

Hotel Contract Survival Skills in Top Tier Cities

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GROUP HOTEL SPECIALISTS



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ROBERT



FLOYD



LESLIE

What's Your Liability?

- Today we will tackle three areas of concern regarding contracting.
 - Cancellation
 - Attrition
 - Minimum Revenue Guarantees
- Big Cities = Bigger problems
- Some helpful negotiation tips

Case Study: Cancellation Conundrum



Understanding the Big Three

CANCELLATION

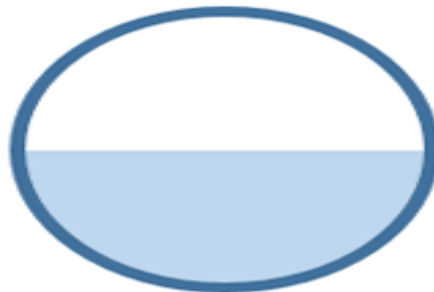
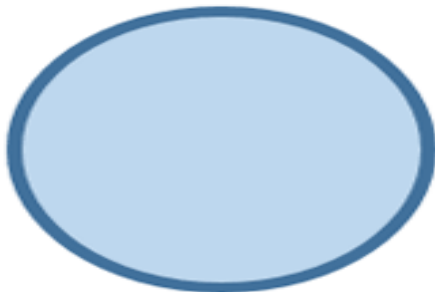
Date that you can
release all rooms being
held without liability

ATTRITION

When, and how many,
rooms can be released
without liability

REVENUE GUARANTEES

Any amount of money
the hotel is expecting
regardless of allowable
changes



CANCELLATION



- What bad contracts have:
 - Cancellation set for more than 90, 60 or 45 days prior to arrival
 - Tiered Cancellation clauses with very early start date
 - Cancellation falls on weekend or holiday
 - Overlapping dates for cancellation and penalty

CANCELLATION

- What you want:

- 1) Cancellation 30 days prior to arrival

- 2) Make sure any damages begin after date of cancellation

Example: On 30 day cancellation, this is how it should look:

Date Hotel is Notified of Cancellation	Liquidated Damages – Percentage of Contracted Rooms
29 days or fewer from date of arrival	100%

- 3) If cancellation falls on the weekend, move cancellation date back to following Monday

- 4) Make sure cancellation clauses include reducing liability if rooms are re-sold

- 5) Negotiate a “Rebook” Clause

When Does it Start?

How much is allowed before liability?

Exactly what will you be charged?



What is attrition being calculated from?

What is your liability on re-sold rooms? What about early arrival/late departure rooms in your group?

Is there conflict with any other clause in contract?

Minimum Revenue Guarantees

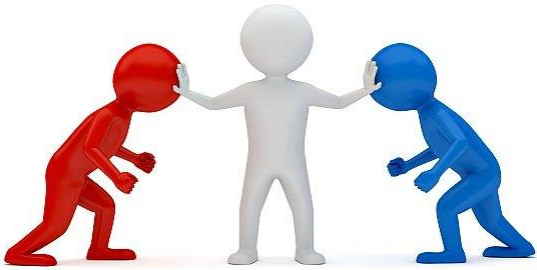
Allowable Attrition Clause

The Hotel agrees to hold ample inventory to accommodate the rooms reserved in this Group Rooms Contract. In doing so, the Hotel may be put in a position to turn away other groups that may request rooms for the same dates. Therefore, the Hotel limits the amount of attrition or reductions in the contracted room block. Additional reductions will be billed at 100% of the contracted room and tax.

91 days or more prior to arrival	50% of room block
61-90 days or more prior to arrival	20% of room block
31-60 days or more prior to arrival	10% of room block
Less than 31 days prior to arrival	2% of room block

Group agrees to pay Hotel as liquidated damages and not as a penalty the amount listed in the Chart below:

Date of Cancellation	Amount Owed
Date of Signing to 181 days	25% of estimated total
180 days – 91 days prior to arrival	50% of estimated total
90 days – 31 days prior to arrival	75% of estimated total
30 days or less prior to arrival	100% of estimated total



CASE STUDY: CONFLICTS

EXAMPLE TERMS:

Cancellation – More than 30 days
prior to arrival

Attrition – 10% slippage allowed
until 45 days prior to arrival

Room revenue guarantee –

Date of signing to 45 days – 0% of estimated revenue

44 to 30 days – 50% of estimated revenue

29 days or less – 100% of estimated revenue

Group A:

- Blocks 50 rooms, reduces down to 45 rooms at 30 days prior to arrival
 - **OWES MONEY!! (Attrition was good until 45 days prior)**

Group B:

- Blocks 50 rooms, reduce to 40 rooms at 60 days prior, then cancels 30 days prior to arrival
 - **OWES MONEY!!**
 - **Cancellation “MORE THAN” 30 days**
 - **Revenue Guarantee**

NO MORE LONELY CLAUSES

- The easiest way to avoid conflicts is to pair clauses together
 - If 30 day cancellation, attrition starts at 30 days
 - If cancellation and attrition at 30 days, rooming list at 30 days
 - If you cannot strike through a revenue guarantee?
 - JOIN THE 30 DAYS PARTY



LOSE THE LEGALESE

When in doubt – Use Plain Language

- Cancellation

“Group can cancel any amount of rooms, including entire block, without penalty or financial responsibility up to 30 days prior to arrival.”

- Attrition

“Group may release or cancel any amount of rooms up to 30 days prior to arrival date without penalty. Within 30 days, group guarantees 80% of the adjusted room block defined as the number of rooms listed on the rooming list submitted no later than 30 days prior to arrival.”

DISCUSSION: CONTRACTING MAJOR MARKETS



Limiting Liability Checklist

- Cancellation – 30 day cancellation
- Attrition – based off rooming list (not contracted amount)
 - Usually matches cancellation, but sometimes we get the preliminary due at cancellation date and final rooming list due 14 days prior. And we love 14!
- Minimum Revenue Guarantees – Strike or match attrition terms

HOW TO GET WHAT WE WANT!

- 1) UNDERSTAND THE PLAYERS – Group Sales / Revenue Managers / GM / DOS / End Client
- 2) DATA MATTERS
- 3) DEVELOP RELATIONSHIP ACROSS THE TABLE

“A GOOD NEGOTIATION LEAVES BOTH SIDES FEELING LIKE THEY GOT EVERYTHING THEY WANTED.”



Helpful Negotiation Tips

- Be Specific in your requests
- Understand the market
 - Location
 - Time of Year/Seasonality
 - Events
 - Competition for rooms
- Have as much data as possible
- Know your deal drivers
- Think BIG – 2 year deals
- Pick up the Phone

Keys to Big City Success

- Floyd – “Know your own profile”
- Rob – “Be Early”
- Leslie – “Be flexible in your location”

Remember, there is always a deal to be made, so don't be afraid to negotiate!



Questions?

Please feel free to also contact us directly at any time:



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Recorded Webinars and PowerPoints

Upcoming Webinars

- Understanding Electronic Driver Logs
November 1, 2017, 12:00 PM EDT
- New Member Orientation Webinar
November 2, 2017, 12:00 PM EDT
- Essential Planning Tools for Music Performance Tour Providers, December 6, 2017, 1:00 PM EST

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