

2021: The Advancement of Destination Management Companies

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INTRODUCTION

The DMC industry is taking the initiative to adapt and evolve. It must work collaboratively with its clients and its vendors to better articulate its value proposition, and form a more transparent and mutually beneficial relationship. In order to achieve this, DMCs are working together to develop improved business practices and standards. More specifically, DMCs are reevaluating their existing proposal, site-inspection, time tracking, contracting, payment, and procurement processes, as well as their overall pricing models. This writing sets out to not only provide context around the foregoing, but also deliver tangible ideas and proposed solutions.

BACKGROUND

At the outset of the pandemic, DMCs were besieged with notices of program cancellation and requests for postponement. DMCs were forced to contemplate never before seen issues amidst a global crisis. In an effort to address these challenges successfully and consistently, an organization now known as the DMC Coalition was formed.

Beginning in May 2020, the DMC Coalition, together with the Association of Destination Management Executives International (ADMEI), began to develop a progressive standard of best practices by delivering timely and reliable resources amidst an ever-changing business landscape. Within these organizations, leaders of the DMC industry assembled and challenged themselves to evolve by implementing a new way of thinking and utilizing an unprecedented time as a catalyst for change to ensure the future success of DMCs and the satisfaction of their clients. This writing presents a summary of concepts derived from members of the DMC Coalition, ADMEI, and its affiliated legal, financial, and insurance professionals that have been developed over the course of this past year.

DMCs are uniting, along with many of their clients, to bring about a positive change. DMCs also recognize there is not just one way to accomplish this objective. It may take different forms and DMCs will work together to remain on the cutting edge of improved business practices. This important work will allow the DMC industry to thrive.

PROPOSED ADVANCEMENTS

The need for in-person meetings and events has been exponentially heightened; the pandemic has fueled that notion. It is apparent in people's daily conversations with others, in the news, and in social media that people require in-person interaction. There have long been studies about the psychological and sociological effects of human interaction, and there is no doubt that a more in-depth conversation about this issue is warranted, but the underlying point is that nothing will replace a person's need to interact with others; specifically, in business settings that are reliant upon forming and maintaining healthy and trusting relationships. This fact alone demonstrates a DMC's inherent value within the hospitality industry. However, in light of the effects of the pandemic, changes are necessary in how that value is communicated, how it is perceived, and how it converts to a mutually beneficial relationship between the

DMC and its clients.

A DMC and the Program Lifecycle

First, DMCs must get back to basics by referring to the official definition of a DMC as defined by ADMEI:

A Destination Management Company (DMC) is a professional services company located in its destination and specializes in local expertise and resources. The DMC is a strategic partner to provide creative local experiences in an event management, tours/activities, transportation, entertainment, and program logistics.

A DMC provides regionally specific expertise and resources to create unique and memorable meetings and events for commercial clients. A DMC consults with their clients to plan, manage, and execute all aspects of a meeting or event including, but not limited to, tours and activities, transportation, entertainment, and décor. A DMC's product is comprised of its knowledge, experience, relationships, design skills, planning capabilities, buying power and operational expertise. The DMC proposes event solutions by customizing and designing the event to reflect their client's vision, as well as evaluates, selects, procures, and manages suppliers to construct an unforgettable experience. By way of analogy, a DMC serves as the architect, interior designer and general contractor of client programs. The vast majority of time, energy, effort, and expense that goes into planning an event is expended days, weeks, months, and sometimes years leading up to the actual occurrence of the event.

When it comes to demonstrating value and the specific timing in which that occurs, DMCs may rely upon a concept defined as the program lifecycle.

The program lifecycle is best described as a universal progression of event planning that reflects different intervals through which a meeting or event is traditionally formed. This longstanding practice utilized by DMCs emphasizes the timing of when certain services are rendered.

An effective way to roughly illustrate the services rendered by a DMC and the value received by its clients is by way of the below table. By utilizing such imagery and breaking down the anatomy of a program, DMC professionals are better equipped to communicate their own product and clients are better able to understand the services performed.

<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Stage 4</u>
<i>Pre-Program</i>	<i>Program Planning</i>	<i>Program Execution</i>	<i>Post Program</i>
<i>- Consulting - Site Visits - Proposal(s) - Procurement</i>	<i>- Planning/Organizing - Sourcing/Contracting</i>	<i>- On-Site Management - On-Site Execution - On-Site Staffing</i>	<i>- Client Satisfaction - Final Billing/Invoicing - Health Tracing¹</i>

Stage 1: Clients typically request the services of DMCs for their upcoming meeting or event that is intended to be held in that DMC's region. This initial request can sometimes be as far in advance as multiple years. The client will provide basic information about the details of that program, the DMC will consult on those details, and the client will ultimately request a proposal. The DMC will begin gathering extensive pricing information, generating creative concepts, and collaborating with its team and its vendors. Thereafter, the DMC presents a custom proposal to the client and, oftentimes, numerous

requests of revised versions are insisted upon, along with hosted site visits. At the conclusion of these efforts, the client would either decline to move forward with the program and/or the DMC, or it would award the business to the DMC and continue the planning process. It is at this time the letter of intent or event service agreement would be introduced for execution.

Stage 2: The DMC will continue with the complete planning, organizing, and modifying of the program up until its commencement. The DMC will routinely confer with their client on all aspects of the program's details, while also sourcing and engaging vendors to provide unique and superior goods and services. In doing so, the DMC places itself between the client and the vendor in order to assume responsibility for the management, production, execution, and even certain forms of liability that stem from the process and relationships; an aspect of the DMC's value proposition that goes overlooked far too often.

