



# YOUR ONE SOURCE

for **Global Meetings & Events**

The Ins & Outs of Hotel Contracting  
Presented to: The American Guild of Organists  
By: Andy Anastasi  
(October 10, 2018)

# Quick Introduction

My name is Andy Anastasi, Senior Vice President/Team Director at Conference Direct

I've had the distinct pleasure of working with the American Guild of Organists headquarters office since December 2011 and with many of the Regions since early 2012.

# Today's Agenda

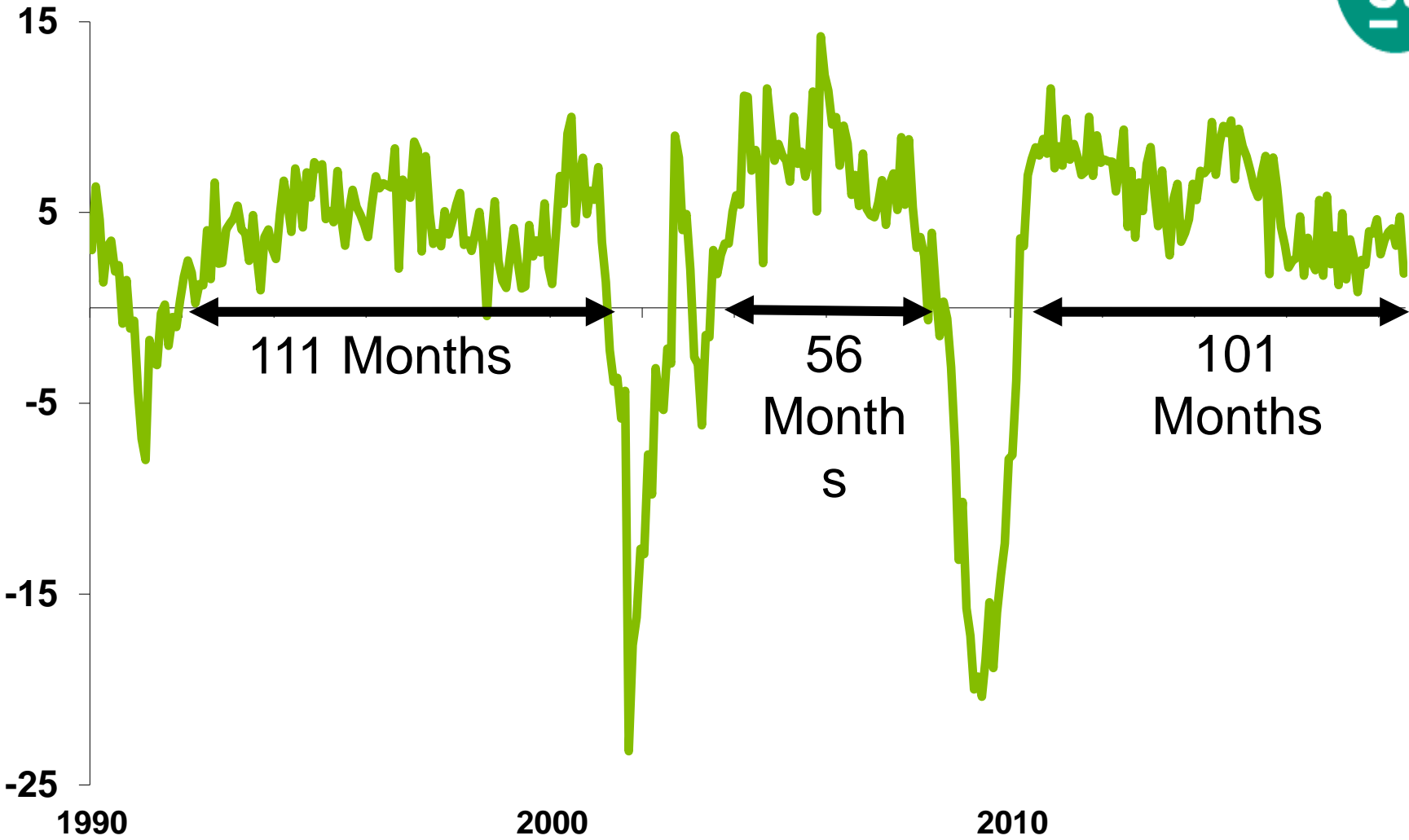
Our goal today is to provide you a general overview of some of the important aspects of current industry trends and Hotel Contracting that you'll want to be aware of for your Regional Conventions

# Industry Trends

- Let's review some industry trends.
- Understanding the marketplace helps you negotiate better.
- Knowing what is important to a hotel during negotiations will also help you secure a better deal.



