

MEETINGS AND EVENTS PURCHASING
AN ANALYSIS OF BUSINESS RELATIONSHIPS IN EUROPE



PREPARING MEETING PROFESSIONALS FOR THE FUTURE

AN MPI FOUNDATION RESEARCH

WITH THE SUPPORT OF



The Global Meetings & Incentives Exhibition

AND



PRELIMINARY
RESULTS

RESEARCH CONDUCTED BY



THE EUROPEAN INSTITUTE
OF PURCHASING MANAGEMENT

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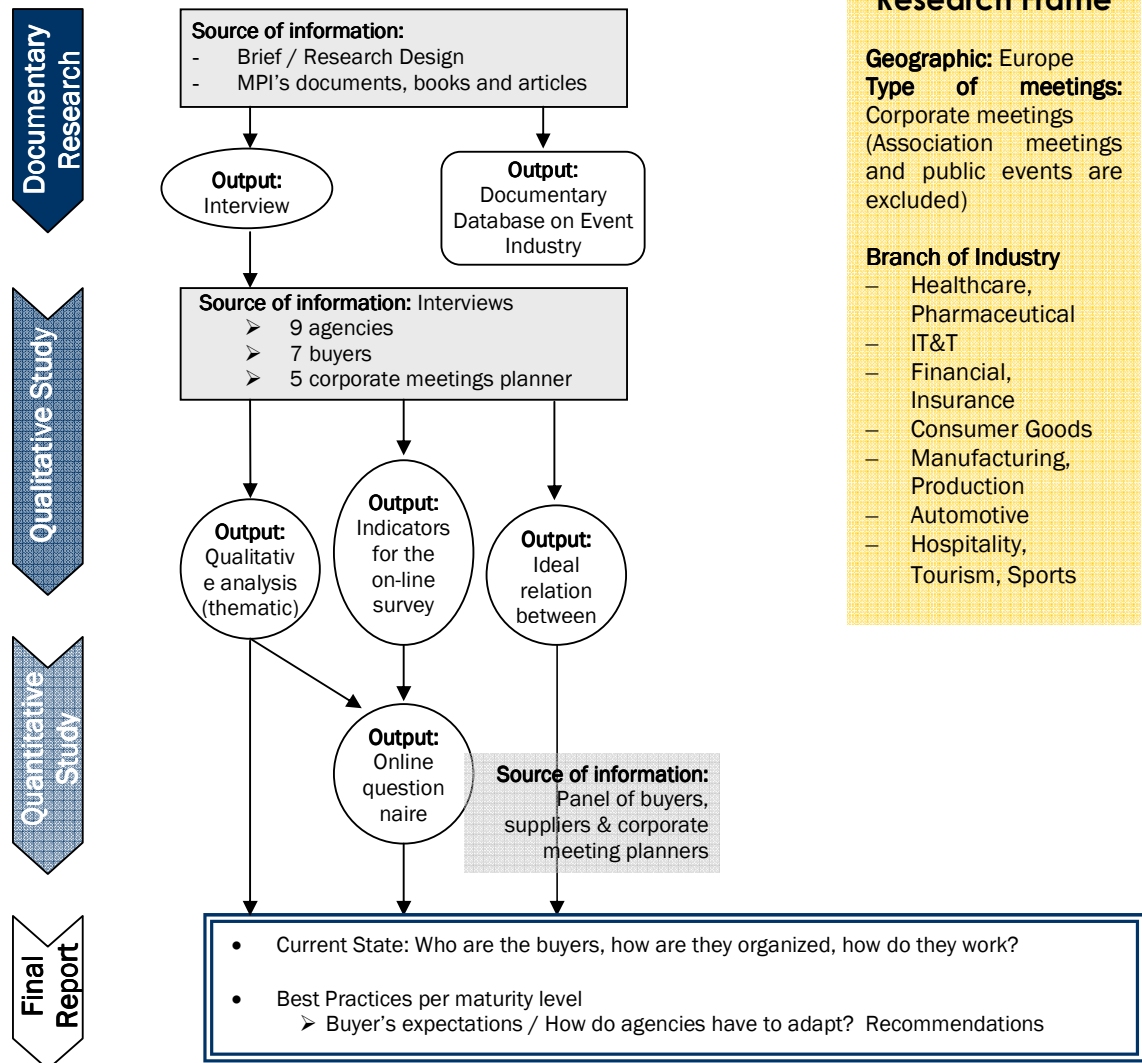
PRELIMINARY RESULTS FROM AN MPI FOUNDATION RESEARCH CONDUCTED BY THE EUROPEAN INSTITUTE OF PURCHASING MANAGEMENT WITH THE SUPPORT OF EIBTM AND MCI

Purpose of the research

- Analyse the commercial practices of the Meetings and Events Industry (current practices, purchasing processes, buyers' and agencies' expectations, gaps, etc.)
- Identify purchasing "Best Practices" for the years to come in the Meetings and Events Industry.
- Give recommendations on how to respond to the developments and reduce the gaps.

