Setting Up a Corporate Lodging Program

Lodging Trends Complicated as Industry Emerges from Pandemic.

THE COVID-19 PANDEMIC UPENDED THE "RULES" FOR HOW CORPORATE lodging programs are put together. Though business travel is beginning to return, some buyers are rolling over 2020 rates again since many travel managers still don't have enough current data for negotiation leverage or know yet where their travel will be concentrated in the coming year.

Further, some buyers moved to or intensified their dynamic pricing last year, along with chainwide discounts, and those have not abated. In addition, the annual request-for-proposal process is being replaced by a continuous sourcing cycle for a growing number of companies. Rate auditing or reshopping tools are more important than ever to keep a handle on the best prices available in this quickly changing market. (For more on those, see section X, page X.)

WHOSE MARKET IS IT?

The expectation in mid-2020 by some prognosticators was that buyers would have the upper hand after hotels had called the shots for about a decade. But it's more complicated than that. The recovery is playing out on a local level and is dependent upon the destination and hotel tier. Secondary and tertiary as well as suburban markets are seeing occupancy recovery, while urban gateway cities for international travelers lag. The latter also are where some hotels, particularly full-service properties, remain closed or are operating at less than full capacity.

The business vertical matters, too. Essential workers helped extended-stay properties lead in the recovery by tier. But higher-end corporate guests, like those from consulting and financial firms who tend to stay in luxury or upper-upscale hotels, are only just now beginning to return to the office and then the road.

But with leisure demand skyrocketing as vaccination distribution expands coupled with relaxed Centers for Disease Control and Prevention guidance, hotel companies might not be as reliant on the more elastic, volatile business travel segment as in the past, particularly in the U.S. For one, unlike other crises, rate integrity has been stronger than anticipated, with some companies seeing average daily rates already surpass those from 2019 for certain markets. Will those companies go after business travel the same way? Corporate buyers may have a hard time getting discounted rates unless they have meaningful volume.

Perhaps smaller hotel companies will make moves to capture more corporate clients. The pandemic has already impacted two years of programming, and its ripple effect looks like it will be influencing a third. – *Donna M. Airoldi*

I. SETTING GOALS & STRATEGIES & 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—to a third-party sourcing company or a consulting firm. 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 multiyear deals. If they look like they will decrease, look for shorter-term deals.

B. Identify spend: Hotel spend can be as much as 40 percent of a company's T&E. 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 will result in suboptimal data capture and loss of leverage, causing lost savings. For optimal discounts, 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. Gather data: Hotel sales managers expect business travel buyers 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 like 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, meeting space, food and beverage, and equipment costs.

1. Determine the needed fields of data, and if working with a company to consolidate your data, establish 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: These contain your agent-booked data and also data from online bookings that feed 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 because cancellations, reduced stays or extended stays might not be reported back to the agency. Direct bookings, which can average as much as half of an organization's hotel bookings, also will be missing.

b. Open booking data sources: A number of companies—including TripScanner, Traxo and Concur—can help aggregate data from hotel bookings made outside your TMC, but they require that the employee "opt in." The best source to identify, by property, hotel spend that was not booked through the authorized TMC is your corporate card provider. You also can 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 meetings spend to be separated from transient spend. The utility of credit card data can vary by supplier. E-folio, which provides detailed spending data about hotel stays, is becoming increasingly available through corporate card providers and hotels but is not yet 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 U.S.; additional analysis will be required to develop actionable data for negotiations. Research confidentiality laws if you use e-folio systems.

d. Expense management system reports: These may be a challenge to use as they rely on individual travelers to input data. In many cases, critical fields 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 data it has tracked. Compare this data to your own internal reports and question it if it varies considerably, as the data 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 marketshare 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 highlight travelers' specific hotel destinations, be they city or suburb.

2. Request from facility management a list of all corporate locations with complete mailing addresses. In some companies, 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 company's travel program will be beneficial for potential hotel partners, too. Other useful data could include:

a. The number of hotels in a given city, broken down by downtown and airport locations, that you intend to include. Secure one or two hotels in every primary market that has 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 upon obtaining or losing a discount. If possible, include your travel policy's precise wording regarding hotel use.
e. The number or percentage of hotels in each price tier—budget, economy, midscale with food and beverage, midscale 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; hotels are often interested in increasing their mix of nonbusiness travel days and this information could prove useful.
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 spend on travel related to project work.
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 A/V, meeting-venue videoconferencing, 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 have enacted significant "bed taxes" to pay for infrastructure improvements, dramatically increasing 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.
n. Compare your preferred hotel program discount to best available rates in order to identify properties worth including in the hotel program.

