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✚ [Solving Room Block Management Issues: Requiring Attendees to Reserve Rooms in the Official Room Block.](#)

Some of the most contentious issues meeting planners and hoteliers deal with in event contracts relate to things that are actually occurring outside the groups' contracted room block. Most of these issues could be avoided with a simple solution: require attendees to book their guest room in the official room block in order to be allowed to attend the meeting. Or, provide incentives so that booking within the official room block is more attractive than any other option. Meeting planners and even some hoteliers respond to this suggestion with shock, saying, "It can't be done!" But it can be done, and doing so can solve many of the most common problems in event contracts, including rate integrity (lowest rate guarantees), room block audits, attrition, and housing pirates.

✚ [Back to Basics: Contract Negotiation and the Official Room Block](#)

Customers asking hotels for clauses giving credit for rooms reserved outside the block or requesting promises of "rate integrity" are forgetting the purpose of an event contract. The customer wants to hold a meeting, and in order to ensure that sufficient meeting space and guest rooms will be available for the event, the customer enters into a contract to reserve those rooms and space. In exchange for the hotel agreeing to hold rooms and space for the group, the group must agree to certain minimum commitments to the hotel.

The customer does not have to enter into a contract with a hotel. The customer could wait until a few days or weeks before it intends to have the meeting and then contact a few hotels to see which have space available for it to use. The attendees would be on their own to find guest rooms at whatever the prevailing rates might be at that hotel or neighboring hotels. Of course, the customer is taking a big risk that there will not be meeting space available, or even if there is, there might not be guest rooms available so the attendees can't come to the event. This last minute method of booking makes it difficult for the customer and attendees to plan for the event. In addition, when a customer is booking only meeting space, it will likely be required to pay the hotel's standard rental fees.

Plus, the customer usually desires other things besides just space and guest room availability. The customer probably wants some complimentary rooms for its staff or speakers, some suite upgrades, discounts on services like audio/visual ("AV") services, and so on. In order to get those "extras" the customer must negotiate them as part of a contract with the hotel.

When a hotel is negotiating a contract, it looks at the entire revenue package presented by the group and a myriad of other variables to determine what it will offer to the customer. Put simply, a group that wants to reserve rooms but will guarantee only 60% of them and provide only \$10,000 in food and beverage revenue will receive a very different contract offer from what is given to a group that will guarantee 90% of its reserved rooms and commit to \$100,000 in food and beverage. The amount of free or reduced rate meeting space, upgrades, room amenities, airport transfers, rebates or many other types of discounts or "freebies" (called "concessions") that a hotel is willing to offer is based upon the total guaranteed revenue that the event will generate. While meeting planners understand that this is the way contracts are negotiated, they regularly ask for clauses that undermine the very basis of this negotiation.

### "Rate Integrity"

Let's be clear: A hotel has the right to sell its inventory of guest rooms at whatever rate it wants. When a group reserves 100 rooms for a group in a 500 room hotel, the hotel is legally entitled to sell its other 400 rooms at rates higher or lower than the group rate.

Yet, more and more customers ask a hotel to guarantee that no lower rate will be offered during its event dates, often called "rate integrity." This recent trend makes no sense. Lower rates have always been available, whether it was a AAA rate, or an AARP rate, or some other discount. The internet may have made accessing lower rates easier, but lower available rates are nothing new.

The whole point of the contract is to "lock in" the availability of rooms and space that the customer requires and the rates that the customer will pay. Both sides take a risk in doing so. The prevailing rates may turn out to be higher or lower. Why is it fair for the hotel to have to offer lower prevailing rates to the group if the group is not obligated to pay more if it turns out prevailing rates are higher? A group would never think of agreeing to pay a higher rate if the hotel's rates turn out to be higher than what was contracted, so why does it expect the hotel to accept a lower rate if prevailing rates are lower?

Why does this only happen in the hotel industry? If you buy a plane ticket for \$200 and find out the passenger next to you paid only \$150 you don't expect (and won't get) the airline to lower your price. If you buy a car and find out that your neighbor got a better deal on the exact same make and model, you don't expect the dealer to give you a refund. Yet for some reason, groups think it is fine to negotiate the price that they will pay, but add a caveat of "unless there is a better price available later."

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Most importantly, rate integrity undermines the whole contract negotiation process. The hotel offered the meeting space and concessions to the group based on the guest room revenue that the customer guaranteed. If the hotel has to match any lower rate offered, the customer is not providing that guarantee. Non-group guests that book at a lower rate are not getting free meeting space, AV discounts, complimentary rooms, or suite upgrades, etc. Why should the group get the concessions when it is not paying the rates that it promised to pay? Often the lower internet rates are only being offered because the group did not fulfill its commitment so the hotel has to offer rooms at "fire sale" prices to try to fill them.

Customers ask for rate integrity clauses because they claim that they "look bad" if their attendees see that rooms are available at lower rates than the official group rate. If attendees were required to book their rooms in the official group block in order to attend the event, as will be discussed below, that issue would be eliminated. Further, if the group educates attendees that the group must guarantee a certain number of rooms at the group rate in order to secure the function space and other things it needs for its meetings, the attendees would begin to understand that the people paying the internet rates are not getting the same benefits as the group guests.

#### [Room Audits](#)

Groups often request a hotel to conduct an audit comparing its list of registered guests with the customer's attendee registration list so that the group receives credit for attendee guest rooms reserved outside the block.

Not only does this raise privacy issues (hotel privacy policies do not allow hotels to release the names of registered guests, and hotels could be subject to liability for doing so), it raises similar issues to rate integrity.

The parties entered into the contract based on the revenue package that the customer guaranteed. If attendees are allowed to book rooms outside the block, presumably at a lower rate, the hotel is not getting the revenue promised by the group for the attendee rooms occupied.

