

The **FUTURE** of Hotel Sourcing is Here

Finding Savings Beyond Negotiated Rates



Negotiated rates: the good, the bad and the ugly

Each year, you spend what feels like an eternity submitting hotel program RFPs, negotiating rates and amenities, and auditing the rates.

Is it worth it?

For some cities or properties, the answer is yes.

But, for others, the return may not be worth the time or stress. So, what is the right mix of rates to optimize your hotel program?

The good

Let's start with the most obvious: savings.

CWT Solutions Group found that fixed negotiated rates range from **15-49%** off the best available rate (BAR). While half off sounds amazing, the average discount is **23%** off BAR.

Preferred hotel programs and negotiated rates also make it easy to communicate travel policy with business travelers. Many online booking tools clearly designate company preferred hotels and include those properties in the top of the sort order.





Then, there's the bad...

Limited choices equals limited compliance.

According to a [GBTA/Hilton study](#), Making Hotel Loyalty Programs Work for You and Your Travel Program, **52%** of travel managers believe that travelers book hotels out of policy because "they want to stay at a non-preferred brand or type of hotel."

While many experts advocate signing agreements with more than one property or chain in a city in order to provide choice and guarantee rooms during heavy travel periods, that may not be possible based on your annual travel volume.

The bad: volume and time requirements

To secure deep discounts, you must be able to drive a significant number of room nights to a hotel. What's the magic number? It depends by city. For example, a hotel brand may offer you a **15%** discount for **150** room nights in a mid-size city, but require **300** room nights for the same discount in a large city like New York.

Not only do you need to guarantee a large quantity of rooms booked, you have to prove it. How good is your reporting? On top of the hours (which feel like years) you spend negotiating rates, you then have to reconcile data all year long too. According to Sabre, travel buyers spend up to **40** hours per month reconciling travel expense and payment data. This is a whole week of work!

At the end of the day, is the amount of time and effort invested worth the discount?



Room nights per year per property	Global average discount off best available rate
less than 50	3%
50-149	6%
150-199	15%

Source: CWT Solutions Group

Things are about to get ugly: overpaying for last room availability

It's a no brainer. You negotiate a rate, you throw in a last room availability clause. It's the way it's been done for years. And, it's totally worth it.

Except when it's not. [CWT Solutions Group](#) found that last room availability comes at a price premium that doesn't always pay off.

Most travel managers are willing to pay 8% more than their initial negotiated rate to guarantee last room availability. Unfortunately, that's 5% too much. The actual break-even point on last room availability is a 3% rate premium or less.

According to CWT Solutions Group calculations, that means a company with a \$20 million hotel program could be overspending by **\$1 million**.





Power is shifting

With the consolidation of hotel chains, suppliers have more leverage than ever. In some cases, chains are choosing not to negotiate with corporate programs during the RFP season. One company noted that they were turned down **93** times in 2017.

11%

The average decline to bid rate for major hotel chains

Unless you have the volume, larger chains may decide their time is too valuable to negotiate with you. Let's face it, your time is probably more valuable too.

What is a travel manager to do?

Take a tip from your financial advisor and diversify. All of your rates no longer need to come from preferred programs or the GDS. In fact, by adding more rate sources you can lower your hotel spend and increase availability.

Third-party content sources

For years, travelers have booked a hotel outside of your program, because they found a cheaper rate. In fact, “I can find a better price elsewhere” is the top reason why business travelers told [GBTA](#) that they book outside of their program.

We all know that those lower prices can come at the expense of your travel program – you lose negotiation power, you can’t track your travelers in an emergency and you have difficulty reporting your total travel costs.

Open booking wasn’t the solution, but bringing those aggregator rates directly into your program can help. Major travel management companies today integrate content from sources like Booking.com and Expedia Affiliate Network directly into their booking channels. Why? Because travelers get what they want and so do you.

TMC sourced content

Major travel management companies have strong supplier relationships dating back years. As a result, some are able to secure exclusive rates for their clients.

For example, RoomIt Rates includes discounts of up to **20%** off the best available rate plus a minimum of six amenities.

Those amenities include – drumroll, please – last room availability, WIFI, same day cancellation, room upgrades based upon availability, late check-in, and late check-out upon availability. Travelers get everything they want, and you get a discounted rate within your program.

When should I use negotiated rates vs. other rate sources?

It doesn't take a fancy algorithm or a magic eight ball to figure this one out.

Do you have the volume?

The number to remember is...A lot. While the minimum number of rooms will vary depending upon the size and travel demand in each city, you typically will need to guarantee at least **150** room nights per year (usually more in big cities) to secure those double-digit discounts.

If you do have significant volume in a city, negotiate away or hire a consultant to do so on your behalf! Just make sure you understand how many rooms are available at the negotiated rate.





Do your travelers visit cities with high occupancy rates?

In that case, you need to think about the best way to guarantee availability for your travelers. You can negotiate rates with last rate availability at multiple hotels, but keep in mind the premium you may pay and the volume needed to secure low rates.

Utilizing aggregator rates or TMC-sourced rates may be an even better choice. Hotels often close out GDS rates before other channels. By adding additional rate sources, you give your travelers more opportunities to book at your preferred properties.

Do you have high hotel leakage?

Travelers want choice and low rates. By offering only preferred hotels or GDS-supplied content, you limit the number of properties available, especially outside of North America.

Supplementing your content with third-party aggregator or TMC content gives travelers access to independent hotels and smaller chains that are not available through traditional business travel channels. You can also use these sources to offer more accommodation types like apartments.

