An HBAA White Paper

Published November 2011

About the HBAA

The Hotel Booking Agents Association is a membership organisation comprising approximately 80 booking agents and 280 venues and hotels. It represents the collective interest of the parties involved in the procurement and management of conference, meetings and accommodation in the UK and internationally.

In total, the association's buying power amounts to a sizeable percentage of the UK's business travel sector – some £2.3bn annually.

Introduction

The HBAA, with its membership representing all of the major venue agencies as well as the leading conference venues, meetings and event spaces, has a major role to play in guiding the direction of the meetings industry in the UK and internationally.

Part of HBAA's role is to keep members up to date with the latest developments in the sector and to provide neutral information which can help members understand how to respond to changes in processes and, importantly, the flow of money between the various parties.

One of the growing challenges facing the sector is the use of corporate and meetings cards in payment for events. We say a "challenge" because it alters the flow of information and money between the different players: the meetings buyer, the agency, the payment provider and the venue itself. While the HBAA remains neutral on the use of this method of payment, we feel it is important to show how payment mechanisms for meetings are changing and will continue to change in the future.

This White Paper aims to present unbiased information on practices and includes results from exclusive surveys that were carried out among HBAA members – both agency and venue – in July and August 2011 as well as extensive interviews with the association's members. Of the full membership polled, 24 agencies and 28 venues responded. The surveys can still be seen at www.bit.ly/HBAAagysurvey and www.bit.ly/HBAAvenuesurvey for those who are interested.

The information gained from the interviews and surveys was complemented by data gathered at the HBAA's Future Vision forum at the Ramada Manchester Piccadilly in early September.

Published November 2011

Acknowledgements

The HBAA wishes to thank representatives of the following companies which helped the authors by giving generously of their time, knowledge and thoughts.

American Express	Deloitte	Inntel
AstraZeneca	De Vere Hotels & Venues	NYS Corporate
BSI	Grass Roots	Premier Inn
Conferma	IHG	Zibrant

Published November 2011

Contents

Published November 2011

What is a meetings card?

American Express kick-started this sector in the year 2000 with the launch of the first dedicated meetings card. As a result, they have defined the sector – meetings cards are corporate cards that are designed to be used specifically in managing spend related to meetings, such as venue hire, food and beverage and audiovisual hire. The idea is that it gives greater visibility to meeting planners since it allows all spend relating to a specific meeting to be managed in one place and then to be able to consolidate all meetings spend onto a single platform, regardless of cost centre or location.

Meetings cards can be configured with an overall spending limit, limits on individual purchases and also restrictions on the merchants at which they can be used.

Mastercard and Visa have followed with their own meetings card products but these are not available in the UK, unlike the American Express solution.

Some of the cards work on a "stored-value" or "defined expense" basis, with a preset balance decreasing as the card is used to pay meetings expenses.

Meetings cards can be managed either as a lodged product – with a single card to handle the meetings expenses of a single department or company – or as individual cards for key meeting bookers.

Meetings cards are often used in conjunction with meetings management technology. Visa works with Arcaneo's Metron meetings technology and American Express with StarCite while Mastercard feeds into its own Smart Data online suite.

Hotels are also looking at meetings card products. Accor runs a version of its A|Club for meetings planners but is a loyalty programme rather than a payment method. Premier Inn's Business Account does offer credit as well as management information but is aimed at both the transient travel and meetings business.

The players: past, present and future

Market structures, conditions, roles and relationships do not remain constant. Nor do the solutions. Like everything else in business payment solutions are evolving. More importantly, what is appropriate in one market or for one customer and one kind of meeting may not be the best solution for another client and another sort of event.

The object of this White Paper is to drill into different payment mechanisms and work out the pros and cons of each method on all the corners of the industry. But as the industry, technology and products are changing the authors felt it important to go back in time to understand how the standard systems came about and what it might be that is driving change.

Past

The customer

Every supplier and agent interviewed for this report stressed that every decision was made with the buyer in mind. This ranged from the general philosophy that what customers want dictates what suppliers and intermediaries do to more specific considerations taking individual customer platforms and systems into account.

But meeting buyers are not one homogeneous entity.

Until relatively recently meeting buying within companies was usually fragmented with different departments responsible for purchasing and managing their own events. HR would purchase meeting space for staff training days, marketing departments for product launches and the MD's PA for management strategy days.

Each would be looking for different kinds of space and agent input, if any. The marketing team might be looking for unusual venues and event management so might not be going directly to a venue or a venue finding agent. The HR department might very well use a venue finding agency to locate suitable venues for the requirement and budget. The MD's PA could very well pick up the phone to an appropriate hotel in the location and accept the price quoted as the cost.

Booking meetings in a variety of ways probably resulted in different cost centres using different methods of payment. The MD's PA might tell the managing director that the venue would be expecting him or her to pay on departure; the MD would most likely be in possession of a corporate card for just such a purpose.

The HR department would have been likely to accept an invoice from the agency that would not ostensibly include any agency fee.

As for the marketing department, this would usually require a fair amount of event management so there would be a fee for these services and the buyer would probably face a series of invoices – or at least payments on account.

The venue

Venues used to be less centralised businesses in the past. Many were individually owned and thus unable to employ sales staff so relied on agencies to sell space on their behalf. Agents were paid by commission as remuneration for their success in obtaining bookings for meeting venues.

The venue would send the agent the bill for any meetings it booked; the agent in turn would pass the bill back to the client – hence “billback”.

Large hotels would have regularly accepted corporate cards for their transient travellers but it would have been unusual for its clients to use cards as payment for meetings. Non-hotel venues would unquestionably have sent the booking (or event management) agent an invoice after an event.

In the past venues were very free with credit and credit checks were often perfunctory.

The agent

Agencies came into being because many customers couldn’t handle billing for multiple events or multiple stages of a single event.

The event management agent and the venue finding agent had one standard form of payment – billback after the event although very large, expensive events would always have involved deposits and an agreed programme of staged payments.

The use of cards was rare although individual cards would inevitably be used for the personal spend and unscheduled items, for example flowers as a present for an organiser or speaker. Billback would see the agents usually taking all the credit risk and juggling the cashflow between client and venue. As a result, agents became money-lenders alongside their venue-finding and travel booking main businesses.

Credit control was a vital ingredient of a successful business. Prompt payment by clients not only obviated overdraft charges when paying the venue but became a way of making money off clients’ cash thanks to using the overnight deposit market. Although, like conveyancing solicitors, all agents are required to keep client funds in a dedicated client account, they are not obliged to pay over any interest earned. Given the amount of money that could be sitting in a ring-fenced client account, this might have been a significant earner when interest rates were higher.

