

# Amenities Up the Ante

Making your hotel program work may come down to those little extras that are still chips on the bargaining table

By Harvey Chipkin

In the face of strong and increasing hotel rates, travel managers and TMC's are looking beyond the price of a room to 'value-add' hotel amenities and services that can help manage travel costs. That includes everything from breakfast to parking to access to the fitness center to – that perennial hot button – free WiFi.

Make no mistake. Rate, last room availability (the ability to get every available room at the negotiated rate) and more flexible cancellation policies are the primary determiners of lodging costs. However, at a time when hotel occupancies are strong and operators reluctant to give in on price, looking toward amenities and services can counteract already high rates that continue to climb.

According to travel managers and hoteliers alike, achieving those savings is not just a matter of checking off boxes on a list of amenities. It's more about putting together a comprehensive strategy that takes an overview driven by location, market, data and relationships.

The hotel industry is years into a boom that most analysts project will continue for at least a while longer. Thus hotels are holding firm on rate so that

they have a higher base for future negotiations. However they might be more flexible on the amenities front, so travel managers have adapted to the seller's market by seeking 'value-adds' as a way to cut expenses while continuing to place travelers in preferred hotels.

"Amenities are definitely more of a negotiating point, especially with properties that do not offer too many brand-standard amenities like Internet, breakfast, shuttle transportation, etc.," says Marwan Batrouni, senior director, practice area leader for Advito, BCD Travel's independent consulting group. "The top two are breakfast and WiFi; cancellation policy would come next, followed by parking, airport transportation and office transportation."

## No Single Solution

A hotel's pricing power, whether for rates or for amenities, depends on a variety of factors. "The strength of the hotel's negotiating position depends heavily on its location, more than what market it is in," according to Cyndy Hayes, travel manager for Milestone Technologies, an IT management company.

"For instance, in San Francisco where demand outweighs inventory – as is also the case in Silicon Valley – we can't compete with companies like Facebook or Google because of their volume. In a case like that, we might not be able to get last room availability. However, this is all data driven and you don't have negotiating muscle without data. With the data I have, I can reach out to other hotels that might be a bit further out and get a better rate as well as last room availability," Hayes says.

"Full service hotels typically charge for breakfast, Internet, parking and other amenities. With these hotels amenities can be requested and included during the negotiation process," advises Phyllis Nakano, director of vendor relations for Balboa Travel. "However, if you are negotiating with 'limited service' or 'extended stay' hotel chains or properties, then most of the amenities are complimentary to all guests."

And changing patterns for travelers may signal a shift in the outlook for amenities. Cicily Robinson, director consulting, North America at American Express Global Business Travel, says, "Amenities such as WiFi are becoming more of a standard offering. Parking avail-

ability is only relevant to travelers in cities where public transportation isn't readily accessible. Breakfast is becoming less of a sticking point, as Millennial travelers prefer grab-and-go options."

### **Make Sure Value-Adds Add Value**

Obviously, whatever the situation, there's clearly no gain unless amenities are actually used by travelers. "Often through the negotiation process, hotels are willing to offer a slightly higher rate and include amenities like parking or breakfast," says Nakano. "If that higher rate is offset by the value of the amenities, it is a win. Additionally, the opportunity to negotiate on some of the less-standard amenities (F&B, fitness center access) continues to be a way to improve traveler experience and in some cases can drive incremental value."

Says Hayes, "If I can find a hotel that enables people to reach their destination on an airport shuttle rather than having to rent a car, I factor that into the rate. Or in a place like New York, if a hotel is in walking distance that also is a factor. Most amenities are not relevant to our negotiating. Our travelers never sit and eat breakfast or need late checkout because they're up and out anyway."

The once-contentious issue of WiFi fees seems to have settled somewhat into a delicate détente. While high end hotels continue to charge, a large percentage of hotels, particularly in the limited service category, offer complimentary basic WiFi. However, many hotels have implemented two-tier pricing where basic access (e-mail, web browsing) is free while heavy data use (videos, etc.) comes at a cost.

"High speed Internet is included an average 90 percent of the time in the initial bids from hotels," says Eric Jongeling, director of CWT Hotel Solutions Group. "And while we are able to raise that up to 95-96 percent for most of our clients, the impact is not significant. It seems that most hotel chains have bowed to customer pressure to provide free WiFi access at a basic level and have instead focused on additional fees for higher speed."

