Attrition – How to Avoid It, How To Negotiate It, How to Use It To Your Advantage

Barbara F. Dunn, Esq.
Howe & Hutton, Ltd.
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Welcome!
Focus on......
Drafting
Negotiating
Managing
Enforcing
... Attrition Fees for Rooms and Food and Beverage
Introduction

• Attrition fees are a GOOD thing! Why?
• No group ever wants to pay attrition fees
• No hotel ever wants to collect attrition fees

So how should groups and hotels address attrition?

Room Block Attrition Fees

Drafting Considerations

• How comfortable are you with your room block?
• Right to reduce the room block before the meeting?
• Does reduction affect minimum pick up
• How do you handle the “no attrition fee” situation?
Negotiating Considerations

• What’s the minimum number of rooms you must use?
• Minimum room count or minimum room revenue?
• Will attrition be based on per night or cumulative usage?

Negotiating Considerations

• What’s the dollar multiplier – lost profit or lost revenue?
• Will the group receive credit for resold rooms? If so, on what basis? Room count or revenue collected for the room?
• Will the group receive credit for rooms booked outside of the block?

Negotiating considerations

• Will the group lose/be charged for concessions?
• Will group receive information upon billing of attrition fee?
Goal is to build a formula that neither party will need to use:

In the event Group fails to use at least NUMBER of rooms on a cumulative basis during its meeting dates, Group shall pay the Hotel an attrition fee as outlined in this provision.

The Attrition Fee Shall be Calculated as Follows:

MINIMUM NUMBER OF ROOMS TO BE USED BY GROUP
- ACTUAL NUMBER OF ROOMS USED BY GROUP*
- ROOM SHORTFALL
  X DOLLAR AMOUNT
- INITIAL ATTRITION FEE
- RESOLD ROOMS OVER MEETING DATES**
- OUT OF SERVICE ROOMS
- FINAL ATTRITION FEE

*Regardless of rate paid or method of reservation
**On a first sold basis (first rooms resold by the Hotel over the blocked dates are credited to Group).

Upon the billing of any attrition fee, Hotel shall provide Group with information and documentation as to Group’s actual room usage and Hotel’s out of service and resold rooms over the meeting dates.
Managing Attrition Fees

- Attrition fees must be managed outside the contract
  - Group’s efforts to fill the room block
  - Hotel’s efforts in reselling rooms
- Communication is key!
- Change in terms may be necessary to fill room block

Enforcing Attrition Fee Provisions

- If attrition is likely to occur, what can be done to stop damage?
- Settlement before the meeting
- Settlement after the meeting
  - Audit
  - Rebooking
  - Cash settlement
- Dispute resolution options

Food and Beverage Attrition Fees
Negotiation Considerations

• Minimum guarantee of revenue?
• Exclusive or inclusive of tax and service charges?
• Credit for revenue generated by sponsors/affiliates/ICWs?

WHAT ELSE IS ON YOUR MIND?