# Hotels have experienced 101 Consecutive Months of Growth!!!



Total U.S., RevPAR % Change, 1/1990 – 07/2018

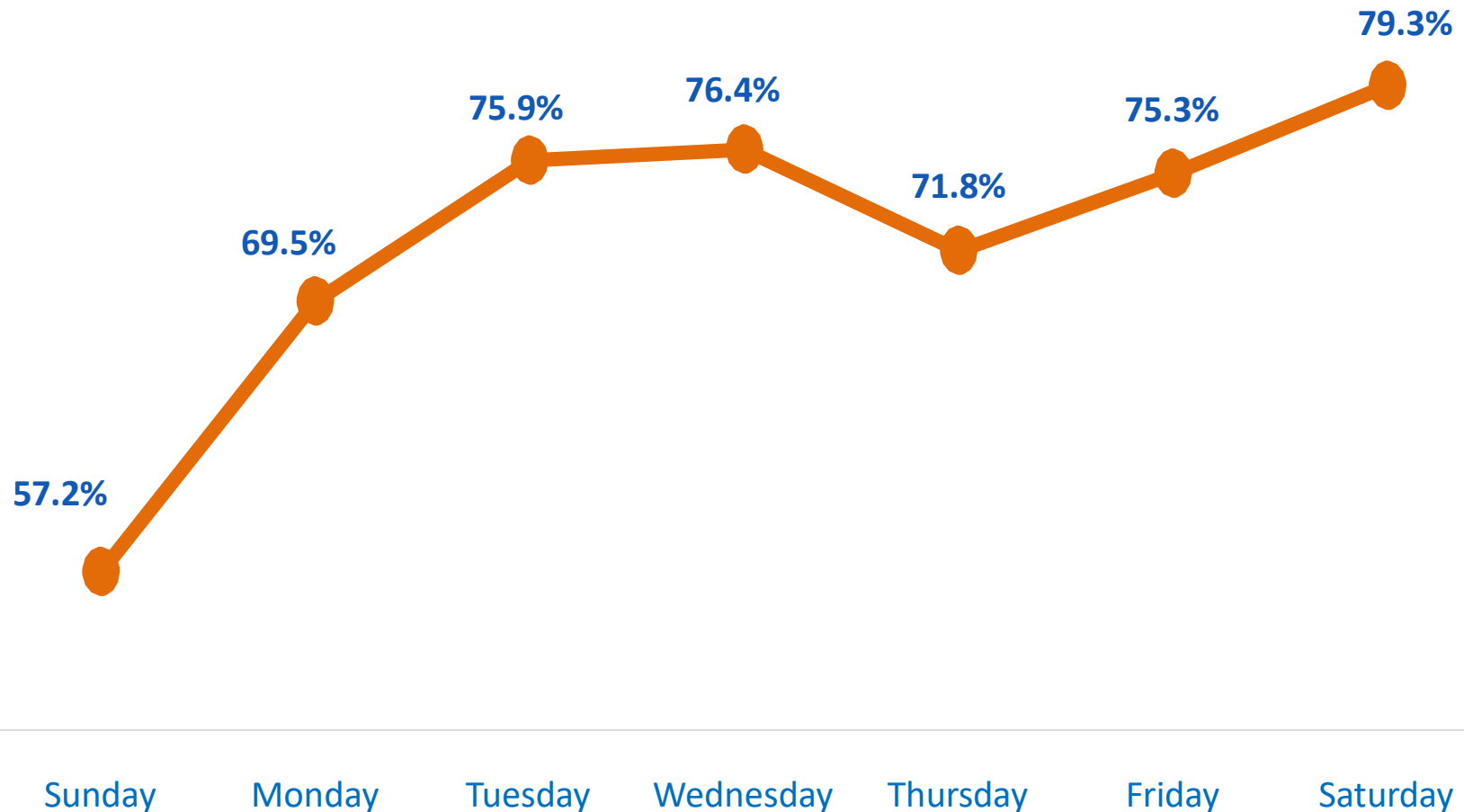
# US Hotel Industry: Still at Record Levels

		% Chg	<u>Yr Chg</u>
Room Supply	1.9 bn	1.7%	1.4%
Room Demand	1.2 bn	2.2%	1.6%
Occupancy	65.6%	0.5%	0.1%
ADR	\$125.50	2.7%	2.6%
RevPAR	\$82.38	3.2%	2.7%
Room Revenue	\$152.5 bn	4.9%	4.2%

