



The Upside of a Down Hotel Market: Doors Remain Open for 2009

Follow up to April 16, 2009 30-Minute Solutions Webinar

Thank you for attending our recent 30-minute solutions webinar. Several participants asked questions during our live Q&A session that we were not able to answer during the event. We have gathered responses to these questions, and we invite you to review them at your leisure.

To access the archive of this webinar, [click here](#).

Orbitz for Business and ProMedia.travel Content Solutions would like to thank our panelists once again for contributing their valuable time and expertise to this webinar event.

Jan D. Freitag, Vice President, Smith Travel Research

Jan Lofgren, Vice President, Account Management and Deployment, Orbitz for Business

Q: Is the rate showing at \$196 for NYC a combination of all the hotels? If so do you have data on the upscale rates only?

A: Jan Freitag – The YTD Upscale NYC ADR through March 2009 was \$166.42, down 17.7% from Q1 2008.

Q: The difference now in ADR for Group vs. Transient is \$9.00 where before it was \$16, correct?

A: JF – Yes.

Q: YTD 2009 group/transient rate decreasing, is this just for the Upper Upscale? For transient couldn't it be that the Upper Upscale hotels are just playing more in lower opaque sites that normally they wouldn't look at?

A: JF – Since we only collect the room revenue amount we can only speculate. I assume that

the lower Transient ADR is a mix of discounts and the opening of OTA / opaque channels.

Q: What is the total global revenue for the hotel industry?

A: JF – Very hard to say. There is no official estimate. The math estimate goes something like this: Total US Revenue 2008: \$141 billion. US is roughly 20% of total world room supply, so total world revenue is then \$141bn * 5 = \$600 bn. That is a very rough estimate.

Q: How different is the International market?

A: JF – US-based global chains are developing their family of brands outside of the US, so the room inventory on the upper end can look fairly similar. Below 5 star hotels the inventory is mostly independently operated so there are no chain standards, making overall “global” statements very hard. It really depends country by country.



Q: How long will it take to build back rates? I have renegotiated for 2 years with these newer rates and indicated that I don't want big leaps when those are over.

A: JF – Chances are that rates in 2009 are lower than in 2008 and about flat in 2010 compared to 2009. So, there should be no big swings for the next 24 months.

Q: Is it realistic to try and renegotiate rates if our hotel volume overall is down by a significant percent?

A: JF – Hotels are looking for your business even if you buy less rooms than you did in 2007 – so is everybody else. So, yes, I think this is realistic.

Q: What do you recommend in terms of proactive renegotiations for lower rates in light of buyers market? We are hearing from our preferred hotels that they are willing to lower the rate.

A: JF – Maybe do not focus on rates but focus on value – maybe you can leave the rate intact and instead get more amenities rolled into the price: breakfast, wifi, gym, etc.

Q: Are there specific cities that will allow for a greater opportunity to renegotiate in 2009? Specifically what opportunities exist for the secondary cities?

A: JF – Opportunities in secondary cities have a lot to do with new hotel supply and airlift. Be careful what the “total cost of travel” works out to be, so do not only focus on hotel rates but

also on airfare/rental car costs, which factor into this. But secondary cities are certainly a good place to start looking, given that all markets are hurting right now.

Q: We've renegotiated our hotel program already this year and have obtained some nice reductions. Do you find this to be a common practice to take place a couple of times this year?

A: JF – This year is an outlier. Normally negotiations only happen once per year. This year negotiations could happen one more time, depending on how the summer shapes up.

Q: Group rooms should be higher because hotels have to staff up to accommodate business, catering, cooks, banquet staff, housekeeping, etc. due to the concentrated demand?

A: JF – Normally group rooms are negotiated in bulk and with a longer booking window, so the hotel discounts them.

Q: Group booking window is shorter term due to economy. Average meeting are now booked 90 days out vs. one year.

A: JF – Agreed

Q: Our meeting needs have increased, what would be a good approach for negotiating this business with the more luxury properties

A: JF – Not sure if there is a good approach. They are looking for your business so you have some room to negotiate.



Q: When renegotiating rates, what other items/amenities as a planner should we be looking to ask for?

A: JF – For example: breakfast, WiFi, bottled water, gym, airport transfer, guaranteed upgrade

Q: Do you foresee problems between the hotel and the guest when staying at a conference hotel but booking it at a lesser individual rate.

A: JF – I do not foresee problems for the guest, only for the conference coordinator, since it may be possible the wave of “cancel-rebook”

rooms may hurt the pick of the group rooms. This could lead to penalties for the conference organizer.

Q: How do you see new technologies impacting overall hotel occupancy and meetings? For example, this webinar and AV equipment.

A: JF – When I was in college in 1993, we were warned that video conferencing would take a bite out of hotel occupancies. Turns out, the vast acceleration of technology has only increased the needs for face-to-face meetings. I think that webinars and video conferences can help, but ultimately deals are done by two people sitting across the conference or restaurant table. So I am not too worried.

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