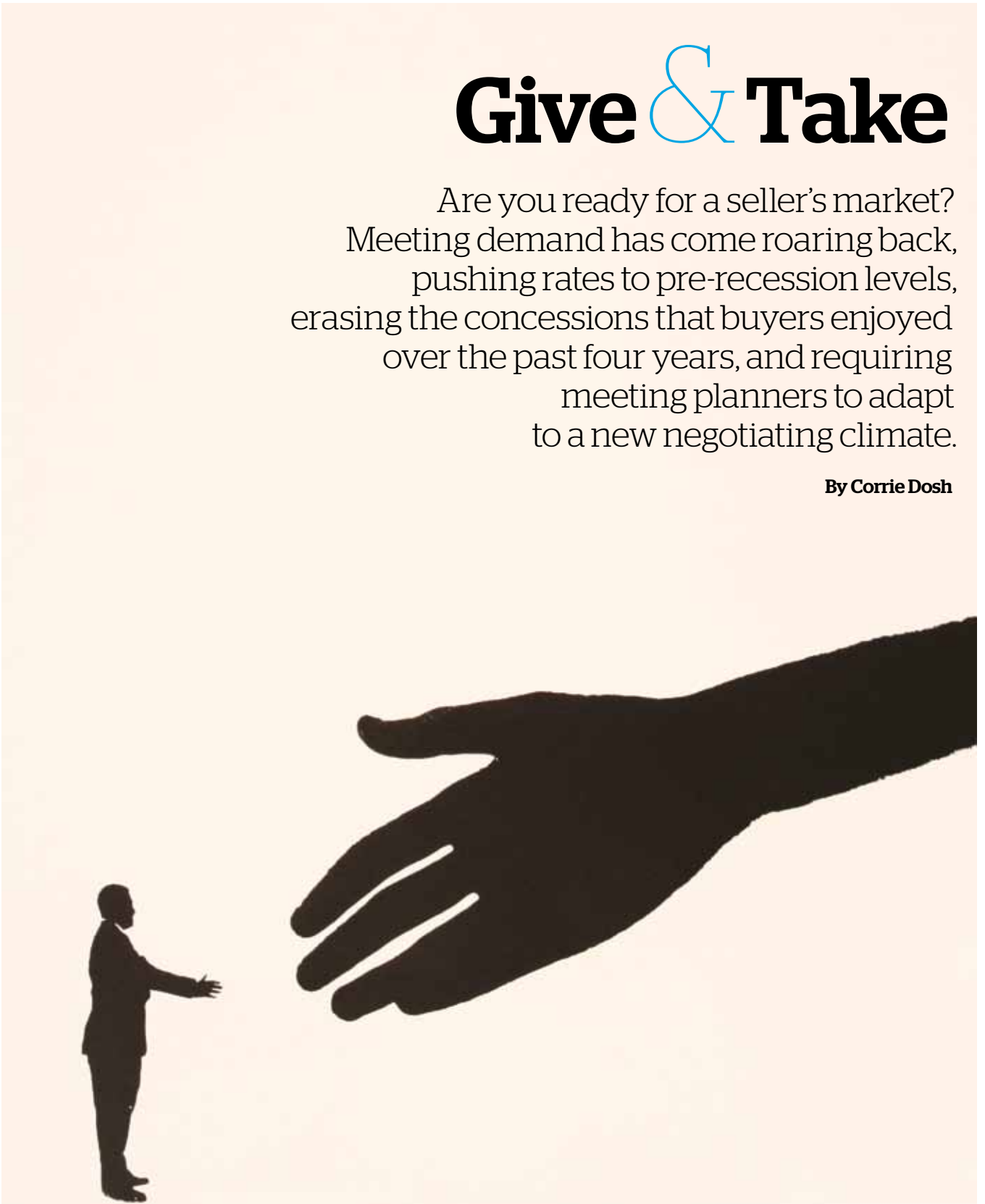


Give & Take

Are you ready for a seller's market? Meeting demand has come roaring back, pushing rates to pre-recession levels, erasing the concessions that buyers enjoyed over the past four years, and requiring meeting planners to adapt to a new negotiating climate.

By Corrie Dosh



PHOTOGRAPH BY CORBIS

It's the newer clients that express the most shock over the massive "market correction" that has begun to emerge in the meetings industry, said Tamela Blalock, CMP, MTA, manager of consulting services for Washington, D.C.-based meeting-planning firm Courtesy Associates. Four years after the stock markets crashed and the national economy plunged into recession, meetings demand is on an upswing and the concessions that hoteliers and vendors offered in a desperate bid for business during the downturn have evaporated.

Some hoteliers are now pushing back on contracts signed in 2010 and 2011, looking to renegotiate the rock-bottom rates they offered to customers, Blalock said. At the same time, clients are demanding to reopen the long-term contracts they signed at the peak of the economic boom in 2008 — hoping to gain some of the discounts still left in the market.

