



MEETING PLANNER GUIDE TO ROOM BLOCK MANAGEMENT & AVOIDING ATTRITION

THREE STRATEGIES HOTELS USE
TO FORECAST GROUP BUSINESS

Powered by *zentila*



ABOUT THE AUTHOR:

Mike Mason is a 25-year veteran of the meetings industry. He was named one of 2013's Top 25 Most Influential People in the Meetings Industry by *Successful Meetings Magazine*.

Avoid Attrition: Successfully manage your room block.

Three strategies hotels use to forecast group business.

No one wants to be stuck paying for something they don't use. Gym memberships, a Groupon for the dolphin swim, magazine subscriptions ... All of these purchases start off with good intentions. Then what happens? You become too busy to hit the gym, forget all about the Groupon, and never manage to read the magazines.

You start off with an idea of what you are going to do, and then life gets in the way. This can also be true of the group you contract. When it comes time to meet the room block commitment, there are often many unexpected factors that affect the overall pickup. I bet a few of these sound familiar...

- *The economy: Nothing says under-performance more than a down economy.*
- *Airlines: Grounding, weather, and recently, the reservation system.*
- *Layoffs: Companies are still trying to do more with less*
- *Mergers and acquisitions: Some companies are undervalued, others are ready to take over*
- *Budget cuts: Sending less people than the year before*
- *Billy: He's sick. Daddy can't attend.*
- *Daddy: He's sick. And he can't attend.*
- *Grandma: She's sick. And the list goes on ... you get the point.*

Factors That Affect Your Room Block

Mergers/Acquisitions

FLU

Layoffs

Budget Cuts

AIRLINE DELAYS

**Priorities
Shift**

economy

HOTEL

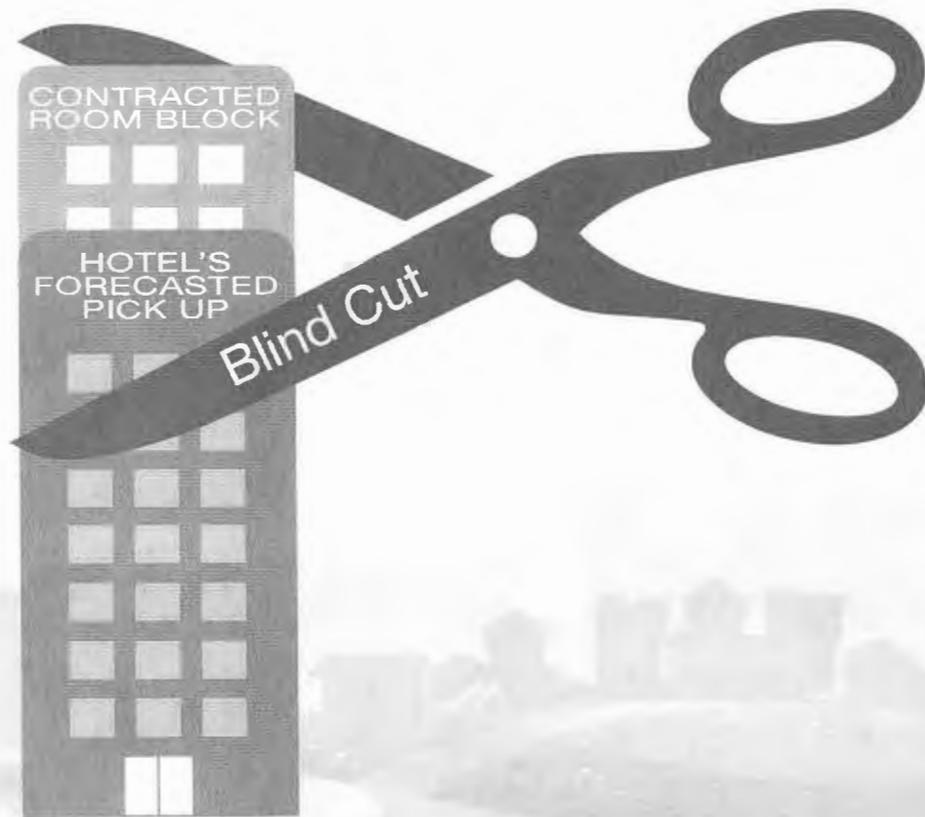
BLIND CUTS

CUT OFF

ATTRITION

The good news is that hotels are familiar with these (and so many more). Most are completely out of your and the hotel's control. Knowing how hotels deal with the uncertainty will help you make better decisions in managing your room block.

