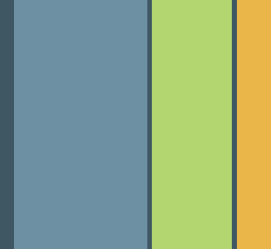


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I N S T I T U T E

EMI STRATEGIC INSIGHTS REPORT: PROCUREMENT'S ROLE IN EVENT MARKETING PART TWO: PROCUREMENT RESEARCH



This study
is available
as a complete
EMI Tool Kit

New EMI Survey
Highlights Challenges
and Future Opportunities
for Making Procurement
a Strategic Priority

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EMI STRATEGIC INSIGHTS REPORT

PROCUREMENT'S ROLE IN EVENT MARKETING

PART TWO: PROCUREMENT RESEARCH

New EMI Survey Highlights Challenges and Future Opportunities for Making Procurement a Strategic Priority.

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Introduction

The current economic recession has dramatically affected the way event marketers do business. An organization's ability to leverage new and existing resources and partnerships while, at the same time, maximize cost efficiencies can be the difference between thriving, surviving and going out of business as we wait for consumer confidence and credit markets to rebound.

As such, procurement, the discipline and strategy behind purchases made by the marketing organization, has emerged as a critical success driver in today's challenging market conditions. When procurement is approached strategically, it creates a corporate culture and series of processes that begin in the boardroom and end with the transaction. It engenders cost and value efficiencies throughout the enterprise.

Purchasing is just one aspect of procurement, and alarmingly, too many event marketers have focused their efforts on purchasing tactics that lack broadly defined goals and benchmarks. As a result, event marketers and their agencies are missing a key opportunity to proactively streamline the buying process, as well as engage and educate the entire organization around the following 5 imperatives for agency selection:

- 1. Strategic resource planning**
- 2. Creative capabilities and event portfolios**
- 3. Integrated and/or relevant component experience**
- 4. Program management and execution**
- 5. Chemistry and alignment of goals**

Making the transition from purchasing to procurement includes the careful planning and execution of supplier-focused strategies, investments and benchmarks that measure and track performance. EMI believes that it is important for event marketers to begin this process now, to weather the current economic storm, as well as create competitive advantages in better economic times.

This report presents and analyzes the key findings from an EMI survey of 125 marketing and procurement executives to understand the current role of procurement in event marketing and highlight the opportunities that a strategic view of procurement offers to the industry.

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EMI TOP Executive Insights

- 1. 74% do not have a documented procurement strategy.**
- 2. More than half of respondents, or 56% have centralized purchasing organizations**, while another 34% have a hybrid centralized/decentralized purchasing organization focused at the individual department level.
- 3. 58% currently investing or plan to invest in event management technologies.** The vast majority, or 70%, are also currently investing or plan to invest in commercial credit cards for procurement.
- 4. 53% have no initiatives underway to automate the procurement process.** Less than one-fifth, or 19%, said they have e-procurement initiatives or implementations in development.
- 5. About half of respondents, or 46% currently have a formal supplier approval process that is also a collaborative effort between departments. However, few organizations actually follow up on supplier performance: 70% of survey respondents have no formal supplier scorecard.**
- 6. Agencies and other suppliers are doing little to encourage event marketers to streamline the procurement process. 83% of suppliers accept commercial credit-card payments**, only 33% offer a discount based on payment method, with the majority offering single-digit discounts for cash or advance payments.
- 7. With budget allocations for event marketing on the rise, marketing organizations are missing a critical opportunity to maximize value, cut costs and streamline the buying process by implementing a focused, formal procurement strategy.**

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Methodology

The Event Marketing Institute (EMI) surveyed 125 marketing and procurement executives, including one-third who were C-level executives, 15 percent who were procurement executives and managers, and 21 percent who were marketing executives and managers. Respondents were interviewed and asked a series of questions regarding their organizations' procurement and purchasing strategies and tactics.

About 60 percent of EMI survey respondents represented B2B businesses; the remaining 40 percent were from B2C organizations. Lastly, 51 percent of the executives surveyed described their company's primary business as either an event agency or an event equipment and services provider. Therefore, for the purposes of this report, the term "supplier" and "event agency" are used interchangeably.

Definitions

The following terms are used throughout this report and are defined as follows:

Procurement: The organizational function that includes specifications development, value analysis, supplier market research, negotiations, buying activities, contract administration, inventory control, traffic, receiving and stores.

