Hoteliers Aim for the Right Rates in Negotiating 2023 Corporate Accounts

Clients Want Breakfasts, Sustainability and Last Room Availability

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Though visibility overall has increased, U.S. hoteliers negotiating corporate accounts for 2023 are seeking the right balance of rates and services.

This is one of the toughest years in handling requests for proposals, said Jennifer Driscoll, vice president of revenue management at McNeill Hotel Company.

“We’ve got to get the pricing right, because if we don’t get the pricing right at our hotels, then we’re not going to have the desired [general operating profits] and [net operating profits] to flow to the bottom line,” she said.

Even as revenues go up, so do the operational costs, and there are expectations from hotel owners that the hotels will maintain those profit levels, Driscoll said. That means it has to be in both the top end as well as in the middle with expenses.

“We’re certainly trying to do our job in the top end and to impact the middle part where the expenses are so that it flows properly,” she said.

Negotiated Rates

The brands have done their best to help protect rates throughout the pandemic, Driscoll said. Over the last couple of years, McNeill, like other hotel companies, did not renegotiate rates with corporate clients, but for next year, it has been. The company has been reviewing its portfolio market by market, taking inflation and compound inflation over the last few years into consideration.

“We’ve instructed our hotels that we really have to be bold this year,” she said. “We have to be north of double-digit growth.”

Every market is different, but labor cost increases alone are north of 25% to 30%, she said. Food costs are up as well.

The company has been holding its ground in negotiations, Driscoll said. An account approached the company prior to its RFP and said it would only take a 3% increase in rates. McNeill’s response was that it couldn’t work because of the economic conditions, and it wouldn’t be preferred with the account. Because the account loved that particular hotel, it said it would look into making an exception.

“There was some back and forth and back and forth, and we are very close to finalizing an agreement,” she said. “North of double digit, now slightly under what we wanted, but I think overall, we held our ground and it's still a really big win for us in a market where we were told only 3% was allowed.”

Roughly 75% of accounts are switching to dynamic pricing, said Stephanie Atkisson, vice president of sales, marketing and revenue management at HP Hotels. Many companies are more interested in that since the pandemic started because they enjoyed flat rates that carried over the last few years and expected prices to increase this year.

“They really saw that opportunity where they weren’t getting the best rate,” she said. “Now they want that dynamic pricing that they always will get the best rate or discount off the best rate.”

That allows the hotels with their higher-demand peak nights to increase average daily rate with negotiated rates being on a percentage-off basis, Atkisson said.

Booking Challenges

Across Everwood Hospitality Partners’ portfolio, the type of clients hasn’t changed, as the main demand anchors have remained the same, but it’s the volume and anticipated production that’s changed, said Kevin Patel, director of revenue management at

Everwood. The corporate travel is coming back but not as fast as the company has hoped. International travel also hasn’t returned to pre-pandemic levels.

The most difficult part to navigate during negotiations has been clients’ reluctancy to provide their anticipated production in 2023, he said. Companies, such as cruise lines, used to provide forecasts for employee travel a year in advance.

“Right now, we’re looking at a 30-day window only,” he said.

There are always changes taking place, and no one really knows until a month ahead, Patel said. That makes it difficult to accurately staff and provide the right level of service. That’s led to increased focus on leisure transient because of the level of uncertainty in the other demand segments.

Most of the requests for proposals have arrived within the last several weeks, relatively late in the year compared to the negotiations before the pandemic, Atkisson said. Normally, there’s more after the Global Business Travelers Association convention, held this year in August, but the RFPs are only now coming in.

“We are definitely seeing a very tight game window, even as it relates to group and transient,” she said. “I think that everybody’s just trying to maybe wait and see closer to the time what things are like because they’ve been just so hard to forecast.”

While this hasn’t proved to be a challenge operationally, it’s making planning the 2023 budget difficult given that this would represent a significant source of hotel revenue, Atkisson said.

Services and Amenities

Clients are asking a lot more questions besides just what rate they’ll have to pay, Patel said. Many are focusing on what the properties are doing with their cleanliness protocols, looking for things such as electrostatic sprayers in rooms, sanitation procedures and how long a room is held after a guest leaves.

There’s definitely been an increase in demand for including breakfast in the negotiated rate, he said. It’s an amenity many received prior to the pandemic, and while expectations changed in recent years, that demand is back now.

Everwood’s approach has been that it will provide full breakfasts, because the team knows taking the short-term hit is justified with the expectation that the volume of demand will grow. They’ve taken the same stance on restoring shuttle services.

Another thing clients are asking about is environmental responsibility, Patel said.

“These questions, while they’ve always been around, they’ve never been in the forefront of negotiations and discussions,” he said.

The big thing coming up during negotiations is last room availability, Driscoll said. If an account wants it, that’s a premium and it has to be priced appropriately, she said. If the account doesn’t want it, the hotel can yield out the rooms as needed. If the account gets last room availability, it can have it as long as there is a standard room available.

“At the end of the day for our hotel teams, it’s what’s more important to the client: availability or pricing?” she said. “If it’s availability, you have to price appropriately in the markets where demand is coming back or anticipated to come back.”

Atkisson said her teams have seen a big push for no blackout dates on rates, meaning the accounts want their rate available even when there’s a special event happening in a market. If the hotel can’t give the negotiated rate, the accounts have been asking for fair event pricing.

“So not only are they now asking for no blackout dates, but if there are blackout dates, they want a fair price for those days versus paying what we are selling,” she said.

New Opportunities

There have been many additional industries that have popped up or existing demand generators that have grown stronger since the start of the pandemic, Patel said. Traveling nurses, for example, have been around for a long time, but that segment has grown substantially. So has the overall long-term guest segment.

“We’re seeing a lot of guests coming in extended stay still,” he said.

There are accounts that have had one too many preferred hotels and have been consolidating, Driscoll said. At the same time, other companies are becoming available, so the McNeill team has been challenging their hotels to look outside of their current client mix to find accounts they haven't worked with before.

Many of the newer accounts the company picked up came during the pandemic, and some of that is because a client in a local market was acquired by a bigger company, she said.

"We're seeing a lot of companies send us requests for proposals that we've never seen before, so we're having to do a lot of research," she said. "We're finding they now have an interest in the market due to either a merger or a purchase of some other company."