

2021 HOTEL RFPS: Options to Explore



The countless ways in which 2020 has proven a year without precedent for business travel managers won't confine themselves to this calendar year. The shutdown of most types of business travel due to the global COVID-19 pandemic has left most organizations with only a sliver of their typical business travel volume in 2020, a fact that is complicating negotiations for corporate hotel rates for 2021.

The typical process for building a hotel program and negotiating corporate rates for a given year takes place during the prior year's request-for-proposals season, typically in the autumn. The process relies heavily on the organization's hotel expenditure and travel patterns in that prior year. But with so little volume booked in 2020, how can travel buyers and hoteliers sufficiently assess the state of a hotel program to negotiate fair deals for 2021?

Moreover, with the pandemic still in full swing in late 2020, with government travel restrictions still in place throughout the world and the promises of vaccines just now being rolled out, but not yet fully realized, how can 2021 hotel volume be forecasted in a manner that allows for the negotiation of rates when so much remains uncertain?

This white paper is designed to explore the possibilities available to travel buyers when constructing a 2021 hotel program and negotiating corporate rates, including forecasting amid the pandemic, the best ways to manage what seems to be a partial return to business travel in 2021, and the types of negotiated hotel rates perhaps best suited for a year that features so much uncertainty.

THE RFP QUESTION

Arguably the easiest and most straightforward way for buyers to manage the procurement of 2021 hotel rates would be simply to roll over the 2020 rates, negotiated in 2019, for the following year. Some executives and organizations at least in the early days of the pandemic argued that this approach would be the fairest option for all involved. Some large hotel chains



warned that they didn't have the staff to respond to RFPs. But some panelists of a recent webinar sponsored by Cvent and staged by The BTN Group discouraged this approach as ineffective and unmindful of the substantial changes still in store for 2021.

While Cardinal Health global security travel manager Jill Huffman reached an understanding with several national account managers of her company's preferred hotel chains but still insisted on issuing a formal RFP, she said during the webinar. Creating and issuing a formal RFP via the Cvent Travel RFP management tool allows Cardinal to codify all such understanding and also maintains a historic record of those negotiations for future years. Having that formal record also allows Cardinal to audit hotel performance regarding negotiated rates.

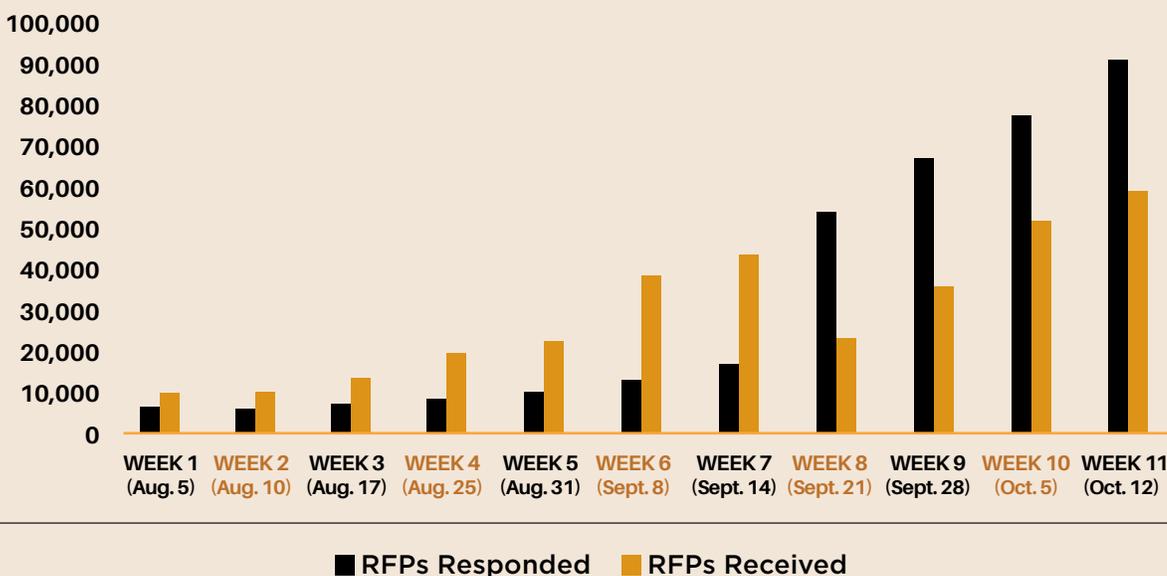
"We've actually talked to a lot of properties since we sent out the RFPs, and they want to change their black-

out dates, or they want to reduce them. You won't have that information unless you send out that RFP and get it from them," Huffman said. "You get those little things that you wouldn't know unless you connect with them."

Even those hoteliers that would encourage a rollover of 2020 rates to 2021 expect to be part of formal RFP processes, said Cvent Hospitality Cloud senior director of sales Janine Alsalam.

"Many of the major hotel chains have been proactive about rolling over rates and working with customers to streamline a rate strategy instead of a traditional hotel-by-hotel process," Alsalam said. "They've been very clear that even in the case of rolling over rates that they expect travel managers to invite them into their 2021 programs. They are absolutely staffed and ready to respond to those RFPs, and our data shows that hotels are responding as they normally would at this time of year."

