



4TH ANNUAL

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for the advancement of business travel

IN THIS PAPER:

Building a Better Hotel Procurement Process

INNOVATE 2017

The BTN Group's Innovate 2017 Conference for the Advancement of Business Travel offered business travel executives the opportunity to articulate priorities and recommendations about four of the big gest challenges facing corporate travel buyers and suppliers:

- Building a Better Hotel Procurement Process
- Taking On Total Cost of Ownership
- Defining & Enforcing Lowest Logical Policies
- Evolving the Role of the Travel Management Company

The BTN Group worked first with its Advisory Board and then with a dedicated Steering Committee to identify the focus topics for 2017. BTN Group editors recruited a group of leading business travel professionals 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 Innovate 2017 Conference served to validate concerns and flesh out concepts.

BUILDING A BETTER HOTEL PROCUREMENT PROCESS

Despite the vast differences that can exist from one corporate travel program to another, much of the industry still follows the same decades-old annual hotel request for proposal process. While both buyers and suppliers mostly agree the tradition needs to go, what replaces it will need to rely more on a tailored mindset than a one-size-fits-all approach.

By Julie Sickel

Anyone who has ever participated in the annual hotel RFP season and subsequently manage a hotel program is aware of the shortcomings of the process. The data is murky and incomplete; there's lack of alignment between corporate sales representatives and local hotel operators; local revenue managers often ignore last room availability agreements; and, worst of all, the process is costly and time-consuming without a concrete return on investment.

The problems with hotel procurement as it exists today are so numerous, complex and ceaseless that resource-strapped travel buyers and managers rarely have the opportunity to step back from it and rethink how it could really change. However, with the advent of greater data transparency, improving technology and shifting priorities of corporate travel programs, the appetite for a new process—or at least a much-improved one—is rapidly growing on both the buyer and supplier side.

But if the annual hotel RFP is no longer the way of doing business,

what takes its place? The more professionals on both the buy and supply side mull that question, the more they come to the conclusion that it cannot be a one-size-fits-all solution. Rather, it must be built on the unique needs of each program and its supplier partners.

IMPROVE THE CURRENT PROCESS

If the industry accepts that it, for the time being, is stuck with sourcing seasons and RFPs, there are nevertheless things buyers can do to make the process work better for them.

Weigh What's Most Important

Managers first need to consider their company's culture. Does their organization value employee happiness first and foremost, or is it more of a rules-based culture that prioritizes cost savings? That will determine what should be emphasized during the sourcing process.

Procurement professionals should also ask what are the unique needs of the organization? "Do you want rate or do you want avail-

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ability?” asked one buyer. “You’re not going to get both.” His remark alludes to corporates’ practice of asking for last room availability for negotiated rates and hoteliers’ practice of placing a premium on such a contract condition.

Next, buyers need to consider their “buckets,” said another experienced hotel supplier who once was a major buyer. Split the markets where the organization has hotel spend into high-occupancy markets, high-volume markets and non-concentrated spend markets. Then consider which approach makes the most sense in each bucket. For instance, chainwide discounts are often a good fit for non-concentrated spend, whereas static rates or a hybrid approach using both dynamic and static rates make sense for the high-volume market.

Buyers should also evaluate program strengths. Can the organization deliver volume? Can it effectively shift share if needed? These factors can determine what you could potentially deliver to a supplier, with less emphasis on total program size.

Get The Full Picture

Hoteliers provide data. Travel management companies provide data. Expense tools and payment cards provide data. Technology and sourcing partners provide data. But each data source is imperfect on its own. Instead, buyers need to look at all of them together to get a full understanding of what is really happening, both in their programs and in the marketplace. For instance, if buyers are only looking at their own spend,

they may miss changes happening within a marketplace, like increased demand or oversupply.

Get Tech To Work For You

Technology and data go hand-in-hand. Rate shopping tools like Tripbam and Yapta have enabled buyers to find savings when hotel rates drop, but they’ve also proved handy in providing a more complete picture of what’s happening to prices in a market. They’ve also been able to audit negotiated rates and show whether hotels are actually honoring last room availability agreements. That information assists in negotiations.

Buyers recommend not only examining what technologies could be brought into a program, but also finding ways to leverage tools that are already being used.

For example, one buyer questioned whether it was possible for existing booking tools to capture the content displayed when travelers tried to book a hotel room. Such information, she said, could allow a travel manager to know whether a hotel was turning off a negotiated rate or if there was some other problem along the distribution chain that needed to be addressed. One booking tool supplier said the capabilities do exist and it’s information that’s already being collected—so buyers should ask about getting access.

