

## SMARTER GUESTROOM BLOCK MANAGEMENT

### Too Much, Too Little, & Getting to Just Right

Many Associations are once again meeting on-site and in-person at hotels and resorts in the U.S. and around the world. After two years of virtual events, many groups are booking face-to-face events with eagerness and exuberance! That means that Associations are entering into written contracts with one or more hotels, resorts, and other properties.

As a Board Member or other leader for your Association, do you understand the basis of proper management of your contractual obligations, especially your guestroom blocks? Do you trust your association staff to be good stewards of these commitments?

Association Leadership and Boards need to be aware that the guestroom block is a key aspect in any hotel contract. Scaling the *contractual commitment* – the actual number of room nights – is extremely critical not only to the overall attendee experience but to the financial health of the Association. During the reservations process, no attendee wants to hear that the hotel is “sold out.” At the end of the event, no Board wants to hear the word “Attrition” for an under-performing guestroom block.

Proper planning, consideration of historical performance for the event, and monitoring of the block once reservations are open are key strategies to avoid paying stiff penalties for under-performance of a block. There are always outside forces, such as an economic downturn or “upturn,” that can unexpectedly affect an Associations’ contractual obligations, general liability to the hotel, and the performance of the guestroom block. A positive, strong, and honest relationship with the hotel sales department – sometimes a local ornational sales contact – is essential to navigating these hiccups in current events.

Speaking of relationships... *How is your Board’s relationship with your association staff who will be monitoring your contracts and guestroom blocks?* We at [CM Services, Inc.](#), *The Association Partnership Company* invest in our *CM Partners* – our Associations – and carefully monitor their obligations from contracting to actualization of the on-site event. There are several ways that we keep our fingertips on the pulse of CM Partner contracts and guestroom blocks.

#### The Lingo

Before we continue, we thought that it might be helpful to review some terms in the hospitality industry:

*Room or “Hotel Room”* – Refers to a room or suite for sleeping accommodations to the general public for a general fee within a hotel.

*Room Night* – A hotel term for the quantifying of occupancy where a room is the unit of measure. One room night equals one room on a particular evening.

*Guestroom Block* – Refers to a group of rooms reserved or contracted for a specific customer — usually for a set period of time. The total of the guestroom block is referred to as *Total Room Nights*.

*Pick-up* – The number of room nights that are actually used on any given day in the Guestroom Block. The *total pick-up* is the sum of the number of room nights used for the entire run of the event.

*Peak Room Night* – Refers to the night in a room block when most rooms are either reserved or occupied by attendees.

*Wash Factor* – Refers to the *drop-off* in the total pick-up in a guestroom block from the week before the event to the week after the event.

*Attrition* – Refers to the monetary *penalty* paid by a group to a hotel when the group does not meet its contracted guestroom block or commitment. Attrition is ideally based upon cumulative performance (meaning pick-up for the entire run of the block and not just one night in the block).

### **Request-for-Proposal (RFP Process)**

Before locations for a future event are considered, a detailed Request-for-Proposal (RFP) is drafted. The first step is being certain that the guestroom block is based upon the Association's history for the event. Considering at least 3 to 4 years of recent history for guestroom pick-up is recommended before shopping for future locations (hotels/resorts). Additionally, when preparing the RFP, the association staff should consider other factors that may affect attendance at the event such as performance of the economy, travel bans or other issues, how the industry is currently performing. The Guestroom Block in the RFP that a future hotel receives should align with recent history as well as the consideration of the "other factors".

In addition, for U.S.-based events, the location of the event may have significant bearing. Some events perform well in certain regions of the country over others or in specific cities. The rotation from east to west to central to south is often a consideration as well.

### **What does the Data tell us?**

It's a numbers game. The data is always fluid and never static. Changes in reservations occur all the time and for several reasons.

We at CM Services are always looking for *patterns* in the prior history as a roadmap for how to proceed with the current contracted block. The *curve* of the current guestroom pick-up is critical. The time period begins with the opening of the block to the actualization of the event.

In addition, as meetings are usually contracted more than two to three years in advance, it is important to review future contracted room blocks *immediately* following meetings. The actualization data for the event should be compared to contracted blocks for future meetings. *Do the contracted blocks for future events need to be adjusted? Does it need to be reduced? Or increased?* It is better to raise issues or concerns with contracted guestroom blocks sooner than later.