Purchase Order: The form that documents a purchase agreement or contract.

Purchasing: A major function of an organization that is responsible for the acquisition of required materials, services and equipment.

RFQ/RFP: Abbreviation for Request for Quote and Request for Proposal, respectively, both represent forms used to obtain bids from suppliers.

Supplier: Purveyor, provider, vendor or contractor offering facilities, products and/or services.

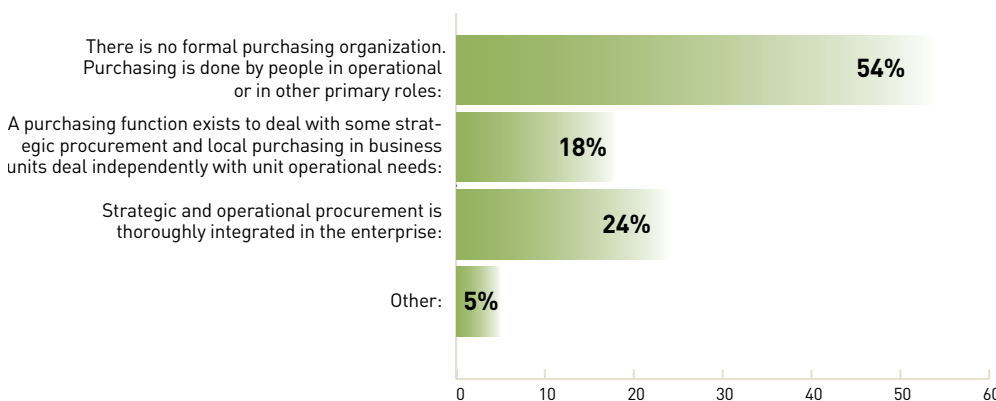
The following industry association websites were the sources for these definitions: [American Purchasing Society](#), [Convention Industry Council](#) and [Institute for Supply Management](#).

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Majority Lack Procurement Strategy

Nearly three-quarters, or 74 percent, of respondents to a new EMI survey gauging the role of procurement in event marketing said they do not have a documented procurement strategy. In fact, 54 percent of respondents lack a formal procurement organization, with purchasing handled by operational or other hands-on managers. Just 24 percent of respondents said strategic and operational procurement is thoroughly integrated into their enterprises (see Chart 1).

Which description best fits your company's procurement organization structure?

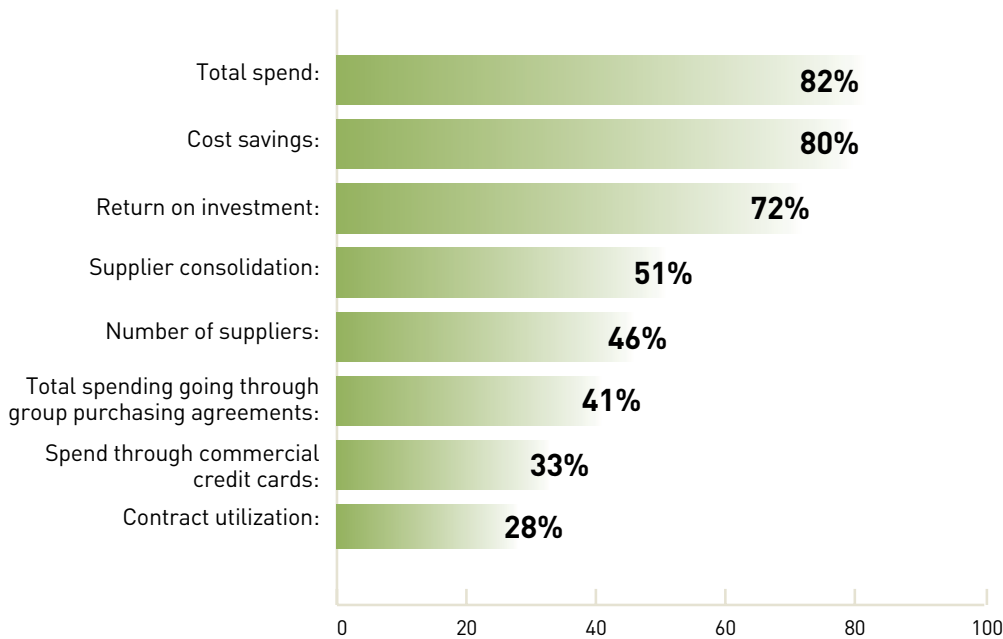


In addition, 73 percent of respondents lack a formal set of procurement metrics; nearly half, or 45 percent, do not have benchmarking goals or a scorecard to measure the efficiency of their procurement process.