And in 2018, the industry continues to experience large gains

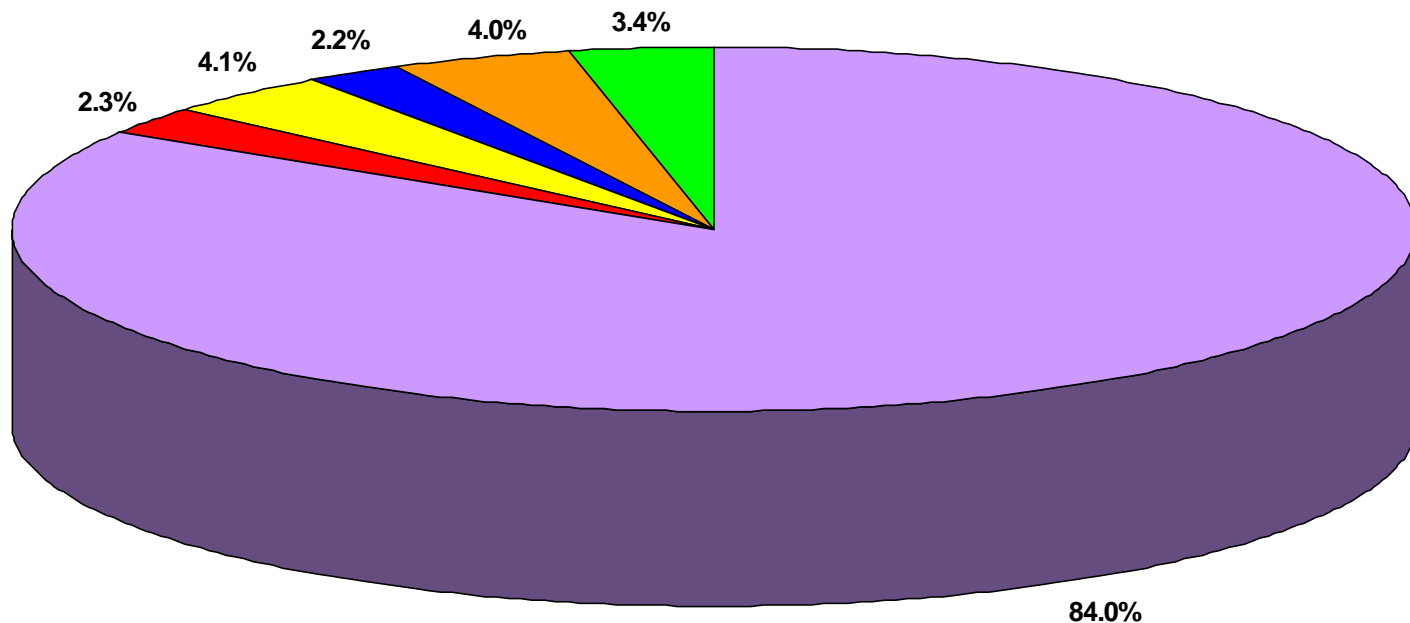


# Yet, Sunday still remains the lowest occupancy day of the week





# Guest Rooms are BY FAR the most profitable division at a hotel



# Contract Negotiation

- With this in mind, let's talk about some of the important aspects of negotiating a hotel contract, and how to secure the best overall value for your chapter and your attendees

# Critical components of a hotel contract – Primary Considerations

- Dates of event
- Guest room block should be based upon a bell curve that takes into consideration who will arrive when based upon your programming.
- Guests will never all arrive and depart on the same day.
- You also want to consider how many guests may share rooms and block room types accordingly
- Here’s an example of a well thought out arrival/departure pattern:

Days of Week	Sat	Sun	Mon	Tue	Wed	Total
DATE	7/2/22	7/3/22	7/4/22	7/5/22	7/6/22	
SINGLE	9	45	50	47	9	
DOUBLE (Two Beds)	6	30	30	28	6	
TOTAL SLEEPING ROOMS	15	70	80	75	15	255

# Critical components of a hotel contract – Primary Considerations (Continued)

- Ideally you should endeavor to have Guest Room Rates confirmed for the future year of your event.
- If the rate is not confirmed, it should be based upon a formula that allows you to EASILY calculate what the potential maximum room rate will be for the year of your event
- Meeting and exhibit space should be fully outlined in the contract with specific function room names, start and end time, day and date.
- Food and beverage and your overall performance obligations need to be clearly outlined
- A Force Majeure Clause should be included.
- The hotel will include a Performance clause, often referred to as Attrition.
- They will also include a Cancellation Clause: liquidated or mitigated damages preferred

## Guest room rate terms to be mindful of:

- Is the negotiated group rate available after the agreed upon cut-off date?
- Is the rate available 3 days before and after the main event dates?
- Is your group the lowest available rate over your event dates?
- Will the hotel credit your group for rooms booked outside the group block regardless of rate paid? We refer to this as a guest room audit, ... and this is very important as it relates to potential attrition charges

# What is ATTRITION and how can it be avoided

When a group doesn't actually utilize (actualize) the minimum number of contracted rooms, the hotel requires a payment to make them whole. This is referred to as ATTRITION.

