

Hotel Cost Control

Best Practices and Opportunities

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Corey Hance

Senior Client Services Manager

Egencia | An Expedia, Inc. Company





Agenda



- 2010 Outlook
- Policy and Education
- Negotiating Opportunities
- Importance of Monitoring
- Your Questions

Traveller Preferences – U.S. vs Canada

- Which of the following hotel amenities do you most prefer when travelling for business?

	 U.S.	 Canada
Free Parking	5%	18%
Premium Bedding	16%	5%

- When choosing a hotel for a business trip, what is the most important factor to you?

	 U.S.	 Canada
Best Price	13%	23%
Hotel Quality	22%	14%

2010 Outlook

Top Business Destinations

North America Based Travellers

- YOY 2010 vs. 2009
- Air prices for corporate travel to increase 5% – 10% YoY for these top business destinations
- Lodging prices for corporate travel to decrease 0% - 5% YoY

Market	ATP	ADR
Atlanta	-1%	3%
Boston	2%	2%
Calgary	3%	-1%
Chicago	3%	-2%
Dallas	5%	-3%
Denver	9%	-5%
Hong Kong	1%	-4%
Houston	6%	-4%
London	3%	1%
Los Angeles	4%	-1%
Minneapolis	5%	-1%
Montreal	4%	-2%

Market	ATP	ADR
Munich	-2%	1%
New York	5%	-4%
Paris	2%	1%
Philadelphia	11%	-4%
Phoenix	12%	-6%
San Diego	16%	-6%
San Francisco	4%	-2%
Seattle	10%	-3%
Tokyo	1%	-1%
Toronto	5%	0%
Vancouver	2%	0%
Washington DC	9%	-2%

Pricing Landscape – Global Hotel

HOTEL

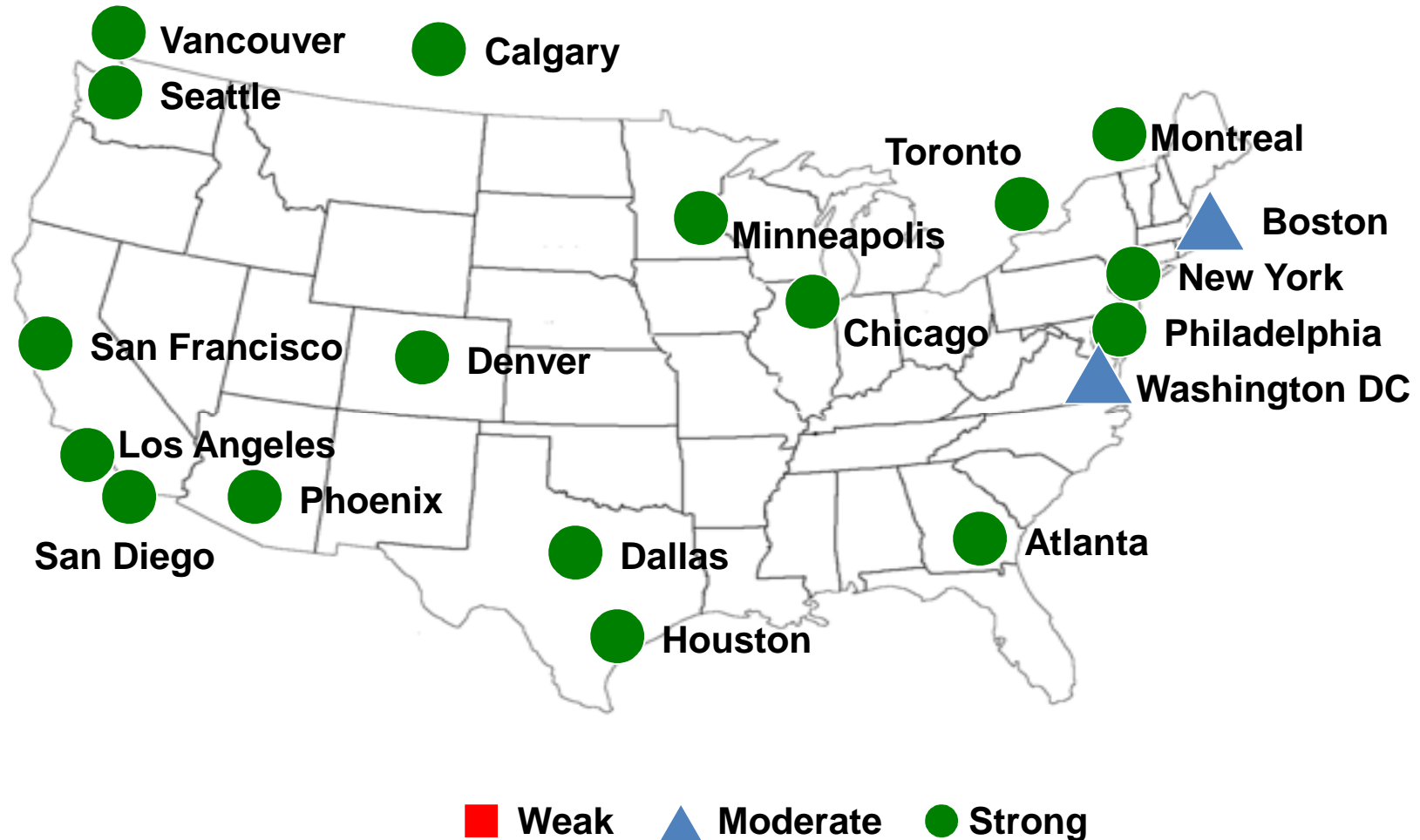
↑ Upward Pressure

- Companies expected to reinvest in in business travel
- Key sectors expected to regain some strength (pharma, financials)
- Corporations to increase spend on meetings / conferences
- European business hubs will benefit from the increased demand