According to Kathy Maher, senior vice president, global sales and revenue for the Wyndham Hotel Group, the WiFi Wars are over. "Today, free WiFi is a basic requirement for many preferred hotel programs. Without it, travel managers will often completely omit a hotel from their options."

However Batrouni argues, "WiFi continues to be a hot button. Some suppliers

that don't offer it as a brand standard amenity offer it as an incentive for guests to book directly through the brand.com website. This continues to be a sore topic for travel managers, who are trying to influence their employees to always book through approved channels," he warns.

Often meeting that 'hot button' expectation comes down to the numbers. "There is an increase in group RFP's asking for complimentary WiFi for large meetings," says Dina Giardina, director of sales and marketing for the Kimpton Gray Hotel in Chicago, which opens this spring. "In most cases we try to accommodate but that is a bit harder to offer when there are a large amount of connections requested at the same time and we need our IT team to support the meeting."

The growing number of guests with multiple WiFi enabled devices places an even greater demand on wireless systems, says Wendy Ferrill, vice president of worldwide sales for global hotel chain Best Western International. "There is a cost associated to hoteliers increasing their bandwidth, which is why many hotels offer a tiered approach that allows the travelers to select the bandwidth required for usage based on their need."

### **Beyond Breakfast and WiFi**

There are numerous possibilities for negotiating amenities that may not often rank high on the list but that can present savings in specific situations. "If there are resort fees (bundled charges for parking, tips, etc.), those could be items to negotiate out that will save travel dollars," says Paula Mies, who heads up vendor relations for Conlin Travel.

"Parking fees can be a huge issue," says Hayes. "If somebody is going to San Francisco and needs to pay \$60-\$80 a day to park, we have to look at that. It could mean looking at a different hotel. It's hard to negotiate parking with the hotel because it is frequently handled by an outside company. In those cases, I may go directly to the parking operator and try to negotiate based on how many cars our travelers might be parking."

Other services to consider are office shuttle and/or airport shuttle, and fees for hotel gyms or health clubs since these are not always complimentary, especially overseas, Nakano says.

"We have focused on driving additional value around non-traditional ameni-

## Thoughts from the Field

**Travel managers who are members of the Business Travel Executive Buyer Think Tank share their perspectives and expectations about the role amenities can play in hotel negotiations.**

"While it's great to have a bevy of amenities added into your rate, it's more important to remove the ambiguity of what is included. The hotel shopping experience should be based on what your travelers want and will use."

**Rosemary Maloney**  
Account Management  
Specialist - Jarden  
Egencia

"For quite some time now Amdocs has worked with its preferred hotel partners to include as many extra amenities as possible. I would like to see hoteliers be more creative on this end personalizing the stays for our company's stays."

**David Smith**  
Regional Travel Manager, Americas  
Amdocs Global Services

"Hotels are providing more incentives for travelers to book outside their program and direct with the hotel. Here are items I try to negotiate in our program: Free WiFi, free parking (or discounted if owned by a third party), same day cancellation without penalty, free breakfast or lounge access even without higher status, and never being walked in an oversold situation."

**Chris Brockman**  
Travel Manager - North America  
Electrolux Major Appliances North  
America

"We have been successful negotiating 4 PM day of arrival cancellation. Last Room Available has become an issue when we have more people traveling together. We've now added wording requiring the hotels to honor our rate for groups of 5-10. So, if we can't get LRA and we have five people, we now have a group."

**Cheryl Benjamin**  
Manager, Travel Services  
Dart Container Corporation

ties such as food and beverage discounts, discounts at the hotel restaurant, and a closer focus on ensuring appropriate cancellation terms,” says Jongeling. “We don’t really consider the cancellation terms as an amenity, but we are focused on any charges as hotels have been vocal about possible changes in their cancellation terms.”

### How Hoteliers See It

While they may be in the driver’s seat for now, hotel sales executives realize that the best option for all parties is to look toward a long-term relationship that may involve some give on their part in these good times.

“Rates are firm and while negotiating on value-added amenities is a great idea in theory, travel managers need to understand what is within the hotel’s control,” Ferrill cautions. “Some services are provided by a third party, making it difficult to

hold the hotel accountable. Including value-added amenities may be more challenging to execute on the property level, which could lead to a negative customer experience.”