Among the one-quarter, or 27 percent, of organizations that have a documented set of procurement metrics, 82 percent are tracking total spending, 80 percent are tracking cost savings and 72 percent are tracking ROI (see Chart 2).

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Which of the following metrics are included on your metrics scorecard?



With budget allocations for event marketing on the rise, marketing organizations are missing a critical opportunity to maximize value, cut costs and streamline the buying process by implementing a focused, formal procurement strategy and process. EMI survey respondents averaged over 4,500 annual paper-based purchase orders and nearly 2,400 electronic requests for purchase, indicating a high volume of transactions that could benefit from improved efficiencies.

Corresponding research by The George P. Johnson Co. found that more than 60 percent of event services costs are fully controllable – meaning there is plenty of room to increase efficiency through cost management, leveraged buying, special sourcing and more.

As such, event agencies and suppliers are in a prime position to become true partners with their brand marketing clients and proactively work together to streamline the buying process, as well as provide strategic resource planning, creative capabilities, integrated and/or relevant component experience, and program management and execution.

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Few Plan To Automate Procurement

The current business environment practically demands technology excellence and effective integration to successfully compete in tightening markets. Yet, 53 percent of marketing and procurement executives surveyed said they have no initiatives underway to automate the procurement process. Less than one-fifth, or 19 percent, said they have e-procurement initiatives or implementations in development, while just six percent have already automated their procurement process.

Further, the vast majority of respondents – about 80 percent on average – have no investment planned in a number of purchasing technologies that would streamline the procurement process. These include EDI, private and public online trading exchanges, third-party catalog management and external supply chain integration (see Chart 3).

The use of Web-based e-business tools is one of the easiest ways to create cost savings. For example, a Web-based central repository for all event-related data and communication increases efficiencies, improves management practices and provides a window into all event investments and activity. EMI recommends integrating back-end business processes with user-friendly, front-end communication to ensure widespread organizational acceptance.

How would your company characterize its investment in the following purchasing technologies?

	Invested in	Expect to invest in	No investment planned
EDI	8%	5%	87%
Private Online	7%	6%	86%
Public Online	5%	8%	87%
Third-party catalog	6%	11%	83%
Electronic receipt	20%	11%	69%
Internal supply chain	13%	17%	71%
External supply chain	10%	10%	79%
Electronic bill	35%	22%	42%
Commercial cards	51%	19%	30%
Auctions	7%	5%	87%
Electronic RFI/RFP	17%	16%	67%
Others	10%	12%	78%

Note: Respondents could choose as many technologies as applicable

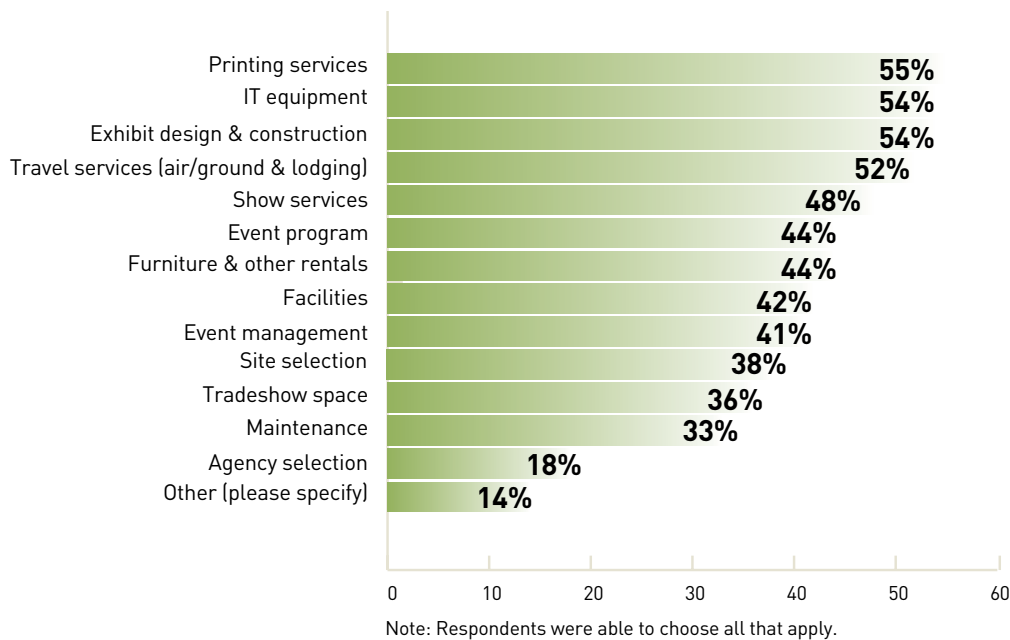
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Purchasing Operations Are Centralized