*There are three strategies that hotel revenue managers depend on to help them make the most of their room inventory: **Blind Cuts, Cut-off Dates, and Attrition.** Let's take a look behind the curtain and into the hotel revenue management office to give you a sneak peek at how they manage inventory -- and, more importantly, how it can affect your room block.*



The Blind Cut

Asking for 100 rooms for three nights? Both you and the hotel want to see that happen just as planned, but the hotel will often hedge its bets a bit and will forecast your actual pickup at 80-85% of your contracted numbers. This process is known in the industry as a “Blind Cut” because that forecast is often not shared with the client. Some hotels may take it a step further and proactively reduce the room block that is committed to your group if they are concerned that your contracted numbers are too high and not representative of what you will actually use.

How the hotel arrives at the forecasted pickup numbers — and how they decide when and how much to Blind Cut a room block — is a process that includes a review of your group’s previous meeting history, the type of event, and the overall demand in the hotel and the city. Hotels have more data on how room blocks pick up than you’ll ever want to know, and they’re usually right.

So what does this mean for your group?

Generally nothing, if the hotel isn't going to sell out. If you need more rooms than the hotel is forecasting, it will be able to meet those needs. However, if the hotel is very busy over your meeting dates and has your pickup forecasted too low, you can save a bunch of pain and get ahead of any problems by knowing the real room block numbers that the hotel is actually expecting from your group. Here are some strategies for managing this conversation with the hotel.

What you can do:

- 1 Knowledge is power:** Before you sign the contract, **ask what the hotel will be forecasting for your actual pickup.** The sales manager may be surprised to hear that question from you, but gaining an understanding about how the hotel manages your block after the contract is signed will give you the insight you need to stay on top of things.
- 2 Set expectations on room block communications:** The sooner you can convey your thoughts on your pickup, the better for both you and the hotel. Although it's unlikely you'll have any real indication of pickup before 30 or 45 days out, you can do some work on your end to help you add confidence. Send out a quick survey to the potential attendees. Talk with the meeting owner about their thoughts. And of course, review your meeting history (if the meeting has been held before).

Speaking of history, be sure to **share this information with the hotel** when possible. If the meeting is mandatory and you feel confident the room block commitment will be met to the full amount, let the hotel know. Hotels will take this information into consideration when forecasting during your meeting dates.

3 Ask for the hotel forecast: When your event is 60 days away, ask your sales manager what total occupancy they're forecasting over your meeting dates. Then have them update you every other week until your arrival date. Most hotels actually begin building forecasts months in advance. However, there are still a lot of assumptions in place. If you find that the hotel is forecasting a 90%+ occupancy on any day over your meeting dates, you'll want to have a conversation. The conversation can go two ways:

- If you feel you'll meet or exceed your block: Let them know this ASAP. Right now that forecast likely has you achieving only up to the Blind Cut. Giving the hotel your thoughts on pick-up will help them protect your block while better forecasting their occupancy.
- If you're likely not going to pick up your full block: Tell them ASAP. When a hotel forecasts 90% or higher occupancy, they'll begin to cut down on different channels in order to get the highest rate possible. Letting them know ahead of time will enable them to keep these channels open longer and give them an opportunity to sell the guestrooms you will not use.

Accurate forecasting is a key way that hotels manage their inventory and maximize their occupancy. Knowing how your hotel partners manage that forecasting process will help you protect your own block, while avoiding attrition penalties or possible walks.



The Cut-off Date

Negotiating your reservation cut-off date is just the beginning of the process. Learning to effectively manage to it is the real trick.

When it comes down to negotiating your hotel contract, few clauses are as impactful to the overall success of your event than your reservations clause and cut-off date. As a refresher, the cut-off date is the date when all of your room reservations must be made. By "made," I mean either the date your rooming list is due to the hotel or, if there's no rooming list, the date when your attendees must have made their own reservations. Any rooms left unused in your block after this date are returned to the hotel inventory and put up for general sale. And often these rooms are sold at a higher rate than your negotiated group rate. This becomes a real bummer for those who procrastinated in making their reservations (which I'm notorious for doing – ugh!).

Why do hotels care about my cut-off date?