Negotiations for some amenities are market-centric, notes Ted Davis, chief sales and marketing officer for Benchmark Hospitality International. “You can have a negotiation strategy in New York that is totally different from Houston or Austin. One thing we try to do is add value in the process – and in ways that don’t mean a lot of cost to us. That means WiFi, room upgrades, airport transportation if there is a shuttle. But most of the time it comes down to rate and last room availability,” he explains.

“Amenities are more of a requirement these days than a negotiation point,” Maher says. “Often travel managers will define what amenities they expect at a

minimum. While amenities are a factor in their overall weighted cost savings, it’s ultimately average daily rate or overall travel spend that they’re considering.”

Kimpton aims to include amenities in its rates, especially for members of its Kimpton Karma loyalty program, Giardina, says. “Things that are important to our travelers are important to us so we want to know what amenities are important to our travelers, travel managers and procurement officers. As we do offer many amenities to our Kimpton Karma members, there is not much room to include additional amenities over what we already give.”

In the end, simply talking might be the best way to get the most out of negotiations. “We find the most effective way to work through the RFP negotiation process is a direct conversation to discover solutions that fit the needs of the organization and hotel,” says Gene Hare, area director of sales and marketing for Hilton in Chicago. “Together, you can identify terms and value-adds that truly benefit travelers, the company and the hotel. The most creative solutions can come to fruition by determining what clients value through having transparent conversations.”

The future holds challenges as the most recent round of corporate travel negotiations showed a heightened focus on rate, according to Bjorn Hanson, a professor at New York University’s school of tourism and hospitality and veteran observer of the lodging scene. He says that coming out of the Fall 2015 RFP season, hotels were saying, “We’d rather you pay a higher rate even if we have to include more services.”

Hanson concludes, “Hotels are really pushing on rate because they are just not keeping pace. And if they have to give in on fitness center or business center access they will do it because this new rate becomes the basis for the next round of negotiations.”

“Hotel owners are getting more knowledgeable and sophisticated about the tools that are now available,” says Robert Langsfeld, a partner at Corporate Group Solutions, which provides software solutions to hotel buyers. “It might get down to a free breakfast that’s continental rather than full; or they might even give out a voucher for a restaurant. It means the need to constantly monitor that you are getting what you negotiated for –whether it’s rate or amenities.” **BTE**

## Tips On Playing the Amenity Game

**Listen To Travelers:** “One of the keys on finding what amenities are of value is to survey your corporate travelers,” says Phyllis Nakano of Balboa Travel. “It allows the travel manager to understand traveler needs when staying in hotels.”

**Do Your Research:** “Consider analyzing expense report data or other reports that may help you to determine what travelers are paying for in hotels and how much they are paying,” says Nakano. “This will help you to determine which amenities should be negotiated and avoid wasting time negotiating in something not valued or used by your travelers.”

**Rethink the Contract Process:** “Standard amenity requests such as WiFi, breakfast and parking should be a standard part of the RFP process,” says Cicily Robinson at American Express Global Business Travel. “In general, additional requests should be negotiated separately after the contract is agreed upon. It’s important to remember that rate negotiations should be top priority.”

**Understand the Market Situation:** When it comes to the hotel industry it’s all about cycles. As Paula Mies at Conlin Travel says, “Knowing the market conditions you are negotiating in is critical. The cycle the industry is in will either be leveraged against you or can be used in your favor.”

**Make the Most of Available Amenities:** “Rates are still negotiable and amenities have become more standard to include – like hot breakfast, free wireless and sometimes manager’s receptions,” Mies points out. “Sometimes, those receptions include a light meal, beer and wine, and travelers can turn this into dinner.”

**Take a Comprehensive Approach:** Wendy Ferrill at Best Western hotels says, “It is critical that the travel manager analyze the expense data to identify the amenities that are most commonly used. A great way to capture this is by developing a survey, which will result in beneficial background information to have as a resource. Many times a survey is used for this purpose, so the response received is based on a ‘nice to have,’ but not one that is actually used. Otherwise, this could be a futile effort and not really result in a cost savings if this is not a widely used value-add.”