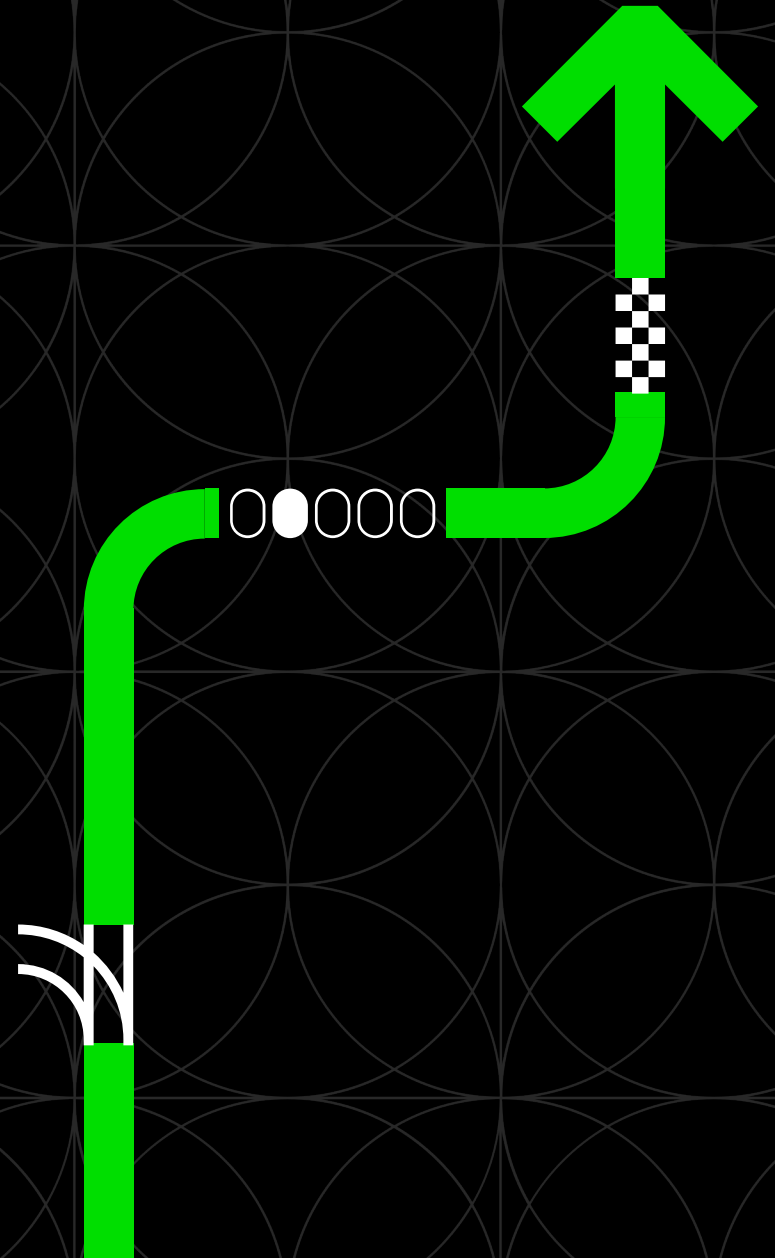


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FCM Consulting Hotel Focus

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COMPARING: FIXED RATES AND DISCOUNT OFF BAR* 2021

In recent months FCM Consulting have been managing a variety of global and regional corporate hotel programs for 2021. As uncertainty on demand and supply remains, hotels are presenting different contractual pricing options to corporate clients to choose from.

Traditional pricing methods such as Fixed Negotiated Rates have made way for a more variable pricing offer in Dynamic Discounts off BAR (Best Available Rate).

In November 2020, the FCM Consulting Research team conducted a global review of hotel BAR prices offered by the most frequently contracted hotels. The results of this research show the dramatic price variation and volatility of BAR pricing. This report will assist corporate clients in understanding the nature and value of Dynamic Discounts off BAR. This research draws on pricing from 500 hotels, across 150 cities.

