Setting Up a Corporate Lodging Program

WITH ITS NEAR-PERPETUAL CONTRACT-NEGOTIATION CYCLES, SUPPLIER, consolidation, intricate ownership structures, new technologies and a persistent seller's market, hotel program management is among the most grueling and time-consuming aspects of travel management. But since lodging typically represents the second-highest category of organizational travel spending—trailing only air travel—creating and maintaining an effective lodging program is a must. When well-crafted, such a program can result in significant cost savings through better deals and higher compliance. The following steps can assist in the development of such a program.

I. SETTING GOALS AND STRATEGIES AND PREPARING FOR NEGOTIATIONS

A. Determine the goals you want to achieve in your hotel program, and evaluate the resources and time needed to accomplish them. Determine whether your hotel program will be mandated or strongly encouraged. Consider viability and the return on investment of internally managing the entire process with your own team. Do you have the resources available and do those resources have the required skill set? Otherwise, an option is to outsource all or a portion of the work to your agency—travel management companies often have a department that specializes in hotel sourcing—or one of the numerous consulting firms with expertise in the hotel segment. Determine your lodging strategy for the year based on your organization's requirements, your travelers' requirements and industry trends. Survey your top travelers to find out what matters most to them, including rate, location, safety/security and amenities. Share these goals with your hotel partners, as they may have additional suggestions and will have options to help you meet your goals. Be consistent with your messaging on goals to all suppliers throughout the process. Keep in mind current hotel market conditions and whether rates are likely to increase or decrease over the next two years. If they look like they will increase, consider pursuing multi-year deals. If they look like they will decrease, look for shorter-term deals.

B. Identifying spend: Hotel spend can be as much as 40 percent of overall company travel and expense. It is not homogenous, and a fully managed program will harness direct participation from various internal groups and stakeholders. Involving all stakeholders at the outset of the project will maximize the accuracy of your spend data. Subcategories of hotel spend include business transient, project or extended stay, training, meetings and relocation (which might include serviced apartments). While each subcategory may require unique management processes, it is important not to manage hotel spending in silos. Fragmenting hotel spend inevitably will result in suboptimal data capture and loss of leverage, causing lost savings. For optimal discounts, you should know total spend by city, property and chain and understand your ability to shift share. Many booking tools offer the ability to tier hotels, identify best-value hotels and add notes to highlight hotels.

C. Gathering data: Hotel sales managers expect business travel buyers to be able to justify projected room night volumes before sitting down at the negotiating table. Buyers should approach negotiations armed with validated historical information to show the organization's specific travel patterns (day of arrival/day of departure), projected room nights and average rates. Prepare to review cost-of-stay information, use of Internet, breakfast and parking, as well as which costs are covered by your travel policy, including on-demand videos, fitness centers or laundry services. Where possible, include meetings-related room night spending, including meeting space, food and beverage and equipment costs.

1. Determine the needed fields of production data, and if working

with a company to consolidate your data, establish with it the correct fields to collect. If possible, collect data at the individual record level, not the aggregated level, to ensure detail. Use the following sources to collect hotel spend and room night data:

a. Travel agency reports will contain your agent booked data and also online booked data fed into the back office. If you have a direct relationship with an online booking tool provider, for both hotel and air, confirm whether the data is being transferred into the agency data. Note that travel agency reports are booked data, not consumed data, and can vary slightly to significantly from hotel reporting, as cancellations, reduced stays or extended stays might not be reported back to the agency. It also will be missing hotels booked direct, which on average can be as much as half of an organization's hotel bookings.

b. Open booking data sources: There are a number of companies including tripScanner, Runzheimer, Traxo and Concur that can help aggregate data from hotel bookings made outside your TMC, but they require that the employee "opt in" to their service. The best source to identify by property hotel spend that was not booked through the authorized TMC is your corporate card provider. You can also get data from your expense reporting system, though it is less granular.

c. Credit card reports: To validate the value of the card spend, understand whether your corporate card is mandated, strongly encouraged or optional for hotel reimbursement. If possible, ask for meeting spend to be separated from the transient spend. The utility of credit card data can vary by supplier. E-folio data, which provides detailed spending data about hotel stays, is becoming increasingly available through corporate card providers and hotels but as yet is not consistently available across all hotels within a chain or available from every hotel. Detailed hotel credit card data is not available in many countries outside the United States; additional analysis will be required to develop actionable data for negotiations. Research confidentiality laws if you use e-folio systems.

d. Expense management system: These reports may be a challenge to use, as critical fields of information may be missing, such as hotel name and address, which limits the value of the report. Understand exactly what spend is contained in these reports, and be prepared to explain the nuances. However, this report may well provide some indication as to leakage in your spend when compared to the credit card and the agency data.

e. Hotel suppliers: If you are working directly with a chain through a national account manager, ask him or her to provide you with the hotel production report for the chain. Otherwise, you can contact the hotel directly and ask what production it has tracked. Compare this data to your own internal reports and question it if it varies considerably, as the data at times can be inaccurate.

f. Meeting suppliers/meeting registration lists: A comparison of the different sets of data will allow you to see a more complete picture of your total hotel spend and identify gaps and weaknesses in the different data sets. Analyzing multiple sources of data will allow you to leverage higher volumes in your negotiations and to understand your market share potential.

g. Airline data: This data point may capture a more accurate picture of regional or market room night potential by determining primary travel destinations. However, it cannot help highlight travelers' specific hotel destinations, be they city or suburb.

