

Is Your Hotel Program Out of Step with Value?

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ACTE Asia-Pacific Education Conference 2007
CREATING VALUE-BASED RELATIONSHIPS

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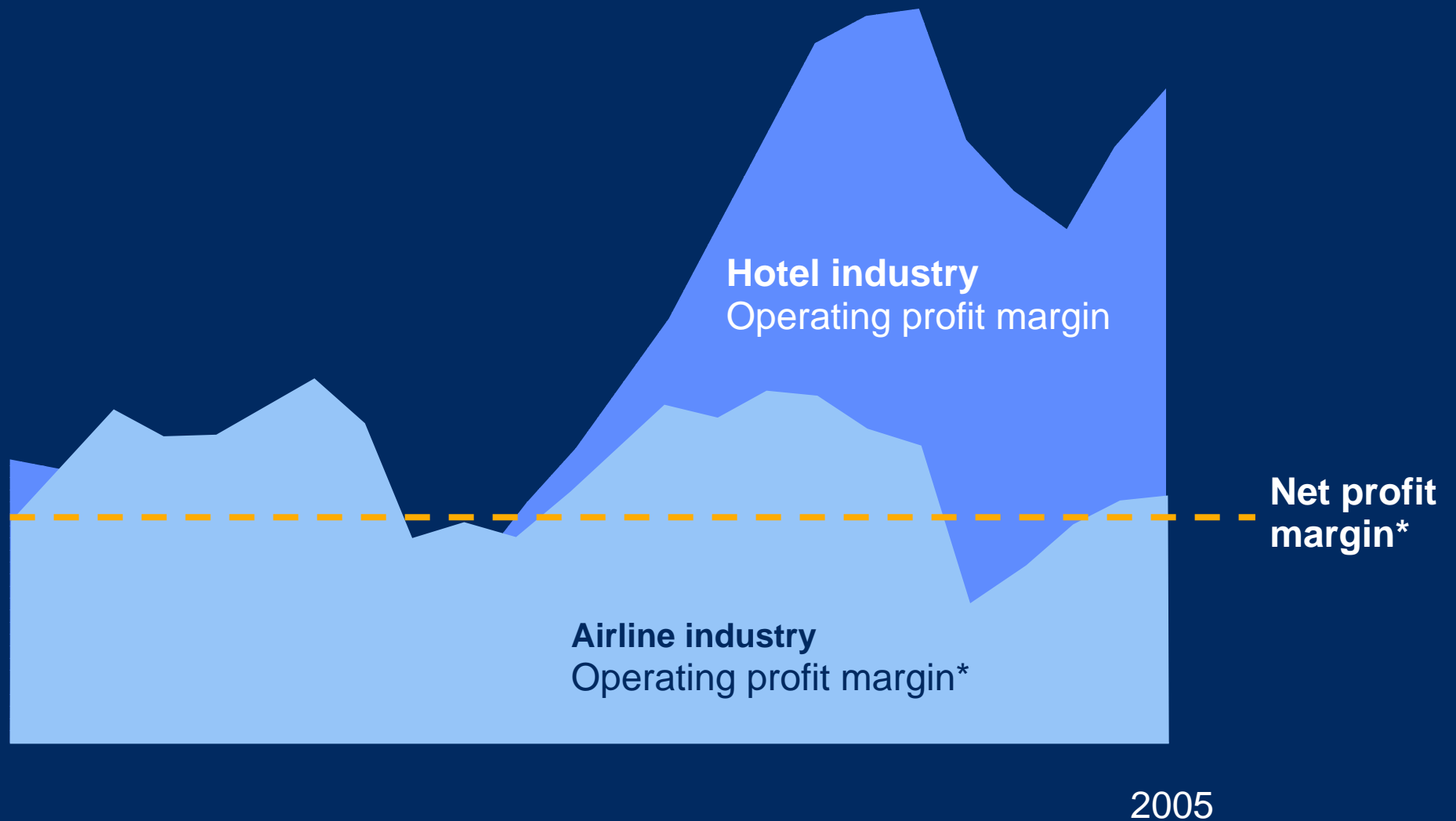
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Value analysis of your hotel program

- What factors do you look for when you establish your preferred hotels?

Security? Location? Services? Amenities? Price?

STRONG CYCLICALITY BOTH IN HOTEL AND AIRLINE INDUSTRY



* Data of scheduled airlines of ICAO Contracting States

Source: Smith Travel Research

How are your hotel reservations booked?

- GDS
- Web Portal
 - Internet has called a dramatic shift in booking behavior
 - Bookings from the internet increased from about 14% to 44% in less than 5 years
- Telephone call
- Fax/Email?

Source: Smith Travel Research

How do you track your usage?

- Credit card data?
- Travel Management Company
- Manual recordkeeping?

Value analysis of your hotel program

- What do you use for benchmarking rates?
 - GDS
 - Agency/Consortia Rates
 - ‘Shopping’ the hotel
- What other factors do you use besides rate before picking a hotel
- How do you know if you have a good value?