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, boutique properties. Negotiating chainwide deals with large, multi-brand 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 work and relocations; engineers, consultants, trainees and trainers often need to stay for more than five nights. Usually, a managed travel program's hotel program incorporates 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 lower 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 require a minimum annual spend. 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 when they won't do so on rates.
   b. 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 will negotiate 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. Travel buyers once gravitated to upscale, upper-upscale and luxury hotels, but midscale brands' offerings and service levels now are acceptable for many business travelers.
  - **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 that they use them whenever possible. Boosting program compliance requires an understanding of 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.** Many corporations are opening offices in the suburbs, and there, midscale properties are more likely to be convenient and new, but buyers need to research the best locations within a safe area of the suburb. Midscale offerings often do not include meals beyond a buffet breakfast, which typically is free to guests, and grab-and-go meals. In-house full-service restaurants in midscale properties, especially new builds, are rare, due to the high operating costs.
- **d.** Not all multibrand hotel companies have the same range of brands. Some have brands concentrated only in the midscale and economy categories, while others offer a broader range, from luxury to low cost.
- **e.** Your company's demand for hotels in tertiary markets might total fewer room nights than in key cities, but you can still negotiate there. Hotels there 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 half a 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 ensure travelers can get rooms at preferred properties. Also, different tiers support different needs, e.g., extended-stay versus meeting versus transient.
- **c.** If your program has high compliance and thus many of your program's booking go through the TMC or online booking tool, ask the property to commit to making a minimum number of rooms available at the negotiated rate rather than blocking them out from that booking channel; best practice is 60 percent to 70 percent. Also consider negotiating rates across the hotel's categories: standard, upgraded and suites.
- **d.** Dynamic pricing at individual hotels is becoming more common in preferred hotel programs. As opposed to fixed negotiated rates, dynamic rates float; they're a discount to the current best available rate at a given hotel. Deals with individual hotels can include the ability to block a guaranteed number of rooms and/or obtain rooms during peak or blackout periods. Determine how you want to approach last room availability. Hotels often charge a premium for the right to book the last room at a property, so a cost/benefit analysis should be performed.

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 and brand categories are not too limited to suit your needs.
- **b.** Assess each chain's representation in your highest-volume destinations, then move on to other destinations in declining order of demand.
- **c.** If considering adding dynamic pricing, determine how your current negotiated rate translates to percentage off the best available rate and see if the hotel will match that or come close with a dynamic discount.
- **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. Look for properties near travelers' destinations. A list of your company's locations will help, but recognize that not all travel is to one of your company's locations. 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 different in each city.

- **a.** If your travelers tend to rent cars, the difference between a hotel five minutes from their business appointments and one that is 10 minutes away is not 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, though; having travelers drive longer distances in unfamiliar cities may pose an increased risk.

   b. Consider hotels that offer airport and local transportation that reduce the need for rental cars. Also consider hotel parking charges in the value proposition. A car sitting in a hotel parking garage during a multiday meeting may be less cost effective.

3. It might be wise to choose a range of properties in each downtown, a suburban location and 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. 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.

5. Manage your travelers' memberships in hotel loyalty programs against your company's needs. Educate your travelers on the travel policy and why preferred properties are part of the strategy. However, understanding your travelers' preference for these reward programs can help you achieve higher compliance: A guarantee to match loyalty status could be a reason to switch brands, should the economics otherwise be in your company's interest.

6. Individual/independent hotels.

   a. Approach hotels that are:

      i. In safe areas and close to 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 toward savings, traveler convenience, productivity or safety. 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.

F. Establish key contacts: After identifying individual hotels and chains you want to consider, 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 keep things on time. These individuals could include:

1. The chain'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 shifting to dynamic pricing. Conduct a pre-RFP call and request that the hotel chains determine if the hotels will 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. 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 answer the questions in this format easily. Though GBTA has made the RFP more global, hoteliers in various regions 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 GBTA.

   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 U.S. 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 and differences in formats for dates, telephone numbers and other details. E-RFPs 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 optimize the RFP structure.

   c. Such technology can be costly and typically charges per hotel, so narrow down to hotels where you have a significant volume and can gain savings.