Below are some tips to avoid paying attrition:

- Block conservatively based upon prior year's history, but be careful not to under block otherwise your attendees could be left with nowhere to stay.
- Utilize history reports from previous events to help you determine a realistic room block.
- Be aware of differences between your program and the previous year's programs that might alter pre/post night stays
- Understand market conditions in the city where you're booking (seasonality/citywide group pressure/distressed patterns)
- Know your attendee's budget profile.

# Example of an Attrition Clause

Hotel is relying upon Group's use of the Guest Room Block as indicated above. Group agrees that a loss will be incurred if actual usage is less than 80% of the Guest Room Block Commitment of (XX room nights)

If Group's actual usage is less than 80% of the Guest Room Block commitment, the Group agrees to pay as liquidated damages and not as a penalty, the difference between 80% of the Guest Room Block and actual usage, multiplied by 75% of the group single rate. Group will also be credited for any rooms that are resold by Hotel in order to reduce any damages owed.

\*\*75% is a profit percentage that ConferenceDirect endeavors to have included. Some hotels try for a higher percentage or look to eliminate this completely...but 75% is reasonable and fair to ask for.\*\*

# Guest Room Audit Clause

At group's request, Hotel's in-house guest list will be compared with group's registration list. Any guestroom occupied by an individual on group's registration list, but not credited to group by Hotel, will be credited to group's final pick-up and earned complimentary units. Hotel may either compare the lists itself or permit a group representative to do so.

- Due to privacy concerns, hotels typically require that audits are performed on site at their property.
- The audit clause provides a tremendous opportunity to help you avoid any potential attrition.



# Force Majeure Clause

The performance of this agreement by either party is subject to Acts of God, war, government authority, terrorism or threats of terrorism, government travel restrictions, disease outbreak with travel warnings by the World Health Organization, US State Department, Centers for Disease Control or Department of Homeland Security, disaster, strikes or threat of strikes (exception: Hotel may not terminate this contract for situations involving the Hotel's employees), civil disorder, curtailment of transportation facilities (preventing at least 25% or more of the Group's attendees from attending), earthquakes, fires, shortages or disruption of the electrical power supply causing blackouts or rolling blackouts (in the city where the Hotel is located), or any other emergency making it inadvisable, illegal, impractical, or impossible to provide the facilities or to hold the meeting. This contract may be terminated without a cancellation charge for any of the above reasons by written notice from one party to the other.

# Negotiation of Hotel Concessions ( Example )

- Complimentary 1 Bedroom Suite for the duration of the program (Sat - Wed)
- Five (5) additional upgrades to Suites at the group rate
- 1:40 complimentary room ratio
- Two (2) staff rooms at the discounted rate of \$119 (commissable)
- Complimentary guest room internet and complimentary health club access
- Complimentary meeting and exhibit space, including tables and chairs for exhibits
- Discounted overnight parking - \$8 self; \$12 valet
- 50 % discount on the Bartender Fee for cash bars in exhibit area.
- Group rate available 3 days pre and post

If all of this seems a bit daunting:  
ConferenceDirect can help you!!

