

# 2021: A Thesis on The Advancement of Destination Management Companies

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## INTRODUCTION

The DMC industry must take 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 must work together to develop improved business practices and standards. More specifically, DMCs must reevaluate their existing contracting 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. As a consequence of inherent issues in how DMCs tailored their services and accompanying terms, problems quickly arose that often strained client relations. In an effort to remedy these challenges successfully and consistently, an organization now known as the DMC Coalition was formed.

Beginning in May 2020, the DMC Coalition began to develop a progressive standard of best practices by delivering timely and reliable resources amidst an ever-changing business landscape. Within the DMC Coalition, 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 an outline of concepts stemming from members of the DMC Coalition, and its affiliated legal and financial professionals.

Please note that DMCs have not lost sight of the fact they remain in competition with fellow DMCs. But for the sake of the future of the industry, 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 it may be altered overtime, which is why the industry must always remain fluid. But, so long as the spirit and intent of what is being proposed can be properly implemented and successfully carried out, the DMC industry will thrive.

## PROPOSED SOLUTIONS

The want and need for in-person meetings and events have not expired; it's only been temporarily subdued. In fact, it may be argued that the need for in-person meetings and events has been exponentially heightened. In a grimly ironic way, 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 interactions.

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. Presuming clients and DMCs agree to this notion, a DMC has already begun to demonstrate its value.

*In doing so, however, changes must be made in how that value is communicated, how it is perceived, and how it converts to a mutually beneficial relationship with its clients.*

### **A DMC and the Program Lifecycle**

When clients began submitting notices of cancellation for upcoming programs in the first quarter of 2020, the most common dispute that arose between DMCs and their clients was whether termination of the event service agreement was subject to the force majeure provision or the cancellation provision. The force majeure provision typically allowed the DMC to retain earlier received deposits (or pursue additional monies) to cover actual costs incurred or to be incurred, whereas the cancellation provision typically required the client to pay the DMC some prescribed amount of money reflective of the latest estimated program cost relative to the number of days remaining before program commencement.

Somewhat surprisingly, the ability to resolve this dispute was not necessarily rooted in complex legal theory or crafty negotiations. Instead, it was rooted in effective communications that succinctly and clearly explained what a DMC is, the services it renders, and the value received by the client up until the point of cancellation. By discussing the facts, focusing on what each party felt was fair, and setting aside technical legal arguments, DMCs and clients were far more successful in maintaining a healthy relationship and avoiding unnecessary and protracted litigation.

A proposed way of achieving this to get back to basics and refer to the following:

*A DMC is a professional services company that 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, and operational expertise. By way of analogy, a DMC serves as both the architect and the general contractor. It proposes different 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.*

*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, DMC's may rely upon a newly introduced concept.

*The Program Lifecycle: The program lifecycle is a universal progression of event planning that reflects different intervals through which a meeting or event is traditionally formed.*

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 understand and communicate their own product, while clients are more cognizant of services performed.

<b><i>Stage 1</i></b>	<b><i>Stage 2</i></b>	<b><i>Stage 3</i></b>	<b><i>Stage 4</i></b>
<i>Pre-Program</i>	<i>Program Planning</i>	<i>Program Execution</i>	<i>Post Program</i>
<ul style="list-style-type: none"> <li>- Consulting</li> <li>- Site Visits</li> <li>- Proposal(s)</li> <li>- Procurement</li> </ul>	<ul style="list-style-type: none"> <li>- Planning/Organizing</li> <li>- Sourcing/Contracting</li> </ul>	<ul style="list-style-type: none"> <li>- On-Site Management</li> <li>- On-Site Execution</li> <li>- On-Site Staffing</li> </ul>	<ul style="list-style-type: none"> <li>- Client Satisfaction</li> <li>- Final Billing/Invoicing</li> <li>- Health Tracing<sup>1</sup></li> </ul>

**Stage 1:** Clients will typically solicit the services of DMCs for their upcoming meeting or event that is intended to be held in that DMC’s region. 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 the 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 event service agreement would be introduced for execution.

**Stage 2:** The DMC will continue their earlier efforts and adapt it to 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 liability that stems therefrom; 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 typically 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 be explained. The DMC will perform all final invoicing and reconcile all matters with its vendors.

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<sup>1</sup> As a consequence of COVID-19, it is possible that the client may have requested 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.

## **Procurement Practices & Pricing Models**

In order to improve DMC client relations and more smoothly introduce these proposed changes, DMCs must be prepared to modify their approach and initial interactions with new and existing clients. This includes discussing a reworked process that may involve introducing a letter of intent, tracking employees' time, changes in how DMCs engage clients during the first stage of the program lifecycle, and revised terms in the event service agreement or master service agreement. This will involve an explanation to the client as to why DMCs are making these changes and, more importantly, an opportunity for the client to inquire and even offer their own constructive criticisms.