See over for: Payment methods: Advantages and disadvantages

	Customer		Agent		Venue	
	Advantage	Disadvantages	Advantage	Disadvantages	Advantage	Disadvantages
Meetings cards	• Financial incentive via either rebate or other reward scheme • Link to transient spend for greater negotiating strength • Better cash flow • Bespoke MI • Potential for integration with other company platforms & systems	• Merchant fee may be passed on • Potential for lack of accountability • MI (multi source) will be less detailed than agents' • Limited acceptability • Possible loss of negotiation if there are issues with venue service delivery	• Able to focus on core service business	• Merchant fee may be passed on • Lose ownership of financial relationship with client • Lose interest on any deposits • Lose billback revenue stream • Lose ability to make money through managing cash flow	• No delay between point of sale and receipt of money • Ability to increase merchant volumes with payment card providers	•Must pay merchant fee
Billback	• More comprehensive & detailed management information • Improved cash flow Less accountancy burden • Transparancy on transactions	• Re-entry could introduce error • Report data may not be compatible with company systems Is the money protected Toms issues	• Potential to generate revenue • Increased client compliance will increase overall spend via agency • More compliance (to customers' policy) from venues when users & bookers are trying to book out of policy • Helps with implementation of an SMMP	• Must assume financial ownership and credit risk • Large accounts teams required to manage the process, & overall admin burden • Agents become money lenders • Toms issues • Credit with venues	• Enhance relationship with agent	• Delay between billing and receipt of payment • Can lead to strained relationships between agent & venue supplier • Offering credit to agencies
Direct client invoice	• Poorer quality or less detailed MI	• Must assume credit risk	• No credit risk • Can still add fees and collect commission from venue	• No billback fee unless assume responsibility for checking invoice	• Enhance relationship with corporate customer	• Delay between billing and receipt of payment

Figure One: Payment methods: advantages and disadvantages

Published November 2011

Present

The customer

Business decisions must always be "fit for purpose", but it goes without saying that one size does not fit all – and nowhere more than the meetings industry. The meeting management needs of an SME are likely to be different from those of a multinational; those requiring event management expect a different service from those needing only venue finding.

Whereas customers in the past may have focused on the service from a venue or an agency, they are now looking for online integration, cost reduction and transparency.

i) Company culture

The profile of the buyer will strongly affect decision-making. Multinational companies with centralised service centres and expense management systems are likely to want purchasing, reconciliation and payment processes that comply and connect with their other back office systems, such as SAP and Oracle.

A domestic company or one with a smaller meetings spend – an SME for example – might be more flexible about the form in which data is received but would be likely to be seeking some consistent reporting for both audit and analytical purposes.

If the internal organisation of the buyer has evolved to consolidate meetings management into the travel department, meetings purchasing is likely to be affected by the evolution in standard practice in travel management.

When airline commissions ended for travel agents, the agents reinvented themselves into travel management companies and management fees became the new normal for remuneration. The agents' value was recognised and rewarded. Corporate travel managers had to explain to their managers why they were no longer a revenue stream (they would no longer receive overrides and share supplier commissions) but now a cost centre. The transition required mutual trust and good communications, but corporate travel managers and their travel management companies are now comfortable with a fee system and in some cases this has evolved to a fee per transaction with any extras, such as for consultancy and bespoke reporting, charged on top.

Agency customers pay fees for event management but venue finders are still largely paid by commission although they customarily charge fees for additional services such as checking billback invoices.

Moreover, travel departments charged with managing transient travel now have a track record of using commercial card solutions, both centrally billed accounts such as lodge cards as well as

Published November 2011

individual corporate cards for payments. They do not perceive the obstacles that those with a meetings background might do.

If the meeting management function is separate from the travel management, the attitude towards fees, format of management information and cards may be quite different.

ii) Procurement and technology

In the past decade there has been a significant shift in the purchase of transient travel, particularly among multinational and larger national companies which has seen travel increasingly handled by procurement rather than other areas such as finance or HR. With procurement driven much more by hard metrics rather than by the traditional relationship focus of travel management, this has seen an increasing appetite for the sort of data that card solutions can provide.

In more recent years, meetings purchasing has become more consolidated and is now often handled by the same team as handles travel. Meetings management has gone from mere ordering to something more strategic. Decision-making about the form and style of the event may remain local but the venue purchasing has become increasingly centralised.

Consolidation of the purchasing process may not in itself demand the use of only one intermediary – venue agency – but it undoubtedly demands consistent data.

iii) Integrated platforms and systems

The more centrally the client's company was managed or its back office systems integrated, the more likely it was to request a process that matched what was going on elsewhere in the organisation, such as a card platform.

The more fragmented the national or international organisation and the meeting process, the more likely the buyer was to prefer invoicing over card.

The venue

Consolidation has happened not only among buyers but also among suppliers. Many venues are now owned by large companies with their own sales forces. Although commission is still paid and agents deliver a valuable service, there is no longer uniformity in the level. Commission levels may be the standard 8% or, for larger agencies, subject to negotiation. Nor is there only one process; there are different standards for different agents and in different markets.

Venues say they pay commission to agents regardless of the form of remuneration. They also insist that the method of payment does not affect commission levels.

Venues are paid both by card on departure or on normal credit terms by invoice. More and more transient hotel rooms are paid for by card (an even higher percentage if the traveller's company has a managed travel programme) and so for meeting venues in locations where the vendor also sells

Published November 2011

rooms and food and beverage to transient travellers, the merchant fee is considered part of the cost of doing business – an overhead rather than a variable cost.

Although the card payment carries a merchant fee, the full service hotels are used to dealing with them with their transient business and have factored the fees into their cost of doing business. This is not the case for those that specialise in meeting space.

Large global hotel chains generally do not charge back the merchant fee. Smaller chains and meeting specialists will. Non-hotel venues are generally less comfortable with the card. Also some hotels will ignore card charges for transient travel but not on the larger ticket item meetings.

For lower transaction value meetings, as with transient business travel, the full amount is due at the conclusion of the event. For larger events there is usually an agreement on staged payments with the balance becoming due on conclusion of the event.

A typical global hotelier says that they prefer card payments because it is fast and easy. The bill is checked before leaving the hotel when everyone's memories are fresh and any queries are resolved.

Venues say the most important thing is that they get paid and get paid in a timely manner. Cash flow is core to the business. Payment by card means that money is received promptly so there are no cash flow issues and the costs of running an accounts department decrease.

The resource and staff needed to run an accounts office is swollen by invoicing; being paid by card does not require back office staff to administer.

The agent

Agents have to cover their costs either from client, venue or both. The business relationship may be either the client buying/paying for the venue or the agent buying the space and selling it onto the client.

Any invoice will have to be checked for accuracy (interviewees estimate between 20 and 40% require queries). It can be checked at the venue after the event and before leaving by the event organiser or by the booking agent – or corporate buyer – upon receipt. Invoice checking is only one element of the value that an agent can add to the process.

One agent said, "Billback is an important part of the service we offer and too often the huge financial savings it offers are ignored". Clients do not have to incur the administration cost of checking every invoice and handling multiple invoices, but the invoices – for a fee - are bundled into one complete document with management information, which can be very detailed indeed. Some agents do not get directly involved with invoicing; while some do all of the invoicing. Not surprisingly, this has much to do with the client profile and what the customer wants.

Commission may not be standard in terms of what it's paid on or the rate but it is universally paid. Billing also is universal but not in a standard format. The number of payment options is growing. Both centrally billed and individual cards have become more prominent.

