



innovate

INTRODUCTION

THE BTN GROUP INNOVATE 2014 THINK TANKS

The Innovate 2014 Conference for the Advancement of Business Travel offered business travel executives the opportunity to articulate priorities and recommendations about six of the biggest challenges facing corporate travel buyers and suppliers:

- Selecting and Implementing Air
- Selecting and Implementing Hotel
- Selecting and Implementing a Travel Management Company
- Travel Policy Development
- Building a Better Booking Tool
- Making the Most of Mobile Opportunities

The BTN Group worked first with its Advisory Board and then with a dedicated Steering Committee to identify the focus topics for 2014. *Business Travel News* editors then recruited a group of leading business travel buyers to participate in independent task forces that could identify specific concerns and posit new ideas for moving the practice, the tools and the objectives of business travel management into the future. Think tank sessions held during the *BTN Innovate 2014* Conference served to validate concerns and flesh out innovation concepts.

The Innovate 2014 white papers document the results of these efforts.

In focus for this paper:
SOURCING AND IMPLEMENTING HOTEL CONTRACTS.



SOURCING AND IMPLEMENTING HOTEL CONTRACTS

TASK FORCE: Sourcing and Implementing Hotel Contracts

BRUCE SERLEN,
veteran travel writer
specializing in hotel industry

MICHAEL B. BAKER,
senior editor,
The BTN Group

CHRIS VUKELICH,
vice president, supplier
relations, Egencia

MARIA CHEVALIER,
travel industry consultant

KAROLINE MAYR,
former director of travel
procurement, Delttek

TOM BARRETT,
director of global indirect
procurement, Ascend
Performance Materials

JILL BRADY,
travel manager, Bank of
America Merrill Lynch

MICHELLE HUNT,
regional category manager
of T&E, DHL

SEAN PARHAM,
former director of
procurement and sourcing,
Corinthian Colleges

For some corporate travel managers, the challenges involved in running a managed hotel program can seem so entrenched as to feel immutable, easily more complicated than the issues they face in their air, car and card programs. Yet participants in the hotel think tank sessions of The BTN Group's Innovate conference resisted the temptation to turn the session into one more chance to gripe. Rather, they concentrated on developing practical, realistic solutions. Given the conference's focus on innovation, they were able in many cases to put aside the methods considered tried-and-true in favor of the new and untested.

Underlying the think tank sessions was the reality that travel managers continue to face a decided seller's market, and several organizations and hoteliers project for 2015 still higher hotel occupancy levels and negotiated corporate rates, on the heels of increases in each of the preceding three years.

With such cumulative increases, many travel managers increasingly are pressured to keep a lid on costs while maintaining the quality of and range of amenities within their hotel offerings.

In the months leading up to the conference, a task force composed largely of travel buyers assessed the largest pain points in hotel program sourcing and management to guide discussions. Once underway, think tank participants cited those issues about which they felt most passionately, includ-

ing the prolonged rate negotiation process, hotel program compliance and the broken rate-loading process.

Negotiating Blues

For some participants, the annual negotiating process—described by one task force member prior to the event as one that is “broken, cumbersome, lengthy and [that] doesn't work for suppliers or buyers”—begins as early as July; for others, the work begins after Labor Day. The unanimous consensus is that the length of the negotiating process has gotten out of hand, with too many rounds of back-and-forth.

Consultant Maria Chevalier, a think tank facilitator, suggested that hotel sales representatives often run out the clock until the parties reach the point in December when

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corporate rates must be loaded into global distribution systems.

“I feel like I need to start earlier every year,” according to one task force member. “Nobody gives you their best rates in the first or second round. It’s more and more a game of chicken.”

One buyer in the think tank recommended cutting negotiations off after two rounds. “Tell them you want their best and final offer,” she said. Another questioned the accepted wisdom of negotiating with a brand’s

the think tank as a potential option. Despite the growth of electronic tools that facilitate that process, only one buyer present had any experience using it—and then only in a few select international markets where she had a significant number of room nights.

While the buyer recommended the process for its speed and efficiency, the recommendation came with a qualifier: “Sales managers whose bids were eliminated during the auction may call subsequently with a lower offer, but you really have to stand by the results,” she said.

Finding A Capper

The number of markets included in corporate hotel programs, and the number of preferred hotels in each of those markets, in many cases, have mushroomed. Depending on the size of the organization and its business travel patterns, programs can cover dozens of cities around the world and include hundreds of preferred hotels (and negotiated rates).

Consequently, some travel managers have begun to rethink the “bigger is better” approach, at least as far as their preferred hotel directories are concerned. “We’ll allow travelers to book nonpreferred hotels in certain markets, though we insist they still book through our channel and providing the room rate is no higher than a cap we set for each city,” said one buyer.

“Set a minimum room-night threshold before going through the trouble to negotiate a rate in a city,” advised a second buyer. Consultant Karoline Mayr, a think tank facilitator, agreed. Such an approach in cities

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national sales manager. Given that the final approval of a negotiated corporate rate deal typically lies with the property owner, the buyer recommended bypassing the sales manager

and “going right to the decision-maker:” the hotel ownership group or the hotel’s management company. This echoed the concern of another task force member who said national account managers are becoming less empowered to negotiate.

Similarly, when Chevalier surveyed think tank buyers as to whether they negotiate chain-wide deals or work with individual hotels, most indicated the latter. “First of all, there’s so much variation market by market, plus the chain will have to go to the hotel eventually for a sign-off, so why waste the time?” said one buyer.

