

Diversity of approach

A modern hotel
RFP process



Introduction

Corporate travellers' accommodation needs are changing. Increasingly, they are looking for a home away from home, replete with all their technology requirements. They want somewhere comfortable from which to work, as well as access to vibrant communal spaces to meet colleagues and socialise. These trends are also shaping the request for proposal (RFP) process between businesses and accommodation providers.

Traditionally, corporate travel managers working for large multinationals have negotiated RFPs with preferred hotel suppliers on an annual basis with up to 1,000 different hotel groups.

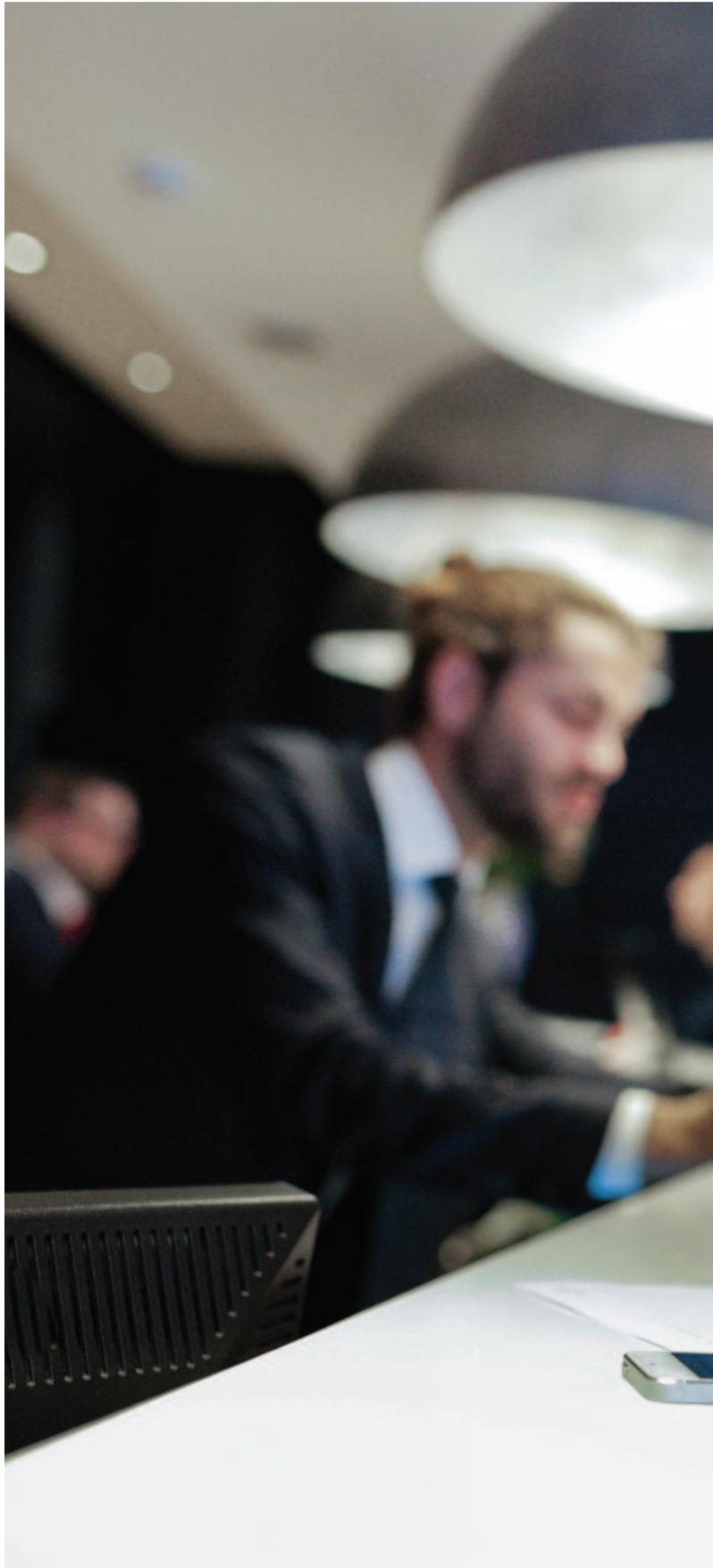
Through this process, businesses have been able to negotiate the best rates for travelling executives. This also helps businesses execute their duty of care obligations for travelling employees by having data on their whereabouts.

However, some businesses are reconsidering the RFP process to streamline it and meet staff members changing accommodation preferences.

Rather than having RFPs in place with scores of hotels, some businesses are moving to a more slimline program. An emerging model is for large corporates to directly negotiate with a handful of preferred suppliers who can meet employees' accommodation needs and work with travel management companies to outsource the long tail of other hotels in non-central locations at which staff stay. Other multinationals are completely outsourcing this process.