The agent will receive a fee for managing and checking billback invoices. There is a cost to invoice checking but estimates of time – and costs – vary widely. For some the fee covers costs; for others it is a revenue stream.

Financial v non-financial considerations

It is important to separate the financial costs and benefits from the 'softer' benefits.

i) The financial element

Conference and booking agents make their money from either supplier commission or client fees, usually a combination of the two but still principally the former. The remuneration model is not the subject of this paper, but it is important to bear in mind as the method and direction of remuneration will influence the relative appropriateness of different payment methods.

a) Credit risk

Hotels no longer extend credit as easily as they once did because of both some unhappy experiences and large hoteliers and venue groups adopting more rigorous systems. Venues are now much more likely to do a credit check so bad debt is less of an issue than it was in the past.

The cost of carrying risk has to do with who owns the financial relationship. The liability can be with either the corporate or the agent under both card and invoicing systems; it has to do with the decision of who owns the commercial relationship – in other words, who pays. The credit risk, however, moves from the venue to the card company once a card is used as payment.

The question is where does the responsibility of an agent stop – is it just a venue finder or is it adding services such as facilitating payment? Hoteliers say that issues can arise if the agency is not legally liable but their client is not paying the bill. This can be for something as simple as a secretary sitting on an invoice but it still means that the venue is not getting the money in a timely manner and potentially can upset commission payments.

b) Cash flow

Cash flow used to be a big issue. The virtual non-existence of interest rates means that deposits don't earn interest as they once did and people have less incentive to hold onto as much cash as possible for as long as possible.

c) Costs

There are two broad payment options – card and billback.

For card payments a percentage of the cost of the transaction, the merchant fee, is deducted from the remuneration due the merchant, ie from whom the product or service is being purchased, at the time of settlement. The venue receives the money almost immediately and the spend is added to their total card spend volume which ultimately is part of the negotiation with the card provider for the rate of the merchant fee. The customer is incentivised by receiving either a corporate rebate on centrally billed cards and/or individual rewards based on spend on individual cards. Buyers also use cards as a way of extending their credit terms.

As part of our survey, we asked HBAA venue members about their merchant fees and whether they thought the level of those fees was appropriate. Most venues are paying between 2 and 2.5% in merchant fees and their feeling about them is perhaps no surprise. Their responses are shown in Figures 2 and 3 below and overleaf.