More than half of EMI survey respondents, or 56%, have centralized purchasing organizations, while another 34% have a hybrid centralized/decentralized purchasing organization focused at the individual department level.

The most common purchases made through these centralized, or shared-services organizations, are printing services (56 percent), exhibit design and construction (54 percent), IT equipment (54 percent) and travel services (52 percent) (see Chart 4).

Which categories of purchases are typically contracted and purchased by the centralized, shared-services purchasing organization within your company?



While centralizing purchasing operations is an important step toward maximizing cost efficiencies, it is important to make a distinction between procurement, which is a strategic, systematic approach to purchasing throughout the organization, and purchasing, which is a transaction-based function that allows the organization to acquire its required materials, services and equipment.

A centralized procurement organization ideally can provide strategic and tactical guidance with some enforcement capabilities, allowing business units leeway in making specific purchasing decisions and transactions. This type of business model allows the enterprise to leverage spending, capture key learning across the organization, and create procurement expertise that leads to career development for staff.

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Event Management Technologies, Commercial Credit Cards Lead Planned Investments

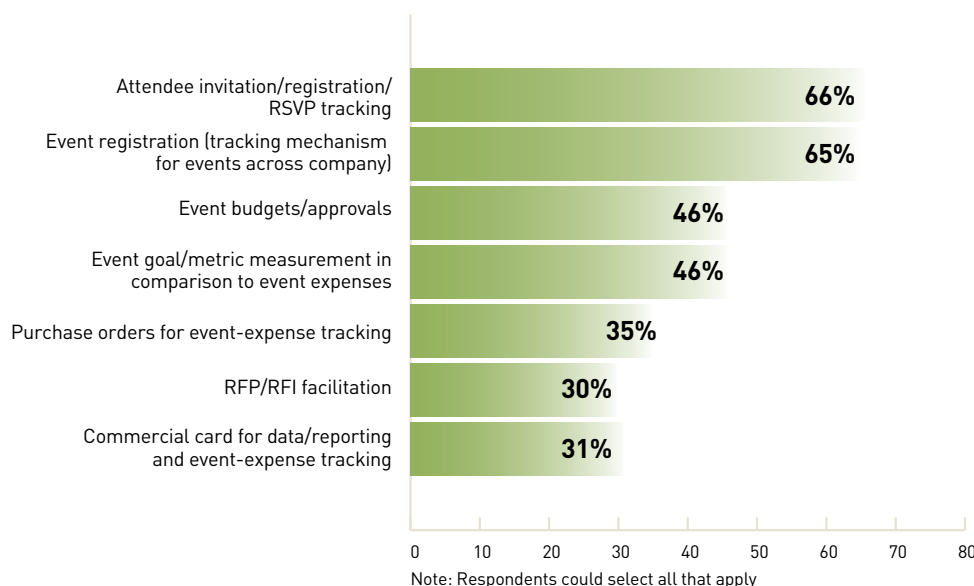
Technology investment is an important component of an efficient purchasing process. And when coupled with an optimum combination of strategic planning, cost management and creative execution, technology can be a catalyst in driving the organization toward a more strategic view of procurement. More than half, or 58 percent, of EMI survey respondents are either currently investing or plan to invest in event management technologies. The vast majority, or 70 percent, are also currently investing or plan to invest in commercial credit cards for procurement (see Chart 5).

How would your company characterize its investment in the following?

	Invested in	Expect to invest in	No investment planned
Commercial cards	51%	19%	30%
Event management technology	33%	25%	42%
Spend analysis	34%	24%	41%
Contract management	32%	18%	50%
Web-enabled procurement	25%	18%	57%

Among the marketing organizations investing or planning to invest in event management technologies, the most resources are being put toward attendee registration and tracking (invitations/registration/RSVP), budgets and metrics (see Chart 6).