Final objective = to define Commercial Best Practices.

Method



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QUALITATIVE STUDY

SUMMARY OF SIGNIFICANT FINDINGS

“21 interviews were carried out at the European level: 9 agencies, 7 buyers and 5 Corporate Meeting Planners”

1 THE DIFFICULTY TO UNDERSTAND THEMSELVES

“Each actor (agency, buyers) are ignorant of the other’s job”

“The grand majority of purchasing departments doesn’t understand the role of agencies in designing meetings or events”

→ **First, meetings and events agencies do not understand the internal organization of firms concerning the buying process.** Several agencies argued that they do not know who is in charge of the process in the firm. They face multiple customers or entities with different needs and opinions.

→ **Second, purchasing departments do not understand agencies’ job, and above all their working practices.** The main problem is related to the **cost model of agencies** which appears to be undetermined or at least unclear. Buyers do not understand **price propositions** made by agencies and they would like more precise and clear data. Interviews reveal that agencies are unable to provide clear and precise price propositions, following a method of cost breakdown. Moreover, when agencies are obliged to realize a cost breakdown in order to answer to a RFP (Request For Proposal), they spend a lot of time to this activity, time that is not dedicated to improve the quality of the overall proposal.

2 THE LACK OF TRANSPARENCY IN AGENCIES’ PROPOSALS

“Buyers needs to be sure that agencies negotiate the best prices for them with providers”

The grand majority of buyers highlight the lack of transparency of agencies’ propositions. This is due partly to their difficulty to realize a cost breakdown.

But it also appears that buyers are not sure that agencies negotiate the best prices for them with providers.

Some buyers said that they had already obtained better prices when getting in touch directly with some providers instead of letting agencies taking care of this step.

This lack of transparency that is perceived in **agencies’ price proposals** (but also in their **overall strategy**) is really harmful for the quality of the relations.

In this perspective, **buyers develop several expectations** towards agencies in order to clarify these elements:

- **Agencies should develop two different strategies according to the size of project (small projects vs. big projects)**
- **Agencies should explain their job to buyers**
- **Agencies should focus on the added-value they bring to the project.**

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THE TWO MAIN FRUSTRATION OF AGENCIES

“Agencies feel some frustration regarding the perceived value of their work by buyers”

→ **First**, a general consideration of agencies that come from the interviews has to be highlighted. **Agencies feel that buyers do not respect their job because they consider them as unable to supply a clear and precise RFP (Request For Proposal or Request For Quotation).** In their view, buyers do not consider agencies as “professionals” because they are not able to take into consideration economic aspects of an event but only “artistic” ones.

→ **Second**, agencies’ interviews highlight the fact that buyers do not really respect their work. **Agencies argue that buyers collect the work of several agencies in order to take advantage of each agency’s ideas and opinions, without paying them for this work.** Firms only collect ideas from agencies and some of the respondents told us that, thanks to these contributions, companies develop their projects by themselves dealing with the work of agencies. A general feeling of agencies is that they have the impression to work for “nothing” in giving all their know-how without anything in return.

This feeling of frustration of agencies is definitely harmful in the development of good and honest relationships between agencies and buyers.

THE ROLE OF INTERFACE OF THE CORPORATE MEETING PLANNER

“The presence of a meeting planner in a firm changes significantly the relationship between buying firms and agencies, and more precisely the three preceding points.”

A meeting planner **act as a coordinator** for both internal and external actors of the firm.

→ **Inside** the firm the meeting planner constitutes as a kind of link between the user department (human resources department for instance) and the purchasing one.

→ **Outside** the firm the CMP is also a link between the two above-cited departments for instance (HR and purchasing one) and the agency. **His role is to help both parties in understanding their respective work.**

CONCLUSION

In the buyers’ point of view, it is important to note that they consider that agencies lack in professionalism.