Stage 3: The client will partake and enjoy the actual meeting or event while the DMC ensures its flawless execution. If and when matters arise, DMC personnel are present to address the issue and resolve it swiftly.

Stage 4: The client and the DMC will debrief about all aspects of the program. Discussions about how to carryover certain components to future programs will be contemplated, as well as candid conversations about how to improve certain components will take place. The DMC will perform all final invoicing and reconcile all matters with its vendors.

Procurement Practices & Pricing Models

To ensure that DMCs are compensated for their intellectual property and professional services, DMCs are modifying their approach with new and existing clients. This includes, but is not limited to:

- The level of detail and customization that will be included in the initial proposal.
- The number of revisions to the proposal that will be provided prior to a letter of intent or event services agreement being signed.
- The use of time tracking.
- Revised terms in the event service agreement or master service agreement.

Letters of Intent

Recognizing that meetings and events cannot be planned overnight, and knowing that it often takes months and sometimes years to properly plan a program, the dilemma currently at hand is how to move forward in planning a program while making the risk reasonable for all involved.

A mutually beneficial way to limit a client's exposure to unnecessary financial risk while allowing the DMC to begin planning the event and earn revenue while doing so is by way of a legally binding letter of intent.

The letter of intent is an abridged version of the event service agreement that contemplates only those terms relevant to the size and scope of this particular stage in the program lifecycle. It drastically reduces the chances of a later dispute between the DMC and the client, and it creates an opportunity for both parties to continue moving forward with their respective plans.

Time Tracking

Tracking the amount of time a DMC spends working on a program can be extremely beneficial for several reasons. It may be used *externally* in order to demonstrate to a client the amount of time that has been expended on their program, and it may also be used *internally* to reverse engineer a DMC's actual cost of

doing business.

A DMC provides a service. It does not provide a commodity. A DMC's finances and comparative costs can be difficult to assess. They include: rent, utilities, insurance, certifications, training, employee costs, etc.

Whether a DMC tracks their team's time for external and/or internal purposes, a general rule of thumb is that all DMCs should adopt this practice in their standard business model.

Procurement Process

In the aftermath of the pandemic, DMCs are motivated to institute change. DMCs will place an emphasis on portraying themselves as the highly sophisticated entities that they are. They will continue to apply and assert advanced business processes and standards to ensure that clients have a true understanding of the value provided. The value received in working with the DMC begins when a client initially seeks that DMC's consultative services. That is, the advice and opinions of DMC professionals with years of experience, that are experts in their respective destinations, and maintain a robust network of vetted suppliers in which trusted relationships have been formed and increased buying power has been established. A value that, today, more than ever, is of great significance in light of the everchanging circumstances surrounding DMC's vendors and their ability to provide their respective goods or services during the pandemic to the same high-quality standards.

The first stage of the program lifecycle typically occurs without any contracts or money exchanging hands, which is acceptable so long as a few things are established:

A DMC must clarify the extent of services to be provided during the first stage of the program lifecycle. Clients may continue to request proposals from several DMCs within the same region for a particular program. Moving forward, DMCs may consider limiting the number of proposals and revisions before issuing a letter of intent or a comprehensive event service agreement. It is recommended that those DMCs competing for that client's business limit the number of proposals to no more than two.

Pricing Model

DMCs are prepared to participate in intelligent discussions around transparency and how it is applied to a DMC's business model. The magic in conveying and enforcing a revised pricing model rests in specific terms found within an event service agreement or master service agreement. These terms affect the payment terms section and every other section that contemplates the exchange of money. This includes the cancellation terms. The importance derived from these revised contract terms must be understood and effectively communicated.

This means that subtle changes to the DMC industry's longstanding and unrevised nomenclature will more accurately reflect evolved practices and adaptive contract terms.

If a DMC is seeking payment for services rendered (or to be rendered) during a particular stage of the program lifecycle, that exchange of money from the client to the DMC shall be deemed a "payment" or "progress payment"; an amount that has been earned by the DMC and is not subject to return in the event of cancellation or force majeure.

If a DMC is seeking money from a client for the remaining balance of monies that become due leading up to

the program, necessitated by vendor costs, that exchange of money may be deemed a “deposit” or, more specifically, a “program deposit”; an amount that has been applied to general vendor costs, some of which may be recoverable in the event of cancellation or force majeure.

If a DMC is seeking money from a client for a specific vendor cost that is required in advance of receiving the prescheduled “program deposit”, that payment may be referred to as an “advance program deposit”; an amount that has been applied to a specific vendor cost, some of which may be recoverable in the event of cancellation or force majeure.

The manner and method in which DMCs utilize these revised terms and apply them to their terms of service will vary. What should remain the same, however, is the overall spirit and intent of its application.

That is, DMCs shall receive payment for services rendered at mutually agreeable stages of the program lifecycle. When vendor costs become due nearer in time to program operation, DMCs shall receive deposits and manage them accordingly.

If a client requests that the program be cancelled, the appropriate cancellation term (i.e., cancellation or force majeure) shall apply and, in any event, the client shall be responsible only for those fees and costs in which an actual service was rendered, value was received, and a cost was incurred.

For more information on the specific contract terms that support this solution, incentivize client retention, and already endorsed by a wide array of DMC clientele, contact the DMC Coalition.

CONCLUSION

This refined way of working will improve overall client relations, DMC relationships, and a better understanding of the full body of work entailed in delivering a successful program. Together, we can all have a positive impact not only on the work we are doing individually as businesses, but build a stronger, more equitable industry for the future.

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¹ As a consequence of COVID-19, it is possible that the client may request enhanced health and safety standards and, as a result, the DMC and its affiliated medical professionals (i.e., vendor(s)) may have to engage in some form of health tracing and ongoing communications with the client.