

Site Selection Success



Dear Brenda,

Welcome to my first newsletter! As you know, time has a way of slipping away and before more time ticks away and every leaf on the trees fall to the ground ~ please find the Fall 2009 insightful details on strategic site selection. NOTE: To those in Alberta, my condolences for the snow already on the ground since Thanksgiving.

Signing off on a hotel contract comes with risk and responsibility and essentially my role is to mitigate this risk, save you time and ensure you are offered and reach the agreement that includes the best options for your organization.

Each and every hotel contract is as unique as the number of organizations that exist, although there are key elements to consider and ask for when reviewing your hotel contract.

This newsletter will profile one item each month from my '[101 Things to Negotiate in a Hotel Contract](#)'. There is no surprise that my first newsletter will profile the #1 item folks like to begin with during the negotiation process: the rate.

In the coming 101 months ~ I look forward to sharing insights with you that my years of experience have imparted on me, along the way...

Sincerely, Brenda Howes
Director, Global Accounts

101 Things to Negotiate

It only seems right to start with the number item everyone wants to begin with while negotiating hotel contracts: the rate. It is even hard imagine that there are 100 more items on my list that need to be considered! And yet there are...which makes rate very important yet not the only item to consider in leveraging value in a hotel contract.

A decade or so ago, the industry approached inventory management very different to how they 'evaluate, assess and review' every piece of business that comes through the door now. The job of revenue manager was almost non-existent and was that person relegated to the back office. While in today's marketplace, the revenue manager has prime real estate, in a corner-window office and is often heralded as more important than even the general manager.

The formula to how hotels set rates is based on the age old principle of 'supply and demand'. We have all enjoyed reading the rate posted on the back of the room door and felt good because we did not have to pay the 'rack rate'. While last month, during the Toronto Film Festival, the TO hotels were able to pull out their 'top rate sheet'. Certainly a time of year the revenue managers are very happy as they count their coins in the back room.

The key is to find a rate that is palatable and within the calibre of hotel you and your group is able to afford.

Group bookings are quite different as the *rate can affect the pickup* which as we know is critical to the overall financial success of the meeting. If rate is the Yin then F&B minimum is the Yan: a balance to the potential revenue your program will bring to a hotel.

Hotels review programs based on the overall revenue your program will generate and this includes rate, food and beverage, meeting rental and the all elusive 'ancillary revenue expenditure'. This ancillary revenue is the amount folks will spend in the hotel simply by being onsite: restaurants, in-room dining, tipping staff, movie rentals, long distance calls, spa treatments etc. Essentially all of these factors are taken into consideration when a hotel quotes a rate.

One idea to leverage a lower rate if your program is not able to increase the room block or food and beverage spending is to consider changing your pattern. The most busy days of the week for most hotels are Tuesdays and Wednesdays, especially in a city that relies highly on corporate business guests. To arrive on a Thursday and include a weekend can make a significant difference to the rate that is quoted.

Another way to leverage value from your rate is to have the hotel include a secondary cost into the room rate like internet charges, parking and fitness centre fees. This area is very personal as you are the only one who knows what is important to you. Depending on who pays for the room (individual vs master account) will determine the value as every program and every individual is so unique.

In conclusion, rate is an obvious place to begin reviewing a hotel group contract although it is certainly not the place to end. As you know, evaluating your requirements from a management perspective is very different than deciding on the rate you or your family will pay on your next vacation. Determining what your delegates need as well as the organizations' will give you a good place to begin. The equation is such that the return and value you receive is determined by the calibre and condition of the hotel, your contribution to the hotel and the time period in which you are requesting a rate. It is important to know that each factor is as important as the next. Engaging into a contract includes two perspectives and to better understand the rate you are quoted, requires you to understand how a hotel views your piece of business. This is the key to determining if you have been quoted a 'fair rate'.

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