

Expert insights. Hotel contracting in a rebounding economy.



Our negotiating capability, booking and reporting technology and industry intelligence will give your business the competitive edge it needs to secure the lowest rates.

A strengthening economy and changes to the balance of supply and demand has Australia's hotel sector well placed for a steady recovery. As a result businesses negotiating their hotel contracts for 2011 now face a new set of procurement challenges.

Domestic hotel trends

With the effects of the Global Financial Crisis abating in Australia, businesses can expect to see demand-driven increases in hotel pricing over the next year. Rebounding rates will be more prominent in markets where there is little or no new supply such as Sydney, Brisbane and Perth. However, industry insiders are expecting strong demand will also cause rate rises in Melbourne, despite a substantial increase in hotel supply.

Businesses about to head down the path of contract negotiations should be surveying the market as early as possible to see what's on offer and which style of pricing will deliver the best outcomes for their travel programs over the mid to long term. Companies keen to accept Non-Last Room Availability (NLRA), which is generally cheaper than Last

Room Availability (LRA) rates, should be aware that in times of high occupancy, hotels can block out NLRA rates. Current trending suggests corporates may be better placed accepting LRA, which is often priced higher but more readily available in busy markets.

Tightening occupancy levels across Australia and the rest of the world have seen more hotels adopt a dynamic pricing platform. Because of this, some hotels may be pushing for clients to move away from negotiated flat rates to a percentage off the best available rate (BAR). Companies willing to accept a discounted BAR, need to evaluate what the impact of rising demand will have on rates that are susceptible to market fluctuations.

Hotels generally offer clients a choice of contracted rates. However Corporate Traveller suggests you work closely with your account or travel manager to determine which hotel best meets your needs and travel program goals. Aspects to consider include what pricing structure the property is offering, location, appropriateness, amenities and history of supplier relations.

Procurement challenges

During the Global Financial Crisis, hotels were forced to slash prices as a way of combating falling occupancy levels. Hotel suppliers were also much more willing to negotiate rates for clients offering smaller room night volumes. The downside was the flood of cheap rates and deals on the market made it easy for clients to lose sight of their overall travel programs, goals and policies.

The current change in market conditions means that companies now need to be focused on consolidation and policy compliance to secure the best contracted rate. If, over the last year, your company has started to work with a number of suppliers, now is the time to be reigning in the number of hotels you're using to better leverage your total room night volume. In addition, Corporate Traveller recommends organisations mandate that all company hotel bookings be processed through your TMC where possible, as this enables your TMC to negotiate your rates with the greatest knowledge of what volume of room nights you have to offer.

**CORPORATE
TRAVELLER™**

Bring an expert on board



Likewise if policy compliance has slipped and staff have been using other booking channels or booking rooms priced higher than your company's rate cap, work with Corporate Traveller to correct non-compliant behaviour through proactive internal change.

For those working on dynamic pricing models there is also the issue of being able to budget accurately for the year ahead.

Best procurement strategies

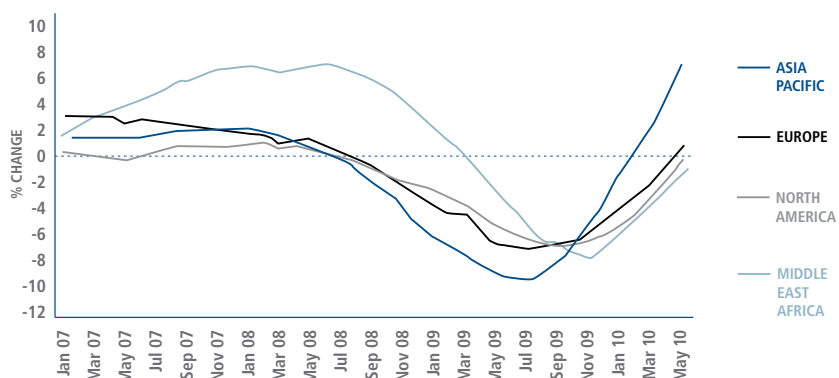
While the sounds of a market recovery may be music to the ears of hotel suppliers and businesses in general, the price-recovery phase may not be the perfect scenario for consumers. Because of the change in supply and demand and the challenges faced by travellers when hotel occupancy tightens, working with a TMC is the only way you can fully leverage the savings available when travelling in a rebounding market.

A TMC's negotiating capability, booking and reporting technologies and industry intelligence will give your business the competitive edge it needs to secure the best prices as the market shifts into a post-GFC cost cycle phase.