At the same time, some businesses are giving their travelling employees more discretion over their choice of accommodation, allowing them to book their own rooms within certain guidelines.

This report explores these themes and examines new approaches to corporate travel that help better meet the needs of business travellers, assist employers with their duty of care obligations, and still allow businesses to manage their hotel spend.





Negotiating people-focussed travel

While once most major multinationals followed a similar RFP process negotiating with multiple hotels on an annual basis, different models are emerging, each having different value propositions. The right choice will depend on the business and its accommodation needs.

For some businesses, it will still make sense to hold multiple hotel contracts directly. For others, it may be more sensible to provide employees with a set accommodation budget and greater autonomy over where they stay. Other businesses may prefer to strike a balance between these two options. The right choice requires an evaluation of the business's requirements, its accommodation budget, and resources at its disposal to conduct negotiations.

EY is one example of a major global business changing its approach to its hotel accommodation program.* In May 2018, it embarked on a new hotel sourcing format based on a modified, fully dynamic hotel rate program. A dynamic rate discount involves a discount from the best available rate at a particular property. It's akin to market pricing based on supply and demand at a hotel.

Under this model, when hotels are busy, the best available rate rises, but when they are not busy, the rate goes down. Experts suggest the real benefit is the hours and resources it saves corporates compared to having to negotiate RFPs.

In EY's case, it has put in place annually-updated city caps that place a ceiling on the rate travellers pay in a market to help control costs. The new approach moves the professional services firm away from a six-monthly hotel RFP cycle involving 4,000 properties, to one that takes only six weeks to complete.

"The biggest part of creating a strong hotel program is solid analysis. Some businesses may have a huge spend that's fragmented over hundreds of destinations. Others may only require accommodation in six destinations. Where you have substantial requirements, there is a need to create a corporate program with the hotel or hotel group. This involves substantial work," says Pauline Houston, Global Director of Hotel Community, American Express Global Business Travel (GBT).

"When staff travel frequently to a destination, the aim is to consolidate their options among 10 to 20 hotels, which can accommodate the business's needs and have rooms available even when occupancy rates are high. It's important to seek staff feedback throughout this process to find out which hotels are in easy reach of central business districts and transport," she says.

It's useful for businesses with a large hotel spend to put in place formal contracts with hotels or hotel groups, to ensure the business receives the best rates possible. While many companies put in place 12-month contracts, often two-year contract terms are a better approach, given it may take six months to negotiate the contract, followed by six months of monitoring.

Another approach is to negotiate with half the hotels with which the company does business in year one, potentially the largest hotels, and negotiate the remainder of the contracts the following year. That way, the business only needs to negotiate half the program each year. This will substantially free up the travel manager's time.

When it comes to the tail end of the program involving business travel to more unusual locations, the idea is to put in place guidelines to assist staff to choose where to stay. For instance, they may be required to book through a particular travel agent using a company credit card, or they may need to abide by specific terms and conditions when choosing a hotel. This ensures the business has visibility over where staff are staying. Another option is to cap the amount staff can spend on accommodation, requiring them to pay any amount over the cap themselves.

"That happens in strong programs, and it works really well. But it's generally not suitable for the entirety of a business's hotel program. This is because it's unmanageable and wouldn't achieve the level of savings required. But it may be suitable for unpredictable travel requirements in more unusual locations," says Pauline.

* As reported in "EY Overhauls Hotel Procurement", Business Travel News, July 9, 2018

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› UGL: Managing travel program costs

Engineering business, UGL, has extensive accommodation needs that are dictated by the location of its projects, which are all over the world, from remote places to major cities. It has recently tweaked its travel program to ensure it's fit for the business's purpose.

"We do a lot of maintenance and project work in many different locations. Let's say the business wins a tender in a town such as Bendigo in Victoria, Australia. As a starting point, we work out how many people we need to accommodate across a certain number of nights. We'll negotiate with hotels in the area for the duration of the project," explains Judy Green, UGL's Corporate Payroll and Accounts Payable Manager.

The business's previous travel policy was based on a cap. Travellers could generally choose their own hotel, as long as the room rate was under the capped amount. Each month, UGL books about 2,000 flights and around 700 hotel nights.

"Now we don't have a cap, but staff must stay in the cheapest place available in the city that is one of the preferred suppliers, which helps control our spend," she adds.

Judy says it's important to keep travellers' needs in mind when putting together a travel policy. "You need to be reasonable. You're asking people to travel, so there's a degree of responsibility to make sure that, while they're not there for a holiday, the accommodation still needs to be appropriate and comfortable."

Overall, Judy says the preference is for staff to stay with a preferred hotel supplier. This means UGL can keep track of where everyone is and locate team members quickly if necessary.

