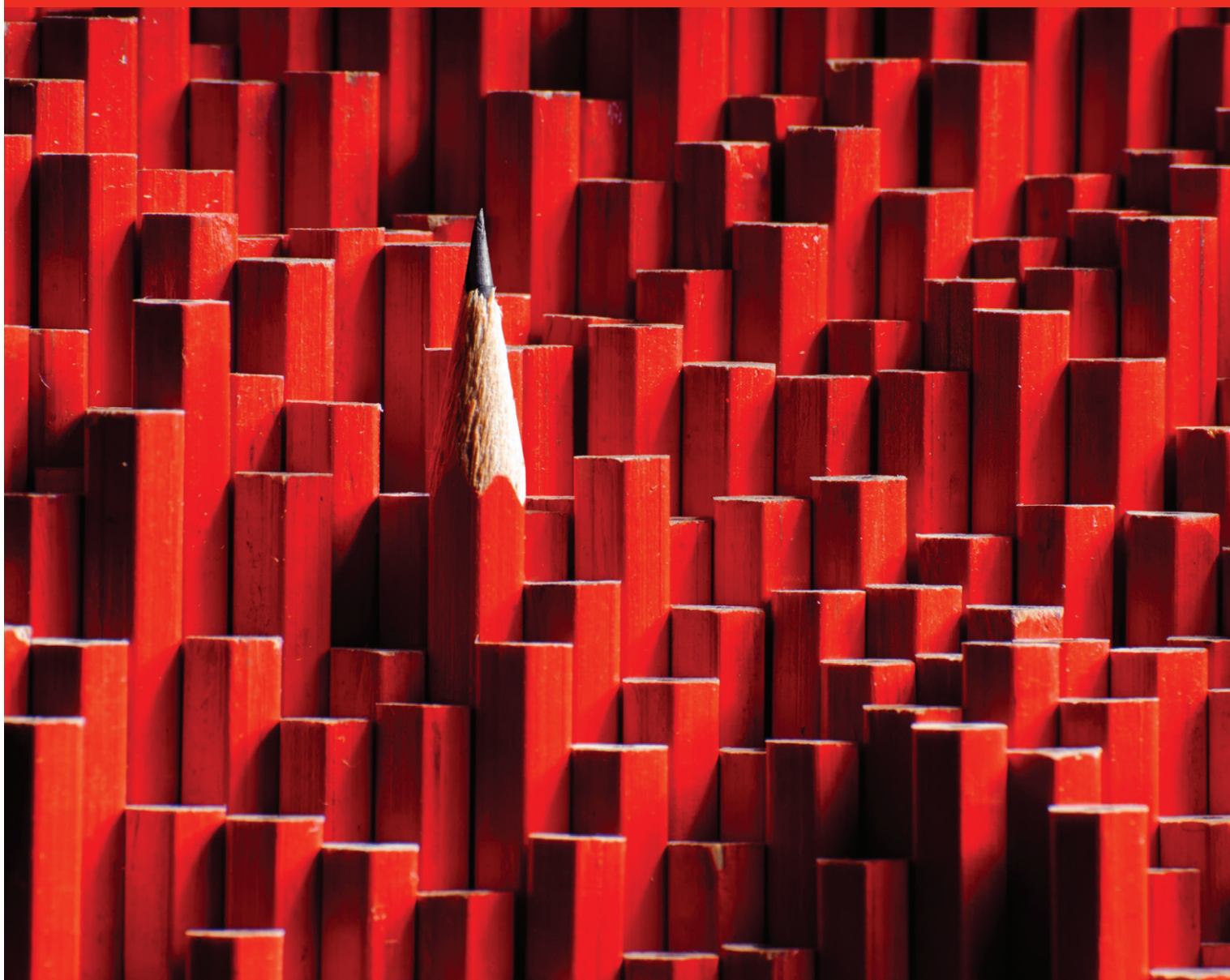




Campus Travel™  
The Smart Choice

## Travel Intuition

Sharpen up your hotel rate negotiation skills



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## With the hotel industry's 2014 contracting season arriving, now is the time for those in the academic sector with substantial room night volume to offer hotels, to be negotiating rates. But how can you lock in more competitive rates with hotels to attain better value for the year ahead?

This paper gives you the insight and strategies to strengthen your negotiation prowess. One of the best ways to achieve competitive rates is to make a start on your hotel program from the beginning of the new financial year.