If you have invested in or plan to invest in event management technology, what types of technologies have been or plan to be developed?

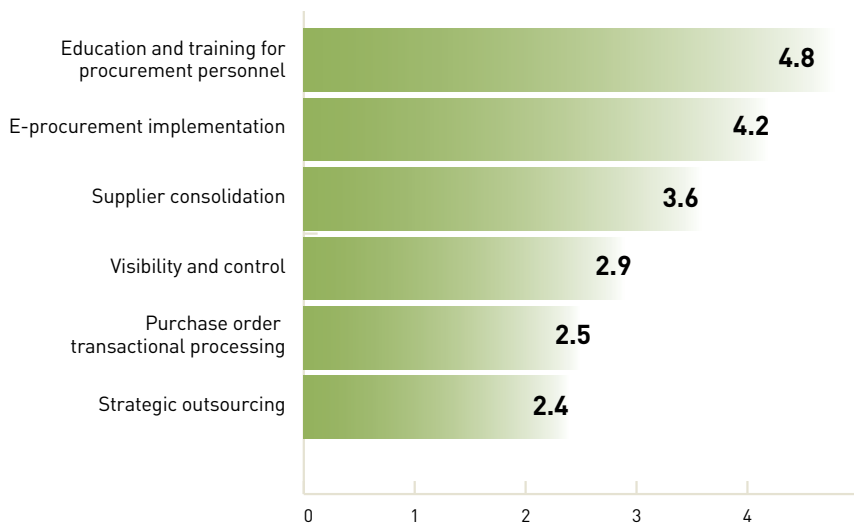


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Procurement Training a Priority

Education and training for procurement personnel is the highest priority among respondents with a documented procurement strategy, signaling that at least a few forward-thinking organizations recognize that training and retaining procurement talent will be a key success driver (see Chart 7). As the competitive challenges of global markets and cost pressures increase, so will the need for skilled procurement management and staff to cut costs, improve profitability and strengthen supplier relationships and partnerships.

Rank the following in order of importance as they are outlined in your procurement strategy. (With 1 being the highest priority, and 6 being the lowest priority.)



E-procurement was also a top priority for these survey respondents, although based on EMI's survey results, event marketers are not planning sufficient investment in technology to make this goal possible in the near future. As stated earlier in this report, just six percent of survey respondents have automated their procurement process; less than one-fifth, or 19 percent, said they have e-procurement initiatives or implementations in development.

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Five Ways to Manage Meeting Costs

1. Co-Locate Events

Scheduling two events in the same place can cut room rental fees and food and beverage minimums, as well as trim AV costs by utilizing the same equipment for both events. By sharing a venue you can also spread costs across two event budgets. More often than not, the venues appreciate these arrangements because it showcases their properties to multiple groups or industries that might not otherwise consider them for a meeting or event.

Another option is to co-locate with another, separate group that may occupy your space either before or after your event. You can generate savings by agreeing to share or trade resources, such as equipment or lighting, ahead of time.

2. Barter for Services

There are AV companies, signage vendors, show-appointed contractors, and premium providers that are willing to trade out all or part of the costs of utilizing their services in exchange for a booth on your show floor or marketing/advertising options in your publications.

3. Use Volunteers Rather Than Temps

There are always people in the industry or students looking to get into the industry that would love to attend your event but cannot necessarily afford the cost of registration. Event marketers often need extra hands but might not have the budget to hire temps. An easy solution is to trade a conference registration for on-site staffing duties such as room monitors, particularly in tracks they may have an interest in attending.

4. Food and Beverage Station Décor

One of the best-kept event industry secrets is that most hotels have rooms that contain décor options, and they are more than willing to let you use them to make your event more visually appealing. They typically keep old centerpieces, platters and decorative plates that other groups have used. This is a very creative way to jazz up your food and beverage areas or create table centerpieces for important luncheons or dinners without having to spend extra money.

5. Food and Beverage Savings

Instead of having an open bar for an entire reception, provide each attendee with two drink tickets and offer a cash bar. It's also perfectly acceptable to serve beer, wine and soft drinks instead of a full bar. In fact, most people prefer to have a glass of wine or beer over a hard drink at a networking function where they are trying to do business. If your function is sponsored, offer a fun signature drink themed around your sponsor and its corporate logo colors; it's an inexpensive way to add a fun twist to your function.