Lean Into Relationships

While buyers and suppliers often have opposing goals, parties on both sides say more emphasis needs to be



**Technology advances
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placed on relationship building on both the corporate and local level—at least at key properties.

One hotel sales executive based in New York City described how she worked with buyers to help them understand the impact a dynamic rate could have on their programs. “Dynamic is a really hard sell,” she said. “So, what I do is I load both a static rate and a dynamic rate and we monitor them both together.” In a market like New York, the dynamic rate wins out, she said, and buyers are more receptive if they can see that instead of simply being told that dynamic is better.

For some programs, that kumbaya moment may never manifest with suppliers. So who else matters? Several buyers emphasized how important it is to lean into internal relationships. If a buyer does decide to accept dynamic rates, for example, they’ll want to talk to members of the finance department to discuss what the goals should be in a transition year since comparing year-over-year would not be apples-to-apples. Or, if it’s time to move down a chain scale in order to find needed savings, work with other stakeholders in the organization to communicate the change and see that it goes smoothly.

A VISION FOR THE FUTURE

Much of the above amounts to action items for today’s sourcing environment. But buyers and suppliers also had ideas about hotel sourcing could look like if the annual RFP went away.

Technology & Data Lead The Way

The people’s choice award winner for BTN’s Innovate 2017 conference was DVI Vantage Point, a business intelligence platform that enables users to parse and combine data from a wide range of sources. DVI’s victory indicates what many buyers are looking for: a way to have intelligent and transparent data that tells a story.

That’s because buyers know data, has to be instrumental in finally getting the industry to break away from its current hotel RFP habit. Right now, so much of the discussion between buyers and suppliers revolves around whose data is best and what the data is actually saying. Remove that piece of the conversation, and other aspects come into focus.

Of course, there’s some disagreement on what the best technology solution may be to provide that data transparency.

Is it a buyer-facing dashboard like DVI or one that the hotel offers to client partners? Is it a system that sits between, insuring both sides play fair, like a PRISM for hotels? Is it using multiple sources in concert?

In keeping with the no one-size-fits-all theme, the answer could be different from program to program. But the idea is that the technology would provide better real-time data and, therefore, take the pressure off buyers to work seasonally. Rather, they would monitor hotel programs year-round and tweak as needed.

Price Is No Longer The Focus of Negotiations

Right now, buyers and hotels battle

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back and forth over price. Hoteliers feel pressure to raise their average daily rate 3 percent to 5 percent at the same time the corporate's chief procurement officer is dictating a 10 percent reduction in program cost. It's this tug of war that has kept the industry in a deadlock.

Access to data could change that. Buyers have already been able to pare down their sourcing thanks to enhanced data that shows where negotiating no longer makes sense. Improved data could enable these same buyers to strike multi-year agreements with hotel companies with the option to spot-buy and adjust if conditions change in the program or in the market.

"Think about what's possible when the discussion no longer revolves around price," one travel buyer said. "When we're not in perpetual negotiations, we can talk about relationship and experience and delivering something better to the travelers."

Relationships Change

Enhancements in data and technology and less back-and-forth about price means relationships become more important for some programs and less important for others.

For the programs that already emphasize strong relationships with supplier partners, the monthly, quarterly or annual meetings can be used to enhance current strategies with traveler-focused initiatives and marketing efforts that work for both the hotelier and the corporate. It takes the discussion out of hostile

territory and toward a more cooperative environment.

For other programs—those for which hotelier relationships are already dicey because of an imbalance of power in favor of the hotels—advances in technology and data could mean saying goodbye to a process that never really worked for them in the first place. When rate shopping tools like Tripbarn and Yapta exist to constantly scan the market and seek out the best rate and amenities, some buyers could opt only to shop and not to source and do so with the confidence that it's more cost-effective than going through the hotel sourcing process.

FIND A TAILORED APPROACH

An industry practice that has remained entrenched for decades does not simply go away overnight. The complexity that exists across the hotel industry, the corporate travel industry and within corporate travel organizations also ensures that what replaces it will not be a magic bullet that meets the needs of all parties.

Where does that leave buyers looking to escape the whole thing? For the larger programs, it offers the opportunity to leverage what power they have to partner with new and emerging technology providers to forge solutions for the rest of the industry. For other programs, it leaves them in a place where they can enact change on their own level by putting aside a system that doesn't work and creating a solution that better meets the unique needs of their organization. ☼

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