Early action puts you one step ahead of the many other educational institutions and hotels that will soon be commencing their annual reviews and locking in their room night volumes.

By talking to suppliers early, you will not only have more choice of properties, but also greater chance of rate flexibility among suppliers. Choice and rate flexibility decline as the Request for Proposal (RFP) season peaks and availability becomes more limited. The key is to be organised and plan your hotel program for next year, **now**.

It is equally important to work closely with Campus Travel. Our account managers can help you to effectively analyse your historical data and identify any potential changes that could affect your hotel spend.

### Study the market dynamics

Before you start negotiating your hotel program, it's important to understand the main factors that influence pricing in the industry and what you are likely to achieve. These include market conditions, what hotels are looking for in terms of volume commitment, and your institution or group's anticipated activity for the year ahead.

Understanding these factors will allow you to negotiate with hotels more effectively to achieve rates that better match your organisation's accommodation needs and budget.

Each of these elements are discussed more closely in the following sections.

### The hotel's school of thought

Before launching into negotiations, it's important to know where hotels stand in the negotiation process and what outcomes they are trying to achieve.

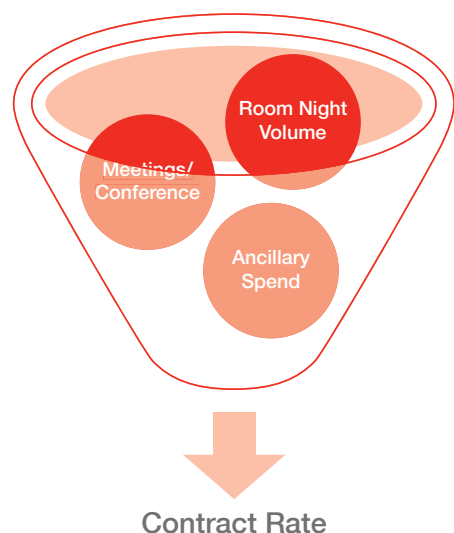
Typical questions asked include: "Has the client stayed with us before? How many room nights did they book and how much revenue did we generate?" And, of course the ultimate question: "How can we leverage more business from them?"

These questions are an important part of the hotel yielding process for their inventory. As much as a hotel wants to lock in your business for the year, they need to ensure it is at the right price so as not to dilute their average room rate. They will therefore keep a close eye on your room night volumes, monitoring regularly to ensure you are tracking towards your room night targets.

Hotels also want to know if there are opportunities to generate more revenue from your organisation, so they will look at your meeting and conference needs. This is a win-win situation as you can often negotiate enhanced value (or value-adds) for your event booking, while the hotel benefits from further expenditure on items such as catering and AV equipment hire.

Similarly, a hotel will view ancillary services such as dining, Wi-Fi and parking as additional revenue generating streams, and encourage your travellers to use these services as part of their stay.

All of these elements combined will give hotels a picture of how much business you will create for the property, and allow them to contract a rate accordingly.



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## Understand the research

As a whole, Australia's domestic accommodation market is relatively stable. While business travel is steady, the academic industry is increasingly looking for more value without the increase in costs. The Q1 2013 data from Campus Travel and Deloitte reveals some variation from city to city and points to the emerging trends, as summarised below.