### ***Letters of Intent***

Now, more than ever, clients are hesitant to enter into contracts to secure event planning services. Quite simply, they do not want to expose themselves to unnecessary financial risk. In light of what happened during the outset of the pandemic and the fact that some clients were treated unfairly, clients cannot be blamed for thinking twice about engaging another DMC; especially when things still remain somewhat uncertain regarding when and how meetings and events will be wholly unrestricted.

The problem, however, for both the DMC and the client is that meetings and events cannot be planned overnight. As discussed previously, it often takes months and sometimes years to properly plan a program. Therefore, in order to hold a meeting that the client wants to have several months from now, work must begin much sooner than later.

*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. More information may be found [here](#).<sup>2</sup>*

The letter of intent is a severely 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.

### ***Tracking Time***

Tracking the amount of time a DMC employee spends working on a program can be extremely beneficial for several reasons. It not only may be used *externally* in order to demonstrate to a client, when necessary, the amount of time that has been expended on their program, but 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 good. This means that the assessment of a DMC's finances and comparative costs are not quite as difficult to assess. There are, of course, hard costs associated with being in a service oriented business (e.g., rent, utilities, insurance, licensure), but the central point is to better understand how much it cost a DMC to employ the people that provide their services.

*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.*

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<sup>2</sup> This information is only accessible to DMC Coalition members at this time.

If a DMC is able to accurately track the amount of time its employees spend on particular programs, it would allow them to compare that to the estimated and/or actual revenue generated from those programs, and assess the total cost associated with employing those individuals. As a result, the DMC will be able to fully understand its true cost of doing business, identify a more relevant profit margin, and improve its forecasting and program selection.

### ***Procurement Process***

Decades before the pandemic, DMCs established and perpetuated a less than perfect procurement process and pricing model. It failed to reflect a DMC's value proposition, casted DMCs as unsophisticated business entities, and created an environment that fostered a race to the bottom. Through present, these practices have remained, and although there has been plenty of inquires over time as to why the industry has not taken the necessary steps to effectuate change, it was more convenient for DMCs to continue to accept the "it's just always been that way" mentality.

In the aftermath of the pandemic, however, DMCs are not only motivated and want to institute change, but they realize the absolute need to do so. Now, more than ever, DMCs should place an emphasis on portraying themselves as highly sophisticated entities that understand and apply advanced business standards and processes. It is the DMCs that choose to feature these aspects of their business (assuming they've been properly implemented) that will succeed in today's climate.

*The extent to which a DMC is willing and able to provide services without mutually agreeable contract terms and compensation must be curtailed for the betterment of the DMC industry.*

DMCs will further need to modify their approach to clients by being more consultative and explanatory during the procurement process.

*No longer will DMCs be able to get away with sending a client an email with instructions to sign, scan, and return the event service agreement. More often than not, the client will demand that trust be established before doing business and, in order to earn that trust, dialogue must ensue.*

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 okay so long as a few things are established:

- A DMC must enforce the extent of services to be provided during the first stage of the program lifecycle. A client's request for proposals from several DMCs within the same region for a particular program will remain a constant. It would be foolish to believe that clients would be agreeable to compensating each DMC for these services. However, it is recommended that those DMCs competing for that client's business limit the number of proposals to two or less.
- If a client awards a DMC its business, the services rendered in the first stage of the program lifecycle are a component of the overall program pricing. No aspect of services rendered by the DMC is complimentary, unless otherwise stated.
- If a client does not award a DMC its business, the DMC will absorb their efforts as a cost of doing business and the client shall not be responsible for any fees, unless otherwise stated (e.g., site costs).
- At the conclusion of the first stage of the program lifecycle, some form of a written agreement between the client and the DMC must be entered into before additional services (i.e., Stages 2-4) are rendered. This may take the form of a simple letter of intent or a fully comprehensive event service agreement.

### ***Pricing Model***

Discussions around transparency and how it is applied to a DMC's business model will be paramount. DMCs must not refuse to discuss pricing, steer the conversation in another direction, or be unable to intelligently discuss it.

The magic in conveying and enforcing a revised pricing model, after decades of its existence, rests in those specific terms found within an event service agreement or master service agreement. More information may be found [here](#).<sup>3</sup> As suspected, these terms effect not only the payment terms section, but 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 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.

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<sup>3</sup>This information is only accessible to DMC Coalition members at this time.

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.

## **CONCLUSION**

Armed with the information contained herein, DMCs must individually and collectively make a choice as to how they want to move forward. They can either elect to maintain things as status quo and continue to adopt the “it’s just always been that way” mentality, or they can attempt to learn and implement something new that has the potential of vastly improving the industry for themselves and the next generation of meeting and event professionals.

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