The Concession Stand Is Open

Barbara F. Dunn, Esq.
Howe & Hutton, Ltd.
Meeting Professionals International
Northern California Chapter
MPINCC Annual Conference & Expo
San Francisco, CA
February 10, 2011

Review of Session Learner Outcomes:

• Develop parameters for suitable concessions for your events
• Measure real and perceived values for concessions with hard costs vs. soft dollars
• Recognize each party’s position on concession values and the techniques that can be employed to reach mutually agreeable contracts.
What is a Concession?

Concessions
1. Merchandise or refreshments sold on site, to individuals, in conjunction with an event.
2. Contractual agreement where one party provides something of value to the other party in exchange for something else, pending certain conditions.

Source: Convention Industry Council’s APEX Industry Glossary (www.conventionindustry.org/glossary/)

What Does It Mean To You?

Group
• Cost savings/revenue
• Perceived value to attendee
• Planner production expectations

Hotel
• Hard cost
• Soft dollars
• Winning the business

When and how should concessions be presented in the negotiation process?
• Request for proposal (RFP)
• During the negotiation
• After the contract is signed
How do concessions affect overall negotiation?

Let's look at an example...

Room Block:

<table>
<thead>
<tr>
<th>Day 1</th>
<th>Day 2</th>
<th>Day 3</th>
<th>Day 4</th>
<th>Day 5</th>
<th>Day 6</th>
<th>Day 7</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>150</td>
<td>550</td>
<td>550</td>
<td>475</td>
<td>175</td>
<td>50</td>
<td>2000</td>
</tr>
</tbody>
</table>

Total Value of Guestrooms: 2,000 x $180 = $360,000

Food & Beverage Spend: $120,000
- Function space: 90,000 square feet
- Meeting represents 60% of hotel’s room block and 95% of the function space

Determining the value of what you’ve asked for...

Value Added Concessions

<table>
<thead>
<tr>
<th>Considerations for the dates listed above</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>One (1) Complimentary room night per every 50 revenue room nights actually utilized by GROUP (2000 total room nights = 40)</td>
<td>$7,200</td>
</tr>
<tr>
<td>One (1) Staff room complimentary, as noted in the room block above = 2000 room nights x $120</td>
<td>$240,000</td>
</tr>
<tr>
<td>Two (2) Complimentary One-bedroom Suites = 10 x $575</td>
<td>$5,750</td>
</tr>
<tr>
<td>Five (5) Staff Rooms complimentary as noted in the room block above = 35 room nights x $175</td>
<td>$6,125</td>
</tr>
<tr>
<td>Complimentary Meeting Space Rental with signed F&amp;B minimum (ranges by hotel)</td>
<td>$40,000</td>
</tr>
<tr>
<td>Complimentary wireless internet in the guestrooms and public space for all GROUP attendees = (2000 x $12)</td>
<td>$24,000</td>
</tr>
<tr>
<td>10% Discount off function space rental</td>
<td>$24,000</td>
</tr>
<tr>
<td>10% Discount off pre-planning</td>
<td>$1,200</td>
</tr>
<tr>
<td>Ten (10) upgrades to concierge/club level</td>
<td>$10,000</td>
</tr>
<tr>
<td>Ten (10) complimentary room nights for pre-planning</td>
<td>$1,800</td>
</tr>
<tr>
<td>Ten (10) complimentary room nights for parking</td>
<td>$1,800</td>
</tr>
<tr>
<td>Ten (10) complimentary room nights for pre-planning</td>
<td>$1,800</td>
</tr>
<tr>
<td>10% Discount off Food and Beverage</td>
<td>$1,200</td>
</tr>
</tbody>
</table>

Total Amount of Concessions Listed: $149,775
What Other Factors Impact Concessions?

• Group type/Lead time
  – Corporate
  – Association
• Hotel situations
  – Pre-construction opening
  – Particular need dates

Concessions based on room block performance

Newer trends for concessions:

• Incentives to get people to come and to stay at HQ hotel (e.g., meal voucher, complimentary night with multiple night stay)
• Percentage credit to the master account based on total revenue
• Internet access in both guest rooms and meeting space
• Waive of resort fees
• The WOW factor
Summary of Tips and Best Practices:

• Reevaluate your concession list – make sure it's current and forecasted properly
• Put concessions on the table early in the negotiation process – ideally during RFP stage
• Be prepared to negotiate concessions depending on how you want to end up on the rate
• Calculate the value of concessions
• Ensure contract accurately reflects concessions

WHAT ELSE IS ON YOUR MIND?