3. For travel programs with many international hotels, confirm with sales contacts that they have the necessary expertise in-house to

Corporate Housing

I. Industry overview.

A. Corporate housing—outside North America called serviced apartments or extended stay—describes several types of accommodations:

1. Furnished apartments, usually for stays of at least 30 days, are not dedicated to corporate housing; corporate 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 living essentials like kitchens and dining areas, in addition to the usual hotel layout. They 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 corporate housing or serviced apartment inventory is 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 a channel would be prohibitive. More recently however, some online travel agencies dedicated to business travel have emerged offering global, curated corporate housing supply, including furnished apartments, extended-stay hotels and houses.

C. Consistency: Outside extended-stay hotel brands, serviced-apartment quality tiers remain less defined than those in the hotel community, so do extra research to assure proper levels of services and amenities. Few accreditation bodies exist for serviced apartments, and many suppliers simply rate themselves. However, some companies partner with third-party quality-assurance providers to inspect properties.

II. Gather data.

Sort your program's lodging data 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. What to look at:

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. 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 global footprints that compare to 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.

B. Vendors will expect you to know:

1. Location.
2. The average length of stay: Local regulations bind some serviced apartments to minimum-stay requirements.
3. Projected number of room nights.
4. Unit-size profile: studios, one-bedrooms, two-bedrooms, etc.

C. Considerations when evaluating vendors:

1. Some enable real-time online booking or online reservation requests. Others have sourcing professionals but 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? Is the inventory trusted and verified?
3. What amenities are included or cost extra, such as housekeeping, including frequency; Wi-Fi, including how the vendor handles technical issues; and electricity, gas and cable.
4. Security: How secure are the neighborhoods and parking lots, and how far are public transportation and dining options?
5. Insurance options.
6. Lease terms: Deposit, advance notice, booking fee, cancellation/amendment terms and inspection process in the event the vendor doesn't manage the properties.
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 terms that include daily and weekly rates and cancellation policies, ideal for short-term leases.

D. Contract terms.

1. Length of term: 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. Manage the program.

A. Determine who at your company bears responsibility for the 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 reservation response time, guest satisfaction, defect rate, service recovery, invoice accuracy, cost savings/spend and client account management and satisfaction.

complete RFPs or are prepared to bring in outside support.

B. Consulting support.

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. A variety of consulting firms also can develop corporate hotel programs and/or specialize in managing the hotel RFP process for corporate clients. Some offer post-RFP auditing 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 GDS, and the correct rate will not be loaded if the appropriate GDS code and two-letter chain code is either missing or incorrect.
   - **c.** Consider whether it is more 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 and valuable benchmarking data on rates.
   - **d.** Charges vary widely for the service, depending on the number of cities in the hotel program, whether the program is strictly domestic 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.
   - **e.** If you use multiple GDSs or travel agencies, consolidate and synchronize rate loading. Talk with your primary TMC about this option.

C. Consider using a "letter of agreement" with individual hotels and hotel companies. This letter should include rate information and address any specific requirements you requested. 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.

III. WHAT TO NEGOTIATE

A. Room rates.

1. Many companies supplement negotiated rates in top-volume destinations with other rate programs where the organization consumes a relatively small number of room nights.
   - **a.** Most hotel companies offer agency-negotiated pricing that is the same as the best available rate of the day. These rates can fluctuate as often as daily.
   - **b.** If you have negotiated chainwide discounts, they also can support you in the cities where you have fewer than 100 room nights to negotiate with a specific hotel.
2. Among your top 25 destinations, identify cities with lower occupancies, average daily rates and revenue per available room than the national norms. The need of local properties there 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. Consequently, they may offer below-market introductory rates. In high-demand markets, however, their rates might be higher. Stay apprised of new hotels in your key cities, then request proposed rates from the property-based sales team. Remember that the location and amenities still have to be acceptable to your travelers or they will resist the change; 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. Switching hotels could irk travelers, so try to negotiate a cap on any rate increase for that second year.
4. Noncommissionable, or net, rates are the standard among hotels for corporate negotiated rates. These usually are 5 percent to 10 percent lower than commissionable rates and incur lower taxes. When accepting noncommissionable rates, consider:
   - **a.** You might need to renegotiate your TMC agreement. Clarify this with your TMC to get a clear understanding of whether its pricing structure will change if you implement noncommissionable rates.
   - **b.** Noncommissionable rates also can impact a company's revenue if the company currently receives all commissions from the TMC and pays 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 noncommissionable rate should be at least that rate minus commissions within 1 percent.
   - **e.** Discuss the possibility of a direct link between the hotel reservations systems and corporate intranet. Hotels are directly connecting to companies to cut costs, deliver volume and offer marketing opportunities. However, be cautious with these booking methods, as they could dilute your overall hotel data reporting and traveler tracking capability.
5. Confirm that the independent hotels or chains with which you are working make their negotiated rates available through GDSs. 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 online booking tool, increasing traveler compliance. It also enables more accurate data tracking.

