The evolution of payment solutions: Time for a revolution?

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There are many business-to-business (B2B) payment solutions, but when it comes to managing payments for meetings and events, however, these solutions fail to live up to their promise in a number of ways.

While many aspects of event planning benefitted from technological advances over the past decade, innovation has stubbornly refused to shine its light on the back-end financial process.

Event financial management is more complicated today than it's ever been as a result of growing need to justify the return-on-event, as well as regulatory pressures to increase transparency. Still today, marketers, planners, procurement and finance continue to lack visibility into budget and spend, while suffering under the burden of administratively intensive processes and tools.

How did we get to this point? And why do these problems persist, regardless of company size, segment or approach to meetings management?

In this whitepaper, we will explore the traditional ways that companies have paid for event services – **purchase orders**, **agencies** and **card products** – and how they contributed to this big industry problem. Finally, we will introduce how today's leading best-in-class M&E programs are side-stepping these challenges and fast-forwarding their programs by rethinking the traditional ways to pay.

#1 | Purchase Order (PO)
Companies traditionally favored the PO because of its front-end controls and compliance rigor. It provides visibility into purchasing commitments before payments are made and matches invoices to approvals, making it a safe way to buy. POs also work globally as a form of payment, unlike other payment methods.

Yet the PO has fallen out of favor as the preferred method for making payments in the M&E category. *Why?*

The PO process, by design, is inflexible. Try paying a deposit to a hotel to hold the space. It just doesn't work, yet deposits are a critical component of an active M&E program.

Another challenge is that the traditional PO systems were optimized for the purchase of goods, not services. With goods, a company typically has a few hundred suppliers, at most, globally in any one category – suppliers which are used repeatedly and for which the traditional vendor onboarding process works fine.

A typical global M&E program has thousands of suppliers, many of which are used one-time (the florist in Barcelona for your sales kickoff meeting, for example). This unusually large, one-off supplier base puts incredible strain and cost on the organization to onboard and maintain those suppliers in the vendor master. Many companies today have strategic goals to reduce the number of suppliers in their vendor master given this cost and complexity.

Budget management and spend visibility are two other challenges with the PO. While you can track your spend by supplier, you cannot easily track your spend against your total meeting budget with the PO, requiring Marketers and Planners to resort to spreadsheets, inhibiting visibility across programs and geographies. And all of the manual tracking of spend on spreadsheets leads to data integrity issues. Companies often find they cannot trust their data to make strategic business decisions in M&E as a result.

#2 | Agencies
Due to the pain of the PO, some companies threw up their hands and outsourced M&E payments altogether to one or more of their logistics agencies. This effectively shifted the burden of making payments off the company. But there are significant trade-offs with this option and, today, many companies no longer consider this a best-in-class model.

Let's explore why.

First, this is an expensive option. Most agencies will charge a service fee in the range of 5-15% of the transaction amount (after all, making payments is manual and labor-intensive for them as well). Some companies find that they cannot easily "see" this fee in their bundled pricing models, but it's there if you dig. Also, many companies find over time that the need to front significant amounts of cash to their agency to act as their bank for disbursing payments, as invoices come in later, is detrimental from a working capital perspective.

Second, and perhaps more troubling, is that handing over payments to an agency means future erosion of control and visibility, making it a risky option. Vendor spend is usually tracked via spreadsheet with a few high-level categories and provided 60 days post event close. Agencies can usually manage payments in a given country, but do not typically have those capabilities globally. It becomes just one of many sources of spend a company has to try to cobble together in order to get a true global perspective. Companies also may lose control over which vendors are used and reduced visibility into how the budget is spent when an agency pays.

Perhaps a lesser known drawback of the agency model for payments is that when an agency pays your supplier, they become the payor. This means the supplier will base credit risk on their business, which can result in less favorable terms around deposit requirements, net terms and discounts than when the credit risk is evaluated on that of the typically larger, less credit-risky corporation buying the services.

Agencies do a lot of things well, but payments are not a core competency and they're not designed to act as a bank. Companies using this model have an opportunity to take back control of their payments to improve transparency, increase buying power and rebalance the control between the agency, the downstream supplier and the company.

#3 | Card Products

Cards, including p-cards, meeting cards and corporate T&E cards, enabled companies to take back control of payments and are flexible enough to make deposits. Card programs can also be a revenue stream for companies via their rebate programs. These are all positives.

But cards are inherently an after-the-fact payment solution. *Let's unpack the implications of this a bit*.

When companies pay by card, suppliers are disbursed their payment first and then the charge is approved. That's exactly the opposite of how companies prefer to buy and what the PO did a nice job of controlling. Because of this, companies will, over time, put in additional gates to try to control the card that add manual work, delays and inefficiencies—all without fully eliminating the risk. For example, credit card authorization forms need to be completed and often times prior approved within the company before the planner can send to the supplier: a very manual, paper-based process. When the charge comes back from the card company, planners need to reconcile the charge back to their meeting and ensure that what was swiped is what they initially approved. If there's a discrepancy, a charge-back process is required, creating disruption for not only the planner, but the supplier as well. The card owner then needs to complete expense reports and manually record the actual spend back into a budget spreadsheet or in a meetings tool, like Cvent.

In addition, the finance organization typically has their own reconciliation process before approving the master bill and paying the card company. Finance will also allocate the spend into the company's financial platform as the ultimate system of record. When you have separate groups and processes for reconciling charges and reporting back spend, it's inevitable that your meetings data will never fully match your financial data. Worse yet, it's not uncommon for companies to spend tens of thousands of labor hours per year to do this reconciliation and manual spend reporting. Imagine the impact on your program if you had those hours back to focus on creating exceptional events and deriving actionable insight from data you can trust.

Finally, and perhaps most importantly, cards were not designed to provide the granular level of data needed to effectively manage M&E programs. With card, you can see the amount of the transaction with a supplier, the supplier's category (i.e., ground transportation), the date and location. Cards assign spend based on the supplier category– they lack the supplier invoices needed to break down spend further. This works for many spend categories but not for M&E.

Why not?

When you want to negotiate preferred terms with a supplier, you need to understand your spend through the lens of your meetings program. It's not enough to know that you spent, say, $12 million with Hotel X last year. You need to know how much of that spend was transient versus group. For your group spend, knowing how that spend breaks down across room nights, food and beverage, audio visual and meeting space is critical, as hotels will generally negotiate terms differently across those dimensions. If you don't have trusted meeting spend at that granular level, then you're at a serious disadvantage for negotiating the best terms with your suppliers.

So, while cards represent a step forward on the evolutionary path of B2B payments in a few key areas, they create too many trade-offs for most companies to be comfortable deploying them en masse to support meeting and event payments. And if you're responsible for leading your company's M&E program, you will quickly exhaust the card's ability to uncover new opportunities to drive cost savings due to its lack of data. And typically, within 18-24 months of card program use within your meetings organization, the weight of reconciliation and manual keying in of spend in multiple places will exhaust your planners, meeting owners and finance teams.

Time for a Revolution?

Today, some of the world's largest and most admired Fortune 500 companies are migrating to a new way to buy and pay for event services. The innovation finally exists in the marketplace to digitize the buying channel and enable a purpose-built solution that can support meeting and event payments globally.

Learn more how companies are realizing cost savings of 10% or more through improved spend visibility, double-digit % labor savings on accounts payable efficiencies, and are returning thousands of hours of time back to their event teams to focus on creating more exceptional events.

The time is now.

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Intrigued enough to learn more? We'd love to speak with you. Contact us at sales@eved.com and ask about our latest case studies on how companies elevated their M&E programs to best-in-class by solving these long-standing industry challenges.