Introducing new accommodation options

Peer-to-peer accommodation solutions such as Airbnb are becoming an option for corporate travellers, and travel managers are building systems and processes to allow their staff to choose this as an option while, at the same time, ensuring their safety and security.

Amex GBT has a strong relationship with Airbnb, which provides data about client bookings to ensure that businesses know where staff are staying if they book accommodation through the site. Airbnb also has a corporate site that sits alongside its consumer site through which travellers can make a booking.

It's worth noting that people who choose to stay at an Airbnb often have different needs compared to people who prefer to stay at a hotel. They usually stay for longer periods, for instance, four days or more. By contrast, shorter stays are typically booked at a hotel for convenience.

"People tend to want to stay somewhere more like home if they are staying long enough to settle in and explore their local surroundings, and Airbnb accommodation can be more suitable for this," Pauline says.

› IHG: A new approach to guest experience

IHG is transforming its approach to guest experience through technology, introducing a completely new platform in a partnership with leading travel technology provider Amadeus.

"We have worked together to build an innovative new guest reservation system to replace our legacy infrastructure," says Sihil Piyasiri, Director, Hotel and Owner Solutions, Australasia and Japan, for IHG.

The cloud-based system can be used to book all IHG's properties across the globe, and interfaces with major aggregators. It sits as part of the IHG Concerto platform, IHG's powerful new technology package which has been rolled out in all of IHG's hotels in Australasia to enhance usability, guest satisfaction and loyalty for hotels.

"When we consider in-room experience, we want to take the technology our guests use in their own homes and bring that experience into our hotels. Our approach has been to enable guests to make a selection within three clicks rather than needing to read a manual to operate our technology," Sihil adds.

IHG is also looking into how it may be able to incorporate voice-enabled technology, similar to Google Home and Alexa into its properties. It has already partnered with internet company, Baidu, to introduce the next generation of voice control technology to deliver a more natural human-computer interactive experience at two of its hotels in China. This technology may be used to close curtains, turn off lights or order room service.

Airbnb may not be suitable in higher-risk locations, but they can be an option in big, safe cities if the accommodation suits the traveller's needs and budget. When staff are travelling to higher-risk locations, it's advisable to put in place accommodation guidelines to ensure their safety. The policy should outline suitable hotels and areas in which to stay.

Additionally, the travel program should include a system so the business is alerted when a staff member books accommodation in a high-risk location, especially if there is no formal hotel partner for the city or town.

Staying competitive

With competition rising from non-traditional sources such as Airbnb, hotels are introducing many new and innovative features and are upgrading their facilities, prompting a shake-up in the market.

For instance, many three-star hotels that would not previously have attracted corporate travellers have undergone significant refurbishment which is, in turn, encouraging four-star hotels to improve their offering for business travellers. This is leading to a domino-effect and also prompting many five-star hotels to make substantial investments in their rooms and facilities.

This trend is having another, more surprising effect. In some locations, four-star hotels have become top-of-the-range three-star hotels, rather than be positioned as a bottom-of-the-range four-star hotel, and have been reclassified. In the same vein, some five-star hotels have been reclassified as four-star to attract travellers whose program precludes them from staying in a five-star hotel.

In terms of facilities, many formerly segregated lounge and reading rooms have been reconfigured so they are multi-functional social hubs. During the day they act as cafés and small informal meeting spaces with a lively atmosphere and good quality snacks and drinks. In the evening these spaces convert seamlessly into vibrant bars. Free, reliable Wi-Fi is a must in these areas. Additionally, more hotels are allowing guests to book space in informal meeting hubs that were once formal meeting rooms.

Bedrooms have also been given an upgrade given that guests' homes tend to be stylish, and expectations of hotel standards have grown. Again, reliable Wi-Fi is a must in-room, and smart TVs and access to Netflix are expected. While wooden floors used to be de rigueur, many are reinstalling carpet to reduce noise and increase cosiness.

When designing a travel program, it's important to recognise that different attributes are important to different travellers. Some value being part of a loyalty program that allows them to collect points to go toward their own holiday. Others prefer to return to the same hotels where staff know them by their first name, their room preference, and even their favourite pillows.

Other travellers like to book a hotel that has been recommended to them, or one that has a reputation for being the place to stay, or they may look for a hotel that will be a good place from which to work.

All these considerations should be taken into account when putting together a business's travel program.

› Compass Group: looking to the future

Food services business Compass Group runs RFPs with around 10 major hotel groups each year, and negotiates a corporate rate with other accommodation providers on an as-needed basis.

