



How **successful companies** select hotel partners to **minimize travel cost**

Location, location, location drives many preferred corporate hotel partnerships as companies seek to leverage their buying power with properties near headquarters or frequently traveled destinations. But price, included amenities such as Wi-Fi, breakfast and parking, and the availability of negotiated rates when travelers request them ranked as other important factors as companies contract preferred suppliers, according to a survey of corporate travel decision-makers focused on maximizing cost savings for their organization.

To better understand key considerations of corporate travel buyers in selecting hotel suppliers, BTN Group, at the request of Choice Hotels, queried more than 200 corporate travel managers, procurement executives and buyers from January through March 2017.

Among the survey topics were the range of key decision-makers in the request for proposals process, latest trends to emerge from the most recent RFP season and their hotel booking and expense policies and practices. Following are results from nearly 30 respondents across all travel volume categories who are focused on achieving the lowest cost of travel.

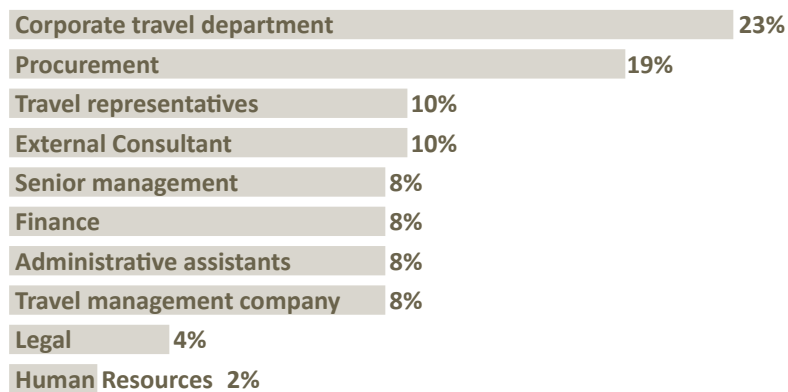
NEGOTIATING STRATEGY

RFP Influencers and Leaders

The hotel RFP process is a cross-functional initiative at many organizations. Most respondents noted that the process was led by either the corporate travel department (40 percent of respondents) followed by a travel management company and their own procurement department. Nearly 45 percent of respondents said they reported to finance or the chief financial officer, while the next largest segments reported to procurement and human resources.

Despite which department was responsible for leading the initiative, most respondents said that cross-functional teams often worked on the most recent RFP bids.

Departments Participating In The RFP Process



Where and How Rates Negotiated

To achieve maximum cost savings, more than 90 percent of respondents said their organizations negotiated preferred hotel rates locally with properties near their major locations. Buyers have long held the belief that they can get the best rates and value by going directly to key properties. But given the demand in key markets, higher occupancy in some markets and expanding business, it's no surprise that corporations have been negotiating in multiple ways to ensure that they have

the lowest cost options in each market.

To that end, nearly 40 percent also negotiated chainwide rates with multiple hotel chains and 26 percent negotiated chainwide rates, but with just one to three chains. For those organizations aiming for the lowest cost, 11 percent said they relied on their TMC or other third-party to negotiate rates.

Trends in Contracting

In the most recent RFP process, nearly 80 percent of respondents said they contracted with the same number of chains as the prior year, and about half said they contracted rates with the same number of hotel chain segments as a year earlier. However, within those chains about 40 percent of respondents said they contracted rates in more locations, more hotel chain segments and more individual properties than the year before—seemingly focused on the locations with the biggest opportunity to maximize cost savings through rate.

Chain Segment Most Often Negotiated

Companies often negotiate chainwide agreements with one or more chains across an entire spectrum of property types, ranging from luxury to economy to extended stay. For those most concerned about travelers booking the lowest-cost hotel options, the upper midscale hotel segment was cited by nearly 90 percent of respondents, followed by upscale and upper-upscale. More than half of such respondents, said they also included midscale chain segments – brands like La Quinta, Quality Inn and Best Western – as well as extended stay brands in their most recent RFPs.

To achieve lower costs, nearly half of respondents reported negotiating with brands across five or more chain segments.

Segments Where Rates Most Often Negotiated

LUXURY (e.g. Ritz-Carlton, Four Seasons, Fairmont, W)	30%
UPPER-UPSCALE (e.g. Marriott, Westin, Hilton, Hyatt)	74%
UPSCALE (e.g. Crowne Plaza, Courtyard, DoubleTree)	78%
UPPER MIDSCALE (e.g. Comfort, Fairfield, Hampton)	89%
MIDSCALE (e.g. Best Western, La Quinta, Quality Inn)	52%
ECONOMY (e.g. Days Inn, Econo Lodge, Motel 6)	11%
EXTENDED STAY (e.g. Homewood Suites, Residence Inn)	52%

Driving Factors in Hotel Selection

For those seeking the lowest-cost, it was no surprise that price ranked as the most-important factor to their organizations. However, this was closely followed by the number of hotels near common traveler destinations—which combined with price can maximize savings to an organization’s travel budget. Included amenities such as Wi-Fi, free breakfast and parking ranked as the third most-important factor, all contributing to a reduction in total T&E spend during a hotel stay. These value-added amenities were followed by service for travelers.

After confirming that a prospective hotel has both locations and price aligned with company needs, buyers appear to look for the overall value that hotel partners can deliver to travelers and the corporations.