"It's a difficult conversation on both sides," Blalock said. "The suppliers want to focus on rate and be more strategic about getting the best value for their space. The buyers got a taste of how things can be discounted or packaged — and when they see the rates for 2013 and beyond, they think they are getting a huge mark-up."

With demand and rates headed back up to pre-recession levels, Blalock said, the negotiating climate is operating in a "new normal."

"As tough as things were for a few years there, there was actually some good that came out of it," said Amy Allen, director of marketing for Caesars Entertainment. "From our side, we really got better at selling and marketing our products, at building strong and lasting relationships with our customers, and at learning to do more with less. From the client perspective, they've had the opportunity to get more strategic with their meetings programs, ensure they're more successful and drive the greatest possible return, and they've gotten better at measuring those things."

THE CURRENT CLIMATE

North American markets next year will see "slow and steady" growth in hotel rates and travel costs, according to Carlson Wagonlit Travel's 2013 Travel Price Forecast (convn.org/CWT-13). Average daily rate (ADR) likely will increase by 3.2 percent throughout 2013, and the average cost for a meeting attendee per day will increase by 4.8 percent, accompanied by an average 6-percent increase in group size. Advance bookings for 2013 are "already strong," according to the report, and booking windows have increased a slight 5 percent as organizations feel more confident about the future.

Hoteliers said they are feeling the impact of the improving economy. Group business is "looking great" for 2013, Allen said, across all of Caesars Entertainment's properties in Las Vegas, Atlantic City, and Lake Tahoe. "We've seen lead volumes increasing along with new bookings, and, as everyone probably knows, ADRs are increasing as well," she said. "That being said, there are always some great opportunities for planners who can be flexible with their dates or even with the properties they're willing to look at."

But planners will have to work a little harder for the concessions and deals they found during the downturn, said Mary Ryan, convention sales manager for the Kansas City Convention & Visitors Association. Indeed, according to Washington, D.C.-based attorney Stephen Guth, bargains for planners will "dry up." Hotels are beginning to experience

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Janeé Pelletier: ‘The demand is now really strong, and now there isn’t the availability [of space] to meet those needs.’



Amy Allen: ‘There are opportunities for planners who can be flexible with dates or even with properties.’

demand that rivals or exceeds pre-recession levels, he said, although there is some softness in regional markets such as the Northeast and Southeast.

As the “negotiation pendulum” begins its inevitable swing back in suppliers’ favor, buyers will have to sharpen their bargaining skills, said Greg Duff, hospitality industry lawyer and founder of the hospitality, travel, and tourism group of Garvey Schubert Barer. “Generally speaking, I think hoteliers will be less inclined to discount rates or to offer concessions in areas like attrition, cancellation, and comp rooms,” Duff said. “Instead, hoteliers will look to provide value-adds or other similar benefits to compete against other properties.”

A SHORTAGE OF SPACE

Janeé Pelletier, CMP, vice president of Annapolis, Md.–based Conference & Logistics Consultants, pointed out an additional challenge planners of association events and large conventions may now be experiencing: securing space for their 2014 and 2015 events. Although an organization ideally should book its large events at least four years in advance, Pelletier said, a surge of customers are looking for meeting space within the next three years.

“When the bottom fell out of the economy, many construction projects were put on hold. Many properties and many cities had expansion projects or new builds that they decided to table,” Pelletier said. “The demand is now really

strong, and now there isn’t the availability [of space] to meet those needs.”

Conversely, Guth, who has written several books on contracting and procurement, including *Hotel Contract Negotiation Tips, Tricks, and Traps*, thinks it is small-sized meetings that may feel the brunt of the change in the negotiating climate. Hoteliers are following the lead of airlines and “unbundling” what they can for a la carte pricing. Instead of a package deal, Guth said, buyers may have to do “a little more asking and a little more work” to get the same deals they found during the recession.

As for larger groups, Ryan advised that they try to minimize their footprint as a way of maximizing their savings. With so much competition for space, groups that are able to reuse rooms — such as using the same ballroom for a general session and a meal, rather than two separate ballrooms — will see a greater response to their RFPs.

Here are other ways planners can try to make the current economy work in their favor at the negotiating table.

SHORTER TIMEFRAMES

“Over the last year, we see customers looking everywhere and the booking window is shorter,” Ryan said. “With the uncertainty of what happened with the economy, planners have learned that they *can* do business in that shorter timeframe — and I think it’s going to stay that way for a while.” ➤

Test Time

Here's how to earn your CEU hour. Once you finish reading this CMP Series article, read the following material:

► "Dealing With the 'Irrational' Negotiator," an excerpt from the book *Negotiation Genius: How to Overcome Obstacles and Achieve Brilliant Results at the Bargaining Table and Beyond*, by Deepak Malhotra and Max H. Bazerman, available at convn.org/negotiation-excerpt.