↓ Downward Pressure

- Lower air capacity brings fewer travelers
- Increased hotel supply in the short term, new hotel properties added in 2008 and 2009
- Rising air prices to put pressure on hotel pricing
- Corporate contracts signed in 2009 for 2010 hotel stays are at reduced rates

NA Supply Outlook - Negotiability



Opportunities and Tactics

Opportunities in 2010

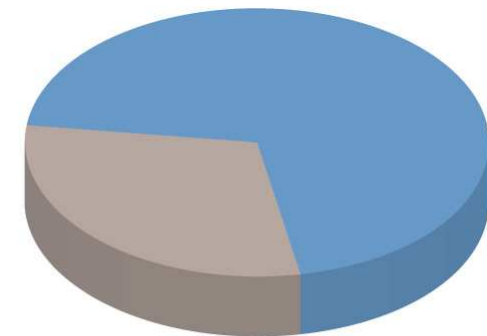
1. Policy and education

- Foundation for program success
- Mirror corporate culture
- Guidelines for acceptable spending
- Reinforcement = higher compliance

2. Negotiating Tactics

- Focus on strength and policy management
- Focus on ability to drive spend to preferred suppliers at time of booking
- Incremental revenue opportunities for hotel(s) and/or chains
- Past performance is not always indicative of future behavior

Missing an Opportunity for Savings?



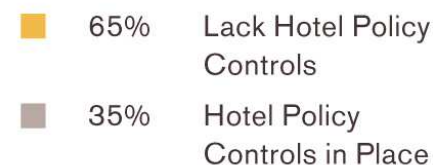
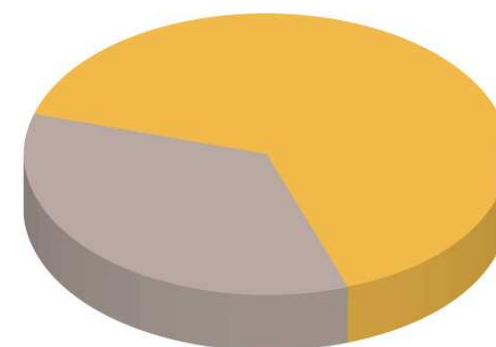
- 30% Lack Hotel Policy Controls
- 70% Hotel Policy Controls in Place

Source: Egencia Global Travel Executive survey of over 433 business executives

Policy – Tactics for success

1. Mandate use of corporate agency
2. Policy will be enforced at time of booking via online booking tool and/or travel consultants
3. Policy should apply to all employees, contractors and vendors that are being reimbursed by the company
4. Implement per diems and city wide spend caps
5. All non-preferred hotels will be considered out of policy
6. Approvals required for bookings outside of corporate policy

Companies with Market-Specific Rate Caps



Source: Egencia Global Travel Executive survey

Importance of Education

Buy-In

- Management buy-in and executive support is the key to success
- Engage key stakeholders and frequent travelers from the beginning
- Buy-in is an ongoing process

Education

- New employees should be engaged from the beginning
- Important policy changes may require additional education
- Provide a centralized resource for ongoing information – Intranet, website

Compliance

- Help employees understand that compliance is the key to meeting financial goals
- Make goals realistic to increase compliance
- Consistently reinforce the policy

Feedback

- Put mechanisms in place to garner continuous feedback
- Leverage reporting and data for additional insight
- Ensure the feedback loop is complete

2010 Negotiating Tactics

1. Understand market-specific dynamics
2. Strict policy management and support of negotiated rates is key
3. Include amenities into the rate whenever possible
4. Consolidate wherever possible to increase leverage
5. Include both full and limited service hotels in the program
6. Negotiate more favorable terms and conditions
7. Consider independent hotels

When to consolidate

1. Analyze total hotel spend in each market and on a regional basis
 - Consolidate one hotel for every 250 room nights or approximately C\$10,000 at a particular property
2. Be realistic about consolidation goals
 - It does not happen overnight... it takes 6 months to see progress
3. Consider consolidating to one full-service hotel and one limited-service hotel for each market
 - Properties one tier down = proven savings
4. Be prepared and have a back-up plan for city-wide sell-outs