Reverse auctions, a process in which hotels bid for corporate business, was raised during

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where the company doesn't have that many room nights can help travel managers concentrate on securing a better deal at preferred hotels in markets where there's significant room-night demand, she noted.

Hotels increasingly have pushed dynamic pricing, with corporate rates rising or falling based on demand on a given day instead of a traditional flat rate. As such, there will be times when the hotel's best available rate falls below the negotiated rate, Mayr added.

In that eventuality, think tank buyers strongly

recommended including a provision in preferred hotel agreements that, should the best available rate be lower than the negotiated rate at the time of booking, travelers will be billed the lower rate.

Likewise, think tank buyers were unanimous on negotiating last-room availability: Don't sign off on any deal without it. However, they

acknowledged that in an environment where hotels have numerous room types, standard-room LRA might not be of much value, considering that the supply of standard rooms is limited and likely to sell out first.

That opened the door to discussion of "run of the house" provisions, in which LRA applies to every room type in the hotel except suites, in effect ensuring the negotiated rate

would apply. But hotel sales managers are wary of accepting such a stipulation, except in rare occasions, according to participants.

Citing Compliance

Egencia vice president of supplier relations Chris Vukelich, a think tank facilitator, noted that traveler compliance in some managed hotel programs runs as low as 60 percent. To boost that percentage, none of the think tank travel managers ventured that it might be time to trade in the managed travel model. Instead, their recommendations centered on ways to improve the existing system—from more aggressively enforcing pre-trip approvals to encouraging more vocal buy-in from senior management and more transparently communicating the broader goals of the travel program.

Time-consuming a process though it may be, one travel manager described calling travelers who had booked outside of policy to explain personally that such behavior was detrimental on two fronts: It weakens the company's ability to negotiate volume discounts and track the traveler's whereabouts, making it difficult at best to reach the person in an emergency. However, no participant indicated that their organization had taken the most extreme step to fighting noncompliance, withholding reimbursement.

A Loading Question

In December, the rush begins to get newly negotiated rates loaded into the global distribution systems before Jan. 1. Hotels' track record of loading such rates on time and correctly has been inconsistent, to the point that some organizations commonly hire outside

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firms to conduct periodic rate audits.

One possibility to ameliorate this process is to conclude negotiations early enough in the fall to allow hotels more time to get the job done correctly. One think tank participant has carried this strategy to its logical conclusion, moving cyclical negotiations away from the conventional calendar year. “Our program year now starts April 1,” she said. “Among other advantages, it takes the pressure off rate loading, especially when it gets close to Christmas and New Year’s

Day, when hotel people like to take time off.”

Loading rates correctly is a related but separate challenge, and in some ways more complicated, pointed out Mayr. For example, rates for all of a hotel’s room types could be loaded even

though a negotiated rate is in place for a specific room type. This won’t be apparent to a traveler who is looking to find the best available rate in a particular hotel. There also could be unexpected blackout dates in the system, or the lowest available rate could come with a non-negotiated minimum length-of-stay requirement.

Reflecting their collective frustration around rate loading, think tank participants were unanimous in their hardline recommendation: Inform the errant hotel that if the correct, agreed-upon rates are not in the system,

and all inaccurate rates absent from the system, then the hotel will lose its preferred status the following year.

While benign neglect on the hotel’s part might be a culprit for some rate-loading challenges, participants cited one egregious practice they consider unethical: the loading of what are known as squatter rates by hotels that are not preferred nor, for that matter, may not even have been invited to participate in the RFP process. Their recommendation: demand such hotels remove the rates at once.

Many challenges travel managers face with their hotel programs defy easy solutions, and think tank participants avoided broad-stroke, one-size-fits-all measures as potential solutions. Instead, they suggested a series of modest, incremental steps that still might signal real progress. ■

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BusinessTravelNews

DAVID MEYER,
Editorial Director
(646) 380-6246 / dmeyer@thebtngroup.com

CHRIS DAVIS,
Editor-in-Chief
(646) 380-6252 / cdavis@thebtngroup.com

JAY BOEHMER,
Executive Editor
(646) 380-6249 / jboehmer@thebtngroup.com

MICHAEL B. BAKER,
Senior Editor, Transportation
(646) 380-6250 / mbaker@thebtngroup.com

JoANN DeLUNA,
Associate Editor, Payment & Expense
(646) 380-6268 / jdeluna@thebtngroup.com

LOIS HEYMAN,
Copy Editor
(646) 380-6263 / lheyman@thebtngroup.com

BTNGROUP

LOUIS MAGLIARO,
Group Publisher
(973) 769-0028 / lmagliaro@thebtngroup.com

ANTHONY CARNEVALE,
Associate Publisher
(201) 902-1976 / acarnevale@thebtngroup.com

EDIE GARFINKLE,
Advertising Director
Tel: (720) 542-9371 / Fax: (805) 832-6676
egarfinkle@thebtngroup.com

MARY ANN McNULTY,
Director, Content Solutions
(630) 519-4510 / mmculty@thebtngroup.com

ELIZABETH WEST,
Executive Editor, Content Solutions
(732) 494-1955 / ewest@ntmllc.com

MARIZA MOREIRA,
Design Manager
(201) 902-1965 / mmoreira@ntmllc.com

ALICIA EVANKO-LEWIS,
Senior Vice President Events,
The BTN Group, Travel Weekly, PhocusWright
(646) 380-6244 / aevanko@ntmllc.com

LINDSAY STRAUB,
Events Marketing Manager
(646) 380-6274 / lstraub@thebtngroup.com

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