Meeting planners often request audits to get commission on rooms reserved outside the block. However, those rooms are often commissionable to another entity and disputes arise over what commissions will be paid.

Some hotel companies have software programs that conduct audits, while others conduct the audit manually. Whatever method is used, customers often complain about the time and effort involved and dispute the accuracy of the audit. If the contract is not

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drafted properly, disputes arise over what credit the customer should receive for rooms found in the audit in terms of a "room count" or "revenue credit."

Requiring the attendees to book rooms in the official group block eliminates the need for audits and the time, effort and disputes they involve.

#### Attrition

When a party to a contract fails to fulfill its commitment, the legal term is "lack of performance." In the meeting industry, a group's failure to fulfill its minimum commitment for room block usage ("pick up") or food and beverage events is referred to as "attrition."

When customers reserve a block or rooms for an event, they consider a number of factors to determine the number of guest rooms required, including the number of rooms occupied during past events ("history"), the event location and date, etc. Similarly, many factors can impact attendance, including the city and hotel where the event is scheduled, the dates, the agenda, and outside influences like the economy, and other factors. Sometimes, despite a customer's best efforts, the room block pick up falls below the minimum guarantee, and a hotel expects the customer to pay "Attrition Damages."

Often customers argue that they should not be required to pay attrition damages because attendees were able to book guest rooms at the event hotel or neighboring hotels at lower rates. As with rate integrity, the response is that there have always been opportunities for attendees to find rooms at lower rates. Especially in locations in which there are many hotel options available near the event hotel, attrition damages may occur due to attendees taking advantage of those options.

While requiring attendees to book their guest rooms in the official block will not eliminate any chance of attrition, as even if all attendees book in the official block, if overall attendance is down damages may still be owed. However, requiring attendees to book within the block can minimize the exposure. The group will know that every attendee participating in the event is filling the official block, rather than staying at other cheaper hotels in the area.

#### Housing Pirates

"Housing Pirates" are third party entities that identify likely attendees or exhibitors for an event and contact them to offer them guest rooms at rates below the official group rate. Sometimes the pirates are wholesalers or travel companies that have an

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allotment of rooms at the hotel to sell (but are likely violating their agreement with the hotel by selling the rooms to group guests). Unfortunately, most often the pirates have no rooms at the hotel at all and fraudulently induce attendees to pre pay for reservations when no reserved room exists.

Housing pirates hurt customers, hotels and attendees. Even though the hotel is completely innocent and uninvolved in the piracy, it create chaos and upset when the victim shows up at the hotel only to be told that there is no reservation under the attendee's name. It hurts the customer as well, as not only does the customer have upset attendees, it also is losing room block pick up, which leads to loss of concessions that are tied to pick up and potential attrition damages. The attendee loses the cost of the prepaid reservation, and since pirates often prey on attendees of high demand city wide events, the attendee may be unable to find an available room once the fraudulent reservation is discovered.

Of course, if the attendees had been required to reserve their rooms as part of the official group block, the attendees would have been immune to the lure of the pirate.

#### [Requiring \(or Incenting\) Attendees to Reserve Guest Rooms Within the Official Group Block](#)

Requiring attendees to reserve their guest room in the official group block reduces or eliminates all of the issues reviewed above. While many customers balk at the concept, more and more groups are adopting such a requirement with success.

Virtually every event requires attendees to pay something to participate. Whether it is a registration fee, or an exhibitor fee, or even the cost of a meal, meetings are not free, and attendees expect to pay. It is simply a "cost of doing business." Requiring event participants to reserve their guest room as part of the official block can be just another such cost.

Attendees should understand, and if they do not then they can be educated by the customer sponsoring the event, about the fact that in exchange for the hotel's agreement to provide the meeting space and other facilities and services for the event, the customer had to guarantee certain revenues, including guest room revenue, to the hotel.

An event attendee would not think it is fair, after paying a \$300 registration fee, for another attendee to "crash" the event and attend the educational sessions and the food and beverage events for free. An attendee who stays at another hotel or who stays at the official hotel but pays a lower rate found on the internet is getting the same unfair

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advantage of getting the events and food and beverage events without fully paying in a similar way. If you wouldn't "crash" the meeting without paying to register, why is it ok to "crash" the meeting by not reserving in the official block?

There is more than one way to "require" attendees to book within the official block. First, attendees can be required to register at the hotel as part of registering for the meeting. Or, attendees who do not stay within the official block at the hotel can be required to pay a higher registration fee, to offset the loss of concessions and potential attrition damages that the group would owe as a result of the attendee not booking within the official block. Another more "friendly" approach would be to provide an incentive to attendees by offering a discounted registration to those who book within the official block. The latter options allow for attendees who might want to stay with a local friend or relative while attending an event, or want to stay at another hotel due to brand loyalty or other reasons.

If attendees learn that booking in the official block is "just part of the package" to attend the meeting, lower internet rates become irrelevant. If attendees can't book outside the block, room block audits are unnecessary. Attrition potential will be reduced, and housing pirates will be out of business. In many instances, the group will benefit by receiving more concessions based on room block pick up, and groups that receive rebates to offset meeting expenses out of room revenue will see their meeting costs decrease.

Change always seems difficult, but people adapt, and meeting attendees can do so as well. People complained about baggage fees charged by airlines when they were first introduced, but recent surveys show that satisfaction with airlines is increasing despite such fees. Meeting attendees may balk initially when their option to book guest rooms to attend and event are restricted, but it will not take long for them to accept that booking their guest room within the official guest room block is part of the requirement for attending an event. Before long, issues like rate integrity, room audits and housing pirates will be seen as ancient history.