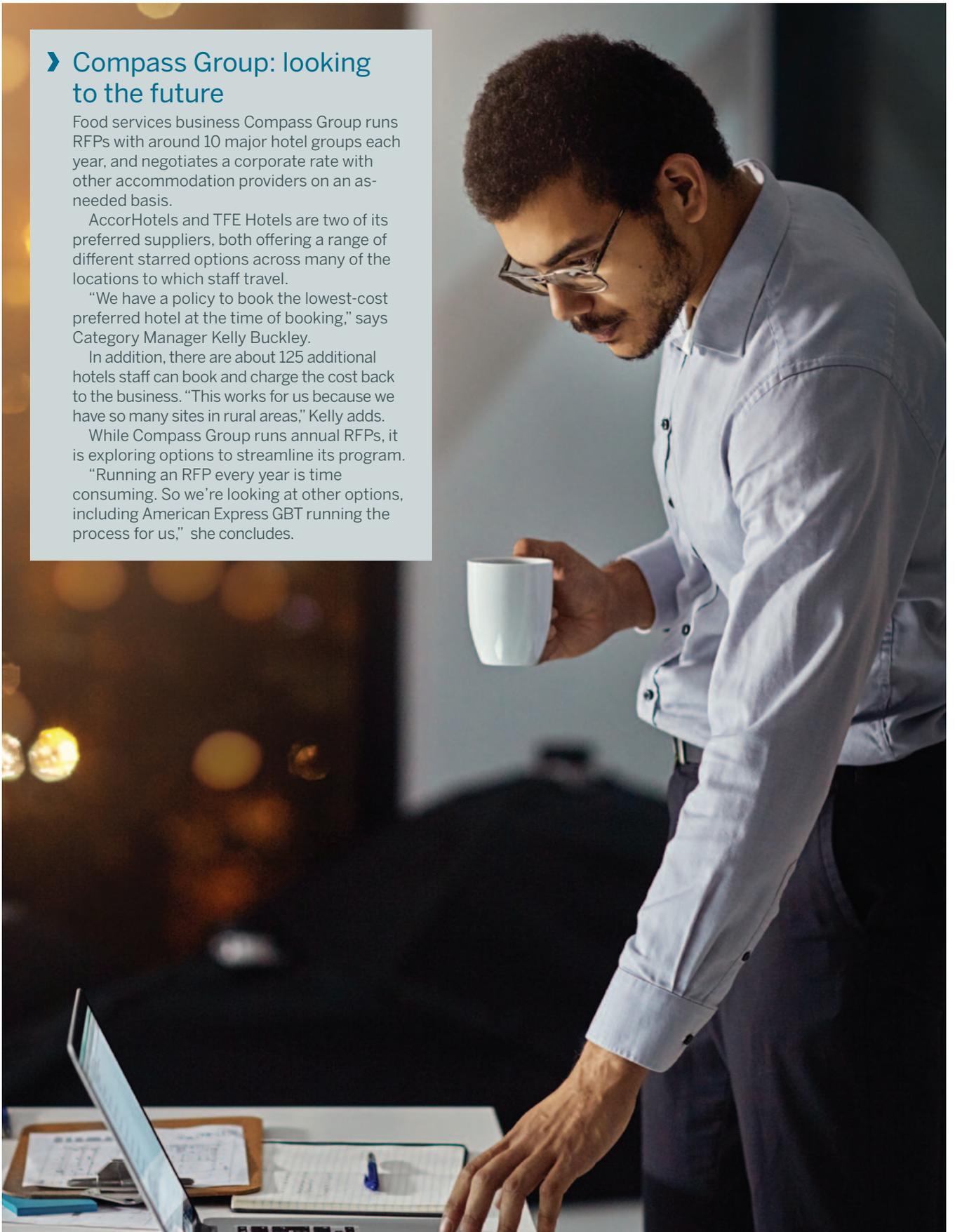
AccorHotels and TFE Hotels are two of its preferred suppliers, both offering a range of different starred options across many of the locations to which staff travel.

"We have a policy to book the lowest-cost preferred hotel at the time of booking," says Category Manager Kelly Buckley.

In addition, there are about 125 additional hotels staff can book and charge the cost back to the business. "This works for us because we have so many sites in rural areas," Kelly adds.

While Compass Group runs annual RFPs, it is exploring options to streamline its program.

"Running an RFP every year is time consuming. So we're looking at other options, including American Express GBT running the process for us," she concludes.





› Tips for negotiating with hotels

- Work out which hotels it makes sense with which to run an RFP. It may be suitable to run one with larger hotels but not for the tail-end of smaller hotels
- Use an aggregator or travel management company to manage negotiation with smaller, non-strategic hotels
- Review the hotel's sustainability policy to ensure it aligns with corporate values
- Identify hotels with dynamic pricing and assess whether they really suit the business's budget and travel program. A flat rate may be more suitable to control costs
- Analyse data to ensure the business is booking the most cost-effective hotels
- Build systems to ensure travellers comply with the business's hotel policy.

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