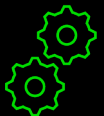
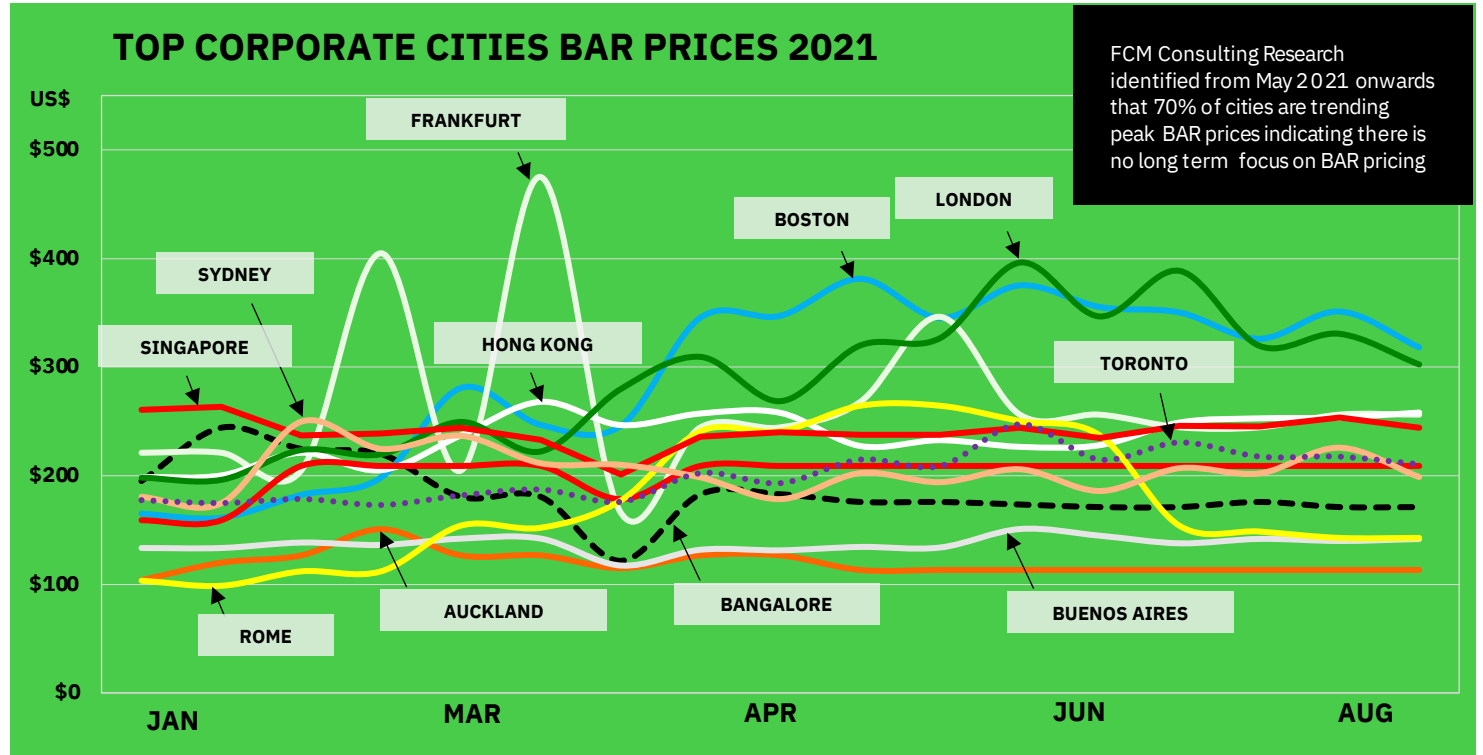
Understanding corporate rate options from hotels		FIXED RATE	DISC. OFF BAR
Traditional fixed nightly rate negotiated between a hotel and corporate client.			Percentage discount negotiated between a hotel and corporate client. Discount applied to hotels public BAR* price.
 Regular Travel Volumes		✓	✗
 Offered for 12 months		✓	✓
 Service Inclusions or Discounts		✓	✗
 Flexible Cancellation Conditions		✓	✗
 Price Protection	Rates offered may vary +/- in the range of US\$0-50 throughout the year due to high/low season pricing. Negotiated rates do not apply during black out periods.		Rates available will vary +/- in the range of US\$75-400 per night due to market demand. Prices during black-out periods will increase based on demand

DYNAMICS: SETTING BAR PRICE HIGHS & LOWS

Hotel Revenue Managers play a considerable role in setting BAR pricing. They review BAR pricing daily (or more) and change the price point based on demand, events, seasons, day of week, historical trends and competitor intel.