2. In addition to hotel spend and room night data, travel buyers should request from facility management a list of all corporate locations with complete mailing addresses. In some organizations, it will be important to determine a list of client offices that are visited regularly. Determine by location whether travel primarily is inbound to or outbound from the location to ascertain whether a nearby hotel would be required. Having a complete address will allow you to map distances from facilities/offices to potential hotels to include in your program. If possible, see if geocodes can be included in the facility information to speed up the process for mapping purposes.

3. Specific information about your organization's travel program will be mutually beneficial for potential hotel partners to have. Other useful data could include:

a. The number of hotels in a given city (broken down by downtown and airport locations) you intend to include in the program. In general, secure one or two hotels in every primary market with 500 or more room nights. High-demand cities might require more hotels to support high-occupancy periods.

b. Destinations visited at least once a month, including the number of booked room nights from consolidated volume reports.

c. The number of travelers that visit each city monthly or annually, determined by airline data.

d. An overall indication of the corporate travel policy, including use of booking tools, any recent changes and traveler adherence, as well as any proven ability to shift share as the result of obtaining or losing a discount. If possible, include the precise wording regarding hotel use in the policy.

e. The number or percentage of hotels in each price tier—budget, economy, midprice with food and beverage, midprice without food and beverage, extended stay, upscale, upper upscale and luxury—used in each city, and changes to that trend over time.

- **f.** Average length of stay in various cities and types of properties.
- **g.** Seasonality of business and typical day of week use.
- **h.** Information on past use of and preference for hotel services and amenities, as well as any forthcoming policy changes that would affect their use. Share information with suppliers on such amenity preferences as internet or breakfast, in addition to overall program goals in terms of amenities and special services.
- **i.** Changes such as acquisitions, mergers, divestitures, new offices or office moves or staff changes that could affect hotel usage.
- **j.** Historical and anticipated project spend.
- **k.** Your own company's growth cycles, including projected hirings and layoffs.
- **l.** Meetings and incentive trip data. Request historical meetings and project data so you can negotiate in high-volume markets that are not a major part of your transient travel program. Details could include:
  - **i.** Number of scheduled and potential meetings, incentive programs and trade shows held. Provide separate data for annual meetings—including board of directors, customer, incentive, sales and shareholder meetings—versus spur-of-the-moment, offsite staff meetings less likely to be regularly scheduled.
  - **ii.** Mandates built into the travel policy that require meeting attendees to book rooms reserved as part of a negotiated room block to minimize attrition.
  - **iii.** Meeting types and lengths.
  - **iv.** Number of employees or customers attending the meetings.
  - **v.** Cities used.
  - **vi.** Types of hotels used.
  - **vii.** Arrival/departure patterns.
  - **viii.** Type of food and beverage service provided, including private dinners and banquets.
  - **ix.** Use of audiovisual, meet ing-venue videoconferenc ing, internet and audience-response systems.
- **m.** Taxes/surcharges: For budgeting purposes, factor in hotel occupancy taxes and additional city and state taxes or fees and any surcharges. Many municipalities in recent years have enacted significant "bed taxes" to pay for infrastructure improvements, which dramatically increase hotel costs. Surcharges, usually assessed at a flat rate instead of a percentage, add further costs. Travel buyers can move group bookings to destinations where the tax bite is lower. Negotiating noncommissionable room rates also can save on total taxes paid.

D. Evaluating the business need for different hotel types: Depending on the number of travelers, types of travelers, the locations they visit and the frequency and purpose of those trips, buyers may prefer to deal with a mix of large, convention-style hotels and smaller, more intimate boutique properties. Negotiating chainwide deals with large, multibrand companies might make the most sense, or buyers might opt to work primarily with independently owned and managed properties. Buyers should include extended-stay hotels or serviced apartments, or negotiate long-term stay discounts with standard hotels, for project or relocation spend, including engineers, consultants, trainees and trainers who need a place to stay for more than five nights. Usually, a hotel program will incorporate multiple options to provide coverage to include preferred hotels, chainwide agreements, agency hotel rates, project rates and meetings.

1. Hotel chains.

- **a.** Negotiating a chainwide deal might allow you to leverage your travel volume to the greatest effect, especially if many of those nights are booked in second- or third-tier cities, where the volume of business travel is less than in key cities. Multiyear chain deals can save time and money for future negotiations and include value-added amenities unable to be negotiated locally or regionally. This might be difficult in smaller programs, as hotel chains may look for a minimum spend with the chain to qualify. Also, because hotels often operate on a franchise model, local hotels may opt not to participate and often will not take global purchasing power into consideration when determining rates. Commonly, hotels will ask for corporate clients to commit to no more than two or three chainwide deals per region. Chainwide deals often are dynamically priced, with an established percentage off best available rates. In many cases, these can be as good or better than a flat discount and can include amenities. Some chains will offer a combination of fixed-rate pricing in high-volume cities and dynamic pricing for other locations. Some chains may negotiate terms and conditions chainwide even if unwilling to do so on rates.
- **b.** On a case-by-case basis, it may be efficient and cost-effective to negotiate with one national account sales manager, thereby establishing a single point of contact with the hotel company, rather than negotiating with multiple sales managers at various hotels. However, corporate clients may have to qualify with hotel chains to receive global or regional representation. Also note that a national account sales manager also will be negotiating on your behalf with local, independently owned properties.
- **c.** By working with multibrand hotel companies, you can include hotels at different price

points in a single negotiation. While travel buyers once gravitated to upscale, upper upscale or even luxury hotels to house their business travelers, midprice brands' offerings and service levels now are acceptable to many of them.