Before we dive into some key strategies you can use to better leverage the cut-off date, let's quickly review why the date exists in the first place.

Everything a hotel does relating to your room block is for one purpose: to drive occupancy. The cut-off date is no different. By forcing groups to fill their room blocks early – hence, the cut-off date – the hotel has a better shot at managing around the block to fill as many rooms as possible. The more time they have to fill the rooms, the more likely they'll actually fill them.

Strategies you can use to mitigate the effect of the cut-off date on your program:

The first, of course, is in your contract negotiations, by working to **get the cut-off as close to your arrival date as possible**. The hotel will probably agree to anywhere from a 30- to a 21-day cut-off, depending on the demand. Less demand means more flexibility on the cut-off date. In peak season, you may find cut-off dates as long as 45 days from arrival.

The key: hotel occupancy forecasts

Start by asking one question to the hotel reservations manager at 90, 60, 45, and 30 days out: **“What's your forecasted occupancy over my group's dates?”** You see, hotels today have some very slick technology that enables them to predict their occupancy pretty far out. This is great news for you, as you'll be far more effective at managing your own block with this information. The hotel's response will drive all of your decisions from this point forward in managing to your cut-off date. I should mention here that if your group is generally good at timely reservations or registrations, then you probably don't need to read any further. However, if your attendees are like most, procrastinating all the way to the end, read on.

Here's how to act depending on what you hear.

1 Hotel's Response:

"We're forecasting 90% [or higher] occupancy."

Anything above 90% means the hotel is yielding their inventory – that is, charging higher rates as the occupancy grows – and will not allow you to have your negotiated rate after cut-off. Assume the hotel will sell-out, and act accordingly.

Steps to take:

React now: Communicate to your attendee list immediately. Let them know to get their reservations in by the cut-off date or they'll likely be out of luck.

Track it: Create a simple chart to track the hotel's occupancy forecast each time you call. [Click here to download Zentila's simple hotel occupancy tracking spreadsheet.](#) This will give you more insight into the speed in which reservations are being made and allow you to adjust if, for instance, the hotel is on pace to sell out earlier than expected. Hotels also have tools available to help you track your progress with the room block. Ask them to include the hotel's forecasted occupancy when sending you the updated pickup report.

Pick up the pace: At 45 days out, create a communication plan to get those latecomers to make their reservations quickly. Maybe offer up a special incentive or do a drawing for those who make their reservations prior to the cut-off date.

2 Hotel's Response:

"We're forecasting [something less than 90%] occupancy."

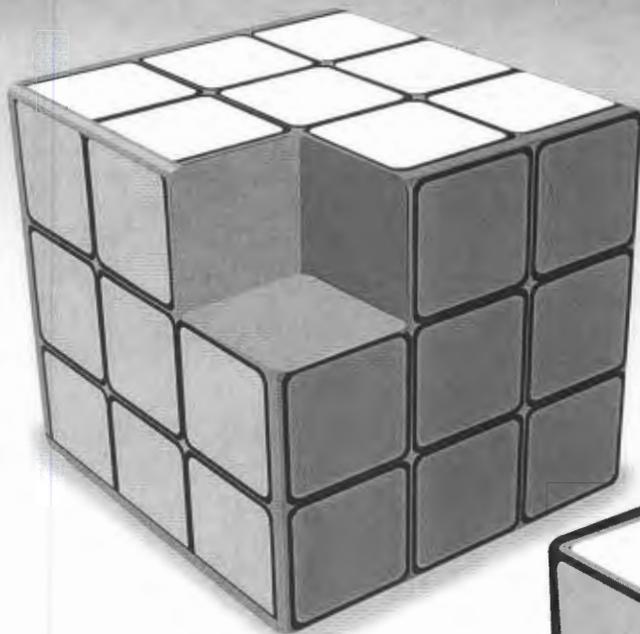
Steps to take:

Rest easy, but with one eye open: Likely, your cut-off date is now just an exercise to get you to fill the block early. In reality, if you needed more time – in fact up to the day of arrival – you just might get it. A good practice during the contract stage is to ask that the guestroom rate be honored after the cut-off date, based on hotel's availability. That way your latecomers are able to make reservations under the group block and still get the benefit of the great rate you negotiated.

