

Driving Growth in Hospitality

An Interview with Dominic T. Bencivenga,
Chief Sales Officer, Travel & Hospitality, Active International

EDITORS' NOTE Prior to joining Active in 2001, Dominic Bencivenga held senior level positions including Regional Vice President for Liberty Travel, Senior Vice President, Sales for Direct Travel and President of Fugazy Vacations, formerly two of the largest travel management companies in the country, and COO for The World Key Agency Group. He has served as a member of the Leisure Travel Advisory Boards for both Starwood Hotels and Wyndham Hotels. Bencivenga has been a frequent panelist at many conferences sponsored by travel-related companies.



Dominic T. Bencivenga

COMPANY BRIEF Active International (*activeinternational.com*) drives performance and improves business outcomes for leading brands. A data-driven company with media as a core competency, Active operates a full-service media agency based in New York. In addition to media, Active brings to bear a broad portfolio of practice areas including Asset Disposition/Merchandise Sales, Real Estate, Retail Marketing, Travel and Hospitality, Freight & Logistics, and Lighting. Through the application of its core business model, Active is able to create financial benefits to serve its clients. Active International is based in New York and has offices in 16 countries. For the hospitality industry, Active International's hospitality programs increase value and market share by bringing new cash business to travel providers, including hotel owners, management companies, REITs and brands, as well as cruise lines, airlines and rental car companies. With over 30 years of hospitality experience, Active has successfully created programs designed to drive market share and revenues for hospitality clients.

What are the biggest challenges facing providers of hotel accommodations?

Developing and enhancing customer acquisition strategies as consumer behavior continues to evolve and expectations continue to rise seems to be a never-ending process. Consumers want more personalized experiences. They expect the most current technology along with upgraded amenities and a seamless and friction-free experience when booking.

This demanding, disruptive environment has made it difficult for hotel owners, REITs, brands and management companies to control the related rising acquisition costs as they seek to maintain or increase ADR and occupancy or to manage the continuous

investments needed to upgrade their properties to meet consumer demand.

At the same time, OTAs and on-line event management systems are demanding higher commissions to deliver business, which ultimately is less loyal to hospitality brands, and the sharing economy has spawned competitors that continue to siphon off demand. Factor in the need for access to and use of first party data to create a competitive advantage across the entire customer lifecycle of acquisition, retention, affinity and loyalty, and you can see that there is pressure from all angles and it gets more challenging every day.

What solutions does Active provide to the hospitality industry?

Active provides financial solutions that are customized to address these issues. While our offerings are designed to specifically meet the needs of each hospitality client partner, we have two core programs designed specifically for the hospitality industry. The first, our "Travel Cash Cross Purchase Program," enables our hospitality partners to purchase goods and services, such as TVs, bedding, media or other items, through us, at the same pricing, terms and conditions as they would otherwise pay on their own.

Because of our trading relationships with the underlying suppliers of such goods and services, we can provide additional cash value with each purchase in the form of a guaranteed future incremental revenue stream in cash room bookings at their hotels. Our cash booking commitment is typically between 10 and 20 percent or more of the pre-tax purchase price of the goods and services purchased.

The second, our "Hotel Credit Program," 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. We make this a risk-free opportunity by providing the promised goods and services, or cash payment, which is the basis of each program, to our hospitality partners in advance, in exchange for a hotel credit. This program delivers needed liquidity and allows our hospitality partners to recapture and monetize the value of their empty hotel rooms.

Would you explain more about how this works and the benefits?

For our Travel Cash Cross Program, our hospitality clients purchase goods from us for cash, at the same purchase price they would typically pay and

with the same terms and conditions that they normally would get when purchasing for cash.

Where this program meaningfully impacts their bottom line is in the commitment we make to spend a certain percentage of the purchase (typically between 10 and 20 percent of the pre-tax purchase price), in cash bookings (individual and new group bookings) at their hotels. We also back fulfillment of our booking commitments with a 50 percent cash-out guarantee. It is important to note that we can provide the benefit of a cash revenue stream, not because we buy better, but because we trade with our suppliers, often paying them in a combination of our trade credits and cash.

On a related note, it's important to note that we do not disrupt the normal procurement process, nor do we charge any fees. Rather, we work with our hospitality clients' existing procurement teams/agents.

How are you able to generate these cash bookings?

The bulk of the business we book is business travel (individual stays and groups/meetings) for our corporate clients who hold our trade credits. Our clients are Fortune 1000 corporations. We treat our client base as a unique closed distribution channel and incent them to use our hospitality clients' hotel properties for their travel needs by offering them a means to utilize trade credits as a way to pay a portion of the costs of their hotel stays.

Would you explain how that process works?

It starts with pre-clearing our corporate clients with each hotel property (or asset manager) to insure our group bookings constitute new business. This avoids channel conflicts with the hotel properties' sales efforts and provides a significant benefit since we bring new business to the properties. Once a group is cleared, we introduce our clients to the hotels' group sales department to negotiate the relevant group contract as they normally would. By allowing direct negotiations between our clients and hotels' group sales department, our clients are assured that they are getting the best pricing and concessions, and the group sales department is able to build valuable relationships.