Do any discrepancies exist in the recent pick-up history? Factors such as location, economic shifts, pandemic, threats of terrorism or war, may skew the guestroom block. Then there is the *wash factor* to be considered. Remember, the *wash factor* refers to the drop-off in the total pick-up in a guestroom block from the week before the event to the week after the event.

## Weekly Monitoring

It is vital that your association staff establish a *strong relationship* with the Convention Services Manager (CSM) and Group Reservations Coordinator (GRC) at the hotel or hotel(s) for the particular event. Association staff should clearly communicate to the hotel personnel which weekly reports they would like to review and the dates for reporting. As a best practice, the *Pick-up Report* and *Reservation List* are collected each week from the hotel(s). A *Revenue Report* that itemizes the anticipated guestroom revenue for each reservation is also ideal. Weekly reports are obtained from the hotel on the *same day* each week. You staff should then compile the data into longitudinal reports like the example below.

### Example of Pick-up Report Template

	Thurs. 9/6	Fri. 9/7	Sat. 9/8	Sun. 9/9	Mon. 9/10	Tues. 9/11	Wed. 9/12	Thurs. 9/13	Fri. 9/14	Sat. 9/15	Sun. 9/16			TOTAL Rm Nights	
CONTRACTED	0	0	0	0	10	50	220	220	190	60	10	0	0	760	
% on peak (Wed.)	0%	0%	0%	0%	5%	23%	100%	100%	86%	27%	0%	0%	0%		
	Thurs. 9/6	Fri. 9/7	Sat. 9/8	Sun. 9/9	Mon. 9/10	Tues. 9/11	Wed. 9/12	Thurs. 9/13	Fri. 9/14	Sat. 9/15	Sun. 9/16	Mon. 9/17	Tues., 9/18	TOTAL Rm Nights	% pick-up (of contr block total)
Week 25	0	0	0	16	41	108	188	186	142	74	5	1	1	762	100%
Week 24	0	0	0	18	44	110	196	194	147	77	5	1	1	793	104%
Week 23	0	0	1	21	47	118	211	209	160	84	9	1	1	862	113%
Week 22	0	0	1	22	49	123	222	220	167	87	9	1	1	902	119%
Week 21	0	0	1	22	50	127	244	243	184	92	11	2	1	977	129%

## Reviewing & Rescaling the Block

Let's face it. Housing is emotional for attendees. No one wants to be told that the room block is "sold out" once reservations are open. A contract is an agreement however it *can* be adjusted. The earlier the request for adjustment is made, the easier it will be for the hotel to make the requested adjustments. In most cases, those adjustments should happen before the reservations process for a meeting begins.

### Too Much... When the Block is too Big

Even though the process is data driven, sometimes the guestroom block under-performs. When the block is simply *too big*, here are some strategies that your association staff should employ. The key ingredient is the relationship with the hotel.

- **Extend the Cut-off Date**
  - Will the hotel extend the cut-off date for reservations to allow more time for attendees to reserve guestrooms?
- **Give Rooms Back to the Hotel**
  - The earlier rooms are surrendered back to the hotel, the better.
  - Hotels can sell rooms to another Group or to transient traffic, and often at a higher rate.

- **Increase F/B Minimum**
  - Consider offering an increase in the food and beverage minimum in the hotel contract to off-set guestroom revenue.
- **Rebooking**
  - Consider booking an additional meeting at the hotel for a future year to off-set decreased guestroom revenue.
- **Promote the Contracted Hotel**
  - Begin more aggressive promotions to registrants of a meeting.
  - Emphasize the importance of staying at the contracted hotel(s) to avoid penalties to the Association for under-performance of the contracted block.
- **Must-stay**
  - Require attendees to stay at the official hotel(s) to receive discounted registration fees.

*Too Little... When the Block is too Small*

Even though the process is data driven, sometimes the guestroom block is quickly absorbed and there are no rooms left. When the block is simply *too small*, here are some strategies that your association staff should employ. The key ingredient again, is the relationship with the hotel.