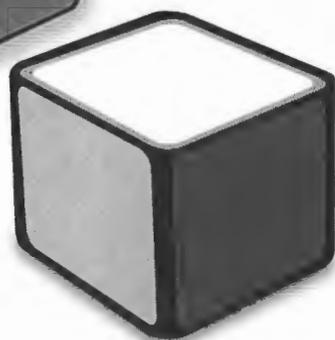
Don't be fooled: Still ask the "What's your forecasted occupancy over my dates" question at 60 and 45 days out from your group's arrival. Things often change quickly (like a last-minute group selling out the hotel).

The most important thing to remember: By communicating frequently with your hotel, you'll gain the most control over your reservation cut-off date. I should add that it's also critical that you let the hotel know of any challenges you're having in filling your blocks. Often they'll step in to lend a hand, whether by creating marketing pieces for you or even by offering early-bird incentives.

No one wakes up in the morning and says, "Gee, I'd loooove to manage my group's reservation cut-off dates today!" Nevertheless, keeping an eye on the calendar and talking with your hotel sales manager 90, 60, 45, and 30 days before your event will go a long way to controlling costs and eliminating surprises.



Room Block Pickup



Allowable
Attrition

Attrition

It's a little like the plague: Everyone wants to avoid it.

As a refresher, attrition is a term used describe when your actual room block pickup is less than what you contracted – if you don't "make" your room block, then you're "in attrition." The term also describes the amount of leeway a hotel offers you if you don't pick up your block – as in, "You have 20% allowable attrition."

You may not think the hotels care about attrition since they are still getting paid. However, if you consider they would much rather have the room occupied by a guest that is going to spend money in the lobby bar and order room service, then you can see why they would like to avoid attrition just as much as you.

Hotels have figured out a few different ways to calculate attrition. Let's talk about the different options.

Here are the three key points to keep in mind when negotiating the allowable attrition clause in the contract: **Timeframe**, **Percentage**, and **Penalty**. Properly setting up the attrition clause in your contracts can save your company thousands if you ever find yourself in a situation where your block isn't picking up as planned.

1 Timeframe

There are typically two types of timeframe concepts hotels use to help them proactively manage your room block: The **stair-step method** and the **cumulative method**. (Some hotels may use a combination of the two.)

Stair-step method: In this method, a hotel lets you gradually reduce your room block over a series of timeframes. This was originally done to help the hotel better manage their inventory by asking you to reduce your block further out. The clause will look something like this:

- From contract signing to 90 days out: You can adjust your room block by 10%.
- From 89 days to 60 days out: You can adjust your block by 5%.
- From 59 days to 30 days out: You can adjust your block by 5%.
- Inside 30 days there will no allowable reduction in your room block.

Negotiating the stair-step method: The challenge with this method is that you are being asked to make a decision on your block further out – when it's likely you won't have the necessary data to make an accurate decision. Another problem is it requires you to remember each date, which if you're at all like me, requires triple reminders.

Minimize the steps: Your goal here is to remove as many steps as possible, starting with the steps that are furthest out. Looking at the example above, try to get all steps combined so that you can drop 20% up to 30 days out.

Make the largest reduction as close to arrival as possible: The example above sets the largest reduction as the earliest decision. That's great for the hotel but not so great for you. Work to reverse that so you can reduce the highest percentage when you have the most information about how your block is picking up.

Cumulative method: This is the simplest and, in most cases, the most advantageous to your organization. With this method, the calculation occurs after you have checked out. The hotel adds up your total contracted room block (including any pre- and post-event rooms), then subtracts your actual total pickup to determine whether you're within the allowable percentage. Here's a sample clause that offers an allowable attrition of 80%:

Hotel is relying on, and Group agrees to provide, a minimum of 320 guest room-nights. Should the Group fall below this amount, the Group will be responsible for the difference between the minimum guest room nights and actualized guest room nights multiplied by the single convention guest room rate multiplied by 80% (guest room minimum minus guest rooms actualized multiplied by single convention room rate multiplied by 80%), plus any applicable taxes.

Negotiating the cumulative method: Here are two tips for getting the most out of the hotel when you are negotiating this type of clause.

- **Pre- and post-event rooms:** In this method, every room night counts. Be very careful about how many rooms you block before and after the meeting. Depending on your situation, you may or may not want your pre/post rooms in the calculation. However, you may want to ask that forecasting question again. If the hotel is forecasting to sell out during your pre nights, you may run into an issue with attendees trying to make their reservations, possibly being asked to stay at another hotel for the first night.
- **Discounted rooms:** Make sure that all rooms count toward your pickup. Oftentimes, hotels will remove the discounted rooms from the calculation. Insist that all rooms apply.