- **i.** The value created through free breakfast, free high-speed Internet, airport/local transportation, laundry services and free parking might make certain properties more attractive. Focus on the cost-of-stay impact, not just the rate, and ensure travelers are aware of the value of complimentary amenities and use them whenever possible. Boosting program compliance requires understanding what travelers find attractive. The lowest price is not always the best value when considering the amenities that drive up total cost of stay.
- **ii.** As corporations increasingly move out of city-center locations to the suburbs, the most conveniently situated and newer hotels most likely are midprice, but buyers will need to do research to find the best locations within a safe area of the suburb. Midprice offerings often do not include meals beyond a buffet breakfast, which typically is free to guests, and grab-and-go types of meal offerings. In-house full-service restaurants in midprice properties, especially new builds, are becoming rare, due to the high operating costs of this model to hoteliers.

d. Not all multibrand hotel companies have the same range of brands. Some have brands concentrated only in the midprice and economy categories, while others offer a broader range of options from luxury to low-cost hotels.

e. Even though demand for hotels in small, tertiary markets might be for fewer room nights than in key cities, the more modest number of rooms might not necessarily translate into less negotiating leverage. Given how local markets operate, hotels may welcome even relatively small volumes of business. Buyers may be able to benefit in lower-demand markets with dynamic pricing as best available rates float down.

2. Individual hotels.

- **a.** Discounts obtained through volume-based negotiations can be greater when dealing with individual hotels directly than when negotiating chainwide rate concessions.
- **b.** A hotel program for a city can consist of just one preferred hotel or as many as a half-dozen. Normally, the best rates are achieved by limiting the number of properties per city, which will drive more volume to those hotels, assuming you have good compliance to the hotel program. In high-occupancy cities, however, multiple hotels covering multiple brands typically are required to ensure travelers will be able to secure availability at a preferred property. Also, different tiers of hotels might be required to support different business needs, e.g., extended stay versus meeting versus transient.
- **c.** Deals with individual hotels can include the ability to block a guaranteed number of rooms and/or obtain rooms during peak or blackout periods.

E. Creating a solicitation bid list.

1. Chainwide deals: Make sure the hotel chains you select have properties in most, if not all, of the key destinations your business travelers visit, including international locations.

- **a.** Ensure regional chains' distribution is not too limited to suit your needs.
- **b.** Start by assessing chain representation in your highest-volume destinations, then move into lower-volume destinations in declining order of demand.
- **c.** Ensure that the hotel chains offer the range of brand categories that meet your travelers' needs.
- **d.** Consider location and quality of the chains. Negotiate with several to get the best deal, and choose at least two to keep rates competitive.

2. Properties in close proximity to the traveler's final destination should be considered. The organization's facility list mentioned earlier will help with this determination. Know your business and recognize that not all travel is to a corporate location. Other considerations include safety/risk of the area, access to restaurants and shopping or public transportation. Taken together, the "closest" property may not be the best choice. Also, be aware that "close" can mean something very different in each city and is dependent upon the geography of the city and the mode of transportation most commonly used.

- **a.** If your travelers tend to rent cars, the difference between a hotel five minutes from their business appointments and one that is a 10-minute drive away might not be significant. In fact, you may get better value by choosing a hotel that is only slightly farther away, such as in a suburban location. Consult your risk department for feedback; having travelers drive longer distances in unfamiliar cities may pose an increased risk.
- **b.** Consider hotels that offer airport and/or local transportation that reduce the need for a rental car. Be sure to consider hotel parking charges. This is especially important with hotels that may host multi-day meetings—having a traveler's car sit in the parking lot during those days may be less cost effective than local or hotel transportation.

3. In some cases, it might be wise to choose a range of properties in each high-volume destination: downtown, a suburban location and a site near the airport. Today, multibrand hotel companies think of such gateway cities as New York, Los Angeles, Boston and Chicago as a series of submarkets, and they have multiple properties in each of them.

4. Buyers primarily want to be sure to select properties located where it makes the most sense for their travelers. The analysis of the different travel data sources mentioned earlier will uncover those trends. Otherwise, travelers have more reason to book elsewhere and compliance with travel policy becomes an even greater issue. Communicate the total hotel amenity package, including breakfast, parking, and internet, to reduce the reasons for travelers to book at properties outside the program
5. A solicitation list should include properties already familiar with the organization's travel patterns. Start by examining data on those properties in each market that your travelers already are booking. If you are working with national account managers for specific chains, you can ask them to submit business cases for specific hotels based on the data you have provided, such as city volumes, type of hotel used and business patterns. This review of hotels willing to bid prior to launching the request for proposals is an efficient way to create a clean and thorough solicitation list.
6. While most large hotel chains offer loyalty reward programs to travelers, you need to balance this with your organization's goals. Educating your travelers on the travel policy and why it exists as well as understanding your travelers' preference for these reward programs can help you achieve higher compliance to the program. Requesting hotels to guarantee loyalty status matches can help you change brands, should the economics be in the organization's interest. You also may need to factor in the corporate travel policy in relation to travelers' ability to earn and keep rewards points related to corporate business. Some programs opt out of the points game to avoid conflict with the overarching corporate travel goals.
7. Individual/independent hotels.
   a. Approach hotels that are:
      i. In safe areas and located in close proximity to sites travelers visit in key destinations, especially corporate and division offices.
      ii. Willing to offer pricing and services in line with your budget.
      iii. Frequently used by travelers and meeting planners.
   b. In a given city, any of these factors may be more important than others, depending on whether your corporate culture is oriented more toward savings, traveler convenience, productivity or safety. The level of policy strength senior management is willing to support also may be a factor in developing strategy. Consider site visits to independent hotels to ensure quality and safety. Don't rely solely on online reviews.
   c. Before agreeing to a preferred relationship with a hotel, be sure travelers realistically will use the hotel for a reasonable number of annual room nights. A strong, enforced and aggressively communicated travel policy will help drive greater compliance. Avoid committing to a specific room night volume if possible.
8. If your organization has the capability to shift marketshare, consider accepting unsolicited bids in the next year's bidding process from hotels used by travelers when they book outside of policy. These properties may turn out to be the best fit for your program, based on both rate and location, considering that travelers have opted to stay there on their own initiative.

