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Show Organizers Do the Attrition Dance

Fewer attendees force planners, hotels to negotiate on attrition

By Joalien Johnson – Tradeshow Week, 4/6/2009

Not only are tradeshow organizers and meeting planners today worried about drawing attendees to their events, but also they have to worry about **attrition** fees if they can't fill their room blocks.

Nothing new with that. **Attrition** clauses between meetings and hotels exist so parties can contract, in advance, how losses might be recovered when rooms aren't filled as expected.

Attrition contracts are financially binding agreements that increasingly are coming into play as many meetings are being forced to pay fees, seeking renegotiations to cut down on fees or turning to hotels offering **attrition** relief.

For a Texas Assn. of Builders' meeting at the Gaylord Texan Resort & Convention Center in Grapevine, Texas, at the end of last year, **attrition** penalties had to be paid when a room block couldn't be filled. However, the association was able to considerably reduce the fees by spending more on food and beverage and educating attendees on the fees that might be faced if they didn't use the room block, according to Angelica Stehling, director of events and partnerships for the association.

"In my 20 years in this industry, I've never experienced **attrition** until last year; it's the sign of a turbulent time," Stehling said. "In no way did we not want to pay our **attrition**. We were obligated, but what we were really trying to focus on (with the hotel) was, 'Let's find the reality of the lost profit, and let's agree that that's where we should come to an agreement.'"

Stehling said it's a two-way street, and each side has an obligation to help make the other party whole.

Some meeting planners have sought the assistance of a third party to negotiate their contracts when they've had shortfalls in attendance.

For the Institute of Electrical and Electronics Engineers Intl. Conference on System of Systems Engineering, scheduled May 30-June 4 at the Sheraton Uptown Hotel in Albuquerque, N.M., Conference General Chair Mo Jamshidi, a professor at the University of Texas, San Antonio, brought in the person who had helped book the meeting, Alex Doyle, vice president of national accounts from the site-selection company 21st Century Group, to assist him in avoiding approximately \$10,000 in potential **attrition** penalties.

Jamshidi said he booked rooms for the meeting a year in advance, but now he expects half of the originally forecasted attendees will attend, mostly because of cuts in travel spending.

According to Doyle, the organization felt that the best thing to do was to cancel this year's meeting and hold it next year at the same location.

"After speaking to the hotel, they came back – and I have to applaud their efforts – and said, 'Listen, we would be more than happy to renegotiate the 2009 contract, and what we will do is allow you to reduce immediately your room block by 25 percent,'" Doyle said. "In addition, we will provide you with another, with (20 or 25 percent) additional **attrition**,' and so now everybody's happy."

"This means we have less to worry about in filling out the rooms," Jamshidi said. "When you have less commitment, you don't have to worry as much."

According to Sandy Arnold, general manager for the Sheraton Uptown Hotel, the situation worked out for the parties involved because everyone worked together.

"In today's economy, whether it's a savings of \$5 or \$5,000, it's all about hotels trying to work with groups to make sure we can actually save them as much as possible, so that, when the travel industry starts to regain its momentum again, we've built relationships," Arnold said.

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In another instance, for the **Society of Insurance Research Spring Seminars & Exhibit Fair**, held March 29-April 1 at the Flamingo in Las Vegas, a meeting that also was under contract with Doyle's help, it became apparent that attendees were making their reservations to attend the event outside of the reserved block because the group rate was higher than what attendees could get by going directly to the hotel's Web site and making a reservation.

According to Ed Budd, executive director of SIR, though the society's last report for the meeting revealed it was going to meet its obligation of around 115 registrants and was probably "out of the woods," the situation brought on a fear of **attrition** penalties. "It's something we laid awake at night worrying about," Budd said.

To fix the problems the meeting faced, Doyle and Budd asked the hotel that if there was going to be an **attrition** penalty, it not be based on room revenue, but instead on paid rooms occupied.

In addition, they asked the hotel to credit them for attendees registered for the meeting who were staying at the hotel but had booked their rooms outside of the original block.

Budd said the society did its part by urging attendees to register through the society's Web site, staying on top of its registration list and making sure the right questions were asked to identify registrants for the meeting who would be staying in the hotel. "We pulled out all kinds of stops to encourage people to stay within the block," he added.

According to Brian DiMartino, president of 21st Century Group, there are strategies that meetings can use to avoid being penalized:

- address **attrition** up front
- make sure that contracts include a last-sell clause, meaning if a hotel resells a room that a meeting cannot fill, the meeting will not pay **attrition** fees if the hotel is sold out on those dates
- pay close attention to occupancy reports
- make sure attendees at the hotel – staying in or outside the room block – are credited to the block
- make sure food and beverage minimums are tied to the **attrition** clause

As for how hotels are dealing with the clauses and associated penalties, a handful of chains are catering to their clients' needs on a large scale by offering **attrition** relief programs.

At Omni Hotels, **attrition** fees can be waived for meetings that contract up to 150 peak-room nights by June 30 and are held in 2009. In addition, block reviews are conducted 30, 60 and 90 days before the meetings to allow for flexibility in booking the rooms if they can't be filled.

According to Caryn Kboudi, vice president of corporate communications for Omni, the relief efforts were launched in February to serve concerned meetings and to address a "peak decline" in group bookings in December.

"We started to see **attrition** come up pretty frequently in conversation and, rather than try to tackle it one-off, we wanted to institute something that was broad and easy to institute across the brand," Kboudi said. "Within a matter of weeks, there we were."

She added she now sees the pace of group meetings strengthening, and she's glad for that.

At hotels in The Kessler Collection, clients who book their meeting by the end of May are able to change the date within a year and delay, cancel or rebook at any other Kessler hotel if needed.

According to Shelley Rapier, vice president of sales and marketing for The Kessler Collection, these relief efforts now are available because clients have asked for relief and Kessler doesn't want meetings to cancel. She said only a small number have done so this year without rebooking.

"Even for those that we've collected cancellation fees on, we've told them if they rebook within 12 months that we would credit half of the cancellation fee toward their future meeting," Rapier said.

She added, "We're really trying to encourage (clients) to keep meeting; to keep planning meetings, even though they might not be 100-percent certain right now what their turnout will be and how much funds they'll have available to allocate toward the meetings. We're saying, 'Keep planning.'"

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