- **Wait-list**
  - Will the hotel start a waitlist for any attendee seeking a room?
- **Add Rooms**
  - *Other Groups Under-Performing:* Are there any other groups contracted that are not meeting their contracted blocks? If yes, the Association could help the hotel and the other group by using some of those unclaimed rooms?
  - *Incremental Adds:* Would the hotel allow the Association to incrementally add room nights to the block without signing an addendum and thus creating additional liability? If yes, this strategy would allow for some time to see how attendees commit to the event.
  - *Larger Block & Addendum:* For a larger amount of room nights, the hotel will ask the Association to sign an *addendum* to the original hotel contract. The rooms are ideally available at the original contracted rate. In this scenario, the Association has increased its liability to the hotel.
- **Conduct Audits**
  - *Who's Missing?*
    - Request that the hotel conduct an *audit* of the registration or “attendee list” of the event vs. the hotel’s reservations list. Are all attendees with guestroom reservations accounted for in the Associations’ guestroom block?
  - *Are there Multiples?*
    - Review the hotel’s reservation list to identify any individuals or companies holding several reservations under the same name or without specific attendee names.
    - E-mail all attendees to request the release of reservations back to the hotel, especially if the current holder will NOT use the rooms?

- **Overflow Hotels**
  - *Hotel List:* Compile a list of hotels near the official hotel. Share the list with attendees who are seeking rooms for the event.
    - Carefully watch the pick-up at the official hotel on a weekly basis to be certain that the Association is meeting its contractual commitment.

## **Piracy and Fraud**

There is one other real threat to Association Guestroom Blocks. Have your members ever been snagged by a **Housing Pirate**? If they have, they will never forget it. What is a Housing Pirate? A *Housing Pirate* is an entity that profits by booking meeting attendees (and exhibitors) outside the official housing block and *simply takes the money and runs*. Reservations made through a Housing Pirate usually require 100 percent prepayment with no refund. The caveat is that the pirate simply does not have any guestrooms; the reservations are bogus.

In addition, Housing Pirates will change the rules as they go. The name of the company and the contact often changes. The confirmation for the reservation states a name and phone number that no longer exists when the attendee attempts to call or e-mail. The cancellation policy stated in the existing confirmation no longer applies as the Housing Pirate who made the reservation for the attendee no longer exists.

At one time, this type of piracy was considered an issue for “big-shows” or city-wide conventions. This point is simply not true. All meetings, regardless of size, are being harvested by pirates. It often starts with the Housing Pirate combing Association Websites for general details – dates, venues, locations – for contracted events. In addition, the names of Board and Committee Members are harvested from sites. Housing Pirates call these individuals claiming to be an official housing provider and then convince these individuals to book and pay for “fake” rooms. Again, the pirate takes the money and runs!

Safe to say, members of CM Services’ association clients have largely been insulated from Housing Pirates. Educating event attendees and members on the *official process* for making guestroom reservations and cancellation policies is critical to not only avoiding the traps of Housing Pirates but to fulfilling contractual obligations with hotels. In nearly all cases with CM Events, there is not a Housing Agency or Bureau for making reservations. The attendee is advised to contact the hotel directly to make reservations or to use the online reservations link provided by the hotel and shared directly by CM Services meeting team.

In closing, we at CM Services, Inc. strive to effectively partner with our CM client associations on management of their contractual commitments. From the initial RFP Process, to contracting the hotel, to the actualization of the guestroom block, Association leadership will find a highly professional and well trained staff who actively monitor the performance of our client associations’ hotel room blocks and ready to apply strategies to increase or decrease guestroom blocks accordingly. Proper planning, consideration of historical performance for the event, and monitoring of the block are key strategies to avoiding paying stiff penalties for under-performance of a block. The key ingredient to this success is

undoubtedly *relationships – CM to the Hotel and the Association to CM*. It is our hope that our client associations lean into our staff's expertise on managing guestroom blocks and hotel contracts.

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### **About CM Services, Inc., The Association Partnership Company**

**CM Services, Inc.**, The Association Partnership Company is a full-service association management company for trade associations and professional societies, we understand the value of relationships. We have developed three core “uniques” that we stand on for success: *Client recognized superior customer service; consensus builders; and focused on our client partners' results*.

In 1977, Dick and Jeri Church started **CM Services, Inc.**, The Association Partnership Company to help associations create opportunities out of their challenges. Their business philosophy was and is simple: Partnership. Focused long-term cooperation between individuals and/or organizations and CM Services to achieve complimentary goals.

**Association Management Companies**, or AMCs, are professional services firms providing shared resources and proven practices to deliver value to associations, their volunteer leadership and their members. The AMC industry has existed for over 100 years but only in the last 20 years has the industry become well known. Today, AMCs partner with over 5,000 associations worldwide.

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