Agencies have to develop or adopt more structured tools and working methods. Cost breakdown appears to be the first buyers’ expectation in order to clarify all the financial aspects of the relation. It is also interesting to stress that buyers’ expect **more anticipation** of agencies concerning current tendencies, working practices and tools used in the meeting and event industry.

In agencies’ point of view, buyers have no idea of their job and more globally very little knowledge concerning the meeting and event industry. This aspect seems to be the cause of many conflicts and misunderstandings. Agencies also highlight the **opposing goals and needs of the internal customer and the purchasing department** that strongly complicate their situation.

The presence of a meeting planner in the buying firm seems to be a good solution to bring closer ties between the agencies and buyers.

Sample

9 Agencies:

- 2 regional agencies
- 3 national agencies
- 4 international agencies

7 Buyers:

- 2 in financial and insurance
- 3 in pharmaceutical
- 1 in food industry
- 1 in luxury industry

5 Corporate Meetings Planners:

- 2 in IT&T company
- 2 in pharmaceutical companies
- 1 in financial and insurance

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QUANTITATIVE STUDY

SUMMARY OF SIGNIFICANT FINDINGS

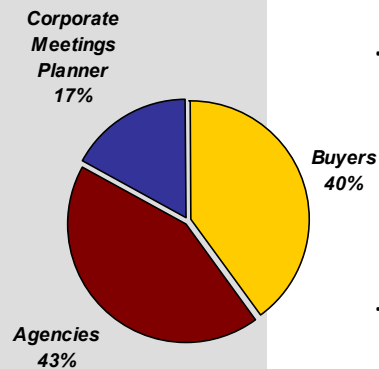
Sample

276 Respondents.

The 3 most important activity sectors are:

- **Healthcare / Pharmaceutical / Chemical** (27%)
- **IT&T** (15%)
- **Financial, Insurance** (15%)

The Head Office of respondents is located in: **France** (14%), **Italy** (11%), **Germany** (10%), **Switzerland** (9%), **North America** (9%), **UK** (8%) for the 6 most important countries.



Profiles

BUYERS	Corporate Meeting Planner	AGENCIES
- Responsibility at Corporate Level	- Responsibility at Corporate Level	- Responsibility at Corporate Level
- From Healthcare company	- Non specific industry sector	- From Healthcare company
- Master's degree	- Bachelor's degree or less	- Master's degree
- 5 years experience	- 7 years experience	- 5 years experience
- Original specialisation: Marketing & Sales	- Original specialisation: Marketing & Sales	- Original specialisation: Marketing & Sales

→ The 3 main perceived evolutions

... For buyers:

- 1) The professionalization of buyers in term of M&E industry (**21 %**)
- 2) A growing importance of the power of purchasing department (**16 %**)
- 3) A growing professionalism of agencies in purchasing and sales (**16 %**)

... For agencies:

- 1) The professionalization of buyers in term of M&E industry (**17 %**)
- 2) A growing importance of "Events Marketing" (**17 %**)
- 3) A growing professionalism of agencies in purchasing and sales (**16 %**)

→ The Relations

Globally, respondents have a quite similar point of view on the commercial relationships.

Buyers and agencies' assessment is positive on the majority of variables.

The 3 ethics virtues of the relation:

<p>Justice</p> <ul style="list-style-type: none"> « Respect of formal agreements » « Assume Responsibility » « Respect of confidentiality »
<p>Equity</p> <ul style="list-style-type: none"> « Priority to partner interest » « Respect of interest in financial negotiation »
<p>Trust</p> <ul style="list-style-type: none"> « Develop strong relationships » « Work in a long term relationships »

→ The Expectations

Buyers, Agencies and Corporate Meeting Planners have the two first expectations in common.

Buyers / Corporate Meeting Planners

- “Agencies should have a good knowledge and understanding the sector of activity of their clients”
- “Agencies should understand their clients' needs better and be precise in their answer to RFP”
- “Agencies should make original and creative proposals”

Agencies:

- “Buyers should develop a better knowledge of meetings and events industry”
- “Buyers should understand that consulting and management activities constitute the added-value of agencies”
- “Buyers should pre-select on more precise terms the agency to be sure that the agencies will not work for nothing”

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→ The 9 steps of the process with the 3 different possible practices.

For each of the 9 steps of the process, 3 different practices have been identified (issued from the qualitative analysis).