2 Percentage

The percentage refers to the amount of your contracted block the hotel will allow you to reduce without penalty. The typical attrition allowance ranges from 15% to 20%.

Negotiating the percentage: Pushing for any more than the typical range can be a challenge, as it sends the message that you don't have confidence in making your block. Hotels may ask you to reduce your contracted block: "If you're only looking to commit to 75 rooms [from 100 rooms contracted], then let's bring down the contracted block." That said, it's not impossible, especially if your meeting isn't happening during peak season.

- **Add a step:** If you can manage it, add a step at 60 days and ask for the opportunity to reduce by the extra amount then. The more time you give hotels to react to reductions, the more likely they'll allow it. The more notice you give them, the better chance they have of reselling the rooms.
- **Agree to reduce space accordingly:** For hotels, it's all about time and space – meeting space that is. If you need more attrition, agree to give up space at an agreed-upon number of days prior to the event if you find you need to reduce your room block. Be specific on what space you're willing to give up and when. Remember, for group hotels, they have a better chance of selling guestrooms if they have meeting space to go along with it.
- **Hey wait, I know my block is going to pick up!** Oh, now you're talking. Too many times planners don't leverage this for their benefit. If you know for sure that you're going to fill your room block, then use this to get some extra stuff. If the hotel offers you 20% attrition, and you know you don't need it, suggest 10% in exchange for two extra suite upgrades or a room rate reduction.

3 Penalty

No bones about it, paying for unused rooms is a drag. Hotels hate asking their customers to pay, nearly as much as customers hate paying it. But there are things you can do to mitigate the pain, if after all of the shrewd negotiations, you still find yourself in “that place.”

Negotiating the penalty clause: Typically hotels will ask for payment equal to the number of rooms in penalty, times the room rate. Strategies to mitigate this rely on leveraging your total meeting spend and knowing a little about hotel profit centers.

- **Base the calculation on rooms profit:** Instead calculating the penalty on the whole room rate, ask for the calculation to be based on profit. Typical rooms profit is 80%, so start there.
- **Do you have a big food and beverage spend?** If you know you're going to exceed your F&B minimum, leverage that and tie it back to attrition. A sentence like the following can be added to your attrition clause. “For every dollar in attrition penalty owed, a credit of \$0.50 for every dollar spent in F&B above the minimum F&B will used to offset the expense.”
- **Ask if they are interested in your next meeting:** So you fell short of your room block commitment, but still had an excellent meeting. You loved the hotel and the hotel loved you. Ask if you can apply a portion of the paid attrition fees towards a future meeting. Typically most hotels will welcome the opportunity to apply 25-50% of the paid fees towards a similar sized meeting.

Attrition is a naturally occurring phenomenon in the meetings industry. Block performance is critical to your ability to secure hotels in the future. Laying out your strategy in the contract will ensure you protect your company against unbudgeted expenses, and also against creating a historical fingerprint on your meeting, which may hinder your ability to secure hotels next time.

You are now armed with the knowledge of **Blind Cuts, Cut-off Dates,** and **Attrition.** You will be better prepared to deal with any of the unforeseen circumstances that might arise during the next meeting. Take the hotels by surprise and ask the forecasting questions. It will show them you take your commitments seriously and have taken the time to understand how the business operates. With a fair amount of knowledge and a bit of luck, you just might be able to avoid the plague...urgh...I mean attrition.



QUESTIONS?

Want to learn more money-saving factors to consider when booking your next meeting? We're here to help.

EMAIL



LIKE WHAT YOU READ?

We've got tons of meeting experience and we share much of that knowledge on our blog.

BLOG



GET STARTED.

Schedule a demo. We'll walk you through Zentila's time-saving features in 20 minutes.

DEMO

ABOUT ZENTILA

We've been in the meetings business for a long time. And over the years we've watched the whole process of booking meetings and tracking spend become way more difficult than it needs to be. There had to be an easier path. So we created Zentila to give companies and individuals an easy way to source & book meetings while capturing important meeting spend data to help save time and money.

Search Hotels



Powered by
zentila