

Twice the Work, Half the Pay

By MARTHA C. WHITE

Published: July 6, 2009

When meetings or conferences are canceled — a relatively common occurrence in these financially difficult times — hotels collect a fraction of the money they were expecting, and participants lose the chance to network or gain knowledge about their industry.

But one group of hospitality professionals is literally watching its livelihood go down the drain as corporate events are pared to the bone — the corporate event planners hired by companies to book and coordinate meetings.

“One hundred percent of my revenues are made on commission,” said Stephanie Edwards, a partner at Conference Consultants Worldwide. “I would say when we got our first-quarter results, they showed a 40 percent cut in revenue.” Other independent planners report similar and occasionally even steeper drops. Those who focus on troubled industries like automotive and financial services have been hit the hardest. But no one is immune. “It’s been a really challenging time for the industry,” said Brenda Anderson, chief executive of Site Global, an association for corporate event planners. “Let’s say

you're a small planner. One big piece of business that goes away is going to put you out of business. It's your survival on the line."

While Ms. Edwards and others like her are hired by companies, their contract is actually with the hotel. The property agrees to pay them a commission — 10 percent is standard in the industry — based on the room revenue they bring to the hotel. This means that if a meeting for 2,000 is suddenly scaled back to half that, or if a four-night booking is halved to become a two-night event, the amount of money people like Ms. Edwards earn automatically drops by 50 percent, even though the work they do does not change.

"We're working twice as hard for half as much money," said Brian Stevens, president of ConferenceDirect, a site selection company that makes bookings for some 6,000 groups a year. He added that his booking pace for 2009 so far is down by about 33 percent from last year.

In fact, many freelance planners who depend on commission say they are working harder than ever to drive hard bargains on hotel rates and lobby for lenient contracts that will not penalize a group if the number of delegates they draw is smaller than the number promised.

"Our clients realize we're working twice as hard for them, and they realize our job is to get them the best rates even if that cuts our commission," Mr. Stevens said. Other planners report that they have been able to shave as much as 40 percent off

previously negotiated rates — a boon for the event sponsor, but a loss for the planner.

If an event is canceled outright, planners who work on commission usually do not make a dime. While a rare few freelancers say they have been able to wrangle concessions from hotels that promise them a piece of the damages a group must pay the hotel if it cancels, the vast majority have to chalk it up as a loss. An equally tough challenge is if a company or association decides to postpone the event for a year, or even indefinitely. This holding pattern has become so common it even has a nickname among the professionals — “helicoptering” — to describe clients who are afraid to commit to a future event because of current financial uncertainty.

“Clients are so afraid the pickup isn’t going to be there that they’re not signing the contracts for future years,” said David N. Bruce, managing director of CMP Meeting Services.

As the economy has worsened, some site selection professionals have even found themselves embroiled in disputes with hotels resistant to paying a commission on rates that have been slashed to the bone.

John Foster, a lawyer who specializes in group hotel contracts, said some hotels are now taking the position that they won’t pay a commission if a conference attendee books accommodations outside the block of rooms designated for the group. Part of the difficulty is the ubiquity of online discount-booking sites, on which conference delegates can often find rooms

nearby or even at the same property for less than the rate being offered by the event's sponsor. Hotels generally pay these third-party sites a commission per booking, so they are loath to pay a second commission to the event coordinator.

To sustain income during these difficult times, planners like Cecilia Rose who offer site selection are changing how they are paid. "We've redefined how we charge a little bit," said Ms. Rose, who owns an event booking and planning firm. "We've gone to more flat fees as opposed to a commission," and her contract in those cases is with the group not the hotel.

Although planners run the risk of putting off clients who would prefer to have the hotel pay the planner, Ms. Rose says her clients appreciate knowing how much her services are going to cost. Nor, she said, do they have to worry that the hotel is padding the room rate to make her commission.

Other freelance event planners and companies that depended on commission dollars in the past are exploring the prospect of offering other, fee-based services to insulate them from a drop in hotel bookings. They will run a conference registration desk, for example, or help develop seminar topics, all for flat or hourly fees that supplement their shrinking commission income.

The industry trade group, Meeting Professionals International, added new educational sessions for its coming convention to teach freelance planners how to expand their services beyond room booking and into more strategic areas like creating education curriculums or running group activities.