F. Establish key contacts: After identifying individual hotels and chains for program consideration, contact the right people to get the negotiations started. In the typical hotel, unless there is a corporate transient specialist, identify the sales manager or director who has the authority to negotiate rates. Pre-RFP, email the contacts to confirm the contact name and email address for the hotel. Obtaining the right contact name before launching the RFP will significantly help to keep your solicitation process on time. These individuals could include:
   1. The hotel's national sales office and general sales office staff.
   2. Property-level sales directors or hotel managers.
   3. General managers or hotel owners.
   4. Regional director of sales.
   5. Hotel property management companies as an alternative to or in addition to chain contacts, given that the goals of chains and actual property owners may differ.

G. Some larger brand hotels are not offering flat negotiated rates as they shift to a dynamic-pricing model. Conduct a pre-RFP call and request that your top hotel chain partners solicit the hotels to determine if they'll offer a rate. Obtaining this list prior to the RFP will save time and resources during the negotiations. If hotels on the list are important to your hotel program, you can raise the issue early with the national representatives or hotels directly.

II. NEGOTIATION TOOLS

A. RFPs.
   1. When gathering information, consider using as a guideline the standard RFP format developed by the hotel committee of the Global Business Travel Association or another widely accepted RFP format. GBTA's modular RFP supports dynamic pricing requests, addresses the needs of the physically challenged and factors in such environmental issues as hotel carbon-offset programs and recycling and water conservation initiatives. Many hotel companies have programmed their internal systems to easily answer the questions in this format. Although GBTA has worked to make the RFP more global, hoteliers in some regions of the world, particularly Europe, the Middle East

and Africa, might not view the GBTA RFP as a global format.

2. Several suppliers also provide electronic RFP tools, often similar to the format created by the Global Business Travel Association.
   a. Third-party hotel representation firms have evolved to provide this technology on behalf of buyers and hotel clients.
   b. Historically, hotel companies outside the United States faced more challenges in responding to RFPs electronically. The gap has narrowed considerably in the past few years as Asian and Latin American hotels in particular have focused more attention on responding to RFPs accurately and in a timely fashion. Many of the obstacles are due to language difficulties, differences in how dates, telephone numbers and other details are recorded. Electronic requests for proposals can offer hoteliers options to select the date format for ease of use. Consider engaging internal or external resources familiar with the local language and culture to assist with optimizing the RFP structure.
   c. Such technology can be costly, and typically is charged per hotel, so you should be strategic in narrowing down to hotels where you have a significant volume and can gain savings.
3. For buyers of programs with many international hotels, confirm with sales contacts that they have the necessary expertise in-house to complete requests for proposals or are prepared to bring in outside support.

B. Consulting support options.
1. Consulting departments within TMCs can develop corporate hotel programs for a fee, or may provide them at no charge as part of an overall "soft dollar fund."
2. There are also a variety of consulting firms that can develop corporate hotel programs and/or specialize in managing the hotel RFP process for corporate clients. Some of these firms offer post-RFP auditing services to ensure that negotiated hotel rates are fully and correctly loaded, authorized and available to be booked and competitive against online travel sites. This is especially important where the corporation has negotiated last-room availability.
   a. In some cases, an RFP provider without rate-auditing capabilities will provide scrubbed data to a third party that specializes in rate auditing. Such scrubbed data ensures the property ID numbers and chain codes provided by the property are complete and accurate.
   b. Each hotel has a unique property code for each global distribution system and the correct rate will not be loaded if the appropriate global distribution system code and two-letter chain code is either missing or incorrect.
   c. Consider whether it is more efficient and cost-effective for your organization to outsource this process than to do it in-house. This may entail conducting an RFP of sorts for an outside RFP provider. The value to the buyer is an accelerated process, time savings, reviews as well as valuable benchmarking data on rates.
   d. Charges vary widely for the service, depending on the number of cities in the hotel program, whether it is strictly domestic or a combination of domestic and international and the number of hotels in each city being solicited and accepted. Check whether there is an additional charge for unsolicited bid requests after the initial RFP is launched. Additional services might include hotel program performance reporting and program optimization. Buyers should seek recommendations and referrals from colleagues who manage like-size programs when selecting the most appropriate third-party RFP provider. You may also want to engage a consultant to audit "squatter rates" that your company did not approve.
   e. If you use multiple GDSs or travel agencies, you should consolidate and synchronize rate loading. Talk with your primary TMC about this option.