Find food savings by providing a pasta station instead of a variety of passed hors d'oeuvres. Pasta stations are more economical and are more filling; serve two or three different kinds of pastas and sauces with chefs cooking them in front of the attendees. This doubles as mini-entertainment and provides a great interactive experience.

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The State of Supplier Relationships

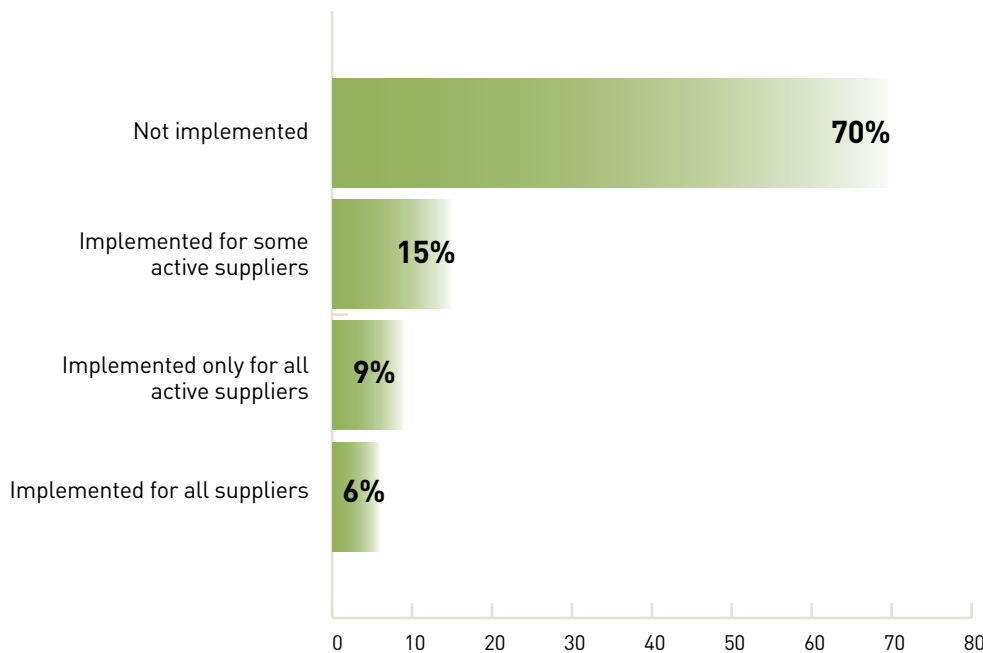
The majority of supplier relationships are currently focused on quality, with 68 percent of EMI survey respondents best describing their supplier relationships as “quality focused.” Thirty-eight percent of respondents said their relationships are most focused on total cost; 37 percent described their supplier relationships as “price focused.” (See Chart 8)

Rank the following which best describes your company’s relationship with its suppliers. (With 1 being “best describes” to 6 being “least describes.”)

	1 – best describes	2	3	4	5	6 – least describes	Average
Quality	40%	28%	23%	5%	5%	0	2.0
Total cost	19%	19%	19%	17%	16%	10%	3.2
Price	16%	21%	22%	21%	8%	12%	3.2
Delivery	10%	16%	26%	26%	17%	6%	3.4
Capabilities	10%	16%	12%	18%	32%	12%	3.8
Talent and other	14%	8%	7%	10%	14%	47%	4.4

About half of respondents, or 46 percent, currently have a formal supplier approval process that is also a collaborative effort between departments. However, few organizations actually follow up on supplier performance: 70 percent of survey respondents have no formal supplier scorecard (see Chart 9).