Response Rates for Largest Global Hotel Chains*



*Hilton, Marriott, IHG, Hyatt, Accor, Choice, Wyndham, Radisson and Best Western

Source: Cvent RFP responses



A DATA DILEMMA

Hoteliers may be ready and waiting for RFPs, but providing the data necessary for an effective RFP process may be a challenge for travel buyers. After all, 2020 hotel volumes in most cases are a mere fraction of typical volumes due to the pandemic, and most forecasts indicate 2020 figures won't be all that indicative of 2021 volumes either. Balancing those figures is a delicate process but a necessary one.

"You absolutely need to forecast your travel volume," said Laura Kusto, senior director and global hotel practice lead at Advito & Stay by BCD Travel. You start with 2019 data and start to factor it down, since travel volumes have dropped. You absolutely need to do this exercise, because if you're going to send an RFP out and ask hotels who are very limited in terms of their availability ... you need to put some thoughtful consideration into your volumes. It gives you credibility and lets them know that you are serious about this."

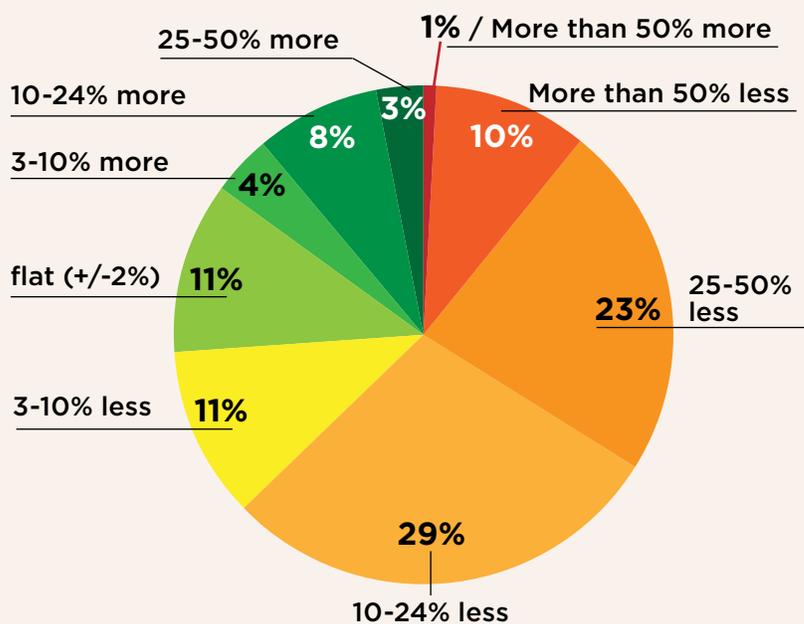
Pfizer's hotel pattern at one point in 2020 had dropped 96 percent year over year, said Julie Egan, director of global travel for the company's global procurement division.

Egan suggested avoiding a full global RFP process in favor of a more limited approach that takes into consideration not only expected 2021 travel patterns but also current global travel restrictions, noting that international business travel will sharply decline in areas where travelers are not permitted entry or must quarantine for 14 days upon arrival.

"We don't need to negotiate everywhere in every market because right now, it's just not a necessity," Egan said.

For some of those locations where heavy travel isn't expected in 2021, simply rolling over 2020 rates might be a preferable option, Egan said, allowing buyers to focus volume forecasting and negotiations on locations where more travel is expected.

Change in Hotels Solicited for 2021 Programs



Source: Cvent

After projecting Cardinal Health's 2021 hotel volume, Huffman significantly limited the number of hotels that would receive an RFP, leading to a program that includes 283 properties in 52 countries, down from 873 properties in 2020. Before issuing the RFP, Huffman made sure to discuss the situation with chain national account managers.

"There were hundreds of hotels we didn't invite into the RFP," Huffman said. "We wanted to make sure they didn't receive a shock, and we wanted to explain exactly what they were doing."

Cardinal Health isn't alone. Cvent's Alsalam said about 74 percent of clients who have submitted RFPs for 2021 are sourcing fewer properties than they did in 2020, and on average have 2021 program sizes of about 87 percent of 2020 levels.

It's an approach worth considering, Kusto said. "With volumes dropping, you have to be thoughtful about how many hotels you have," she said. "If you want to secure competitive rates, you need to bring hotels notable business. So, you need fewer hotels with fewer volumes."



A DYNAMIC PROPOSAL

In addition to splitting Pfizer's hotel RFPs between near-term targets where Egan expects significant 2021 business travel and longer-term targets where rate rollovers are possible due to an expectation of limited 2021 volume, Egan said she's negotiating dynamic rates and also pre-buying hotel rooms in 2021.

Consolidating and pre-buying space allows the buyer access to rooms to ensure COVID-19 safety protocols are implemented and followed, a key concern particularly in virus hotspots, Egan said. She's also implementing dynamic rates, and expects more in the future.