	Practice 1	Practice 2	Practice 3
Step 1 – Needs definition and specification	There is only a general and oral brief.	There is a simple written definition of the technical specification.	There is clear, precise and well-defined objectives identification of all constraints to take into consideration. There is a functional specification.
Step 2 – Request For Proposal	There is no RFP (Request for Proposal).	A bid is sent to agencies via emails or post.	A bid is available for agencies via e-procurement methods and tools.
Step 3 – Drafting proposals by agencies	Budget assessment is based on a flat fee.	A partial cost breakdown is realized.	A clear and formal cost breakdown is proposed: the fees for the agencies are clearly separated from their suppliers' costs.
Step 4 – Assessment of agencies' proposals and drafting the short-list	The assessment is based on a general feeling.	The assessment is based on a global comparative analysis of the offers.	The assessment is based on a precise and adapted multifactor grid.
Step 5 – Project presentation by the short-listed agencies	A standardized and general presentation is realized.	A meticulous well done presentation is realized.	A clear personalized presentation of the proposals with different hypotheses and examples from past projects is proposed.
Step 6 – Negotiation	Negotiation is always focused on price reduction, independently from the content and quality of the project.	Negotiation is based both on price reduction and overall quality of the meeting or event.	Negotiation is based on value creation and customer satisfaction. Cost reduction is not a priority. The buyers have to take this optimization into consideration.
Step 7 – Establishing contract	The order is confirmed verbally (discussion or phone call).	The order is confirmed through a written document (accepted quotation or email).	The order is confirmed by a contract jointly established by the agency and the project group.
Step 8 – Execution of the contract	The contract execution is only validated at the end of the project.	Regular follow up meetings are realized to evaluate the completion of the project.	A precise agreement specifies the different steps and tools for the follow up and for the validation of the project implementation and its realization.
Step 9 – Assessment	There is no quantitative measure to assess the success of the event or meeting.	A customer satisfaction survey is realized on the event or meeting with participants.	The assessment of the project is based on well-known tools and indicators, as the ROO (Return On Objectives) and ROI (RO Investment).

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→ The 9 purchasing Best Practices for each step

The Best Practice is based on the simultaneous improvement of :

- The quality of the relationship
- The financial management of the project
- The success of the corporate meeting or event

Respondents **validate** (at 85% – 90%) the following practices as being the **Best Practices**.
All practices were confirmed by buyers and agencies except the practice at step 2.

Step 1	Needs definition and specifications	There is a clear, precise and well-defined objectives identification of all constraints to take into consideration.
Step 2	Request For Proposals	A bid is available for agencies via e-procurement methods and tools.
Step 3	Drafting proposals by agencies	A clear and formal cost breakdown is proposed: the fees for the agencies are clear and separated from their supplier's costs.
Step 4	Assessment of agencies' proposals	The assessment is based on a precise and adapted multifactor grid.
Step 5	Project presentation by short-listed agencies	A clear personalized presentation of the proposals with different hypotheses and examples from past projects is proposed.
Step 6	Negotiation	Negotiation is based on value creation and customer satisfaction. Cost reduction is not a priority. The buyers have to take this optimization into consideration.
Step 7	Establishing contracts	The order is confirmed by a contract jointly established by the agency and the project group.
Step 8	Execution of the contract	A precise agreement specifies the different steps and tools for the follow up and for the validation of the project implementation and its realization.
Step 9	Assessment	The assessment of the project is based on well-known tools and indicators, as ROO (Return On Objectives) and ROI (Return On Investment).

→ Which steps have the most impact based on 3 success criterias?

Impact on...	BUYERS / Corporate Meeting Planners
...Quality of the relation	3. Drafting proposals by agencies
...Financial management	1. Needs definition & specifications 3. Drafting proposals by agencies 8. Execution of the contract
...Success of the project	1. Needs definition & specifications

Impact on...	AGENCIES
...Quality of the relation	No specific step
...Financial management	1. Needs definition & specifications 3. Drafting proposals by agencies
...Success of the project	1. Needs definition & specifications 6. Negotiation

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→ STATE OF THE ART OF THE CURRENT PRACTICES

STANDARD PROFILE (practices) FOR EACH MATURITY LEVEL

This table presents the level of maturity of each firm taking into consideration the percentage of use of each practice we identify.

