

# Uncharted Waters, Uncertain Times

Chastened by fallout from the economic downturn, associations are exercising great caution in future bookings. But what about business already on the books?

BY JOHN FOSTER, ESQ., CHME

**T**o paraphrase Dickens: “These are the best of times; these are the worst of times.” While hotel rates have become more affordable, the accompanying challenges in managing attendees’ booking patterns have raised the ante in the high-stakes game of room block roulette.

Attrition is caused by two undeniable realities: over-inflated room blocks and attendees who either don’t show or stay outside the block. There is no magic bullet for either problem. However, there are some steps planners can take to reduce or control attrition’s occurrence.

Meeting sponsors who signed contracts more than a year ago for events scheduled in the next five years were looking at a different world than exists today. Meeting sponsors were optimistic about the economy and about future attendance at their meetings. The contracts signed projected that optimism, both in the number of attendees expected and in the number of guest rooms blocked.

It’s hard to find that optimism today.

To counter such a sobering reality, here are some steps that should become standard operating procedure for business already on the books.

## 1 Review the Cancellation Clause

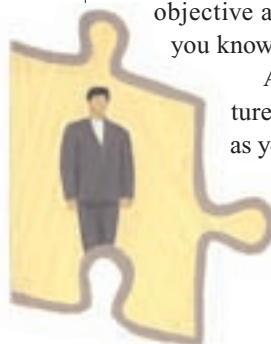
Conduct a complete inventory and assessment of your existing contractual obligations. Figure out how far off base the room block projections are and what reductions in the block you are allowed to take. Compare your assess-

ment with the cancellation clause in the contract. Pay particular attention to deadlines in the contract that require you to make decisions by a certain date. Determine if it will cost your organization more to pay the potential attrition damages or to pay the cancellation fee. This process will help you decide if it’s better for your organization to go forward with the meeting or to cut your losses by canceling the meeting.

## 2 Contact the Hotel as Soon as Possible

Assuming you decide to go forward, call the hotel as far in advance of the meeting as possible. Your objective at this point is to release the rooms you know you won’t need.

Analyze the actual arrival and departure pattern of the existing reservations as you get closer to your event. If a number of your attendees are arriving a day later or checking out a day earlier than anticipated, adjust the pattern in the room block. Such an



adjustment will give the hotel a better chance of reselling the rooms to other groups or individuals.

Don't be afraid to release more rooms than your contract says you are "allowed." In other words, if your contract says you can only release 10 percent of your rooms up to a certain date and you know your group's attendance is dropping 50 percent, go ahead and release 50 percent of the rooms. Any

steps you take to release rooms should be followed up in writing with the hotel. The hotel can't refuse to take the rooms back. The issue is what percent of the block you will be liable for. This issue can be negotiated with the hotel after the meeting when the dust has settled and the actual pick-up is known.

### **3 Give Attendees Incentives to Stay Within the Official Block**

Depending on your budget and how many months out the meeting is, consider giving attendees who stay within the official housing block a discount on their registration fees. Discounts can also be tied to early-bird reservations that are made before a certain date. Ask the headquarters hotels about any other incentives they can offer to promote attendance at the meeting.

### **4 Use a Sign-in Sheet Every Day**

Every planner has had the experience of sitting down at the conclusion of a meeting and finding a discrepancy between the registration list and the number of rooms the hotel(s) says were picked up in the group's block. The reasons for this discrepancy are varied, and they include miscoded rooms in the hotel(s), rooms booked in the hotel(s) but "around the block" by attendees who got a better rate, and attendees who stayed in hotel(s) that were not part of the block. Planners should keep their own records to substantiate where attendees are staying. Remember that you'll never be in a position to refute the hotel's numbers unless you've done your own due diligence.

As a busy meeting planner, you may be tempted to write off this strategy as a logistical nightmare. It can be a tough process, but not going through with it can translate to lost dollars to your organization in the form of lost comps, attrition damages, etc.

Tracking where attendees are staying is easy to accomplish when you use only one hotel for your meeting. It's more complicated with a citywide convention using multiple hotels. The objective is to have every attendee tell you which hotel they stayed in the night before.

### **5 Conduct an Audit**

An audit doesn't come into play until after a meeting has concluded. Its objective is to make sure your



## **Playing the Renegotiation Card**

**A**ttempting to renegotiate an existing contract will have varying degrees of success depending on the circumstances. Once a contract is signed, contract law requires both parties to live up to the terms of the agreement, except in the event of an act of God or other force majeure. But in an industry where contracts are negotiated and signed years in advance, situations frequently change. Since the law doesn't allow one party to the contract to unilaterally make changes, the solution is to renegotiate. Savvy planners and suppliers renegotiate everyday and make it a win/win proposition.