To earn one hour of CEU credit, visit pcma.org/convencmp to answer questions about the information contained in this CMP Series article and the additional material.

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At The Brown Palace Hotel in Denver, senior sales manager Kimberly Forte said she also sees a surge in last-minute bookings, which has allowed the property to push pricing and be selective about potential business. "We're seeing a lot of last-minute business on the corporate side," Forte said. "Even in the association business, we're seeing last-minute planning for a lot of the regional conferences, and associations that booked city-wide conferences for 2013 are now figuring out that while they were a little bit conservative a couple years ago about booking their [room] blocks, now their attendance is growing and they need overflow hotels."

When faced with a challenge like short lead times, meeting organizers should try to leverage last-minute planning to their advantage. Limited booking windows can both "create and limit opportunities," Duff said. "If the short lead time coincides with a hotel's need period, the hotel may be willing to negotiate much more favorable terms. On the other hand, short lead times during peak periods will likely mean multiple RFPs before one is accepted. Obviously, the smaller the group, the easier it will be to use a short lead time to a group's advantage."

When booking with a short lead time, buyers should be able to agree to a proposed contract quickly, Forte said. If they don't, they may lose the space to someone else. "We're pushing for that decision within a week," Forte said. "We're able to push pricing that way as well as availability, because



Kimberley Forte: 'Even in the association business, we're seeing last-minute planning for regional conferences.'



Greg Duff: 'The smaller the group, the easier it will be to use a short lead time to the group's advantage.'

there is someone right behind them that is ready to make a decision and is ready to go."

Guth added: "I'm sure hoteliers will like what I say next: If you're a buyer and you like the current climate, lock in future-year contracts now and strongly consider multiyear deals."

WORKING SMARTER

Even the most savvy meeting negotiator won't be able to generate the kind of savings and cost containment that a comprehensive procurement program provides. Buyers need to move beyond one-off negotiation strategies to concentrate on strategic sourcing — lasting changes such as developing a network of preferred vendors, master contracts, and "dual-solution" providers, said Cindy Heston, manager of strategic sourcing for travel at Indianapolis-based health-care company WellPoint. These strategies will help generate savings even during a recession.

"Ultimately I want to get past the economic landscape and look toward a value-led partnership with my key meeting suppliers," Heston said. "By leveraging across the corporate enterprise, we should be entering into these partnerships on a more mature basis. WellPoint has had a lot of success in this area. The hotels and other key suppliers recognize this and value the long-term partnership, versus a quick-win view."

WellPoint renegotiated its system of preferred hotels for its transient program to include about 50 "dual-solution

‘Hoteliers will like what I say next: If you’re a buyer and you like the current climate, **lock in future-year contracts now and strongly consider multiyear deals.**’



Stephen Guth: Buyers will have to do ‘a little more asking and a little more work’ to get the same recession-time deals.



Cookie Walner: Arm yourself with market research and ‘watch for reports on trends in target areas.’

providers” of properties that are appropriate for meetings and events, Heston said. Organizations that similarly want to begin leveraging their meetings expenditures with their travel programs should begin with broad strokes.

“I say start with your major transient hotel cities; the odds are good that is where a lot of your meetings are being held,” Heston said, adding that large charges placed on employees’ corporate credit cards and procurement cards can indicate the hotel was used for a meeting.

Once you’ve identified what transient hotels are being used by employees for meetings, “combine these two opportunities into one solution for your company,” Heston said. “Work with the hotels individually at first versus the chain approach. We found that a much more successful formula, and it really helped build out our business case. It does take a while, but it is worth the pain in the long run.”

If your organization isn’t moving toward a procurement-driven approach to sourcing meetings, it’s making a mistake, Guth said. Internal stakeholders should understand the importance of competitively bidding out meetings in advance and keeping their options open in terms of dates and locations. Consider implementing a future meeting “pipeline” report, and using standard forms for requests for proposal and contract templates. “If you don’t have those things,” Guth said, “you’ll be stepping over dollars to pick up pennies.”

BUILDING RELATIONSHIPS

If there is any silver lining to the Great Recession, it’s that there was a renewed focus on relationship building during the downturn. It is in both parties’ interests to work toward a win-win result in negotiations — a point, Guth said, that was sometimes forgotten in the heyday of the seller’s market four years ago.

“One thing that I’m hoping doesn’t return to pre-recession levels is some of the customer attitudes demonstrated by certain hoteliers,” he said. “There was a sense back then groups should have been grateful for even being able to do business with certain flags. For example, I remember hotels pushing for zero slippage, which drove planners to under-book their blocks. When hotels figured that out, they punished those planners by charging rack rate when the groups exceeded their blocks. It got vicious and nasty. Groups treated hotels well during the downturn, and I’m hoping that hoteliers remember that this time around and that civility prevails.”