Working with Corporate Traveller provides you with multiple benefits such as online booking tools, sophisticated reporting and the holistic approach of strategic travel management. Together, these features deliver both immediate and long-term cost savings and will help you maintain savings as the pendulum continues to swing back in favour of hotel suppliers.

For clients that have year-round negotiated rates, Corporate Traveller can also proactively benchmark your rates to ensure they remain competitive relative to market conditions and fluctuations.

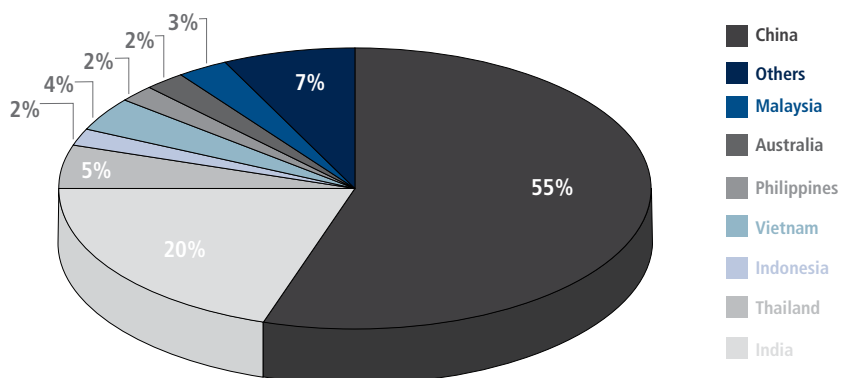
Increase in hotel demand



Consumer demand for hotel rooms is picking up across most global markets with Asia Pacific leading the way.

Global hotel development pipeline

Total of 316,330 rooms in the pipeline



Only two per cent of the 316,330 rooms in the global hotel pipeline will be developed in Australia during the next four to five years.

Graphs have been supplied by STR Global.

We do this by using our multisourcing product platform, which includes hotels through our last minute website, our domestic wholesale business and our Global Hotel Program.

And by making all bookings with Corporate Traveller, staying focused on your travel policy and maintaining room night volumes at contracted hotels, you can not only reduce overall costs but have the added benefit of traveller tracking and security.

Let us do the hard work for you

If you are heading into hotel contract negotiations for 2011 let Corporate Traveller do the hard work for you. If you have room night volume to offer we can:

- Assess your room night volumes to leverage your rate negotiations
- Assist with rate negotiations
- Negotiate on the total cost of your accommodation by including value-added services specific to your requirements (e.g. breakfast, WiFi, laundry etc) and deliver savings on incremental travel costs
- Identify the pricing option that will best suit your needs
- Benchmark rates to ensure they are competitive relative to market conditions
- Ensure your company's contracted rates are loaded into our consultant reservation system and online booking tool so they are accurate and accessible
- Monitor your organisation's compliance by identifying leakage and lost opportunities for savings

- Ensure rate compliance with your own procurement policy
- Produce year-on-year rate comparisons, including city average reports
- Proactively benchmark your hotel rates against similar sized clients in the market to ensure your rates are competitive relative to current market conditions
- Instigate re-negotiations when your company's specific hotel rates are found to be uncompetitive
- Offer easy-to-use hotel directories featuring your company's hotel program.

Hotel industry terminology

Best Available Rate (BAR): Also known as Best Unrestricted Rate (BUR) or Best Flexible Rate (BFR). This is the best non-negotiated rate available at the time of booking. BAR rates fluctuate with the market and are set at the start of the year, however each hotel has the capacity to change the rate (on a daily basis if they wish) to meet local conditions.

Last Room Availability (LRA): All rooms in the category for which a client rate has been negotiated and agreed upon, should be made available to the client at that agreed rate up to and including the last room in that category.

Non Last Room Availability (NLRA): An agreement between a hotel and a client whereby the negotiated rate is available to travellers at the discretion of the hotel. In peak periods, hotels can block NLRA rates and charge a higher rate to maximise revenue.

Dynamic Pricing: A discounted rate off



the BAR rate. Corporate customers can negotiate a fixed discount off the BAR if they have sufficient room night volume. The discounted rate fluctuates in line with BAR fluctuations.

about corporate traveller.

Corporate Traveller is a leading travel management specialist for the SME market. We offer a unique combination of expert advice, local personal service and global negotiating strength to maximise your savings.

The Corporate Traveller team is the best in the business. Our travel experts are highly experienced and have exceptional product knowledge to deliver airfare and accommodation options that will have an immediate and positive impact on your bottom line. Our flexible business model is shaped to match the distinctive needs of SMEs, enabling us to better understand your travel requirements, offer tailored solutions and build long-term partnerships.