

NEWSLETTERS

The Latest Trends In Meetings Contracts

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Associations continue to reevaluate their meetings and trade shows to ensure their viability and success. Often modifications are made to the meeting and trade show schedule. As such, the association's hotel and convention center contracts will need to be modified especially in key areas such as the room block and function space. Further, with corporate business travel on the rise and a limited supply of full service hotel rooms, the marketplace for associations has become more difficult. This competitive marketplace has also made associations vulnerable to hotels cancelling contracts for association meetings in order to secure a better piece of business.

Leaner and Smarter Meetings

Since 2008, associations have been evaluating their meetings, conventions and trade shows to ensure the schedules are as efficient as possible. Many associations have listened to the feedback of their exhibitors and modified their trade shows to maximize attendee engagement opportunities and minimize exhibitor costs and time. As the need arises to revise existing hotel contracts in terms of the room block, associations should be prepared to modify or to eliminate key concessions or to commit to contracting with the hotel future meetings. Further, many associations are working collaboratively with other associations in their industry to co-sponsor and co-locate their conferences. This can be an effective strategy but it is essential to ensure that there is an agreement in place which outlines the key considerations of shared responsibilities, expenses, revenue, and liability.

Seller's Market Considerations

With business travel increasing and the supply of full service hotels holding steady, many associations have found themselves caught in a seller's market when negotiating their next meeting contract. Such a market includes tougher terms for rates, room block attrition and cancellation. It is also imperative that associations be mindful of the option date in their contracts and ensure that if they are still reviewing their hotel contract as the option date approaches, they should ensure that the hotel has extended their option date. Many associations have found that their contract option date has expired and the hotel has withdrawn its offer. Further, associations should ensure that they are comfortable with their cutoff date provision as it should permit the association to reserve additional rooms after the cutoff date (up to the contracted room block) at the group rate. Again, in a competitive marketplace, associations will find that without such protective language, the hotel may be willing to offer additional room nights after the cutoff

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date but at a higher rate.

Managing Attrition Issues

Associations which placed contracts well in advance of their meeting have found that they now need to revise their room block due to changes in the association's schedule. As the association is working to avoid the possibility of room block attrition fees, it is important to have discussions with the hotel to revise the room block before the meeting. The association should be prepared, however, to advise the hotel as to which concessions or other adjustments it is willing to offer back to the hotel in consideration for the hotel adjusting its room block.

Cancellation and Breach by Hotel

With a rebounding meetings and travel market, many associations have found themselves in the unenviable position of having the hotel cancel on their booking after the contract is signed. Often the cancellations are due to the hotel booking a better piece of group business but other times, it cancellations can occur if the hotel is closing in whole or part for renovations or condominium conversions. It is critical that associations address this contingency before the meeting by ensuring their contract includes good language protecting the association. In the event of a hotel cancellation, the hotel will be legally responsible for direct damages (all costs directly relating to the group moving its meeting to another property, room rate differential, travel costs, etc.). Further, the contract should also entitle the group to indirect damages (those damages which are the next level of costs relating to the cancellation such as loss of sponsorship revenue) and attorney's fees. The contract must address these items in order for them to be recoverable.

If the association finds itself in a group cancellation situation, it should ensure that it appropriately communicates its rights to the hotel. Ideally, such an intervention will work to ensure that the hotel cancels on another group and not the association. If those efforts prove to be unsuccessful, the association should leverage its rights under the contract with the hotel, begin its search for alternate destinations and, once secured, submit its damage cancellations to the hotel.

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