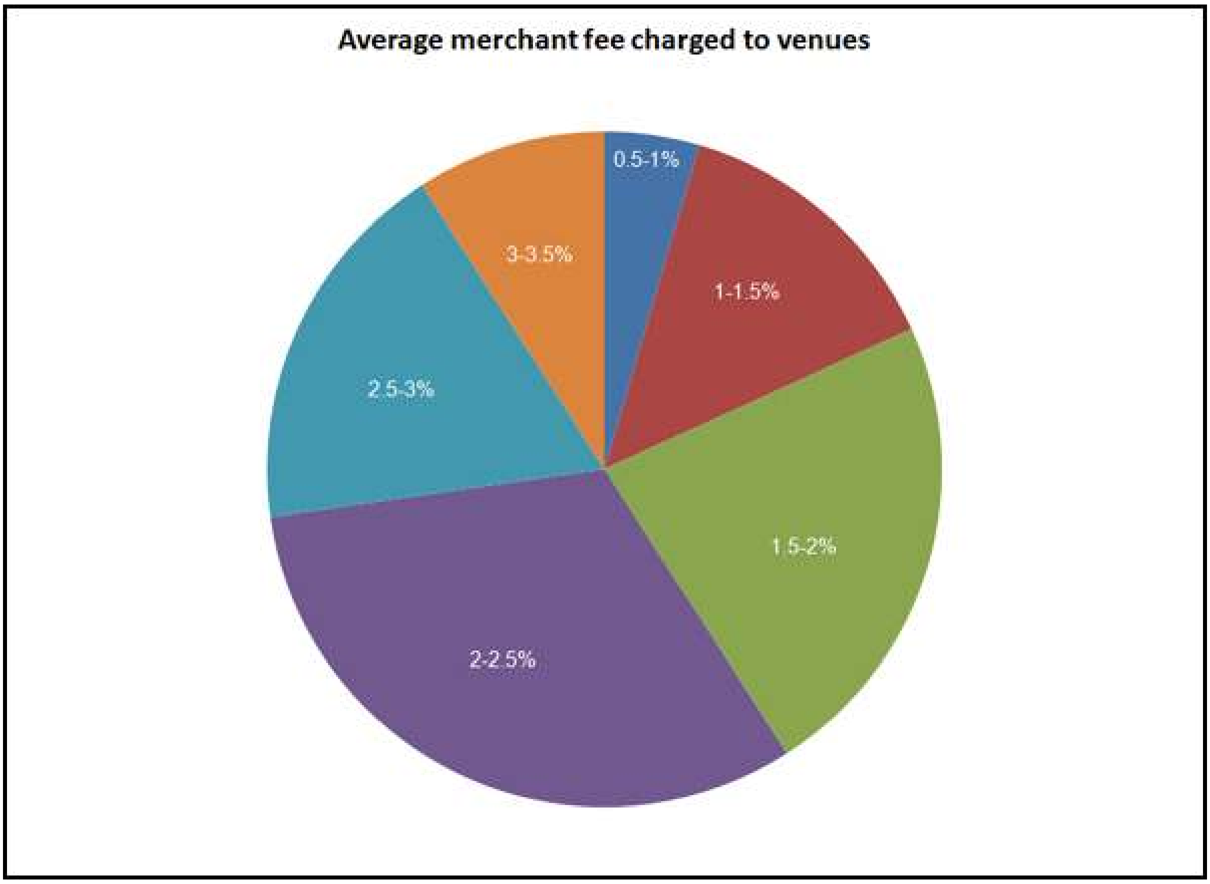


Figure two

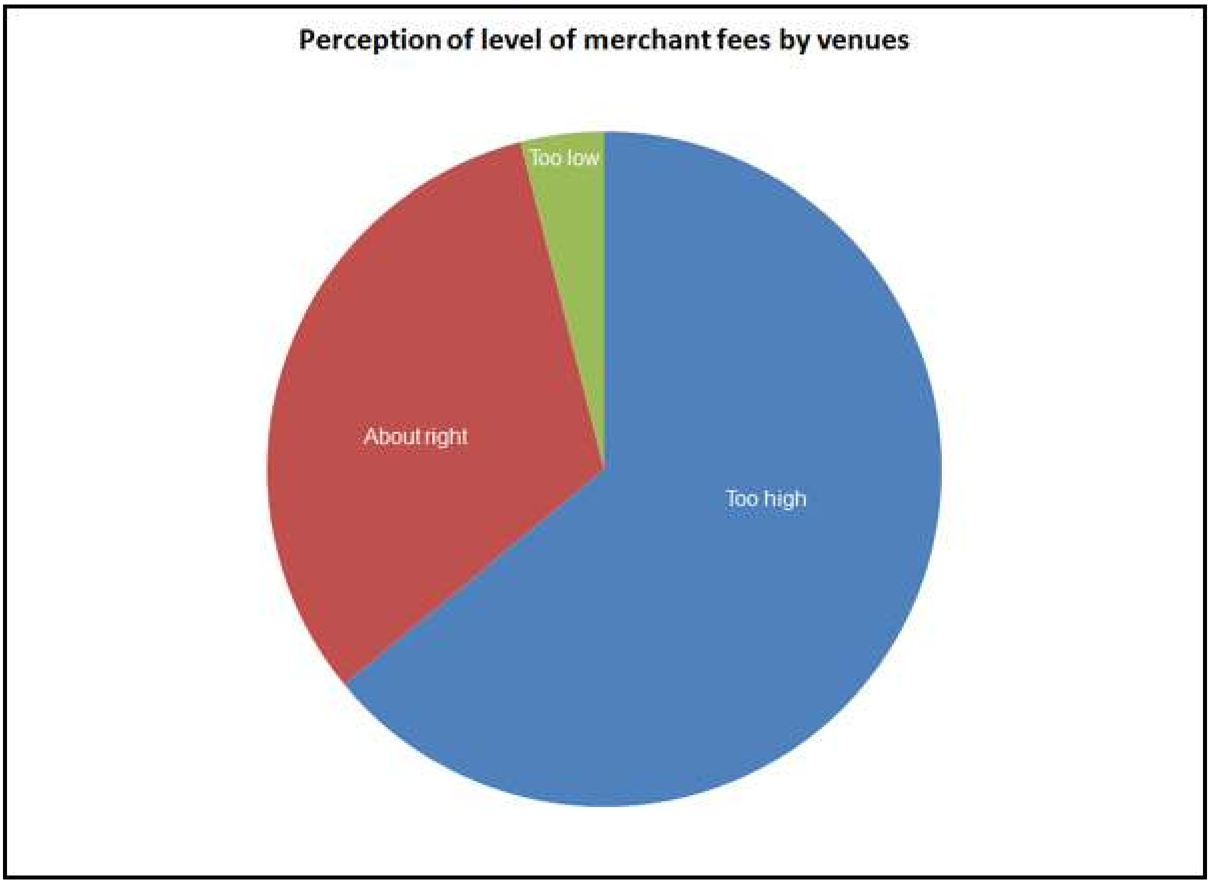


Figure three

By law the venue is obliged to issue an invoice regardless of method of payment. Any kind of billback will add cost to the agent process. The amount of time varies according to where on the scale from the automated matching and passing on to checking and raising queries on behalf of a client the specific process sits. The agents interviewed for this White Paper reported that the amount of staff time this involved varied enormously; it was difficult to ascertain whether this was truly because of efficient processes and technology or because of different degrees of service.

Agents may have been reluctant to acknowledge there were costs because there was virtual unanimity in not seeing a card as an acceptable substitute for an invoice.

At the HBAA Future Vision Forum in Manchester in early September 2011, we presented our initial findings from our survey and asked a number of supplementary questions. We asked agencies specifically what their biggest objection to using a card is. More than a third (34%) of agencies responding said that it was that a card reduced their revenues or cost them more to process.

It can get complicated as to who's paying the bill. In the past agents were billed but now it can go to the client directly (increasingly so) or it can go to the agent to pass back. A venue would consider both billback.

If a client chooses to pay an agency invoice by card, the agent is likely to add the merchant fee to the account because the client has chosen to add cost to the process. Large global venues tend not to pass back merchant fees; smaller companies will do so.

Volume will also affect decisions – a high volume of low transaction value events is more likely to have a slick billback system set up that can process the invoices at minimal cost.

d) The flow of money

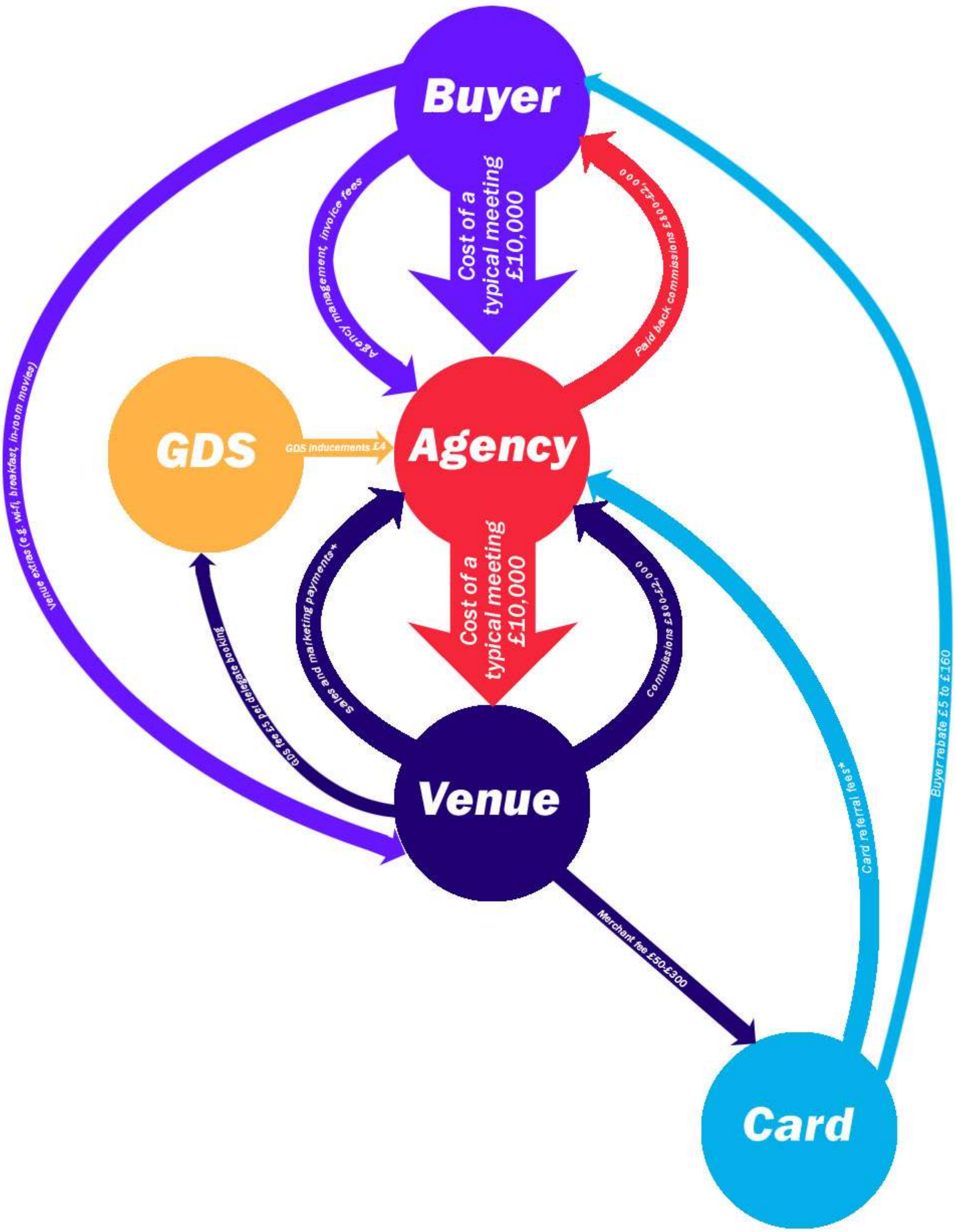
Figure 4 overleaf shows an illustrative example of a typical meetings booking costing £10,000.

