Hotel-Contract Negotiation Tips

When it comes to hotel contracts, everything is negotiable, from amenities to food and beverage. Here’s what experienced corporate event managers have learned about how to negotiate the best deal.

By Whitney Archibald
1 Develop Your Own Contract

The ideal starting point for contract negotiations is to write your own version of the hotel contract. Joan Eisenstodt, chief strategist of Eisenstodt Associates, and Edina Lessack, CMP, president of Meetings and Events USA, have both developed contract templates, which they send to a hotel after they receive its proposal and contract. They recommend working directly with a lawyer to write your own contract.

Even if a hotel doesn’t accept your contract, the process of writing it will help you clarify what you want included in the hotel’s contract. While negotiating, you can add clauses from your own contract to the hotel’s standard contract.

Writing your own contract allows you to protect yourself against problems you’ve had at other events and to provide for the specific needs of your attendees.

2 Get Everything in Writing

If the hotel doesn’t accept the contract Lessack prepares, she sends the hotel a prioritized list of items she wants included in the hotel’s contract. These items should not surprise the hotel. By the contract negotiation phase, the hotel should know your basic needs for the event, based on your request for proposal (RFP) and subsequent conversations.

“As you’re establishing your relationship, you should talk about your wish list the whole time,” Lessack says. “But don’t rely on the fact that you talked about it. Put it in the contract.”

3 Read Every Word

Eisenstodt suggests that you not only read every word of your hotel contract, but read it three times — carefully. “I approach each contract like I’m reading a detective story,” she says. “I like to figure out exactly what’s happening.”

Laurie Tralle, site-selection chair of the Upper Midwest Association of Collegiate Registrars and Admissions Officers, learned to keep an eye out for hidden fees as she read the contract for the association’s annual conference last year. “I was digging through the contract and I saw that they were charging $1 per chair to set up the room,” she says. “It wasn’t a deal-breaker, but it certainly alerted me to what else might be hidden.”

Lessack once helped a client save money by reading carefully. Her client planned to set up 15 tabletop exhibits in the same room with the food. While reading the contract, Lessack discovered that the hotel charged exhibition fees for security guards, extra electrical hookups, and cleaning. When she challenged the hotel about the charges for such a small exhibition, it waived the fees.

During negotiations, ask the hotel about each of its charges. Claire Gould, owner of Possibilities Unlimited, a meeting-planning Develop Your Own Contract and design firm, always tries to renegotiate resort fees, which can include anything from healthclub usage to in-room coffee. Gould tries to negotiate away any charges that do not apply to her guests.

Gould has also noticed that hotels often add a maid-gratuity charge to the cost of the room without telling the occupant or the event planner.

Recently, Eisenstodt has noticed new policies and practices in the industry, such as early-checkout fees, extended-stay fees, and fees for substituting one
name for another on the registration list. Ask the hotel for a copy of its registration policies, including a breakdown of charges for rooms, food and beverage, and other fees.

4 Negotiate For Amenities

You can also negotiate for specific amenities to be included in a contract for free or at discounted rates.

Lessack gives a long list of examples, including free parking, free local calls and no charge for 800 numbers, Internet service, access to the health club, complimentary shipping and receiving, room upgrades, airport transfers, and the use of hotel props and décor. Many of these requests do not cost the hotel extra money, and are easy for it to grant.

You can also ask the hotel to exclude some of these amenities in return for lower rates or discounted fees. Providing the hotel with historical information about your attendees can help you negotiate amenities away. For example, if your customers have rarely used the hotel spa in the past, you can negotiate to waive spa fees.

5 Specify Penalties

Most hotel contracts include specific penalties if you fail to comply with the terms of the contract, but many do not include penalties for the hotel if it cancels your event or fails to meet other terms in the contract.

Terry Blumenstein, managing partner at Coordination Plus LLC, included a “no competitors” clause in a hotel contract for one of his clients. Sure enough, a competitor called the hotel and wanted to book it right before Blumenstein’s event, overlapping on the first day.

Blumenstein negotiated a compromise with the hotel that would allow the other group to hold its event — under certain conditions. The hotel had to guarantee early check-in for Blumenstein’s group, offer the suites at the regular group room rate, and provide a gift certificate for a complimentary room for a three-night stay. The other group had to agree to early checkout on the last day of its event, no planned activities on the overlapping day, maximum limits on number of rooms, and no listings on the reader board that displays the meeting-room schedule on the overlapping day.

Blumenstein also included penalties to protect his client if the hotel breached the contract. The hotel agreed to credit $10,000 to the client’s account if the competing company held an unauthorized group event, and it agreed that if a guest’s room was not ready by the early check-in time, the guest would receive a $100 credit to his or her room account. Any money left over from that $100 would go into the client’s master account.

6 Sell Your Event to the Hotel

If a hotel recognizes the value of your business, it will be more willing to negotiate in your favor. To help the hotel recognize this value, says Eisenstodt, “you have to know what your meeting is about and what it will bring to a facility; then ask the facility what its priorities are.”