Objectives for your Program

- Cost Savings?
- Better overall lower price?
- Comfortable and secure accommodations
- Accessibility to your worksite or customer
- Securing rooms during the high season

How do you forecast rate changes?

- Hotel Representatives?
- Media?
- Hotel Stock?
- Some ideas:
 - Convention or Tourist Bureaus
 - Local Economic Data
 - Your own individual forecasts
 - Initial RFP bids

Hidden Costs when working with Hotels

- Reservations department (up sells your traveler)
- Dynamic pricing, your rate gets closed out!
- Cocktail lounge
- Mini-bar
- Phone charges
- Breakfast
- Room service
- Parking
- Room service service charge
- Room service delivery charge
- Internet
- Movies
- Transportation
- Time
- Location
- Taxes

Determine Average Cost before Accepting a Hotel

- Room Rate
- % Inventory at that rate
- Service Charges
- Tax Rates
- Meal Costs
(allowed in your program)
- Other allowable expenses
 - Internet
 - Laundry
 - Parking
 - Transport

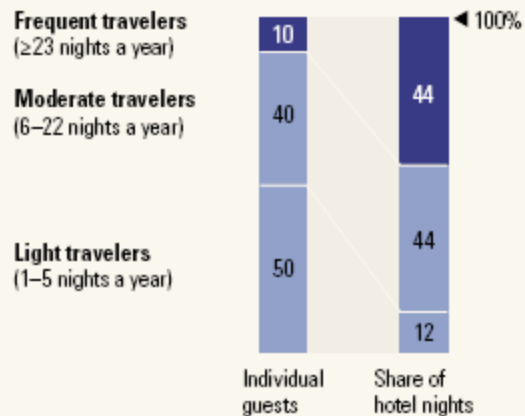
How can you effectively negotiate?

- ❖ Commit and Deliver room production
- ❖ Show flexibility over certain market conditions
- ❖ Be mindful of 'seasonal rates' or blackout dates
- ❖ Maintain a dialogue if market conditions change

Global Groups and Chains

Heavy sleepers

US hotel usage by consumer segment, 2002,¹ %



¹For US population aged 21-74; in 2002 ~83 million individual guests accounted for ~860 million hotel nights.

Source: Travel Industry Association of America (TIA); TNS; US Census Bureau; McKinsey analysis

- 10% of the guests make up around 44% of a hotel's revenue
- Most Frequent Travelers stay in about three chains a year
- Chains are looking for ways to court these travelers by creating a personalised experience.

Source: McKinsey Quarterly Sept. 2004

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Global Groups and Chains

- Real Value or smoke and mirrors?
- How involved are the Owners with rates?
- Is capacity in your market constricted, can the chain meet that need?
- How effectively can they help you with rate?
- How much power do they have local properties?

Hotel Chain's Value Proposition

- Consistent Quality Standards
- Similar price point in most markets
- Loyalty programs
- Diverse branding for segmented markets
- Tiered Hotel Chains
- Using Multi-brand approach to your advantage

Concerns with working with Chains

- Price Fixing in some markets? (Unintentional?)
 - Single point of Contact (e.g. Regional Representative) knows all of the rates in a particular market.
 - Concerns if the information is shared inappropriately.
 - To avoid this, make sure you create a competitive environment within the chain or marketing group
- Hotels should bid individually unless they are owned and managed collectively (e.g. Share facilities, operations and/or staff)

Understanding Hotel's Cost and Rate Structure

- Is the hotel's cost structure relevant to your rate?
- Do you believe that transparency here is important?
- Can understanding the hotel's rate structure work for you?

Working with your Hotel Sales Dept

- They need you ...
 - To bring business
 - Sign contracts and keep occupancy commitments
 - Increase market share
 - Put guests on the property during slow season
- You need them ...
 - Clear rooms for you during peak season
 - Waive no-show penalties
 - Assure VIP's are treated appropriately
 - Sell your case to owners and management

Finding Agreement

- When do you end your negotiations end?
- Do deadlines work?
- When is the best time to do your Hotel RFP?
- What other tactics can help you secure good prices?
- Do you follow up with your TMC and Hotels?

Experiences and Learnings

- Maintain Good Local and Regional Relationships
- Work with all of your data sources (Accounts, Secretaries, TMC) to get details of booking patterns
- Coordinate with local and regional sales people
- Audit your usage on a regular basis

Experiences and Learnings

- Monitor to ensure your travelers can book your rates
- GDS Best Practices
 - Monitor rates to ensure your TMC can book your rate
 - Watch out for rate squatting
- Be proactive and work with hotels prior to heavy periods (conventions, trade fairs)

Should I have my TMC do it?

- If your operations are geographically widespread you may consider it.
- If possible, compare your rates with the rates the TMC was able to get prior to signing up
- Consider other automated products (RFP Express)

Remember...

- Determine your objectives
- Relationships are key
- Use incentives for your travelers to do the right thing
- Track your data

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Thank you!

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