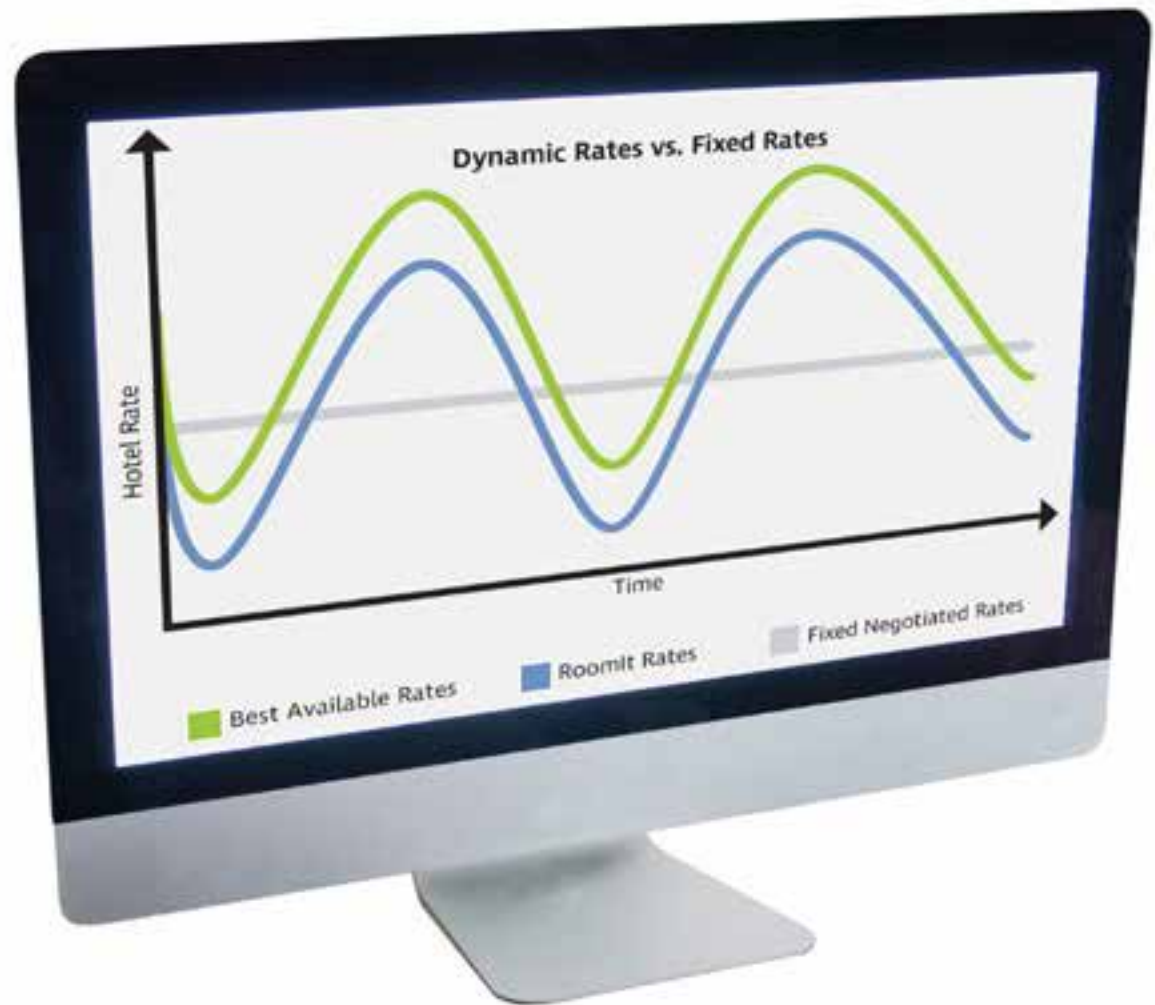


Are you looking for new opportunities to drive savings?

Your fixed rate may be the lowest rate available to your company most of the year. But, when hotel inventory is high, you may actually save more by booking rates that fluctuate along with the best available rate.

In the chart to the right, the best available rate and rates that fluctuate with them, like RoomIt Rates, are actually lower during various time periods. Both of these options may offer a less expensive rate at your preferred properties during traditionally slower business travel months like December, January and July.

You can also benefit from price tracking tools that continuously track hotels' best available rates and automatically rebook rooms when rates decrease.



How can the savings add up?

Uncover additional savings through third-party content sources and TMC sourced rates

3% - 8%

Drive higher booking channel adoption and hotel attach rates by offering more choice

2% - 10%

Lower rates automatically with Price Tracking* rebookings

1% - 2%

TOTAL SAVINGS

6% - 20%

*Price tracking is not available on third-party hotel content sources like Booking.com or Expedia Affiliate Network

"Companies can save by using TMC sourced rates, aggregator third-party content sources and price tracking tools to manage the long tail of their hotel stays."

- Scott Brennan,
VP of Strategy RoomIt by CWT

RoomIt 
by CWT

Let's review what we've learned:

- 1) Yes, negotiated rates can definitely drive savings, but they have limits too.
- 2) If you are looking to boost savings, compliance or traveler satisfaction, adding new content sources may be just the answer.
- 3) If you are not sure when you should negotiate or use other content, consultants like [CWT Solutions Group](#), can review your travel data to help you determine the right mix.
- 4) If you're ready to explore the benefits of new hotel content sources, contact your CWT representative.