C. Online reverse auctions: In an online reverse auction, select hotels in a market are invited to bid down prices for a corporate account. The process has proven to be successful in markets with lots of competition and where prevailing local economic conditions favor the buyer. In seller's markets, many or most hotels will not participate, however. Some buyers have reported the technology saved time in the rate renegotiations but, in terms of information gathering, it can be as time-consuming as any other RFP mechanism.
1. This strategy requires time to plan and set up. It also requires a new mindset, as the "lowest" rate may not be the hotel chosen.
2. Bids typically are rate only, and additional work will be required to evaluate whether complimentary amenities would be included in the rate.
3. This strategy also can fracture long-standing relationships, but can be successful if planned and executed openly.

D. Consider using a "letter of agreement" with individual hotels and chainwide hotel companies. This letter should include rate information and address any specific requirements requested by an organization. Letters of agreement are concise, much less time-consuming and less costly than the RFP process and generally are better received by hotel properties and companies in the negotiation and contract process. Include a letter of introduction with all your requirements in the RFP. You might also have chains call to introduce you to individual hotels. Generally, this is useful in small programs (fewer than 100 hotels), and you still must track the process to effectively communicate the program to your travelers. Thus, it can be time-consuming but might reduce technology costs.

Working with Corporate Housing

I. INDUSTRY OVERVIEW

A. Corporate housing, usually referred to as "serviced apartments" outside North America, describes several types of accommodations that vary by region.

1. Furnished apartments, usually for stays of at least 30 days. These are not necessarily in full properties dedicated to corporate housing; guests often live among full-time residents. Most do not include reception areas. Suppliers own some units and sublease others. Services like cleaning, Wi-Fi and utilities often are included.

2. Extended-stay hotels: Similar to hotels with lobbies, reception areas and public spaces. Rooms include such living essentials as kitchen and dining areas, in addition to the usual hotel layout and range from economy to luxury. These largely appear in North America but in recent years have expanded in other geographies, including Asia-Pacific, Europe and the Middle East.

3. Condo-hotels: Accommodations available for lease in condominium properties, predominantly in South America.

B. Bookings/distribution: Most serviced apartments are bookable online but not available through global distribution systems and online travel agencies, particularly from suppliers with smaller inventories for which the costs of such channel would be prohibitive. Fluctuating inventory and variable stays—guests often need to extend stays, for example—make it difficult for suppliers to manage long-term reservations request online.

C. Consistency: Outside extended-stay hotel brands, serviced-apartment quality tiers remain less defined than those in the hotel community, so extra research is required to assure proper levels of services and amenities. Few accreditation bodies exist for serviced apartments, and many suppliers simply rate themselves.

II. GATHERING DATA

Pull your program's lodging data and sort by length of stay, examining revenue spent for various ranges—five days or fewer, six to 14 days, 15 to 29 days, more than 30 days—to find opportunities for a corporate housing program to produce savings.

A. Where to find data.

1. Agency: Your travel management company can help identify long-term stays within your program.

2. Corporate card: Identify vendors that travelers outside the managed program are using.

3. Expense.

4. Other departments within your company: Consider upcoming projects that might require long-term stays.

5. Pricing information for cities where you plan to develop a program.

B. Make sure data is comparable, e.g., whether spend data includes taxes or additional amenities.

III. SOURCING

A. Identifying vendors: Few serviced-apartment vendors have a global footprint compared with the largest hotel companies, so you'll need multiple vendors for each geography. Resources for vendors include other travel management professionals and specialized agencies like The Apartment Service in Europe.

B. Vendors will expect you to know:

1. The average length of stay: Local regulations bind some serviced apartments to minimum-stay requirements.

2. Projected number of room nights.

3. Unit-size profile: studios, one-bedrooms, two-bedrooms, etc.

C. Considerations when evaluating vendors.

1. Some enable online booking. Others require phone calls. Mobile options are becoming more common.

2. Does the vendor manage the unit directly, or does it lease units from the property owners on your behalf? If the latter, how does it manage the unit and handle reporting?

3. What amenities are included or cost extra, such as:

a. Housekeeping, including frequency.

b. Wi-Fi: How does the vendor handle technical issues?

c. Electricity, gas and cable.

4. Security.

a. How secure are the neighborhoods and parking lots?

b. How far are public transportation and dining options?

5. Insurance options.

6. Lease terms.

a. Deposit required?

b. Advance notice?

c. Booking fee?

d. Cancellation/amendment terms?

e. If a vendor doesn't manage the properties, does it have a satisfactory process to inspect them?

7. External program management tools, including consulting and data, to help you manage your corporate housing program.

8. Some aggregators provide hotel-like contracts with flexible contracts that include daily and weekly rates and cancellation policies, ideal for short-term leases.

D. Contract terms.

1. Length: Multiyear contracts are becoming less common. You also can negotiate a yearlong contract with an increase cap for the next year. For two-week to six-month stays, an extended-stay hotel or third-party aggregator might be a better option.

2. Rates: Pricing can vary, but try to negotiate rate caps in each city. Flat rates across cities and regions are rare. City-center and primary-market apartments tend to be more expensive than those on the outskirts or in tertiary cities.

3. Length of stay: Hotels often measure this by overnights, but serviced apartments often charge by the day, meaning one hotel room night equals two serviced-apartment days.

E. RFP: Serviced-apartment suppliers are receiving more RFPs written like hotel RFPs, but they are very different. Corporate housing varies by geography, so regional, not global, RFPs are more practical. Define your needs in terms of services, amenities, quality and location.

IV. MANAGING THE PROGRAM

A. Determine who at your company bears responsibility for the serviced-apartment program. Develop a process or form for managing long-term housing needs. Check with your suppliers to see what resources they offer in managing your program.

