies	Placed in city venues	Placed in countryside venues	Placed in airport venues	Placed in seaside resort venues	Placed in motorway venues
<i>Under a quarter</i> 100%	4%	79%	100%	64%	
<i>Between a quarter and a half</i>	27%	21%	-	32%	-
<i>Between a half and three-quarters</i>	34%	-	-	4%	-
<i>Over three-quarters</i>	35%	-	-	-	-

Commission v fee-based contracts

Agencies across Europe, Scandinavia and Russia appear evenly divided over whether their work is remunerated best by commissions from venues, or via agreed fees paid

by clients. Ten representative arguments put forward follow below (verbatim comments, and country of source):

- ‘Commission – because it leads to higher motivation and a better focus on good work within the agencies’ (**Germany**)
- ‘I favour commission, but a problem is that many hotels/venues are very bad at paying’ (**UK**)
- ‘Fees – because the relationship is open and transparent and the agency is truly independent’ (**Germany**)
- ‘Fees – so we can discuss net prices and the best overall cost for clients’ (**Italy**)
- ‘I think the practice of paying commissions will have ended within three to five years’ (**Denmark**)
- ‘Fees – so that each agent can value his services accordingly’ (**Greece**)
- ‘Commission – because as a business you are not so beholden to the final client’ (**Sweden**)
- ‘Fees – a far better way of evaluating the negotiating strengths of the agency’ (**Italy**)
- ‘Fees – because major hotel groups are increasingly reluctant to pay commissions since they have their own sales forces. Also, fees demonstrate that it is essential that agencies be paid for their time, knowledge and experience’ (**Spain**)
- ‘Transparency arises from fees, but it’s usually cheaper for the client if it’s all based on commissions’ (**UK**)

Helpful or unhelpful suppliers?

Agency leaders were asked to evaluate the work of industry suppliers and professionals, as **Table 3** summarises:

	Venues in arranging SITE visits for clients	The support and work of local/ national convention bureaux	The support and work of airlines and railway operators
<i>Considered very helpful</i>	32%	22%	11%
<i>Helpful</i>	47%	52%	30%
<i>Satisfactory</i>	15%	20%	31%

<i>Unhelpful</i>	6%	6%	16%
<i>Very unhelpful</i>	-	-	12%

Adding to this analysis are the following representative verbatim comments:

- *'the real issue is that I don't think all venues are sufficiently aware of the value of MICE agencies, and some still don't pay commission, or only pay 5%'*
- *'whether or not staff at convention bureaux are helpful often depends on the country ...but some don't even know all their venues'*
- *'too many venues attempt to dictate times/dates for SITE visits to suit themselves, NOT the client'*
- *'overall we have had wonderful service from many overseas convention bureaux'*
- *'an issue arises when convention bureaux begin to act themselves as a PCO or DMC. Also they are most helpful for congresses and big meetings, but less helpful for incentives and events'*
- *'we will only work with professional venues that provide the level of service that reflects the standards that our clients expect of us'*

Agency-friendly hotels and procurement managers?

Respondents were asked what hotels might do in order to become more 'agency-friendly'. The most frequently-voiced suggestions are: (i), that they should NOT go direct to the agency's clients; (ii), that agents should not be viewed as outsiders on commission, but valued members of the venue team delivering to clients; and (iii), that more should be done to educate venue staff as to what the MICE sector is all about. A parallel question asked what more should corporate procurement managers do in order to be more 'agency-friendly'. The most frequently-voiced suggestions are: (i), reduce the number of agencies who pitch for the contract, allow more time, and only seek quotations that are serious (i.e. thereby respecting the amount of work involved); (ii), trust (and be more fair to) agencies as being fully professional and not just in it for the money; and (iii), purchasing departments should look beyond the big agencies and be more inclusive (working with smaller and newer and niche intermediaries) in order to benefit from their better service, added creativity, and greater commitment.

'Irritations'

Characteristically, IMEX research projects invite participants to list those 'irritations' or 'challenges' that are experienced in their work and that they think ought to be discussed within the industry, and tackled. Examples follow (verbatim comments, with country of source):

- *'venues that quote different rates to different agencies' (Italy)*
- *'too many emails in this industry – we need more eye-to-eye contact' (Holland)*
- *'working for pitches without being paid' (Switzerland)*
- *'I would prefer that hotels give good net rates, and not just high commissionable rates' (Denmark)*
- *'agents who are just good travel DMCs but do not necessarily know the work of a MICE DMC' (Greece)*
- *'too much unpaid work' (France)*
- *'event planning times are getting shorter and shorter, and budgets are being cut and cut' (Italy)*
- *'linguistic and cultural misunderstandings' (Switzerland)*
- *'venues mis-selling their capacities and hotels not paying commissions in good time' (UK)*
- *'inexperienced staff at hotels and the general lack of interest of new generations working in the industry- they never listen to your needs' (Spain)*
- *'cancellation rules for airlines where to you pay a cancellation fee even when you cancel a long time in advance' (Sweden)*
- *'hidden costs – yes, these still happen' (Germany)*

The environment

This agency report raised a number of questions that centre on concerns about climate change and the consequent reaction of the business tourism sector. Research respondents were asked: *'how environmentally-aware are your clients?'*; *'how environmentally-aware are the venues you use?'*; and *'how environmentally-minded is your agency?'*. Given the more pressing issues currently facing this and other industries, the good news, and it is widespread, is that the characteristic response to each of these topics is on the lines... 'clients are increasingly making environmentally-interested enquiries' ... 'venues are beginning to introduce environmental changes' ... and, 'our agency is having to become environmentally-

mindful because clients expect it'. Even more positive are cases where agents report that they now offer environmentally-friendly programmes as standard, with quotable examples from France, Norway, Switzerland, Sweden, Portugal, Netherlands, and UK. Elsewhere criticisms are directed towards MICE organisations that feature green messages that appear more for image than for practical application.

Outlook

Finally, this **IMEX AGENCY AGENDA** asks '*how bright is the future for MICE intermediaries?*' True, there are numerous references to the next 12 months – 'this financial crisis is unhelpful' ... 'the near future is very challenging' ... 'the outlook is tough'. But that is not the expectation of all agencies, and there are many positive remarks. Examples include: 'our future is a lot brighter than it is for the leisure sector' ... 'the future is what you make it: no risk, no reward' ... 'a bright forecast because so many clients who tried to organise events themselves are now deciding to return to MICE agents' ... 'I think smaller agencies with lower costs will do well' ... and 'things always look good for the best operators who will always do well'.

Challenges clearly remain for the agency sector beyond the present global uncertainties, and these include the efficiencies and cost savings that the internet can bring, and the growing requirement that all businesses must try to operate in a more sustainable way. However, the defiant answer is, according to one agency in Portugal: 'Okay, so we'll all just have to work that bit harder to succeed

* * *

IMEX wishes to thank all those agencies who contributed so thoroughly and professionally to this research.