

The Value of Trade

An Interview with Elizabeth Topazio,
Executive Vice President, Travel and Hospitality, and Chief Legal Officer, Active Travel

EDITORS' NOTE Prior to joining Active in 1994, Liz Topazio was an M&A associate at Orloff, Lowenbach in New Jersey from 1992 to 1994, and at Dechert LLP in Pennsylvania from 1988 to 1992. She's a member of the New Jersey, New York, and Pennsylvania bars and graduated from Villanova University Law School in 1988 with a J.D., cum laude, and Georgetown University, Edmund A. Walsh School of Foreign Service with a B.S.F.S., magna cum laude. She participates in a variety of charitable endeavors and is on the Advisory Board for Animal Alliance of New Jersey.



Elizabeth Topazio

COMPANY BRIEF Active International (activeinternational.com), the global leader in corporate trade, consults with Fortune 1000 companies on ways to leverage their enterprise assets, typically excess consumer packaged goods, real estate, and capital equipment, to purchase pre-budgeted expenses like media, retail marketing, events & hospitality, freight & logistics, and LED lighting & displays. Active places more than \$1 billion in media annually on behalf of its clients and has successfully helped many of the world's leading brands recover value, reduce costs, and increase market share. Providing a dynamic financial tool and creative marketing solutions, Active has helped its clients improve their business performance, delivering \$1.5 billion in economic benefit since 1984. Active International is based in New York and has offices in 16 countries.

What are some of the challenges impacting the hospitality industry?

One of the biggest challenges facing the hospitality industry is developing customer acquisition strategies and creating loyalty in a marketplace with increasingly fragmented distribution channels. Similar to many other industries, the impact of digital has created an environment that has disrupted distribution channels and made it difficult for hotels to control rising acquisition costs as they seek to maintain and/or increase ADR and occupancy, and build a loyalty base to assure repeat business. Further compounding matters, the sharing economy has been siphoning business in key metropolitan markets while, at the same time, OTAs and on-line event management systems

are demanding higher commissions to deliver business.

Our trading programs help our hospitality partners countermand some of these challenges.

What trading programs does Active offer hospitality partners?

While our trading programs are varied and customizable, for the hospitality industry we have available two core trading programs. The first, our "Cash Cross Purchase Program," enables our hospitality partners to purchase goods and services, such as TVs,

linens, bedding, media, or other items through us at the same pricing, terms, and conditions as they would otherwise pay on their own. As a result of our trading transactions with the under-

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lying suppliers of such goods and services, we are able to provide additional value with each purchase in the form of a guaranteed future revenue stream in cash room bookings at their hotels. Our cash booking commitment is typically 10 percent or more of the pre-tax purchase price of the goods and services purchased.

The second, our "Hotel Credit Program" (or traditional barter), enables our hospitality partners to purchase needed goods and services,

or receive unrestricted cash from us payable "in-kind" with their hotel accommodations by issuing to us a hotel credit. It's important to note that we have evolved traditional barter to remove historical performance risk by providing the promised goods and services, or cash payment, which is the basis of each barter trade up front to our hospitality partners in exchange for the hotel credit. This program delivers needed liquidity and allows our hospitality partners to recapture and monetize the value of their empty hotel rooms.

How is Active able to shift market share into hotels?

We trade with all of our clients, most of whom hold our trade credits. When our clients book their corporate transient and group business through us, we allow them to utilize their trade as partial payment. This use of trade allows our clients to realize significant financial benefits, even when their bookings are at a hotel's normal prevailing or negotiated corporate rates. As a result, our clients are highly incentivized and motivated to book their travel services at hotels owned or managed by our hospitality partners.

Are there additional benefits from trading?

Yes. In addition to those mentioned above, from an acquisition cost perspective, since we don't charge any commissions or fees, have our own internal reservation center that allows us to book direct with the hotels, and can often deliver group RFPs directly, avoiding usage of on-line event management systems, our bookings have lower acquisition cost. Additionally, we maintain rate parity and, notwithstanding our clients' use of trade when paying us, we always insure each hotel is paid in accordance with their respective trading program with us, i.e. 100 percent in cash under our Cross Purchase Program, or 100 percent in hotel credit under our Hotel Credit Program. Further, our experienced sales team markets and promotes our hospitality partners' hotels to our clients on a high-touch basis, as a no cost extension of their internal sales teams, and further pre-clears all group business to insure it constitutes "new" business to each hotel, driving additional value and avoiding any sales channel conflicts with hotel sales teams.

Ultimately, our business model provides additional value and benefits to participants, which is a win-win situation for everyone. ●