B. Establish key performance indicators and scorecards to evaluate the program, including:

1. Reservation response time.

2. Guest satisfaction.

3. Defect rate.

4. Service recovery.

5. Invoice accuracy.

6. Cost savings/spend.

7. Client account management and satisfaction.

III. WHAT TO NEGOTIATE

A. Room rates.

1. For many companies, an effective solution to building a hotel program is to supplement negotiated rates in top-volume destinations with other rate programs that may be appropriate for the multitude of destinations where the organization consumes a relatively small number of room nights.
   - **a.** Most hotel companies today offer agency-negotiated pricing that is the same as the best available rate of the day, versus the historical fixed-rate model. Based on market conditions, rates in this model can fluctuate as often as daily.
   - **b.** If you have negotiated chain-wide discounts, they also can support you in the cities where you have fewer than 100 room nights to negotiate with a specific hotel.
2. Identify cities among your top 25 destinations with lower occupancies, average daily rates and revenue per available room than the national norms. The need of the local properties to lock in corporate bookings likely will be greater and, therefore, so will your negotiating leverage.
3. New hotels generally offer good value. They are eager to lock in corporate business, precisely because they are an untried entity. Consequently, there is a possibility they will offer below-market introductory rates. In high-demand markets, however, their rates might be higher. Stay apprised of any new hotel openings in your key cities, then request proposed rates from the property-based sales team. Remember that the hotels' location and amenity profile still have to be acceptable to your travelers or they will resist the change and that it can take a while for a new hotel to work out the kinks in its operations. Also, be wary of rate increases in the second year. You might have to switch hotels and end up with dissatisfied travelers. To avoid this, attempt to negotiate a cap on any rate increase for that second year.
4. The industry standard among hotels for corporate or negotiated rates is noncommissionable or net rates, which usually are 5 percent to 10 percent lower than commissionable rates and incur lower taxes. When accepting noncommissionable rates, consider:
   - **a.** If you go with net rates—on which most corporate deals are based, unless TMC or consortia rates are used—you might need to renegotiate your TMC agreement. Clarify this with your TMC in advance to get a clear understanding of whether its pricing structure will change if you implement noncommissionable rates.
   - **b.** Net rates also can impact an organization's revenue, if the organization is receiving all commissions from the TMC and paying a transaction fee.
   - **c.** Hotels may offer a discount deeper than the 10 percent commission they save because they avoid commission payment processing and tracking costs.
   - **d.** If a commissionable consortia rate exists, the net rate should be at least that rate less commissions within a range of negative 1 percent to 1 percent.
   - **e.** Discuss other options being made possible by direct links between hotel reservation systems and corporate intranets. Hotels are directly connecting to automated booking systems and corporate intranet sites to cut cost, deliver volume and offer marketing opportunities. However, be cautious with these booking methods, as they could dilute your overall hotel data reporting and traveler location tracking capabilities.
5. Confirm that the independent hotels or chains with which you are working make their negotiated rates available through global distribution systems. When your travelers and travel agents can access negotiated rates through global distribution systems, it improves the likelihood your travelers will be able to book such rates through the proper channels such as the online booking tool, increasing traveler compliance, and provides for more accurate data tracking.

B. Amenities that will be included as part of the corporate rate. Midprice properties often include many as a part of the standard rate, but consider what are the critical amenities for your travelers. These might include:

1. High-speed internet access: While most midprice and economy hotels offer free Internet access to all guests, many have moved to a tiered structure in which travelers can access a high-speed connection at a charge. Upper upscale hotels, meanwhile, traditionally charge for internet access but increasingly are including it among the benefits in their rewards programs.
2. Breakfast.
3. Early check-in and late checkout, or 24-hour check-in.
4. Discounts on restaurants, bars, minibars and room service.
5. Health clubs/fitness centers.
6. Business centers.
7. Garage and/or valet parking.
8. Loyalty program benefits, such as elite status or double points accrual at individual hotels.
9. Cancellation without penalty up to 6 p.m. on the day of arrival, though hotels are moving toward strict 24-hour cancellation policies.
10. No penalty for early checkout.
11. Agreement that the best available rate will be used if it floats lower than the negotiated rate.

C. Hotel distribution strategy: While some business travelers like to use rates available through online travel agencies to find a bargain, many of these rates include significant user rules or restrictions and may not include amenities normally requested by corporate buyers.

1. The most onerous restriction limits travelers' ability to cancel or postpone reservations. Hotel reservations on these sites sometimes are prepaid, so buyers and travelers can get stuck being billed for a hotel room that went

unused. Also, unless there is a procedure in place to aggregate data, the organization loses the tracking of the room night, reducing leverage in future negotiations, and loses track of the traveler, raising potential safety and security risks unless data is fed into a risk management provider.

2. Regardless of whether your organization's travel policy restricts the booking of these discount rates, buyers should benchmark the rates available online for midweek travel in order to get a true sense of market pricing. If negotiated rates are consistently undercut by web-only rates, the credibility of a hotel program for corporate travelers can be undermined. Some third-party suppliers in recent years have offered tools that compare your negotiated hotel rates with the lowest unrestricted web rates for side-by-side comparisons. Some of these tools allow you to dynamically check your passenger name records with these Web rates.
3. Bookings made through third-party leisure sites will not contribute to volume projections made with specific hotels or chains.
4. The lowest rate may not be the most cost-effective rate, as negotiated rates often include airport or local transportation, breakfast, internet, parking and other amenities.
5. Bookings made through intermediary sites may not earn the traveler creditable points in a chain's loyalty program.