Negotiation Strategies

When not to negotiate

1. Room night caps per city
2. Minimal resources to manage program
 - Average hotel RFP = 16 weeks from start to finish
 - Individual property agreements require maintenance
3. Travel policy does not have clear guidelines.
 - Will not be able to drive spend to preferred partners
4. Program is changing
 - M&A; divestitures
 - Project-based travel (e.g. consulting firms)
 - Follow 80/20 rule

Lean on your Travel Management Company

- The negotiating power of your TMC can deliver strong savings

Market	Discount from Published Rate
Downtown Chicago	26% Off
Downtown Manhattan	16% Off
Arc de Triomphe properties, Paris	35% Off
Downtown Toronto	17% Off
Heathrow Airport	14% Off

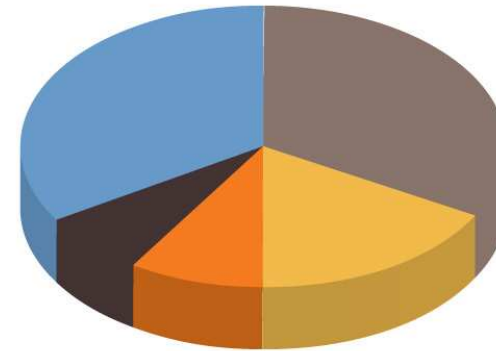
- TMCs have resources to monitor rates and adjust for seasonality and other changes in demand
- Corporate discount agreements are often negotiated on annual basis. Rates may not be dynamic

Importance of Monitoring

Combine multiple reports to get a holistic view of hotel spend

- Corporate Card Data
- Agency Reporting
- Specific hotel reports

Monitoring Policy Compliance



■	34%	Pre-trip Approval
■	33%	Expense Reporting
■	17%	No Hotel Policy
■	9%	Post-trip Reporting
■	7%	Other

Source: Egencia Global Travel Executive survey

Importance of Monitoring

Sample Company Mar 1 2009 - Feb 28, 2010

			CLIENT		EGENCIA		MERCHANT SAVINGS %		MERCHANT SAVINGS C\$		
			RoomNights	ADR	EPR	ESR	EPR	ESR	EPR	ESR	OVERALL
MARKET	SUB MARKET	*	3,915	\$134	\$138	\$155	25%	14%	\$68,434	\$19,096	\$76,153
Bay Area - Silicon Valle	Bay Area - Downtown San Jose / Airport (SJC)	3	278	\$135	\$71	\$118	48%	12%	\$17,818	\$4,580	\$17,818
Bay Area - Silicon Valle	Bay Area - Downtown San Jose / Airport (SJC)	2.5	430	\$119	\$85	\$133	28%		\$14,413		\$14,413
Bay Area - Silicon Valle	Bay Area - Downtown San Jose / Airport (SJC)	3.5	834	\$127	\$112	\$176	12%		\$12,391		\$12,391
NM - Albuquerque	NM - ABQ - Midtown / North	3	227	\$103	\$77	\$112	25%		\$5,862		\$5,862
Singapore, Singapore	Chinatown	4	47	\$189		\$156		18%		\$1,559	\$1,559
San Diego	Downtown San Diego	3.5	11	\$195	\$127	\$175	35%	11%	\$748	\$229	\$748
Chicago	Chicago ORD Airport	3.5	6	\$200	\$78	\$181	61%	10%	\$731	\$118	\$731
Singapore, Singapore	East Coast	4	29	\$118		\$93		21%		\$729	\$729
Chicago	Chicago Suburbs - Schaumburg & Vicinity / Northwest	3	19	\$126	\$90	\$120	28%	4%	\$678	\$106	\$678
Boston - suburbs	Boston Suburbs North	3.5	10	\$167	\$99	\$157	41%	6%	\$678	\$93	\$678
MT/UT/WY - Utah - Salt	UT - Salt Lake City Airport	3	5	\$199	\$66	\$125	67%	37%	\$665	\$368	\$665
Austin	Downtown Austin	4	8	\$267	\$194	\$184	27%	31%	\$584	\$665	\$665
So Cal - Santa Barbara	Santa Barbara	2.5	11	\$191	\$158	\$142	17%	26%	\$361	\$536	\$536
CO - Denver	Airport (DEN)	3	6	\$173	\$96	\$127	45%	27%	\$466	\$280	\$466
Sweden, Stockholm	Stockholm City Centre	4	4	\$291		\$179		38%		\$446	\$446
Chicago	Chicago Downtown	4	11	\$195	\$155	\$189	21%	3%	\$441	\$71	\$441
Orlando	North Orlando	3	6	\$129	\$57	\$120	56%	7%	\$433	\$56	\$433
QC - Quebec City	QC - Quebec Downtown	3.5	10	\$185	\$143	\$156	23%	16%	\$422	\$294	\$422
Bay Area - Silicon Valle	Bay Area - Los Gatos/ Cupertino	4	25	\$166	\$163	\$150	2%	10%	\$83	\$397	\$397
Las Vegas	Strip	4	4	\$189	\$90	\$125	52%	34%	\$394	\$257	\$394
DC	Capitol Hill	3	5	\$239	\$166	\$207	31%	14%	\$367	\$162	\$367

Thank You
Questions?