Emphasize the aspects of your event that will bring the hotel revenue. For example, a typical hotel makes a 70-percent profit margin on sleeping rooms, a 20-percent profit margin on food, and a 70-percent profit margin on beverage. Other hotel assets, such as meeting rooms, do not provide the hotel significant revenue. In fact, if you don’t use them, they’re likely to sit empty during your event. Because of this, free meeting space may be easy to negotiate.

Make small adjustments to your meeting in the hotel’s favor, such as booking your event over non-peak days like Monday, Tuesday, and Wednesday, or...
booking multiyear contracts. These concessions may give you more leverage during negotiations.

You can also benefit by keeping the needs of your sales manager in mind. If you do, he or she may be more willing to accept your negotiation terms. “If it’s the end of the quarter, your sales manager may need to close your contract for that quarter in order to get credit,” Lessack says. “If you work with him to close the deal in time, he may offer you better terms.”

Above all, says Lessack, make sure you are fair and flexible with the hotel. “You’re not in this to cheat them out of what’s rightfully theirs,” she says. One of Lessack’s clients had sponsors who each wanted meeting rooms at the event to meet with prospective clients. “The hotel called me and said, ‘I can’t give away all of this space,’” she explains. “I told the hotel to charge my client for it. I called the client and told her that she couldn’t expect to get all that space for nothing. She didn’t have that many sleeping rooms. She ended up paying the hotel — what’s right is right.”

7 Customize the Contract to Your Attendees

Once negotiations begin, prioritize your negotiation points based on the specific needs of your attendees. For Tralle, room rate is most important. “Many of our people are from Podunk, MN, or ND. If sleeping-room rates are high, people have a hard time selling the conference to their bosses.” She also asks for free meeting space, and requires the hotel to allow her to bring in AV equipment.

However, Tralle balances these demands with concessions in the hotel’s favor. Her association serves breakfast, lunch, dinner, and snacks throughout the three-day conference. The association also holds its event on Sunday, Monday, and Tuesday — off-peak days for most hotels.

Lessack has a client whose guests are notorious for registering late. “I can’t even tell what the attrition rate is until the guests actually get there,” she says. So when she negotiates a contract for this group, she asks for a late attrition cutoff rate.

8 Define Terms

Eisenstodt often testifies as an expert witness in court cases regarding hotel contract disputes. She finds that the majority of cases come down to how each side interprets the language in the contract.

She once testified in a case between a hotel, Hilton Pointe at Squaw Peak in Phoenix, and Healthdyne Technologies Inc., a medical device manufacturer in Marietta, GA. The hotel contract stated that Healthdyne could cancel its event if the hotel had not made “significant progress” on renovations that the hotel was undergoing at the time of the signing. Healthdyne cancelled the event a month before the scheduled date because it claimed the hotel had not made significant progress. However, the court ruled that the hotel had finished significant renovations, and the hotel won the case.

According to Eisenstodt, Hilton Pointe and Healthdyne could have avoided the lawsuit by defining “significant” in the contract. When you come upon an ambiguous term in a contract, make sure that you and the hotel agree on what the term means, and then put that definition in the contract.
9 Ask Questions

Throughout the contract negotiation process, ask open-ended questions about the contract terms and how the hotel operates, such as one of Eisenstodt’s favorites, “Can you tell me more about your check-in policies?”

She also asks about in-room amenities, with questions such as, “Do the rooms have a refrigerator that’s usable for more than a mini-bar?”

Eisenstodt also asks about taxes. “You may think you’ve negotiated a great room rate, until you realize the tax is 18 percent,” she says.

Also, ask whether the hotel uses union labor. If so, make sure you know the hotel’s labor policies so you don’t run into extra fees. Eisenstodt once had a presenter at an event who wanted to videotape his seminar for personal use. Since the event was at a union hotel, if he had taped the seminar himself, and union workers discovered it, the union could have stopped the event.

10 Protect Yourself

Hotel contracts almost always include clauses that protect the hotel if you cancel your event or fail to meet your room block. These clauses are fair, in theory, because the hotel may forfeit other business to accommodate your event.

However, you need to protect yourself under these clauses as well. The attrition clause should allow you to audit the hotel-registration list, so you can get credit for attendees who book outside your block. You can also include a resell clause that requires the hotel to make an effort to sell the rooms you do not fill.

When negotiating the cancellation clause, make the clause reciprocal, so you are protected if the hotel cancels. You may also be able to negotiate a rebooking clause that allows you to reschedule your event without penalties if you need to cancel.

Finally, make sure that your contract includes a force majeure clause, which allows you to cancel without penalty in the event of circumstances beyond your control. A typical force majeure clause includes acts of God, such as natural disasters, but you can also add circumstances such as acts of war, terrorism, and disease outbreaks.

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