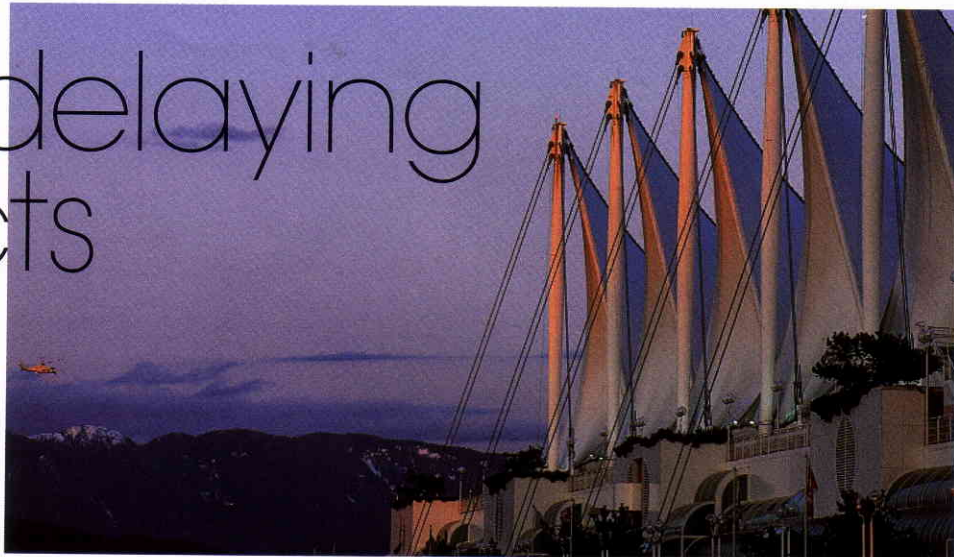


Clients delaying contracts



The trend of delayed contracting by clients appears to be not only well established, but still on the increase, according to a survey by AIPC, the International Association of Congress Centres. AIPC suggested that the trend is a reflection of a buyer's market, which reduces the client's sense of urgency that the space may be lost to other events if they do not confirm quickly. This perhaps is among new concerns that congress centres need to take into account as the economic and global security concerns of the past few years take a back seat.

"As a result, a process for dealing with such delays is of increasing importance, yet it appears that relatively few centres have formal mechanisms for either encouraging faster booking or managing the interim situation.

"Instead, the approaches seem to be simply maintaining the prospect of losing the space to other clients (obviously of less concern than previously) and urging them along toward deadlines for commitments," AIPC said.

As for interim agreements, it said these are much more likely to be informal and based on "letters of understanding" or interim bookings which are subject to challenge by other clients than any more formal type of agreement.

Overall, the only true booking commitment remains in most cases one based on a formal contract and deposit, with interim measures largely ad hoc and depending on the nature of the client, the stage of their decision process and any competition for the dates in question.

The AIPC survey comes as many clients seem increasingly unable or unwilling to commit to a formal contractual agreement until the last possible moment. For centres, that has pushed for changes in the way clients expectations and commitments are managed.

The survey also wanted to ascertain if this kind of delay was a general experience among centres and how they were responding.

Here are some of the findings of the survey:

1. Seventy-seven percent of the respondents said clients were delaying contracting for longer now than five years ago. Only 23 percent felt that this had remained unchanged, and of these, some noted that this was only the case with certain types of business.

2. In a time when the major impacts of global economic / political turmoil appear to be subsiding, over 63 percent of respondents felt that the delay is continuing to increase! Only six percent saw a decrease, with the balance believing that the delays remained unchanged.

3. Ninety percent of responding centres stated that they require a signed contract and deposit to formally confirm business. Ten percent did not, although most of these indicated that this was dependant on the nature of the clients.

4. When asked how far into the future they would hold space for a qualified client without formal contracting, centres varied widely, with many noting they had no specific time requirement. Those who did have a requirement varied widely, from a matter of days to more than three years. However, these responses were qualified with a number of conditions, the most significant of which were:

- That the decision to hold space without contract was dependant on the nature of and relationship with the client (larger and repeat clients given preferential treatment over smaller and new events, and
- That holding space was subject to another client challenging the booking

or wanting to confirm business for the same period.

5. When asked if they had any interim form of agreement, respondents were split between those who did (40 percent) and those who did not (60 percent). Among those that did, the actual form of that agreement varied considerably, ranging from a tentative booking secured by a letter of intent to those who required an actual start on formal contract paperwork, sometimes with a non-refundable deposit. However, most had conditions attached to the agreement, including:

- The need for an actual date at which the contracting process would be started / completed
- A mechanism whereby another potential client can "challenge" the booking by offering to contract, and
- The need for some formal "milestone" to be achieved (i.e., bid won, board decision made) to maintain the booking.

6. The majority (61 percent) of centres reporting indicated that they had no formal process for encouraging earlier contracting by clients, although a number of others indicated that maintaining contact and frequent inquiries were used to move things along as much as possible. Formal or informal, the specific tactics fell into three general categories;

- Incentives for early signing, which ranged from preferred rates and / or discounts to reduced deposits;
- The threat of cancellation and / or offering space to other events, and
- Guaranteeing rental rates which would otherwise be subject to subsequent increases