It shows the relative positions of the players – buyer, agency, venue, GDS and card company – as well as the flows of money that can potentially occur between them.

It is important to note that this is illustrative and not all flows of money occur in every transaction. The sizes of the arrows are indicative only.

The diagram does not show the time lag that may occur between the payment to the agency and the payment to the venue and any associated credit charges this may incur.

Published November 2011



Sources: HBAA agency and member venues, industry sources

Note: All fees and arrow sizes are indicative. Not every fee shown is charged on every transaction. Fees marked thus are paid in bulk and not per transaction.

Figure four

ii) The non-financial element

Quality data is increasingly vital for buyers. It underpins the current thirst for transparency and provides the visibility necessary for supplier negotiation. Large agents are adamant that they can provide the detail of a client's spend "in ways cards can't get close to". Some agents charge a fee for the service; others offer it as a 'free' service and make the money back by other means.

To see HBAA members' perception of this value, we asked delegates at the September 2011 HBAA Future Vision Forum in Manchester which was the best source of management information on meetings. The audience of 300 agencies, venues and ancillary suppliers (of which venues where considerably in the majority) answered as shown in Figure 5.

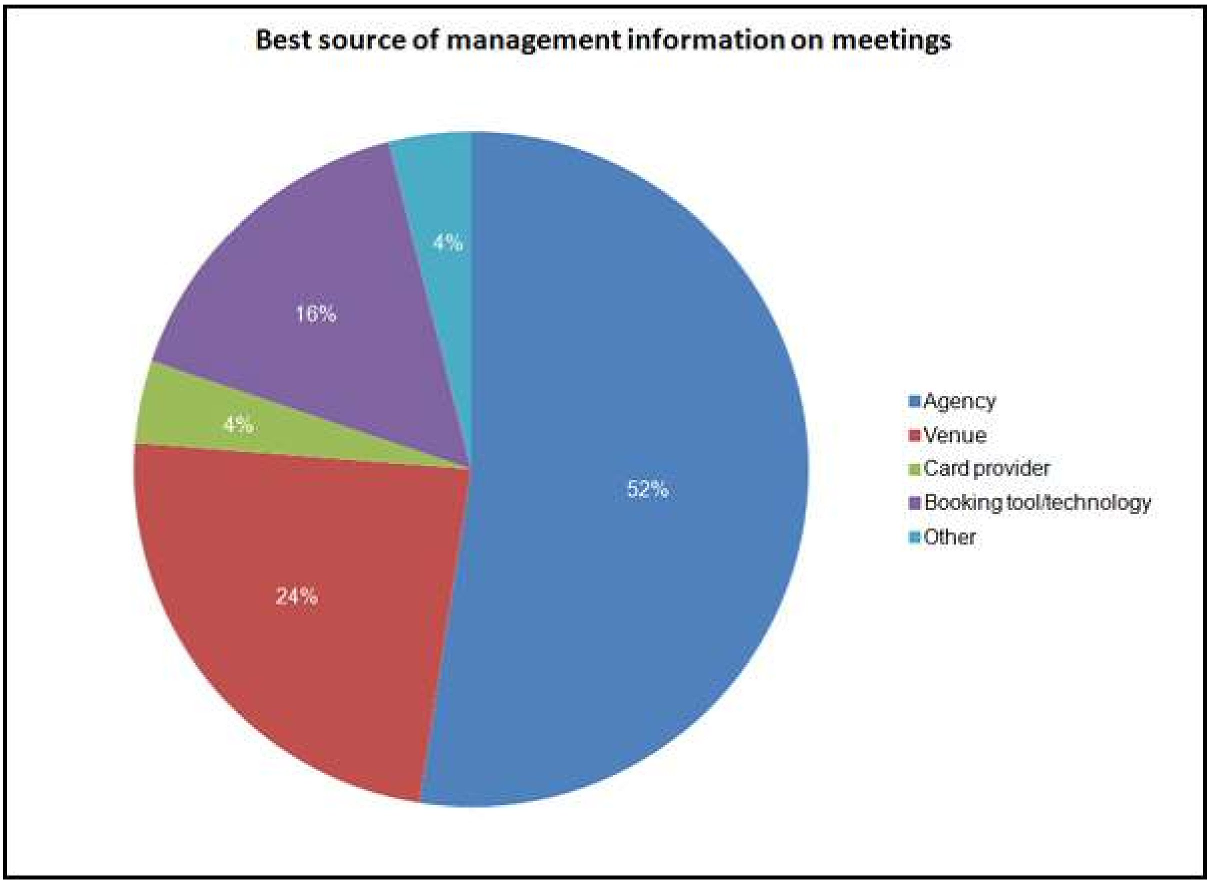


Figure five

Different clients want different degrees of detail and formats in their data but good data is costly to produce and must carry a fee. For card data to be as good it has to be more universally used (card usage is limited to venues that accept the card) and the "right" data has to be captured. At present critics say that the level of detail is not as great as the marketing teams purport.

However, comparing the MI delivered by each method may be a spurious argument. After all, the booked data may come from the agency but the rich, complete data – the billed data which covers what actually happened rather than what the organiser planned to happen – will come from the venue.

Rich management information is not inherent in the form of payment; for transient travel it is provided from both booked sources and paid for sources such as flown data. It comes both from TMC booking systems and from payment systems such as cards. Large companies often employ data aggregators that make use of suppliers' own data as well.

The invoice argument stems from two sources, namely that the agent can intercept the invoice and flow any data from that into a consolidated MI system and that payment systems such as card can only deliver top line spent data rather than the more strategic data of how it is spent.

Although there is a legal requirement for VAT invoices to be produced, agents argue that the incentive to raise an invoice in a timely manner is greater when you haven't been paid. However, this could be a case of critical mass. If a significant number of an agent's clients do want to work with card, they would be impelled to work with providers to generate invoices for bills settled by cards more quickly.

Card proponents believe that the billback process necessitates rekeying which introduces room for error where card data can be created at source in the level of detail the client wants – and the hotel is willing to give.

Every agent to whom the authors of this study spoke was at pains to distinguish the payment facility of the card from its capacity for management information. And that should be considered.

In other words making use of a card to pay for an invoice met with different views than using a card to provide strategic meeting data.

There is a perception that some agents favour the invoicing system not because it adds real value to the client but because it's a way of retaining ownership of the relationship.

Payment methods

As part of our survey which took place in July and August, we asked both agency and venue members of the HBAA a number of questions relating to payments.

We asked all agencies how much of their business was already handled via card payment. In most cases, the proportion of revenue handled this way was minimal, as shown in Figure 6. The survey showed that for 83% of agencies, the proportion of business passing through cards was less than 5%.