BAR pricing is fluid and will be driven by sudden nightly rate changes within minutes of a new major event announced in a city or the cancellation of a large conference.

During periods of market uncertainty BAR prices will not be set for the long term – meaning hotels will set relatively high BAR prices 6+months out, and closer to the time they will actively adjust the price +/- to respond more accurately to the market fluctuations.



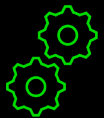
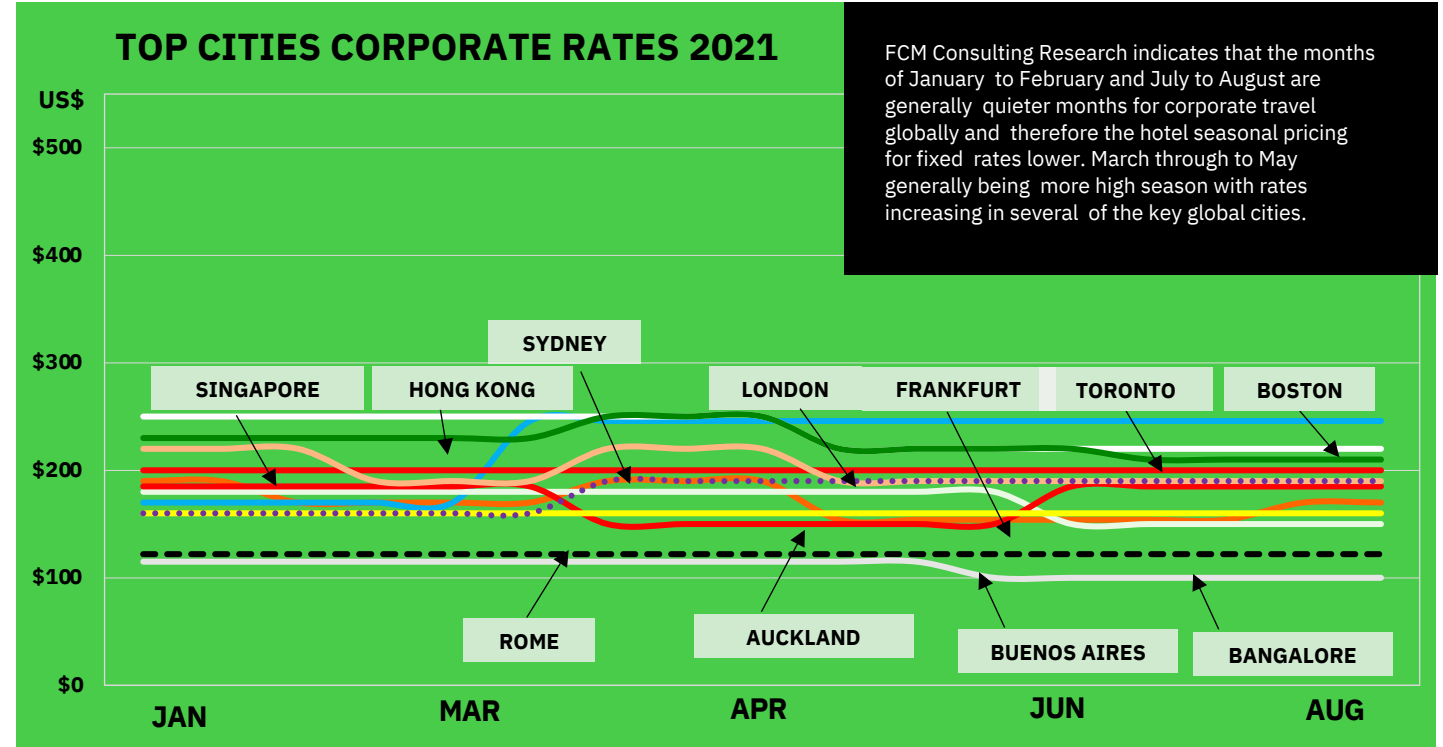
CONDITIONS OF BAR PRICING