D. Strategies and terms to address.

1. Decide the volume to be directed to the hotels. Agreements often do not spell this out. When guarantees are requested from a hotel, first negotiate to set volume goals rather than guarantees. This is why buyers refer to volume projections rather than commitments of any kind. Avoid volume guarantees unless the discount is significant enough to justify one and the commitment can be met. If a guarantee is agreed upon, ensure a thorough understanding of how room nights will be tracked and reported. The hotel's recourse, if the client fails to perform to its satisfaction, is to reevaluate the negotiated rates, based on actual room night usage, and possibly not renew the arrangement. In some contractual arrangements, if an organization fails to meet its room night goal, a hotel may be able to collect the dollar amount equal to the total room rate for the unused rooms.
2. If you hold many offsite meetings, leverage meetings volume with transient or project travel, provided your department has influence over selecting those meeting sites and can drive additional volume to a selected hotel as a result.
3. Historically, hotel agreements last for at least one year, but some buyers employ a multiyear strategy. Buyers should be cautious with this approach to ensure that a two-year rate is not inflated to account for the unknown rate of increase in year two.
4. Obtain a guarantee that the agreed-upon room rate will remain in effect for 12 months or the length of the contract.
5. If the hotel is willing to include a last-room availability clause, mutually agree on its definition. Few hotels define last-room availability as any room available in the hotel, which would include suites and concierge floor rooms. Hotels often charge a premium during a seller's market, as it can displace higher-paying business, but in down cycles buyers should be able to get it at no additional charge. In case a hotel asks for a premium, you should request in the RFP process to receive both rates with and without last-room availability so you can make the proper decision. It is vital you understand how much of the hotel's overall room inventory will be provided in an LRA arrangement. A great rate with highly restricted availability has little value to an organization. It could be smarter to select properties offering higher rates but with greater access to discounted rooms or non-LRA.
6. Consider how reservations will be made for each hotel through a travel management company, a corporate travel department or online booking system and the method of payment for the rooms, including corporate card. Requiring business travelers to get the rate through the online booking tool improves compliance, assures only approved travelers are accessing the rate and allows for tracking.
   a. Ask your hotel chain representative how they track bookings made by your organization via their website or central reservations phone number. Many global chains track in multiple ways in addition to the organization's name (email addresses, for example). Reviewing hotel chain production data helps identify gaps in your organization's travel data.
   b. A corporate identification number may be needed by each traveler to make reservations.
      i. More likely, the hotel will have the rate recorded by organization name if the traveler books direct or walks in. If travelers book through the designated TMC, however, the corporate booking code should be included in the global distribution system. It is extremely important to promote hotel bookings via the designated TMC and self-booking tool to ensure hotel spend data is fully captured and commissions, if applicable, are fully collected.
      ii. Be sure travelers know what the negotiated rate or discount percentage is and that they should request it. Travelers should be careful to identify their organization when making the reservation and at check-in to ensure they receive the negotiated room rate and so their stay counts toward fulfilling the volume projection the organization made during negotiations. The negotiated

room rate should be included in the corporate online booking tool or global distribution system. Some hotels will not honor the negotiated rate for walk-ins or call-in if the buyer's organization mandates online or agency bookings to help drive travel policy compliance.

iii. Similarly, inform travelers about any negotiated value-added amenities so they can avoid paying for services that should be complimentary. New technology is emerging that reminds travelers via their smartphones or email not to pay for services included in the negotiated rate.

7. Consult with your risk management department to set standards for the types of safety and security systems your organization expects preferred hotels in the program to have in place. Considering the organization's potential liability should a traveler be injured, it may be advisable to review all appropriate safety and security concerns with your corporate counsel in advance of finalizing any hotel agreements. Duty of care is one of the best reasons to mandate the booking of all hotel rooms through the corporate travel agency. Complete passenger name records can be pushed to travel risk management companies so travelers can be tracked for both airline and hotel use.

8. An indication of when preferred rates will be loaded in global distribution systems and when hotels that weren't accepted into the program will be pulled out of the global distribution systems. Understand what steps will be taken if the rates are not loaded by that date or if non-preferred hotel rates are not removed by a given date.

a. Responsibility for rate loading usually lies at the local property level if you have negotiated at the property level, and with the national account manager if you have negotiated via the representation of the national account manager.

b. Also, indicate when decisions will be made by the organization for the RFP process so your suppliers will have ample time to load rates prior to the beginning of the booking cycle. Allow for additional time or a cushion period to protect against delays in the decision-making process. Evaluate whether you will authorize pre-loading of rates. This may allow rates to be available on a timely basis for your organization's travelers, but also requires pre-loaded rates from hotels that were not accepted to be removed. Also, consider requiring hotels to honor negotiated rates through a certain date in the following year to provide flexibility when finalizing the next set of contracts.

9. Establish the cancellation policy for each contracted hotel and keep in mind that a local property may choose not to honor a chain-wide cancellation policy.

10. Obtain clarification on whether the corporate rate will be extended to include consultants, job applicants and other guests. This can be difficult in times of high occupancy and low supply when allowing these travelers access to the corporate rate can limit availability of rooms for the organization's travelers, while not necessarily helping the organization's bottom line. Corporate travel managers also can allow the hotel companies to charge different rates for their suppliers and other travelers, saving the discounted rates for their organization's travelers.

11. Define project rates and corporate meeting rates or transient meeting rates available for small groups of a defined number.