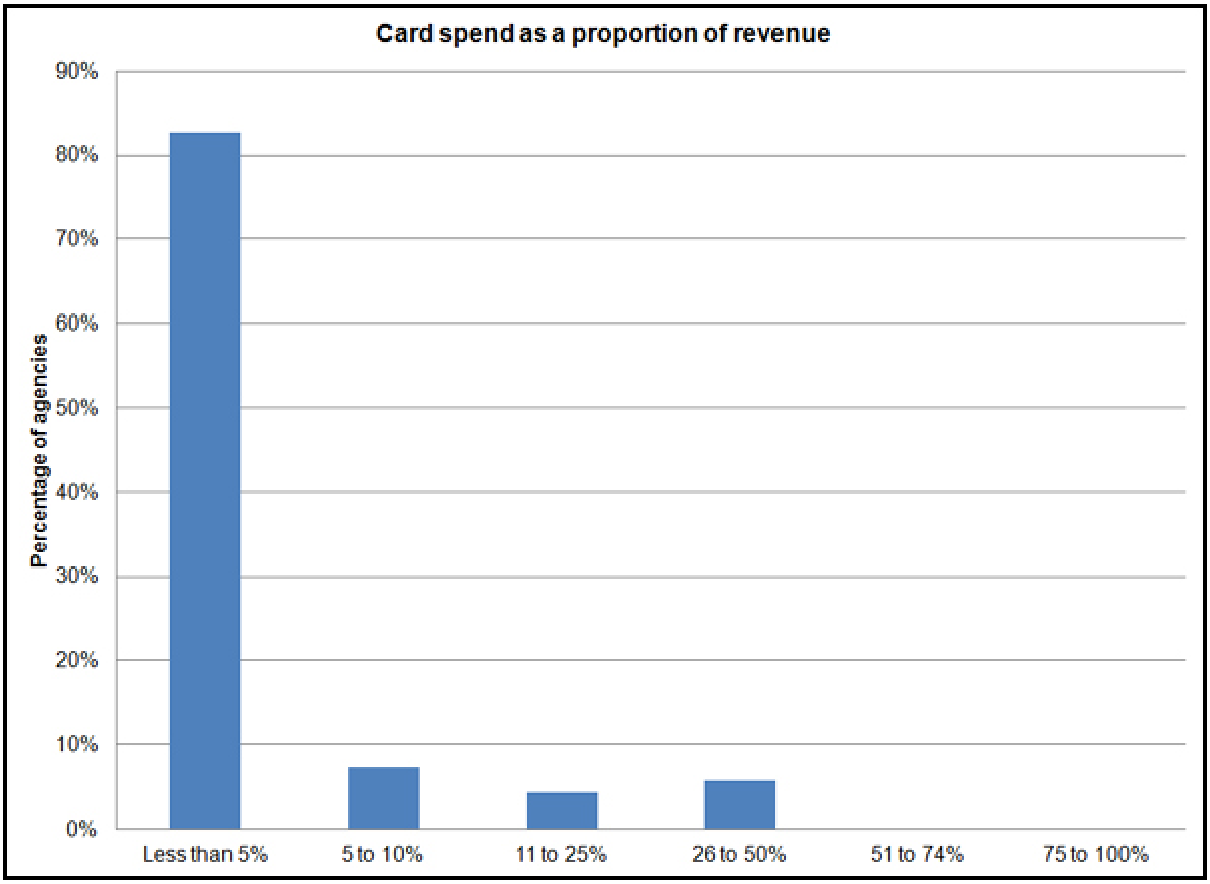


Figure six

We also asked both agencies and venues about their preferred methods of payment.

Overwhelmingly, both agencies and venues preferred for the venue to invoice the client directly, as can be seen from Figures 6 and 7 below. The surveys also showed that billback is the least preferred method of payment for both categories of member. One hotelier argued "The majority of our accounting issues are caused by the agents handling billback" – indeed, no venue said they preferred billback. No agency, meanwhile, preferred being paid by meetings card.

We also asked respondents for their reasons for their answers. Generally, both agencies and venues felt that direct client invoicing meant that the method was the least risky, i.e. the credit risk lay with the corporate client.

One agency replied: "Because we are an 'agent' acting on behalf of the hotels/venues as their agent it makes sense that an event at confirmation is billed to the client. The agent has a revenue stream of 8% of the commissionable items on the final bill. To expect the agent to front as much 12 to 15 times their revenue against a booking is likely to lead one or two into trouble."

