

# Not Your Traditional Corporate Trading Model

## Active International Discusses Its All-Cash Hospitality Solutions



**Dominic Bencivenga,**  
Chief Sales Officer,  
*Travel & Hospitality at Active Travel*

Dominic is responsible for Active Travel's sales activities. Prior to joining Active in 2001, he held senior level positions with some of the top travel companies in the United States. He was Regional Director for Liberty Travel, Senior Vice President, Direct Travel, President of Fugazy Vacations and Chief Operating Officer for the World Key Agency Group.

Dominic has over 40 years' experience in the travel industry and has served as a member of the Leisure Travel Advisory Boards for both Starwood Hotels and Wyndham Hotels. He's been a frequent panelist at many conferences sponsored by travel-related companies.

### What are the biggest challenges facing providers of hotel accommodations?

One of the main challenges that the hospitality industry faces in any market environment is how to properly allocate money for property improvement plans (PIP), which are the investment plans that hotel owners and management companies oversee in order to remain a part of their corporate brand(s). Hotel owners and managers want to ensure they get the highest average daily rate (ADR) possible, and one of the ways to do that is to invest in updating their properties and rooms with the latest technologies and amenities.

### How are your hospitality clients utilizing Active International's trading programs to meet these challenges?

We have an all-cash trading program, our Cash Cross Purchase Program, which is designed specifically for our hospitality clients, including hotel owners, REITs, brands and management companies, to enable them to efficiently make investments in their properties while simultaneously improving their RevPAR. Under this program, when they buy goods and services to meet their budgeted PIP purchasing requirements from Active, they receive, as additional value, a guaranteed future revenue stream in the form of cash room bookings.

### How does your corporate trading program work?

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. Additionally, we do not disrupt the normal procurement process and work with our hospitality clients' existing procuring team/agents. Where our Cash Cross Purchase Program really impacts their bottom line is in the commitment we make to spend a certain percentage of the purchase (typically 10+ percent of the pre-tax purchase price) in cash bookings (individual and new group bookings) at

their hotel property(ies). We also back fulfillment of our booking commitments with a 50% cash-out guarantee. It is important to note we are able to 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.

### 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 in industries ranging from apparel to electronics to HBA to media. We treat our client base as a unique

*For brands that no longer own hotels, we offer a brand media program that delivers measurable savings on media purchases.*

closed distribution channel and incent them to use our hospitality clients' hotel properties for their travel needs by offering them Trade Credit usage as a way to pay a portion of the costs of their hotel stays. Importantly, we pre-clear our corporate clients with each hotel property (or asset manager) to insure it constitutes new business. This avoids channel conflicts with the hotel properties' sales efforts, and also provides

## 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.

## CASE STUDY

### Rick Smith, *President and CEO*, FelCor Lodging Trust



I began working with Active International in 2002 when I was CFO of Wyndham Hotels and Resorts. There, I worked with Dave Johnson and Active to develop Active's Cash Cross Purchase program. We told Active they needed to build a media purchasing program that would generate revenues for our hotels. So they built a program that allowed us to buy the same quality media that we were already planning to buy, plus provide additional revenues in our hotels.

When I became President and CEO of FelCor Lodging Trust, I brought the Active relationship with me for our owned hotels. As a REIT, I no

longer needed to buy media, so we started exploring other options – TVs, mattresses, tiling, signage – basically anything we needed to upgrade our properties, and we looked to Active to supply those products. We started with flat screen TVs, and we did about \$30 million in that first deal, which, through Active's program, also delivered a guaranteed \$6 million in new cash business.

Active is a highly valued business partner with whom we'd like to source all of the products our business needs. We know we get the same product at the same price and get the incremental revenue from the Cash Cross Purchase program. Additionally, we've forged strong personal relationships with Active that have led to life-long friendships. That is the type of impact they have on our business and beyond.

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

#### Can you give us 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, indoor/outside lighting and LED retrofitting, stone/quartz and tile, guest room connectivity devices, recycling and sustainability programs, and digital signage. 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% 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?

No, 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 Active's trading programs grown over time? And how have the trading programs evolved over time?

We've had two distinct trading programs over the past 10 years. Our traditional barter program provided liquidity and value recovery benefits

*We have a program designed specifically for hotel owners and management companies to enable them to efficiently make investments in their properties while simultaneously increasing their ADR and RevPAR.*

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.

But 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. So we created 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, who 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.

#### What is the biggest misconception about corporate trading?

The number one misconception is the belief that corporate trading includes only traditional barter

programs, e.g. involving the issuance and/or exchange of hotel credits or other form of credits, which are programs largely geared to increase liquidity and recapture the value of unsold room nights.

In fact corporate trading is a very flexible model which 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. The second misconception is that our travel business is limited to hotel accommodations only. In fact our corporate trading models work well with any travel provider, including cruise lines, airlines and rental car companies.

#### Do you also work with brands that no longer own hotels, i.e. have become franchisors?

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

#### Do you work with travel providers other than hotels?

Yes, we work with all travel providers, including airlines, cruise lines and rental car companies.

### About Active International

The global leader in corporate trade, Active International uses its proprietary corporate trading model to, among other things, create programs that 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, we've successfully created all-cash trading programs designed to drive market share and revenues to our travel providers. Founded in 1984, Active International is based in New York and has offices in 14 countries.

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