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

1. High-speed Wi-Fi: Many midscale and economy hotels have moved to a tiered structure in which travelers can access a high-speed connection at a charge. Upper-upscale hotels traditionally charge for Internet but increasingly are including it among the benefits in their rewards programs.
2. Breakfast.
3. Early check-in and late check-out 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. Many major hotel companies have moving toward strict 48- or even 72-hour cancellation policies.
10. No penalty for early check-out.
11. Agreement that the best available rate will be used if it floats lower than the negotiated rate.

C. Hotel distribution strategy: Many business travelers think rates available through online travel agencies are a bargain compared to a company's negotiated rates, but many online travel agency rates include significant user rules and restrictions and may not include amenities that travel buyers have negotiated.

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 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 negotiating leverage in future negotiations, and loses track of the traveler, raising safety and security risks.
2. Still, 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 among business travelers is undermined. Some third-party suppliers offer tools that compare your negotiated hotel rates with the lowest unrestricted online rates for side-by-side comparisons. Some of these tools allow you to dynamically check your passenger name records with these online rates.
3. Bookings made through third-party leisure sites will not contribute to volume projections made with specific hotels or chains unless you capture that data in some other way.
4. The lowest rate may not be the most cost-effective rate, as negotiated rates often include airport or local transportation, breakfast, Wi-Fi, parking and more favorable cancellation policies.
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. When a hotel requests guarantees, negotiate for volume goals instead. Avoid guarantees unless the discount is significant enough to justify one and you can meet the commitment. If you agree upon a guarantee, 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 contracts, a hotel may be able to collect the dollar amount equal to the total room rate for room usage that falls short of the guarantee.
2. If you hold many offsite meetings and can influence meeting site selection and thus can drive that volume to a selected hotel, add that volume to the transient travel projection.
3. Historically, hotel agreements last for at least one year, but some buyers employ a multiyear strategy. Ensure that a two-year rate is not inflated to account for the unknown rate of increase.
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 an last room availability clause, mutually agree on its definition. Few hotels define LRA 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 LRA can displace higher-paying business, but in down cycles buyers should be able to get it at no additional charge. The RFP should ask to see rates both with and without LRA. A great rate with highly restricted availability has little value. It may 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 TMC, 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 a reservation.
     - **i.** If travelers book through the designated TMC or booking tool, the corporate booking code likely will be included in the GDS. Guests booking directly with hotels more likely will tell the hotel what

company they work for, which wouldn't connect the code to the reservation; thus that stay wouldn't be captured as you aggregate data on the business your program has done at that hotel. It is extremely important to promote hotel bookings via the designated TMC and online 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 identify their company when making reservations outside the booking tool or TMC and at check-in to ensure they receive the negotiated room rate and their stay counts toward the volume projection you made during negotiations. The negotiated room rate should be included in the corporate online booking tool or GDS. Some hotels will not honor the negotiated rate for walk-ins or call-ins if you mandate online booking tool or agency booking.

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 safety and security systems your organization expects of preferred hotels. Considering the company's liability should a traveler be injured, review safety and security concerns with your legal department before finalizing any hotel agreements. Duty of care is one of the best reasons to mandate the booking of all hotel rooms through the TMC. Complete passenger name records can be pushed to travel risk management companies so travelers can be tracked for both airline and hotel use.

8. Ask when preferred rates will be loaded in GDSs and when hotels that weren't accepted into the program will be pulled out of GDSs. 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 broader channels.

b. Let RFP bidders know when your company will decide so your suppliers will have ample time to load rates. Allow a cushion in the decision-making process. Authorizing pre-loading allows rates to be available on time but also requires the removal of pre-loaded rates that you did not accept. Also, consider requiring hotels to honor this year's negotiated rates through a certain date in the following year to provide cushion for finalizing the following year's contract.

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

10. Clarifiy whether the corporate rate will cover consultants, job applicants and other guests. When occupancy is high, allowing these travelers access to the corporate rate can limit availability for the company's traditional 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 rates for employees traveling for projects, rates for corporate meetings and rates for small groups.