Published November 2011

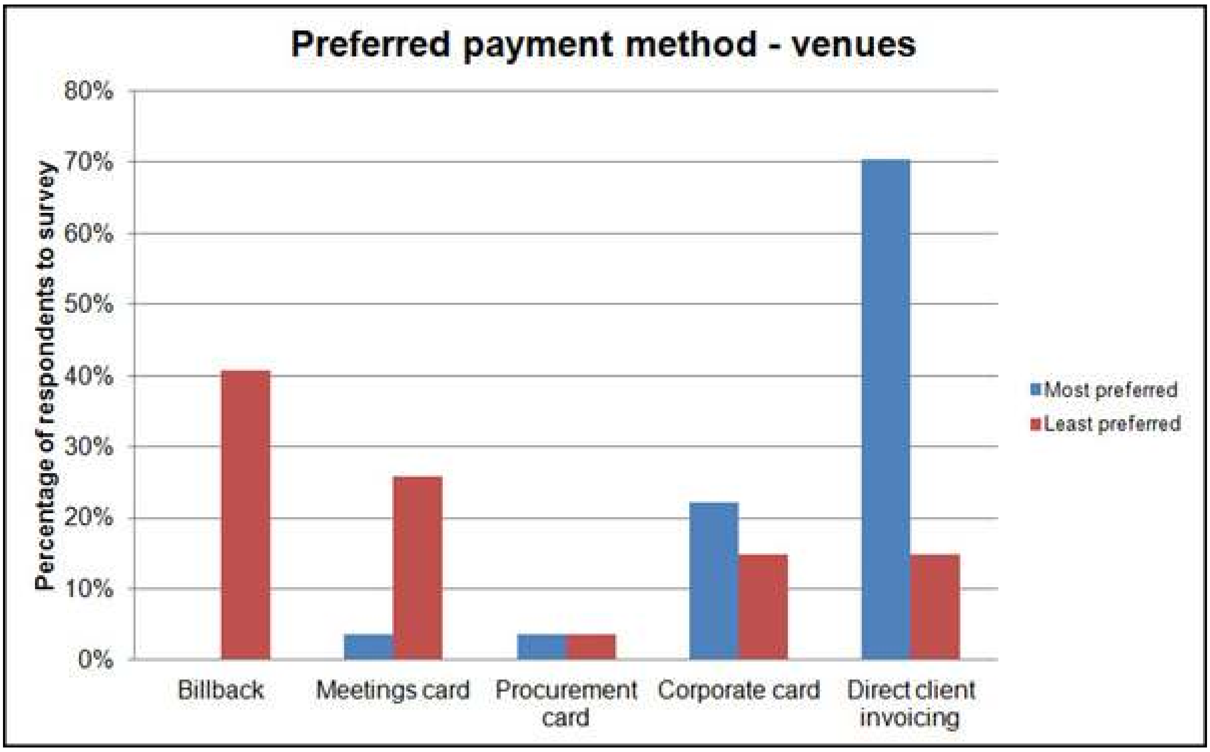


Figure seven

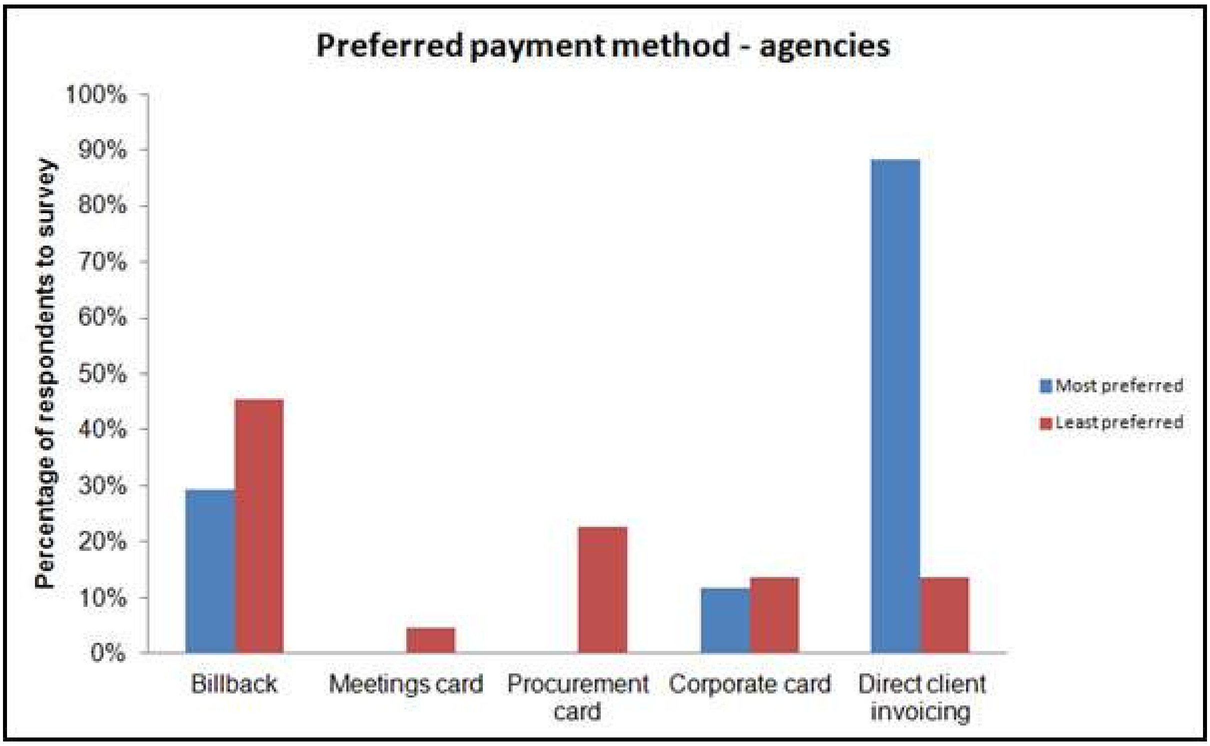


Figure eight

Published November 2011

Future

The customer

Corporates increasingly have self-booking systems that work with such cards which will be configured to what customers want in terms of both systems and detail.

As one hotelier said, "we're increasingly recognising how expense management and invoice systems work."

Corporate systems will increasingly become standardised, not only because technology is making such products more user friendly and lower cost but because there are increasing demands for cost savings and transparency.

Buyers want better data and compliance and control. Line item detail provided by suppliers through card companies is likely to get richer and richer.

The venue

Larger venues seem keen that card adoption increase. They argue that they are not in the credit collection business but in the hospitality industry so anything that means they are paid in a timely fashion is to be welcomed.

But it would be dangerous to generalise. Venues that are part of chains that see cards as a way of life feel quite differently from those that do high volumes of low transaction value meetings who say that they would prefer cards only if the cost were lower. That is not an issue of structure or product but one of price level.

Venue cards are also growing as an alternative to either invoicing or a corporate commercial or meetings card.

Doing this gives hotel chains the ability to offer tailored management information. For the hotel there is no merchant fee to pay although they will be paying a specialist card company to manage a proprietary card on their behalf.

For the customer there is the drawback that spend on a hotel card will not add to their corporate rebate from their card provider.

A corporate is unlikely to choose a venue on the basis of the MI offered but quality management information does engender loyalty.

In our survey, we asked member venues for their thoughts on where card usage was going. Figure 9 overleaf shows their responses. 52% of those venues responding felt that card usage would increase over the next two years.