Caesars Entertainment is one hotelier that gets it, according to Allen. “If parties on each side of the negotiation understand what’s important to the other, and work towards something that is mutually beneficial, that’s when you forge real and lasting partnerships,” she said. “I guess that’s not a trend or something ‘new,’ but it’s something that’s become more important over the last several years.” As a result, Allen said, Caesars Entertainment has reorganized its meetings

Smart Strategies

The “use-by” date of hotel rooms and F&B makes meetings procurement “one of the most complex commodities to contract,” attorney Stephen Guth said. “Hotel rooms are like ripe fruit in the produce section at your grocery store — if a hotel room isn’t sold for a particular night, it’s gone rotten by the next day. The hotelier has forgone the revenue on that room forever and will never get that revenue back.

“Consequently, hoteliers want contractual assurances that shift financial risk to groups. The most obvious examples of that are liquidated damages for attrition or cancellation. On the other hand, groups want to limit their financial risk. It’s a classic negotiating conflict of competing objectives.”

Experienced meeting buyers understand this revenue model and are able to use it to their advantage. Even as the industry heads back into a seller’s market, buyers are increasingly savvy about how to get the most bang for their buck, according to hospitality industry lawyer Greg Duff. Some pointers:

› **Virtual friends can turn into real savings.** said the American Hardware Manufacturers Association’s Cookie Walner. “I use my LinkedIn community and Facebook friends,” she said. “Their insight and suggestions are beneficial. I also search past issues of *Convene* from the PCMA website.”

› **Arm yourself with market research.** “Especially when it comes to the increase in room rates year to year — projected and actual,” Walner said. “I watch for reports on trends in target areas.”

› **Focus on upgrades and amenities** such as waived resort fees and parking discounts, instead of those areas over which hotels have little control. Audiovisual services (which are often subcontracted to a third party) and food and beverage (which already operates on low profit margins) are typically areas that are difficult to discount, Duff said.

› **Flexibility is key.** If your organization can consider more than one location or date for its event, hotels and other vendors can give you optimal pricing, Duff said. Guth added: “The single best way to maximize cost savings is to get leads for your meeting well in advance and be willing to consider more than one location or date for your meeting. Once your stakeholder has fallen in love with a hotel and has to have the meeting at that hotel on a particular date — and the hotel figures that out — you’re no longer negotiating. You’re begging.”

In addition to flexibility on dates and location, be open to hotel brands you may not have used in the past, Walner said. And cities with multiple convention centers, such as Chicago, Atlanta, and Boston, may provide additional options.

› **Develop your own contract templates,** Duff said. Buyers often negotiate a discount on services, but then sign a standard hotel contract that exposes their group to liabilities and penalties that dwarf whatever negligible discounts they achieved on rates. “I’ve heard some groups say that the size of their business doesn’t support using their own contract,” Duff said. “I don’t agree. If you plan in advance and the hotel knows that using your contract template is an important part of winning your business, the hotel will use your template.”

› **Enter negotiations with a “wish list”** of freebies, discounts, and upgrades that would be most valuable to your organization. High-level events may appreciate room upgrades, regional meetings may like free parking, and almost all attendees are looking for free Wi-Fi.

“Everyone has a laundry list of nice-to-have’s,” said Amy Allen, director of marketing for Caesars Entertainment. “But no supplier in the world can give you every single one of those things and have it be a mutually beneficial transaction. So be honest with your suppliers about which things are really important to you, and they’ll make it happen. Our vice president of sales, Jordan Clark, has a great saying that really applies here: ‘We can’t do *everything*, but we can do *anything*.’”

business to put more sales managers in local markets to build personal relationships with customers.

Long-term partnerships can make a big difference to your bottom line, Ryan said. “Relationships are still the name of the game,” she said. “The senior people in this industry need to teach the younger generation on how valuable these relationships are. I’ve had situations in which planners were going to run into an attrition penalty and the relationship and history with the hotel was taken into consideration when negotiating what the penalty was going to be.”

CVB websites are ideal for gathering information about what is going on in the city over preferred meeting dates, said Cookie Walner, CMP, CMM, CAE, manager of events for the American Hardware Manufacturers Association. She finds the websites a powerful tool to find open availability for more flexible rates, and advises meeting organizers to try to

fit smaller events around posted citywide meeting move-in, move-out dates. “It’s no secret,” Walner said. “Involve CVB representatives and national hotel sales [staff] from the very beginning. They are valuable partners during the negotiation process.”

At the end of the day, both sides of the negotiating table want a good experience for attendees and a successful event. Keeping that in mind is the best approach to negotiations. “I know some planners that are really ruthless in their negotiations. I think you can still get the same result by having honest conversations,” Pelletier said. “Everybody wants to win.” ●

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