City	Occupancy (Deloitte)	Rate Growth % Projections (Deloitte)	Avg Room Room Rate Q1 2013 (Campus Travel)	Market Influences	Anticipated Outlook
Sydney	↓ 2%	↑ 3.8%	\$218.00	<ul style="list-style-type: none"> <li>Global markets' rebounding economies are leading to strong inbound travel with Sydney as the gateway into Australia.</li> <li>Imminent closure of Sydney Convention and Exhibition (SCEC) SEP 2013.</li> </ul>	<ul style="list-style-type: none"> <li>Increased International visitor arrivals may result in higher occupancy levels and potential issues with availability.</li> <li>Potential increase in competition between Darling Harbour hotels.</li> </ul>
Melbourne	↑ 1%	↑ 4.3%	\$195.00	<ul style="list-style-type: none"> <li>Melbourne to increase business due to closure of Sydney Exhibition and Conference Centre.</li> </ul>	<ul style="list-style-type: none"> <li>Hotels are locking in additional group business.</li> <li>Upward pressure on rates.</li> </ul>
Brisbane	↓ 1%	↑ 5.7%	\$215.00	<ul style="list-style-type: none"> <li>Limited hotel supply.</li> <li>Increase in apartment style properties to accommodate short and long stays.</li> </ul>	<ul style="list-style-type: none"> <li>Increase in non last room availability.</li> <li>Newer apartment style properties may offer lower rates but with limited service.</li> </ul>
Perth	↓ 1%	↑ 9.3%	\$259.00	<ul style="list-style-type: none"> <li>Mining sector continues to drive price growth.</li> <li>Limited supply of accommodation.</li> </ul>	<ul style="list-style-type: none"> <li>Increase in non last room availability offers.</li> <li>Expect continued room rate growth for the year ahead.</li> </ul>
Darwin	↑ 9%	↑ 3.9%	\$239.00	<ul style="list-style-type: none"> <li>Major oil and gas construction boom</li> </ul>	<ul style="list-style-type: none"> <li>Traditionally a seasonal market, the high season is extending until the end of October.</li> <li>Hotels are now offering dynamic rates year round.</li> </ul>
Adelaide	↑ 1%	↑ 2.9%	\$175.00	<ul style="list-style-type: none"> <li>Market remains steady.</li> <li>Good mix of 3-5 star properties.</li> </ul>	<ul style="list-style-type: none"> <li>Rates should remain relatively stable for the year ahead.</li> </ul>
Canberra	↓ 6%	↑ 3.5%	\$220.00	<ul style="list-style-type: none"> <li>Government agencies continue to look for budgetary savings, hence a decline in demand for accommodation.</li> </ul>	<ul style="list-style-type: none"> <li>More stability once (2013) Federal election is over</li> </ul>

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## Do your homework

Now that you understand what hotels are looking for, it's imperative that you know what your own organisation will bring to the table. Prior to negotiations, you need to look at the fundamentals of what your travellers are doing.

Providing hotels with information on your overall productivity figures i.e. your expected booking volume for the year, will assist greatly when negotiating.

If your institution has any upcoming projects or major events to be held in certain locations, consider the extra room night volume and how this can help boost your negotiations. You could either sharpen rates further with the hotel, or source additional options.

Also consider your campus and office locations and look at sourcing accommodation in the vicinity to avoid extra spending on taxis, for example. Take into account potential relocations throughout the year and how this will affect room night volumes.

## How Campus Travel can improve your results

Campus Travel's Global Hotel Contracting Department offers extensive hotel industry knowledge and can manage your hotel program from start to finish.

Our team will guide you through the negotiation strategies to help you achieve your objectives and add value to your hotel program. Campus Travel will:

- work closely with your university or learning organisation to understand your room night volume, and report on your room nights to help you track your accommodation spend
- take a targeted approach to identify the best selection of properties for your organisation in each city based on proximity to your campuses and offices, standard of accommodation required, and budget
- identify the opportunities for your organisation to reduce costs by negotiating value-add inclusions to help save costs on ancillary services
- pinpoint areas of hotel consolidation to optimise leverage.

## Consolidation – it all adds up

While educational organisations without a mandated policy may perceive that using a wider variety of hotels provides access to cheaper rates, the best overall savings come from a consolidated approach.

Building relationships with just two or three hotels in each city gives you more strength in negotiation, resulting in more competitive rates for the longer term. And by working with

Campus Travel to carefully target your hotel selection, you can achieve the dual benefits of cost savings for your organisation and accommodation that fits the needs of your travellers. With a consolidated approach, you can also promote your preferred hotels to your travellers more easily, which increases your policy compliance. The more effectively you can consolidate your hotel selection and booking processes (through your travel management company), the more savings your hotel program will deliver.

## Smarter cost-savings

Once you have identified the properties you want to be part of your hotel program, Campus Travel can help you negotiate on:

- the best price option specific to your volumes
- fixed last room availability rates, particularly for large institutions with high booking volumes
- value-added services such as Wi-Fi or breakfast, dynamic rates for institutions that don't have sufficient volumes to contract fixed rates.

Organisations with a high number of room nights can expect to receive more in terms of competitive rates and value-adds. However, organisations with lower volumes can benefit through strategies such as dynamic rates and negotiating their hotel programs before the RFP season peaks.

### Quick guide to hotel rates

**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. Learning organisation 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.

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