One of the requirements of a valid contract is an element known as "mutual consideration." Mutual consideration consists of the promise (or promises) that each side makes to induce the other side to enter into the agreement. In other words, "I'll do that for you if you'll do this for me."

An association, for example, might want to reduce its room block obligation or its group rate ... or both. To get the hotel to agree, however, usually requires giving back something of equal or greater value that it doesn't already have. (The same applies to hotels that may want to "move" a piece of business.) Here are several cards that planners can play:

- 1. Change the meeting dates to allow the hotel to book another group that isn't date-flexible.**
- 2. Give back some of the meeting space the hotel is holding, thereby allowing the hotel to book other business.**

**3. Spend more money in catering food and beverage by adding a meal function or cocktail reception.**

**4. Book another piece of business at that property.**

**5. Raise rate slightly to offset low attendance.**

The hotel may have other needs you can fill, so don't be afraid to ask. Be creative, be flexible, and don't make the situation adversarial.

If getting a hotel to lower a quoted group rate is your goal, be sure to do your homework first. Keep tabs on the nearby competitive hotel as the meeting dates get closer to see what the going rates are. If the economy has caused nearby hotels to lower their rates substantially, you should bring this information to the attention of your sales representative and begin to have a serious talk with your headquarters hotel. You and your sales contact should discuss whether the headquarters should revise its rate to prevent your attendees from staying elsewhere.

Hotels, of course, would prefer that the quoted contract rates remain firm. And while that's their prerogative, it is sometimes in a hotel's best interest to lower their quoted rates. While the headquarters hotel can hold your feet to the fire and make up any shortfall pickup with attrition damages, prudent hoteliers will resist this approach because it doesn't put heads in beds and it doesn't promote good relations between the hotel and the client.

— J.F.

organization gets credit for all of your attendees who stay in the hotel, regardless of rate paid or method of reservation.

It's easy for an attendee reservation to be mis-coded or miscounted. And with the proliferation of discounted rates on the Internet and hotel 800 numbers, it's also easy for an attendee to go around the block to get a discounted rate offered by the host hotel. Yet this problem is not the meeting sponsor's fault. If the hotel does not want your attendees to receive discount rates, then no discount rates should be offered. You have ample justification to insist that every guest that's staying in the hotel because of your meeting be counted in your block.

The purpose of the audit is not to question the hotel's honesty, but to verify the hotel's accuracy. Remember the Golden Rule of business: "In God we trust; with everyone else we verify for ourselves." An audit allows the meeting sponsor to independently confirm the accuracy of the hotel's room counts.

Some hotels refuse to show their records to meeting planners on the premise that the information is proprietary or that privacy laws don't allow it. These objections can be dealt with in a logical manner and still comply with the law. First, a hotel that claims it is owed money for performance damages has the responsibility of proving its claim, both legally and factually. In a worse case scenario, if the hotel and meeting sponsor end up in a lawsuit, the hotel will have to turn over all records relevant to the hotel's claim for either attrition or cancellation damages. The legal process involved is called

discovery and is mandatory under both State and Federal law.

For this reason, a hotel that refuses to let the meeting sponsor's representative sit down with a hotel representative to jointly compare records is wasting time and postponing the inevitable.

## 6 Understand the Method Used in Calculating Damages

Some hotel contracts go to great lengths to specify how attrition damages will be calculated, while other contracts have no specific guidelines. Because there are several methods for calculating attrition in guest rooms, they can produce different results. The best method is often in the eyes of the beholder, but any method that is reasonable and not crafted to be a penalty will be enforceable in court. Penalties in a contract are not enforceable, even if the party being penalized agreed to the terms in writing. A penalty exists in a contract if one side or the other would come out further ahead financially by enforcing the liquidated damage provision rather than if the contract was performed as contemplated.

If you are supposed to get credit for resold rooms, verify that the number credited is accurate. Both parties need to have a thorough understanding of the methodology used so that both parties can ensure calculations are correct.

## 7 Compare Total Revenue to Hotel's Forecasted Revenue

If your group actually spent more money in one area than contracted, approach the hotel about crediting the overage in that area to the deficit. For example, suppose your group made a guarantee to spend a minimum of \$50,000 in catered food and beverage revenue, but actually spent twice that amount, i.e. \$100,000. The hotel's incremental profit on the additional \$50,000 is \$15,000 (30 percent of \$50,000). See if your hotel will credit the extra \$15,000 to offset any attrition owed in guest rooms. Many hotels have agreed to such a solution. ■

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