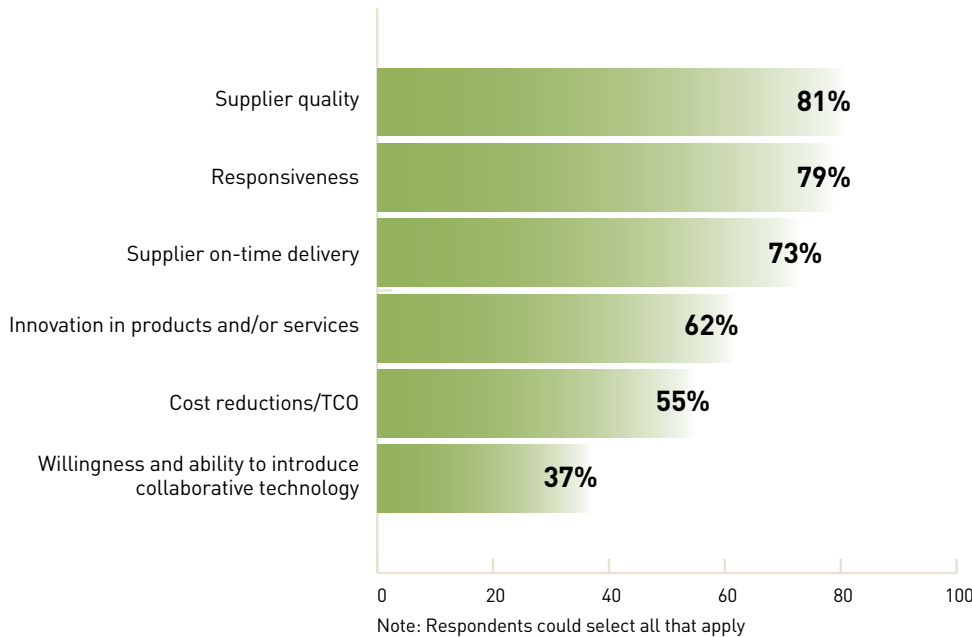
To what degree has your company implemented formal supplier scorecards?



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For the 30 percent of respondents that are regularly measuring and recording supplier performance, supplier quality, responsiveness and on-time delivery are the most important factors in their evaluations (see Chart 10).

Which of the following types of supplier information are regularly measured and recorded by your company?



Suppliers Lack Incentives

For their part, agencies and other event suppliers are doing little to encourage event marketers to streamline the procurement process. While 83 percent of suppliers accept commercial credit-card payments, only 33 percent offer a discount based on payment method, with the majority offering single-digit discounts for cash or advance payments.

As such, it is clearly incumbent upon marketing and procurement executives to carefully evaluate supplier performance through the creation and implementation of supplier scorecards that include specific, measurable objectives. This strategic evaluation should look at how a supplier's operations align with your organization's needs and event portfolio. Your internal discussion should answer the following types of questions:

- Do you require a full-service partner or can you afford to manage different resources across event types?
- Does the supplier have centralized production and accounting facilities and remote marketing and creative locations to provide maximum efficiency?
- How does the supplier manage its creative and execution workforce? Does it work effectively in union situations?

In addition, a supplier's financial stability is a necessary requirement when your goal is to create maximum value and ROI. Financial details can reveal a history of growth and profitability, as well as a global presence and strong executive management.

Sample Supplier Scorecard

- 1. Service and Response:**
Does the supplier understand your expectations and able to meet them?
- 2. Quality:**
Is the supplier committed to maintaining the highest quality levels?
- 3. Price:**
Does the supplier utilize a competitive bidding process to ensure the best possible prices for the services required?
- 4. Alignment:**
Does the supplier's goals, strategies and vision fit yours?
- 5. Exhaustive Review:**
Are you conducting ongoing and post-event analyses?
- 6. Transparency:**
Does the supplier provide full disclosure of the price drivers within its quotes?

Source: George P. Johnson

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Conclusion

Current economic conditions are challenging event marketers to get the biggest bang for every dollar they spend. And, as highlighted in this report, creating a formal, focused procurement strategy can go a long way toward making such goals a reality.

The benefits of making the transition from purchasing to procurement are numerous: increased cost savings and effectiveness; maximum ROI on event investments; and a corporate culture that rewards efficiency and value, and offers a career path for procurement staff.

While the journey seems simple, it is not easy and requires an executive commitment to implement supplier-focused strategies, investments and benchmarks that measure and track performance. Such metrics should include supplier service/product quality and innovation, responsiveness, on-time delivery and total cost.

As such, there is still a disconnect between what marketing and procurement executives want, in terms of their procurement strategy, and what resources they are currently planning to invest to maximize the value of their procurement strategy to the enterprise.

In addition, event agencies and other suppliers are missing a key opportunity to lead their clients in this process and proactively showcase their expertise in resource planning, creative execution and program management. Doing so creates a win-win scenario for all involved.

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