Key Amenities for Business Travel

From the travel manager’s perspective, the amenities that they looked for in the hotels for business travel were free, hi-speed internet and safety and security

Top Factors in Selecting Preferred Hotel Partners



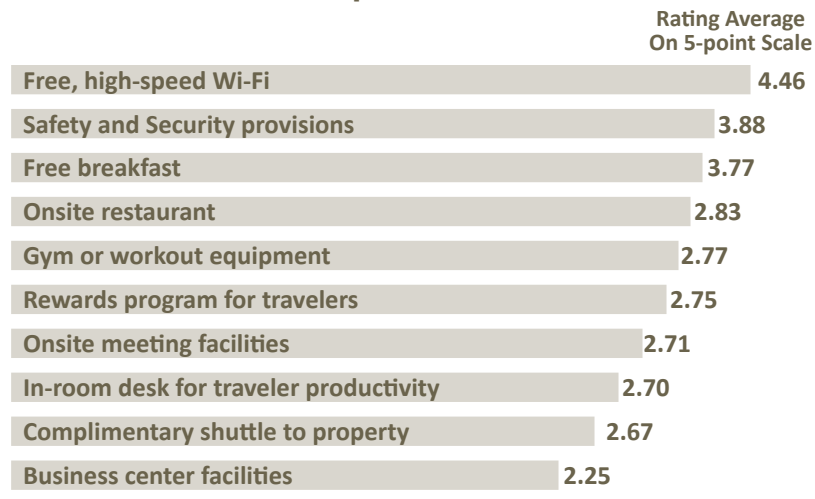
NOTE: Respondents were asked to rank the Top 5 of 10 possible options

provisions, such as indoor corridor hotels or 24/7 attendance at the front desk.

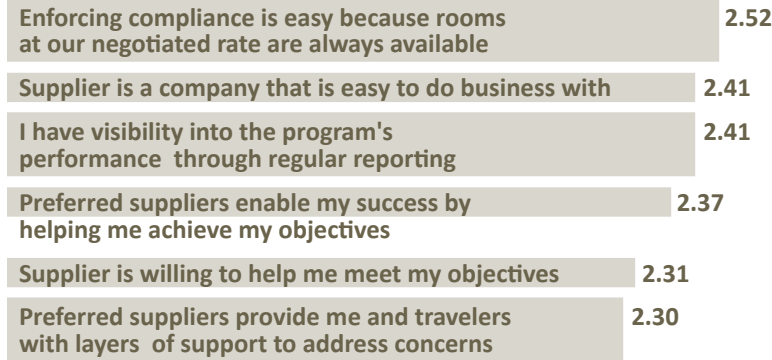
Values Buyers Seek From Hotel Partners

Critical factors in a relationship with a preferred supplier, buyers said: are “enforcing compliance is easy since rooms at negotiated rates are always available when travelers need them,” that a supplier is easy to do business with and focused on helping them meet business objectives.

Amenities of Most Importance



Critical Factors In Hotel Partner Selection



who book non-preferred properties are advised to rebook at preferred properties and rates. More than 40 percent of respondents said travelers who expense hotels over set rates are reprimanded, yet just 22 percent said travelers who book non-preferred properties may not be reimbursed.

Practices Today Versus 3 Years Ago

	Today		3 Yrs. Ago	
	Yes	No	Yes	No
Company willing, able to shift business in exchange for preferred hotel pricing	81%	19%	65%	35%
Cost savings to company is the most important factor in selecting hotel providers	89%	11%	88%	12%
Matching value with the business needs for specific traveler/trips is most important	93%	7%	88%	12%

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How Organizations Enforce Travel Policy

Respondents indicated a maintained focus around cost savings, and consistently high focus on matching the best value in a hotel with the business need of a specific trip. However, more companies seeking the lowest total cost are increasingly willing to achieve that by shifting business to fewer suppliers in exchange for preferred pricing. Long term, this would require travel policies that align with this goal.

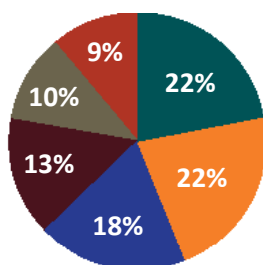
Today, to achieve a low cost of travel more than 60 percent of respondents said travelers

ABOUT PARTICIPANTS / METHODOLOGY

More than one-third of survey respondents reported company travel spend of less than \$12 million. About 30 percent reported spend of \$12 million to \$49.9 million while the remaining third reported spend of \$50 million or more.

Company Travel Spend

\$100M or more	22%
\$50M to \$99.9M	11%
\$35M to \$49.9M	11%
\$12M to \$34.9M	19%
\$2M to \$11.9M	22%
Less than \$2M	15%



ABOUT THE SPONSOR

At Choice Hotels, we've become a growing force in business lodging by focusing on giving corporate travel managers what they really need: Greater values combined with surprising amenities. Personalized care and attention. Brands from upscale to economy, designed to keep business travelers happy and productive. And of course, rooms in all the places where your travelers need to be.

You may not think of Choice Hotels first. But with greater values, surprising amenities, personalized care, and all the right rooms in all the right places, more corporate travel managers are discovering that Choice is indeed better for business.