# Why select ConferenceDirect to assist you?

Full Service, Global Meeting Planning Company

330 Associates

2,700 Clients

Over 10,700 Events a Year

3.8 Million Room Nights Booked per Year

\$780,000,000 a Year in Room Revenue

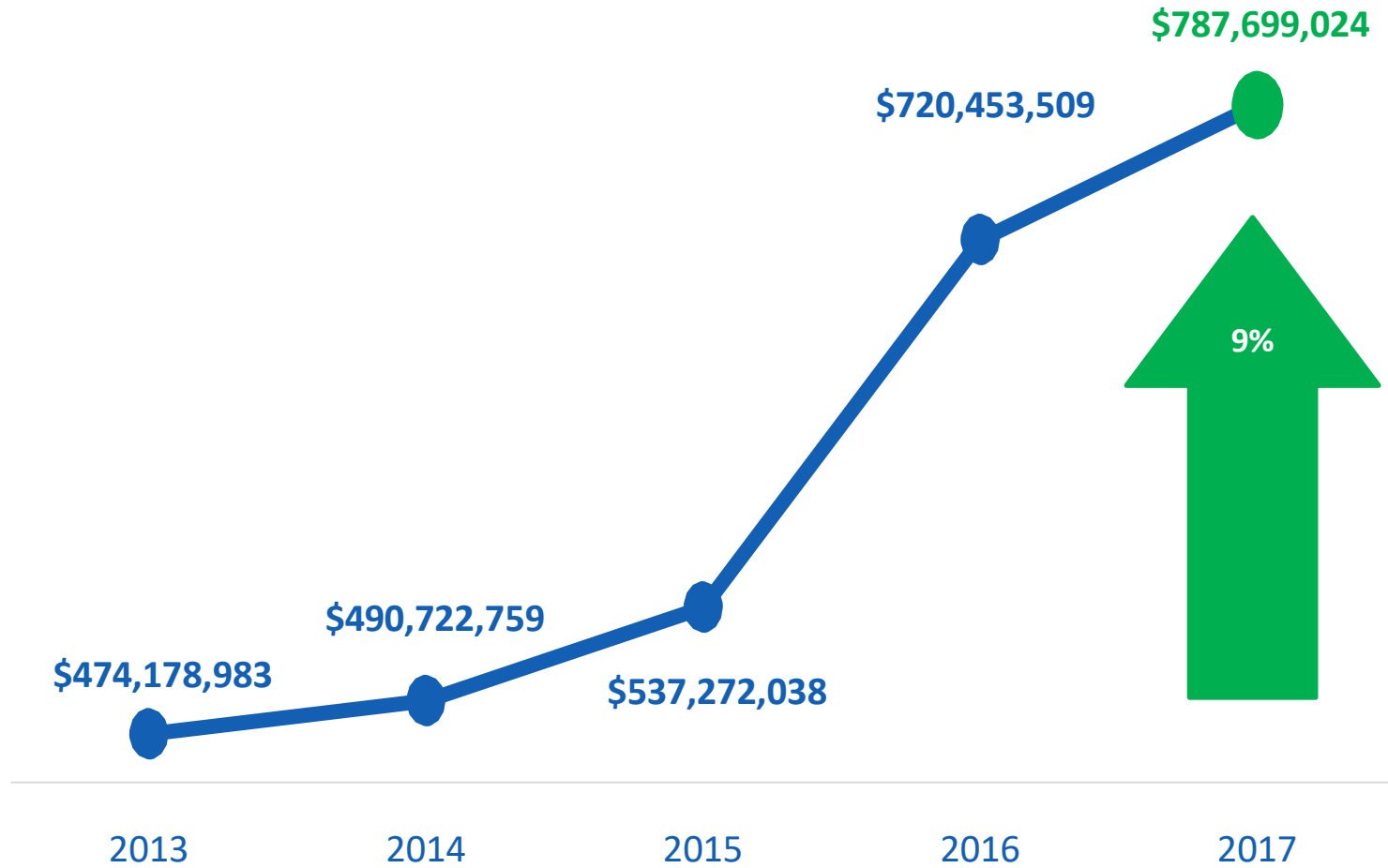


# Contract Negotiation Services

We negotiate more than 10,000 hotel contracts each year. We use that insight and buying intelligence to negotiate the most favorable terms possible for you – *all at NO COST to the AGO.*

- We're Savvy negotiators who do this on a daily basis
- We have Standardized contracts with most major chains and independent hotels
- These standardized contracts include favorable attrition and client friendly cancellation terms, as well as:
- Pre and post group rate availability
- Group rates available after the cut-off date as long as rooms are still available in the room block

# Strength in Numbers– CD Annual Booked Revenue



# ConferenceDirect Brand Share

Hotel Chain	2016 Room Nights	2016 % of Total	2017 Room Nights	2017 % Total
Marriott	1,554,669	40.5%	1,477,816	39.6%
Hilton	683,491	17.8%	653,933	17.5%
Independent	625,585	16.3%	616,296	16.5%
Hyatt	385,531	10.1%	431,747	11.6%
InterContinental	241,252	6.3%	221,379	5.9%
Omni	118,545	3.1%	101,104	2.7%
Fairmont	65,346	1.7%	78,177	2.1%
Wyndham	30,121	0.8%	30,824	0.8%
Four Seasons	19,065	0.5%	22,981	0.6%
Radisson	19,065	0.5%	18,621	0.5%

ANY QUESTIONS?

THANK YOU SO MUCH FOR YOUR TIME !!