	Practice 1	Practice 2	Practice 3
Step 1	Oral brief	Technical specifications	Well-defined objectives and constraints
Step 2	No RFP	Bid via emails	Bid via e-solutions
Step 3	Flat fee	Partial cost breakdown	Clear and formal cost breakdown
Step 4	Assessment on general feelings	Global comparative analysis of offers	Adapted multi-factor grid
Step 5	Standardized presentation	Meticulous presentation	Personalized presentation
Step 6	Focus on price reduction	Price reduction and overall quality	Value creation and customer satisfaction
Step 7	Oral confirmation	Written confirmation	Contract between agency and project
Step 8	Validation of contract at the end of the project	Regular follow up	Agreement on steps and tools for the follow up
Step 9	No quantitative measure	Customer satisfaction survey	Well-known tools and indicators

●—● Maturity Level 1 (M1)

●—● Maturity Level 2 (M2)

●—● Maturity Level 3 (M3)

Analysis of the 3 levels of maturity

Maturity level 1

Firms displaying a level of maturity of 1 use mainly practices 1 and 2 in each step. These firms are the ones with the less developed methods and tools concerning meetings and events purchasing. In some steps, firms use practices from the level of maturity 2 (3, 5, 6 and 7) which show different levels of development of the purchasing process within firms.

Maturity level 2

This profile is the most “balanced” of the three we have identified. Indeed, firms with a level of maturity 2 use in all steps but one (3) the corresponding practice.

Maturity level 3

At last, firms displaying a level of maturity 3 use the practice 3 in 6 steps of the purchasing process. In other words, only 3 steps are concerned with the main use of practice 2: 2, 6 and 9. It is interesting to note that two of these three steps (2 & 6) are characterized by the use of the same practice (2) by all the different actors in terms of level of maturity (M1, M2 & M3).

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Analysis of the steps of the purchasing process

Some steps are really discriminating in the way that firms with a level of maturity 1 use the corresponding practice. This is clearly the case for **step 1, 4 and 8** where each kind of respondent (M1, M2, and M3) use the corresponding practice.

On contrary, some steps reveal that there is only one practice used in the grand majority of firms and

agencies. It means that some practices are not used in the industry, either due to ease in communications and understanding or due to a slow development and integration of the best practice. This is the case for **step 2 and 6** where all the respondents use mainly the practice 2.

Others **steps (3, 5, 7, 9)** present different profiles of firms and respondents

according to their level of maturity. In steps 3, 5 and 7 practices corresponding to the level of maturity 2 are mainly used, with a growing tendency to implement practice 3.

In the last step, practices are not well-developed for the moment and the tendency is towards the use of practice 1 and 2.

→ HOW TO BE MORE EFFICIENT ON THE 9 STEPS?

** These results are provided through linear regression analyses*

STEP	Implement the Best Practice	Relations
1. Needs definition and specifications	There is a clear, precise and well-defined objectives identification of all constraints to take into consideration.	-
2. Request For Proposals	A bid is sent to agencies via emails or post.	-
3. Drafting proposals by agencies	A clear and formal cost breakdown is proposed: the fees for the agencies are clear and separated from their supplier's costs.	+ Develop relations based on the 3 ethical virtues
4. Assessment of agencies' proposals	The assessment is based on a precise and adapted multifactor grid.	-
5. Project presentation by short-listed agencies	A clear personalized presentation of the proposals with different hypotheses and examples from past projects is proposed.	-
6. Negotiation	Negotiation is based on value creation and customer satisfaction. Cost reduction is not a priority. The buyers have to take this optimization into consideration.	+ It's more important to develop relations based on the 3 « ethics » virtues rather than implement the Best Practice
7. Establishing contracts	The order is confirmed by a contract jointly established by the agency and the project group.	-
8. Execution of the contract	A precise agreement specifies the different steps and tools for the follow up and for the validation of the project implementation and its realization.	+ Develop relations based on the 3 « ethics » virtues
9. Assessment	The assessment of the project is based on well-known tools and indicators, as ROO (Return On Objectives) and ROI (Return On Investment).	+ It's more important to develop relations based on the 3 « ethics » virtues rather than implement the Best Practice

To be the best in class, it's compulsory to implement the Best Practice and the 3 ethical virtues of the relations.

The MPI Foundation

As the fundraising arm of Meeting Professionals International, the MPI Foundation has invested more than \$10 million in visionary research and education since 1984 to shape the meetings industry and prepare meeting professionals for the future.



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About MPI

Meeting Professionals International, the leading association for the global meetings industry, is committed to delivering success for its more than 21,000 worldwide members by providing innovative professional development programmes, building industry awareness and creating business development opportunities.

Founded in 1972, the Dallas-based organisation elevates the role of meetings through its 68 chapters and clubs in 20 countries around the world. For more information, visit www.mpiweb.org.

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