"Having a really good, stringent and managed dynamic program can be a great advantage and take some of the burden off those individual negotiations that can go round and round and round in an RFP," she said.

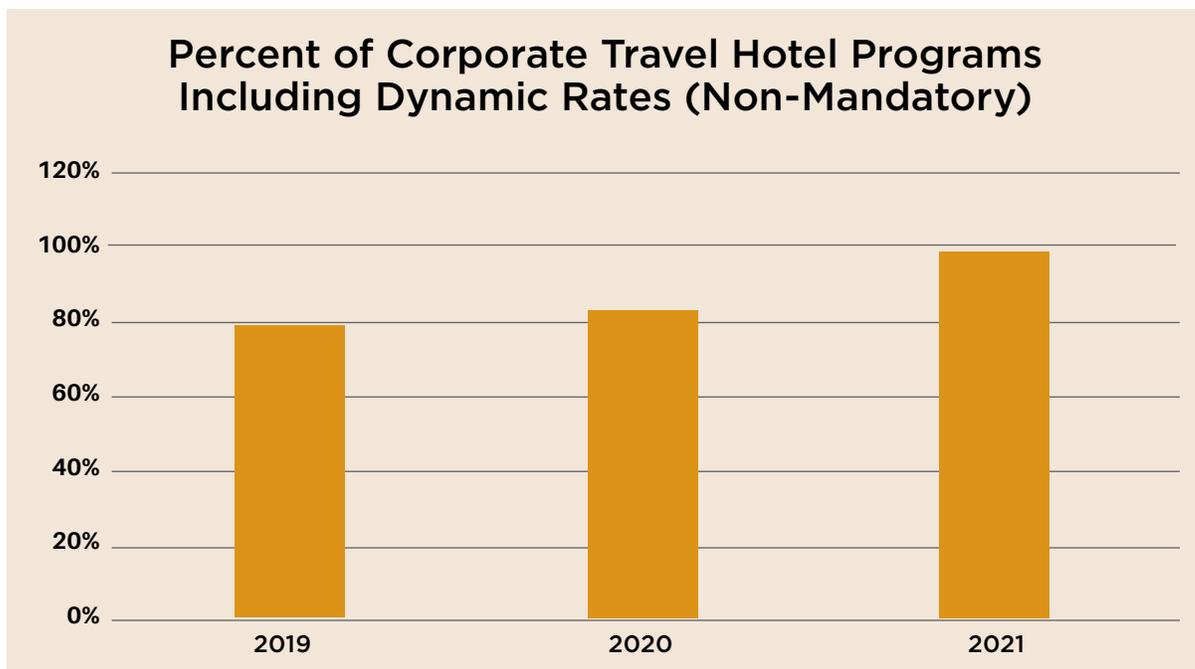
Dynamic rates are rates that hotels offer corporate clients that are a given percentage off the hotel's best available rate offered to the public on a given day. Therefore, the actual rate itself will vary throughout the year. In contrast, a negotiated static rate stays constant throughout the year, regardless of what the best available rate on a given rate may be.

Cardinal Health's Huffman also said she has added dynamic rates to her 2021 hotel program after negotiating static rates for 2020. Like Pfizer, Cardinal has rolled over some static rates, but negotiated dynamic rates for destinations where projections are volatile.

Kusto recommended buyers shift the majority of rates in their programs to dynamic from static, pointing to the sharp drops in 2020 hotel average daily rates as the pandemic progressed, which led those with dynamic rates paying far less than those with static rates. Such a shift also could lead to the negotiation with hotels of multi-year contracts, a move, she said, that could allow buyers considerable productivity and time savings by avoiding at least part of the annual RFP process.

"Hotels will be much more amenable to that, because they'll always know the discount they'll be giving you," Kusto said.

In fact, according to Alsalam, every client who has submitted an RFP through Cvent's tools has expressed a willingness to at least consider including some dynamic rates in their 2021 programs, up from about 80 percent the year prior. "No programs have made dynamic rates mandatory," Alsalam noted.



Source: Cvent



We anticipate increased buyer demand for dynamic rates included in 2022 programs. Cvent plans on launching new features this year that allow customers to negotiate a dynamic rate with a ceiling during the RFP process to help satisfy this need.

CONCLUSION

The COVID-19 pandemic significantly has complicated the 2021 hotel request-for-proposals process, given the uncertainty surrounding not only governmental travel restrictions but also projected business travel volume.

Nevertheless, conducting a formal RFP process could prove beneficial for buyers to ensure agreements and further a historical record of data. Through the RFP process, buyers also can glean new safety and security protocols from hotel

partners, updated blackout dates or altered policies on cancellations or early/late check-in and checkout. Buyers should consider limiting the number of properties in their 2021 hotel programs to help deliver adequate share of what promises to be limited volume to particular hotels.

Buyers also should consider the implementation of dynamic rates in their 2021 program to ensure discounts even in times of rate volatility and potentially to realize productivity in subsequent years through the negotiation of multi-year deals.

Uncertainty is no reason for corporations to sit on the sidelines. Buyers must be able to provide their travelers and executives with updated information concerning safety and security protocols, rate guidance and insights on how.

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