12. Draft a statement on the mandates included in the hotel policy and how compliance is enforced.

13. Consider policies around special weekend and/or holiday rates that employees can use for their personal leisure travel; guarantees hotels will lower the negotiated rate at or below the special rate and honor all amenities negotiated in that special rate.

14. Ask for a timetable should the hotel anticipate undertaking major renovations or remodeling during the period of the agreement. Such projects can become disruptive or inconvenient. Include your potential recourse for disruptive or unavailable rooms.

15. Consider direct-billing processes for international guests, applicants and small meetings.

IV. COMMUNICATING AND MONITORING THE PROGRAM

Putting together a series of hotel agreements is the first step toward a successful program. The key is to build relationships that will last into the future. Once you notify hotels that you have accepted or declined their offer—and have signed agreements in hand, be they electronic or actual—the next phase of program management begins: communicating your program to travelers, auditing approved rates to make sure they are loaded properly and monitoring traveler compliance and hotel services.

A. Communicating preferred properties to travelers.

1. The use of an online booking tool, if properly set up, will guide travelers to book preferred properties.

2. Post the preferred hotel directory on the organization's intranet in the middle of the last quarter of the pre-existing program's year so it is available to travelers at the start of the next program year. Be sure the directory indicates available value-added amenities at each hotel. Proximity to organizational offices, when available, should be included.

3. Consider online tools that offer deeply discounted leisure rates at preferred properties, accessible via the online hotel directory. These tools can boost an organization's leverage by increasing the type and amount of spend directed to preferred suppliers.

4. The organization's travel departments or TMCs should direct business to hotel properties, adjusting as necessary, to ensure that contractually promised room night numbers are reached within the contract period.

B. Early in the agreement period, buyers will want to conduct a rate audit to ensure the correct negotiated rates can be accessed in the global distribution systems.

1. Implementation.

a. Rate-loading issues have prompted some buyers to audit rates on a quarterly or even monthly basis.

b. The agent or tool performing the audit should confirm the ability to book every negotiated rate, including seasonal rates, at the preferred hotels in each global distribution system used by the TMC. Sometimes, rates do not appear because they are not available on the selected date, not because they have been loaded inaccurately. As such, audit multiple dates and date patterns within a season to ensure confidence that the rates truly are not loaded correctly. Upon uncovering inaccuracies, it is incumbent upon buyers to follow up with the offending hotels to have errors or omissions corrected. Conduct successive audits to confirm that the situation is rectified. Again, the audit process should be conducted for a variety of dates, as the lack of hotel availability on a particular date will impact the results.

c. Audits also should look for "rate squatters," hotels that are not part of your program but load rates into your GDS anyway. Often, hotels preload rates during negotiations, particularly if they stretch into the next calendar year, and they can neglect to remove those rates if they are not selected for your program. This can be a costly and time-consuming project. Consider auditing your top destinations to validate that squatters are not diverting business away from your preferred hotels.

d. "Rate fencing" also is an increasingly common issue. As hotels become more sophisticated in inventory management, they can segregate inventory to close out certain room types on specific nights, leaving your organization's travelers unable to access negotiated rates.

e. Have travelers alert you if they are unable to access negotiated rates through your preferred booking method.

f. Even though properties might pass rate audits, run ongoing checks for future dates to ensure that hotels keep negotiated room availability open. Some third-party suppliers that offer "rate shopping" will be able to do this automatically while looking for lower rates. Local revenue managers on property are working to maximize revenues for their property, and part of that strategy might be to close access to your negotiated rate or apply length-of-stay or arrival restrictions.

2. Following up.

a. Give hotel chains or individual properties that fail repeated audits a deadline to resolve the problem or be removed from the program. If the financial impact in a frequently used hotel is high, consider requesting reimbursement for the improperly charged rate.

b. Many hotels have viewed the prospect of being removed from a hotel program because of rate-loading inequities as more of a threat than a reality. Buyers easily can reach an impasse as hotels neglect to adjust the rate loaded into the global distribution system and travelers continue to book the inaccurate rates that remain in the system. Even errors uncovered in a January audit can take months to correct. Much of a buyer's leverage depends on the size of the travel program in question and the importance of this particular piece of business to the hotel.

C. Establish a calendar—quarterly is recommended for larger, more complex programs, while semiannually is sufficient for smaller programs—that sets appointments with hotel sales representatives to review contractual terms and performance, including any issues with compliance, rate adherence, program changes and renovations. These discussions should follow a standard agenda and metrics. If time constraints prevent more frequent appointments, meeting with hotel representatives once each year should suffice. During the contract term, if the hotel is benefiting from greater than anticipated room night volume, discuss with the property sales manager or chain national account manager the possibility of renegotiating the rate for the current year or a more attractive rate when the agreement comes up for renegotiation. Similarly, if room night production is much lower than projected, hotels may seek to renegotiate for higher rates.

D. Solicit feedback on preferred hotels through questionnaires, comment cards or surveys via email, intranet sites or your online booking tool. Explore social networking avenues for soliciting traveler feedback. Share feedback with property management.

E. Routinely look at data sources such as expense reporting and TMC booking data to determine program compliance.

F. Use data to report on goals you set at the beginning of this process, and consider quarterly reviews to ensure you are meeting them. Keep abreast of market conditions in your key markets to prepare for any impact on your program. Review quarterly production data to ensure your travelers are booking at the negotiated rates and staying within your preferred program. Up-to-date production data will keep your finger on the pulse of your organization's program and help you address issues early.

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