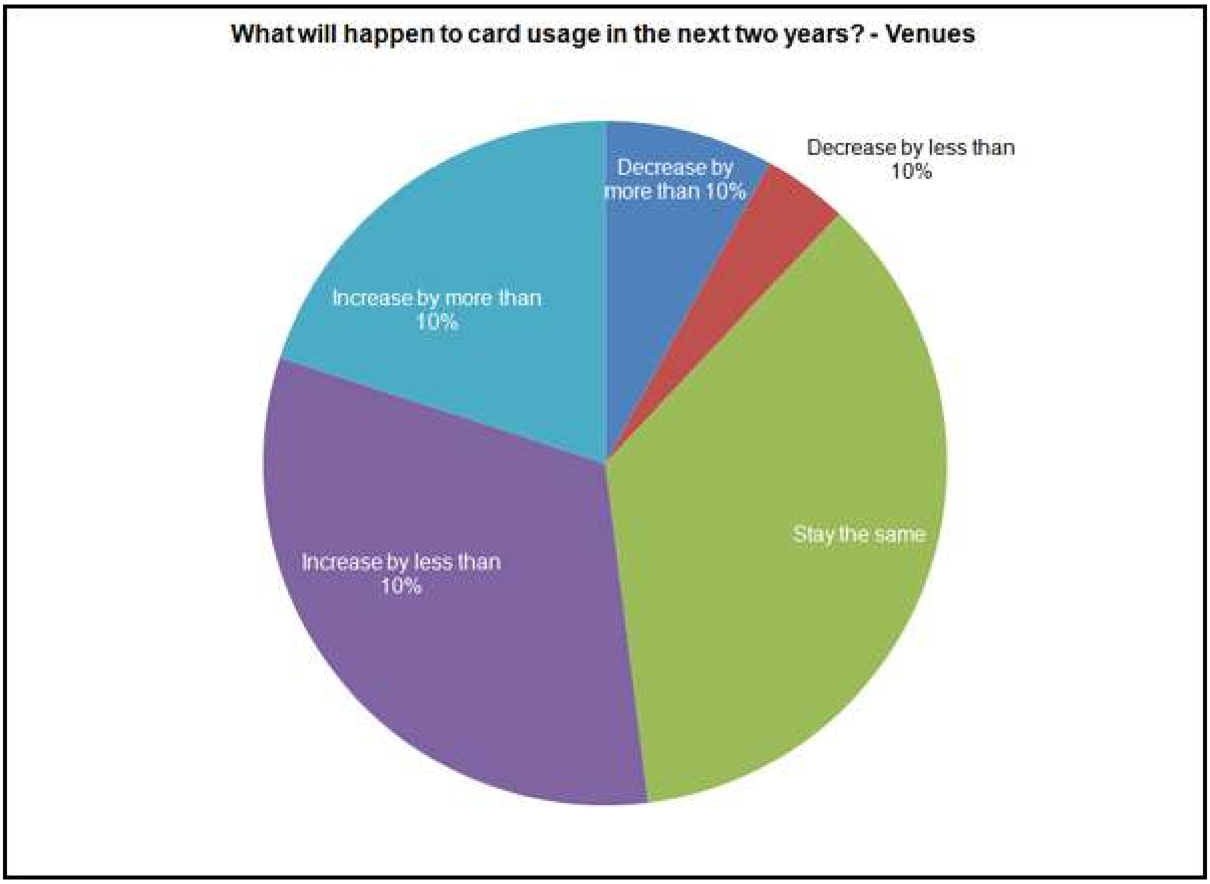


Figure nine

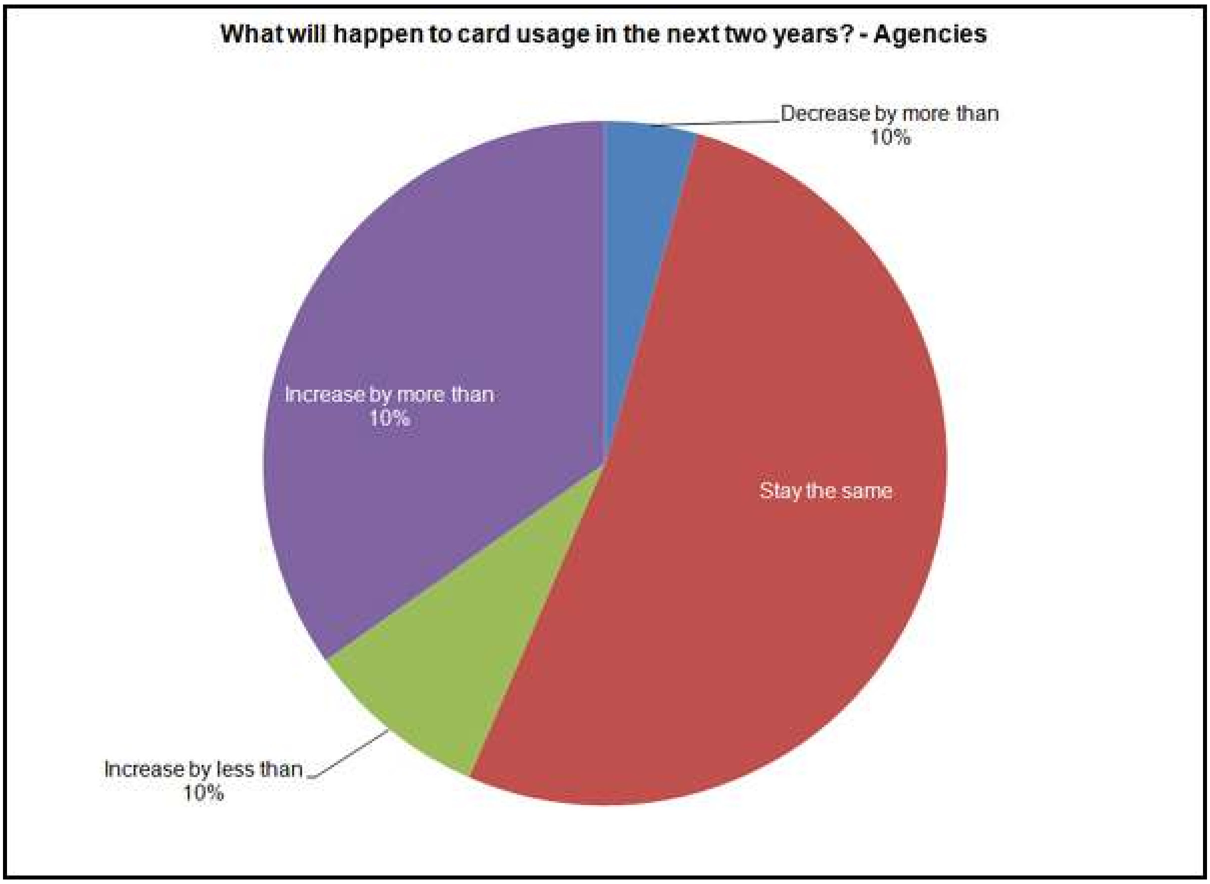
The agent

Agents are specialists in locating the right venue for the client's requirement. Their core business is not credit management which is what the billback system obliges them to do. Are they good at managing credit? The successful ones are. However, it does mean that they have to take the credit risk, something that the use of a card would obviate.

The reservations agents raised about cards are well founded for today but they are unlikely to remain in the future. Data is generated at the point of supply and the same level of data could be in an invoice regardless of where and when the payment takes place.

The number of meetings are increasing but so too is the rate of those being captured – and paid for – on cards.

As part of our survey, we also asked agencies how they felt card usage would change over the next two years. Some 44% of agencies who responded said they believed that card usage would increase, with more than one third of agencies believing that card usage would increase by more than 10% in that time period. The full results are shown in Figure 10 overleaf.


What will happen to card usage in the next two years? - Agencies
Decrease by more than 10%
Stay the same
Increase by less than 10%
Increase by more than 10%

Conclusions

The interviews and surveys carried out as part of the extensive research for this White Paper show that there is extensive usage of and widespread acceptance of the benefits of direct client invoicing among both agencies and venues. The economic downturn, with failing businesses in all parts of the supply chain coupled with historically low interest rates, mean that the appetite for direct client invoicing is still apparent.

However, it is clear that the rise of strategic meetings management, driven by the increasing importance of procurement and transparency in organisations and the development of technology that enables it, that card usage seems destined to rise. Meetings card providers themselves are spending extensively on marketing to promote this viewpoint.

As we mentioned at the very start of this paper, every HBAA member interviewed for this report stressed that every decision was made with the buyer in mind. Customers will always be the driving force in the adoption of cards, whether corporate or dedicated meetings cards. Agencies and venues – if they wish to retain the business they have enjoyed in the past and continue to enjoy today – will need to adapt to those changing customer demands for using a particularly payment method.

The successful agencies and venues will be those who can adapt to these changing demands of buyers. This will mean a re-examination of how cash flows between the customer, agency and venue. It is in nobody's interest to force any particular player to be at a financial disadvantage since supply chains built on such imbalance will inevitably fail.

As a result, card issuers will need to negotiate with venues over an appropriate and sustainable level of merchant fee while agencies will need to reconsider what they charge for and how much they charge to their customers. The customer, meanwhile, will need to recognise where the value is in this chain and pay for the services they receive, whether that means management information or the provision of credit.

Rest assured, the HBAA will take an active role in those necessary, yet delicate, negotiations.

Published November 2011