

Expert Insights. Securing the best hotel rates in uncertain times.



We expect that business travellers are likely to continue enjoying the best hotel deals they've seen in many years, for some time yet.

Times have changed in the accommodation sector. For small to medium sized businesses and larger corporates they have changed for the better, with hotels no longer being the power brokers on price.

Businesses have gained the upper hand in negotiating rates and are likely to hold it for some time. But are you applying all the right strategies to secure the best rates in these changing conditions?

Dominant trends in pricing

Hotel savings have been significant for business travellers in recent times. As hotels slash prices to combat falling occupancy levels, companies that have previously embraced dynamic pricing over contracting fixed rates are now enjoying the rewards of lower rates. The specifics of dynamic pricing vary according to hotel and contract. But in practical terms, it means negotiating a percentage discount on the best available flexible rate. Therefore, the corporate negotiated rate fluctuates along with demand.

In the current economic conditions there is also a growing tendency for Best Available Rates (BARs) to be lower than

static client-negotiated rates, igniting further savings opportunities. In these cases and where the BAR carries the same conditions (including cancellation policies) as the client rate – Corporate Traveller can still access and book these to ensure you receive the best possible rates.

Companies are also generating savings by accepting Non-Last Room Availability (NLRA) pricing. In what was formerly a busy market, companies were opting for the higher Last Room Availability (LRA) rate to ensure their contracted rate was available for last-minute bookings. Now, with hotels struggling to reach full occupancy, NLRA pricing is saving companies money over accepting a higher LRA rate.

For small businesses or those with lower volumes, contracts have become increasingly available with hotels that previously would not consider contracting rates with such clients.

Corporate Traveller's expectations for the short term

Major hotel chains have indicated that corporate rates are unlikely to increase

in the near future. With any economic recovery expected to be slow, it may take some time for hotel companies to resume the heady corporate rate levels of 2007. Until demand is re-invigorated, corporate buyers will not only continue to keep rates down, but also negotiate on the value adds such as breakfast and transfers. It is unlikely, however, that prices will continue to decline much further in competitive hotel markets, where properties are juggling rates to remain profitable.

A turnaround in the hotel sector will hinge on broader economic improvement, but the hotel industry is confident occupancy levels will lift during 2010. The benefit for corporates is that there will almost surely be a lag time between increases in occupancies and increases in rates. Business travellers are likely to continue enjoying the best hotel deals they've seen in many years, for some time yet.

Procurement challenges

Despite the attractive conditions that currently prevail for business travellers, there are various challenges in hotel procurement. The primary challenge

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for SMEs is maintaining travel policy compliance when hotels are flooding the market with cheaper rates and deals. These include what can be perceived as 'best rates' advertised on supplier websites. The temptation of these rates makes it difficult for travel bookers to adhere to the policy and book their preferred hotels when attractive deals are offered by competing hotels. The additional risk for SMEs is that cheap rates may not always be the most flexible or convenient options, or provide the best savings overall. Specials may have minimum night requirements, restrictive cancellation policies or be non-refundable. They might also be offered by properties that are not as conveniently located or equipped for business travellers, which incurs 'soft' costs in lost time and productivity. Pricing transparency is another challenge. Businesses need to look beyond the face value of clever hotel packaging, in which the true price

of a room night can be hidden by value-adds such as complimentary breakfasts. For those working on dynamic pricing models, there is also the issue of being able to budget accurately for the year ahead.

Corporate Traveller's best-practice procurement strategies

While businesses are currently purchasing accommodation in a cost-friendly phase of the rates cycle, working with an expert travel management consultancy, like Corporate Traveller, is the only way you can fully leverage the savings available. Purchasing accommodation on supplier websites can prove inconvenient to your travellers while taking your company off policy – and therefore off savings targets. Working with Corporate Traveller provides you with multiple benefits such as online booking tools, reporting, specialist expertise 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 when the pendulum swings back in favour of hotel suppliers.

Using our multi-sourcing product platform, Corporate Traveller can check that your negotiated rate is better than the best flexible rate of the day, at the time of booking. If a cheaper rate with the same conditions is available, we will book it.

Through our reporting tools, we can proactively benchmark rates against the 'going' corporate rates to ensure you have the best prices possible.

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. All of these elements apply to our Global Hotel



Program, which provides access to the best available rates of day, and our Client Hotel Programs for companies with higher volumes. In both programs, Corporate Traveller:

- assesses your room night volumes to leverage your rate negotiations
- helps determine whether there are more cost effective alternatives that are just as convenient
- negotiates on the total cost of your accommodation by including value-added services specific to your requirements (eg. breakfasts, telecommunications, laundry etc), and delivering savings on incremental travel costs
- negotiates contractually standardised rates and availability options
- monitors your organisation's compliance to the hotel program by identifying leakage and lost opportunities for savings ensures



rate compliance with your own procurement policy

- produces year-on-year rate comparisons, including city average reports
- proactively benchmarks your hotel rates against similar sized clients in the market to ensure your rates are competitive relative to current market conditions
- instigates re-negotiations when your company's specific hotel rates are found to be uncompetitive
- offers easy-to-use hotel directories featuring your company's hotel program.
- ensures your company's agreed rates are loaded into our consultant reservation system and online booking tool so they are accurate and accessible.

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.

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