While Active may offer trade credit usage to its clients, it is important to note that under our Cash Cross Purchase Program, our hospitality clients and their hotel properties are always paid 100 percent in cash and all bookings are always at each hotel property's normal ADR or normal negotiated group rates. Trade Credit Usage is why Active is so effective

We are very creative and routinely customize our trading programs to meet the specific needs of each client. In addition, it's not just limited to hotels. Our model works well with any travel provider, including cruise lines, airlines and rental car companies. It really is a financial solution that delivers measurable value.

at shifting new market share into our hospitality clients hotel properties and why we are able to always commit to providing new group business.

Would you provide an example?

Assume a hospitality client's hotel is budgeted to purchase TVs and its procuring group/agent has determined a purchase price of \$1,000,000. If the hotel buys its TVs in a normal cash transaction, it will pay \$1,000,000 and receive the TVs. If, however, the hotel purchases the same TVs at the same pricing through Active's Cash Cross Purchase Program, it will pay the same \$1,000,000 in cash, receive the same TVs, and as an extra benefit will also receive a commitment from Active to spend \$100,000 in cash at the hospitality client's designated hotel properties in the form of bookings (individual and new groups).

What can a hotel purchase from Active?

Under our Cash Cross Purchase Program, we currently have available a variety of capex goods and services to help our hospitality clients meet their PIP investments, including bedding, TVs, TV mounts, LED retrofitting, stone/quartz and tile, guest room connectively devices, ptacs/vtacs and media, including data driven platforms and attribution solutions. We are also working to expand our product line to include opex goods.

Are there any special accounting rules?

No. Since all bookings under our Cash Cross Purchase Program are 100 percent cash business, there are no special accounting rules and no credits to manage. Our Cash Cross Purchase Program is very easy to administer and track the benefits. We also provide detailed quarterly reporting of all bookings made by us.

Are you discounting rates?

There is no discounting involved in our programs so brand and rate integrity are always assured. Further, although we are not a travel agency, we have a full-service reservation center and meetings and events department so all individual bookings are made by us and all group bookings come through us.

How has demand for these kinds of financial solutions grown over time?

We've had two distinct trading programs over the past 10 years. Our traditional program provided liquidity and value recovery benefits to our hospitality partners. If hotels had empty rooms and not enough cash to buy the goods and services they needed to meet PIP requirements, they were able to monetize their empty room inventory to purchase the goods they needed. That works quite well for hotel owners in down markets or when confronted with unbudgeted needs.

In a strong economy, when occupancy and ADR are high, the traditional barter program provides less obvious value, and in fact can be a drag on RevPAR. We evolved our Cash Cross Purchase "all cash" trading program, which delivers a committed revenue stream in the form of cash bookings and improves RevPAR as we explained earlier. Since we made that change, our Cash Cross Purchase Program has rapidly expanded. We now have more than 50 participating hotel owners, management companies, REITS and brands book more than 45,000 room nights each year and are confident that the benefits delivered in the form of new cash revenues will resonate with providers of hotel accommodations regardless of the market environment.

Do you also work with brands that have become franchisors?

Absolutely. For brands that no longer own hotels, we offer a Brand Media Program that is simple to implement and delivers transparent savings on media purchases to deliver proportionate savings to each franchisee contributing to the brand marketing fund.

You mentioned data earlier. Would you discuss your capabilities in this area?

We've invested a great deal in data-driven platforms and attribution solutions. This includes site visitor recognition and personalization where we can identify visitors as, say, high rollers or loyalty club members, and then serve up the appropriate content to them. It also includes OTA targeting to effectively remarket to OTA users, universal profile bank management where we can associate device level engagements to a single HH/user profile and improved email ROI where we can track email opens and tag devices for effective remarketing. This is all so that our hospitality clients can measure engagement and ROI.

Why should hospitality brands consider trading as a solution for their business?

I don't think executives are fully aware of the flexibility of the model or the financial benefits it can deliver. Going well beyond programs largely geared to increase liquidity and recapture the value of unsold room nights, corporate trade has evolved to meet the changing needs of our clients and marketplace conditions. We are very creative and routinely customize our trading programs to meet the specific needs of each client. In addition, it's not just limited to hotels. Our model works well with any travel provider, including cruise lines, airlines and rental car companies. It really is a financial solution that delivers measurable value. ●



Case Study

**Dave Johnson,
President and CEO,
Aimbridge Hospitality**

In 2002, as CMO of Wyndham Hotels and Resorts, I began working with Active International. Initially, they offered me a traditional barter program, i.e. rooms for media, which didn't work for my business. As part of our conversations, I challenged them to develop a program that would drive revenues into our hotels. In response, Active created the Cash Cross Purchase program. Essentially, if I placed my media through Active, at the same pricing, the same way I would place it through my agency, they promised to deliver new cash business into Wyndham Hotels. We did the first deal, and it worked. During my tenure, we placed more than \$70 million in media through Active, and they generated more than \$20 million in new cash business for Wyndham hotels.

When I founded Aimbridge Hospitality, I was no longer purchasing media, but I knew that Active's model could drive revenue and was flexible enough to evolve with my needs. Active successfully adapted their trading model for capex purchases that I needed to make, starting with flat-screen TVs. Once I saw that Active's model worked with capex purchases and delivered the same goods at the same price while also providing the benefit of cash business in my managed properties, I had my procuring agent work with Active to purchase any capex goods available through them. To date, I've made millions in capex purchases through Active and they've driven millions in cash business into my managed hotels.

Active consistently remains nimble amid changes in the marketplace and continues to provide me with strategic solutions based around my needs. Their partnership has been incredibly valuable, and I look forward to working with them for years to come. ●

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