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On the QT...ROI requests for Meeting RFP's make me LOL

Overdoing ROI in the Meeting Industry

By Jeffrey Hansler, CSP

I've used the phrase... .On the QT a fair amount and never really thought about what it might mean other than to not talk about something. In fact, the first record of it's use was in 1870 and it became popularized in 1891 with it's inclusion in a minstrel show number called 'Ta-ra-ra-boom-de-ay' and it does mean to be quiet (shorthand made of the first and last letters of the word).

A lot of us use words or phrases that we're not sure of the exact meaning, although we have a vague idea of what it might mean. ROI (Return-on-Investment) has become such a word in the meeting and travel world. Lots of people are asking for ROI to be calculated as part of proposal responses and the decision-making process.

Its proliferation is being supported by purchasing agents and CFO's that are becoming increasingly involved in meeting and travel related decisions and by the completely unformed.

ROI is something purchasing agents and CFO's understand – it's a quantitative measurement used to help reduce risk in business decision-making. It has no place in evaluating qualitative issues associated with meetings and travel. So my only thought is

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that it is being used in these situations by people who understand it as a club to wield on the uniformed. After all, finance and financial terms can terrify the non-financial. Unfortunately, the term is now being applied to decision-making situations by many uniformed as a mask to appear informed.

Here's the problem with ROI. Return on investment is a quantitative measurement and it is being applied as a measure in qualitative situations. ROI can be calculated quantitatively in several forms:

$ROI = NPV \text{ of Savings} / \text{Initial Investment} \times 100$ or

$ROI (\%) = \text{Income} / \text{Expense} \times 100$ or

$ROI (\%) = \text{Net Program Benefits} / \text{Net Program Costs} \times 100$ or

$\text{Simple ROI} = (\text{Gains} - \text{Investment Costs}) / \text{Investment Costs}$

There are several problems in applying these quantitative measurements to meetings.

In the mid 90's, hotels began to downsize the number of B.T. (Business Travel or volume accounts) rooms per night because hotels were increasing the group ceilings. In some cases, hotels even eliminated the B.T. Sales Managers. The justification for this decision was ROI. Hotels had determined through quantitative measures that Groups were a better return. Hotels are now reversing this trend and going back to soliciting B.T. business and lowering the Group room ceilings. Again, the justification is ROI.

The problem is ROI is an internal focused measure at best. What the accountants didn't include in their calculations was the insurgence of extended stay hotels and all-suite properties to address this trend. Nor did it include changes in travel and overnight spending trends due to technology, security, and business pace changes. There are as many qualitative (and trend statistical) arguments for keeping Group ceilings high right now as there are for shifting the focus to B.T.

The pendulum has swung so far to an immediate ROI focus there have been occasions where hotels have walked a block of group rooms to free up space for higher rated B.T.



In the long run, the cost to achieve an immediate higher ROI may prove to be very costly by any measure.

The biggest problems with ROI include determining the gains and expenses that are to be measured?

If Groups suddenly determined that ROI was going to be the deciding factor on holding or not holding a meeting and held the meeting manager responsible for that ROI, the hotel and travel industry would be in for a very bad year. A meeting does not generate gains in terms of income for the company directly. It does generate an immediate expense. Secondly, even if there were immediate gains that could be attributed to a meeting, the meeting department has no authority for those gains. It is bad business to apply responsibility for a consequence without providing the authority over that consequence. I would hope the meeting manager is not responsible for generating the revenue for a company.

As for evaluating a decision based on the investment cost in calculating Return on Investment (ROI) for a meeting, the best ROI for a meeting would be achieved when no meeting is held!

The ridiculousness of this last concept is apparent. Meetings are not about costs: They're about people and despite the proliferation of virtual meetings, real-life meetings and events are important to the productivity of people in accomplishing their objectives.

A better measure of decision making in business regarding a meeting and the associated costs would be $\text{Resources} + \text{Activity} = \text{Results}$.

Applying this type of equation to decision making allows for qualitative elements to be considered like a camaraderie, recharging batteries, receiving education, and sharing ideas with others. The question becomes 'What is the environment that will facilitate the results that we want for those attending? Will it be Five Star or No Star or something in between?' Impact is a qualitative element, not quantitative.

Sure, evaluating a decision qualitatively openly acknowledges that there is no formula for success, but that is the truth about business. ROI is about risk reduction and business growth and innovation is about risk taking.



ROI has a place in business decision-making, just not when applied to the Meeting department or any other individual department.

When asked what the ROI is, a reply might be, "I thought that the idea was to increase the ROI across the company, not for every function or department or activity. I believe this will contribute to overall ROI!"

BTW (By the Way) LOL means Laughing Out Loud and my 17 year old son tells me that QT is outdated and now they use DL for Down-Low. SWAK

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