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

13. Consider whether city, country, regional or global rate caps could improve compliance and eliminate high room night spending. Balance that strategy with the work required to enforce the rate caps.

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

15. Ask for a timetable should the hotel anticipate undertaking major renovations or remodeling during the period of the agreement. Include your potential recourse for disruptive or unavailable rooms.

16. Ask about direct-billing processes for international guests, applicants and small meetings.

IV. RATE-SHOPPING TOOLS

Also known as "rate assurance" tools, these can be third-party providers or services provided by a travel management company that started as a way to audit hotel rates to make sure rates offered were correct, and to find the best possible price within a company's hotel program (see section V.B.1.e.). The technology has since evolved and some platforms now also can be used to send automated RFPs to hotels for improved rates, including preferred static rates.

A. Auto RFP.

1. You'll be asked to provide a certain amount of program booking history along with the hotels currently in the program.

2. The shopping tool can identify high-performing hotel candidates and, using data across its client base, calculate a target rate based on room nights, volume and historical hotel behaviors.

3. You can select a dynamic or static rate, avoid blackout dates and room category restrictions, as well as request amenities. The feature also can convert existing static hotel rate agreements to new static or dynamic agreements to account for market volatility.

4. The predefined bid is sent to the hotels. Sometimes there are further negotiations, but often the response is yes or no. Users can do bulk uploads to hotel targets instead of sending one request at a time.

5. If a bid is accepted, rates are automatically loaded, and the rate-shopping company will begin to audit and track hotel performance.

B. Share shift. Travel managers can use these tools to shift traveler bookings to other nearby options prior to the travel date when there is a need to capture the rate or drive volume to a particular preferred hotel or chain in order to meet volume obligations.

V. COMMUNICATING & MONITORING THE PROGRAM

A. Communicating preferred properties to travelers.

1. The use of an online booking tool, if set up properly, will guide travelers to book preferred properties.
2. Post the preferred hotel directory on the company's intranet before the next program year begins. Include the value-added amenities negotiated at each hotel and proximity to organizational offices.
3. Consider online tools that offer deeply discounted rates for leisure travel 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 company's travel department or TMCs should direct business to hotel properties, adjusting as necessary, to ensure that the company meets contractually promised room night numbers.

B. Early in the agreement period, conduct a rate audit to ensure travelers can access the correct negotiated rates in the GDS.

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 that every negotiated rate, including seasonal rates, at the preferred hotels can be booked in each GDS used by its TMCs. Sometimes, rates do not appear because they are not available on the selected dates, not because they have been loaded inaccurately, so audit multiple dates and date patterns within a season to be sure. Upon uncovering inaccuracies, follow up with the hotels. Conduct successive audits to confirm that the situation is rectified.
   - **c.** "Rate fencing" also is becoming common. As hotels become more sophisticated in inventory management, they can segregate inventory to close out certain room types on specific nights, leaving your company's travelers unable to access negotiated rates.
   - **d.** Have travelers alert you if they are unable to access negotiated rates through your preferred booking method.
   - **e.** 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" or "rate assurance" do this automatically while looking for lower rates. On-property revenue managers are working to maximize revenue for their properties, and part of that strategy might be to close access to your negotiated rate or apply length-of-stay or arrival restrictions. These tools can ensure the hotel is offering not just the correct rate but also the negotiated amenities. At least one provider also can make sure the correct rate is applied to out-of-channel reservations made directly with preferred hotels for travelers. Use the results of the third-party "rate shopping" process to improve your program and weed out those that don't want to cooperate and honor agreements, as well as improve your compliance.
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.** Buyers can reach an impasse as hotels neglect to adjust the rate loaded into the GDS and as travelers thus continue to book the inaccurate rates. Even errors uncovered early in the program year can take months to correct. Many hotels view removal from a hotel program because of rate-loading inequities as an empty threat; much of a buyer's leverage depends on the size of the travel program and the importance of that particular business to the hotel. Some buyers request an additional 2 percent to 5 percent discount as a condition for letting them back into the program.

C. Set appointments—quarterly for complex programs, twice a year for smaller programs—with sales representatives to review contract 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, talk with the property sales manager or chain national account manager about renegotiating the rate for the current year. Similarly, if room night production is much lower than projected, hotels may seek to renegotiate for higher rates.

D. Solicit traveler feedback on preferred hotels through questionnaires, comment cards or surveys via email, intranet sites, your online booking tool or social networks. Share the feedback with the hotels.

E. Routinely look at data sources like expense reporting and TMC booking data to check on 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 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.