- Price variable per night that fluctuates based on supply & demand.
- Is a general rate available to the public.
- No pre-payment required.
- No cancellation or change penalties, other than those imposed as a result of a normal cancellation policy.
- Typically inclusive of Wi-Fi and no other ancillary services.
- Some of the major Chain Hotels have introduced a Discount off BAR at times when the BAR rate is lower than your Fixed rate. This offer includes all of your Fixed Rate benefits including terms and amenities.

FIXED RATE: CONSOLIDATED BUYING POWER PARTNERSHIP

Corporations who can show compliance by consolidating their hotel bookings into key hotel properties are on track to benefit their travelers, the hotel and their budget.

Many corporate procurement teams have forecast their 2021 hotel volumes based on shifting government regulations, business need, the potential for vaccines and traveller readiness. The general prediction is travel will be at 50% of what it was pre-COVID, with some industries less and others business as usual. Fixed Rate Reductions for 2021 are being observed in many city locations across the world. Corporations that have consistent travel volumes for the year ahead and have demonstrated booking consolidation with their hotel suppliers will see reductions.



CONDITIONS OF FIXED RATES

- A traditional fixed nightly rate is negotiated between hotels and corporate clients.
- Rates offered are based on an agreed consistent and constant corporate travel volume for the year ahead.
- Pricing is generally set for 12 months and there are not set times of the year for a corporate hotel program to be negotiated.
- Standard and bespoke ancillary services can be negotiated into the nightly rate such as: Breakfast, Wi-Fi, Parking, Laundry, Groups, Work From Hotel rates and other as required by the corporate client.
- Conditions and terms may be changed and applied in the nightly rate to suit different clients such as cancellation timeframe, merchant fees, etc.

NAVIGATE: CREATE CHOICE IN YOUR CORPORATE HOTEL PROGRAM

In the year ahead corporate travelers will need rate choice to meet their budgets and booking flexibility as the need to cancel or change remains a part of the new travel pathway.

When travelling off-peak BAR prices are likely to be low and travelers can take advantage of considerable rate reductions when applying a corporate negotiated Dynamic Discount.

Build a program with both rate options. A Discount off BAR allows the hotel to offer optimal rates to corporate travelers when demand is lower and ensures travel procurement teams are not locked into Fixed rates during volatile market conditions.

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FCM CONSULTING CORPORATE RATE STRATEGY

Where corporate clients have constant and regular travel volume then FCM Consulting recommend adopting a dual approach to rates combining FIXED and DYNAMIC DISCOUNT OFF BAR in your hotel program. This allows:

- Price Protection with Fixed Rates as markets open up and demand grows during a year of forecast recovery
- Price Value for clients when travelling off-peak Discount off BAR rates are likely to be the cheapest option
- Budgeting your travel cost and setting room rate caps for the year are made easy when using Fixed Rates as the price ceiling
- Both rate options in your program provide budget viable shopping for your travelers in 2021
- TMC OBT search options will display your best available rate options which include your corporate rate options along with special TMC rates and other travel aggregator/distressed inventory rates.

Where corporate clients do not have volume due to their downturn in corporate travel, then FCM Consulting recommend having a Dynamic Discount off BAR hotel program.

THINGS TO REMEMBER

- Dynamic Discounts alone may not be tenable or competitive when compared to your Fixed Rates, so do your homework and compare. Choosing a Dynamic Discount off BAR alone is no guarantee of best rates.
- Discount offers to corporate clients range from 5% up to 25%, however, these percentage values are only relative to the hotel and their BAR price points for the year ahead.
- Not all hotels can offer dual rates so work with your TMC or consulting team on the best contracting options.
- A simple rate extension of your 2020 rates into 2021 will mean you miss the opportunity to change/mix suppliers due to COVID and duty of care criteria and reduce negotiated rates.