

# NO ROOM AT THE INN?

With the London Olympics set to swell hotel occupancy in the capital, will corporates be left fighting for the leftovers when summer 2012 arrives? Three experts have their say

## THE HBA

**Annette Forbes-Marsden**

**Director of Sales, Hotelscene**

Although the London Olympics are still some way off, information is trickling out all the time and we're advising our corporate clients to think ahead about their accommodation needs during the Games.

Many companies will be looking to avoid staying in the capital during this period, but there will always be some essential business travel. At least they're taking place during what is traditionally a quiet period for corporate travel, the summer. This will lessen the overall effect on business travel and corporate programmes, though there will undoubtedly still be some impact – it's inevitable that room rates will increase during the Olympics to some degree.

That's why we're suggesting to our clients that they change their travel plans, look to alternative cities for meetings and events, consider using serviced apartments instead of hotels, increase their use of videoconferencing and try and avoid non-essential travel.

For those that must travel to London during the Games, we're working with hotels to honour the corporate rates they have with clients, or at least introduce a ceiling rate so that corporates will know the most they'll have to pay and can therefore budget. Unfortunately we expect there will still be blackout dates as LOCOG – the London Organising Committee of the Olympic Games – has commissioned around 50,000 hotel rooms across 260 properties, representing on average 65 per cent of the available inventory in each hotel.

The remaining 35 per cent of inventory at these properties is likely to be sold at whatever the hoteliers can achieve, and some will take advantage of this. Hopefully they will bear in mind the loyalty of their corporate customers.

We have spoken to a number of suppliers who, although they have not fixed pricing yet, are stating that the 'fair and reasonable' approach for LOCOG accommodation should extend to pricing across all other accommodation.

Those that have intimated that this event will be exploited for optimum profit would do well to remember that their corporate clients will be around long after the event is over, and will



not look kindly to being ignored in favour of the highest bidder.

Both hoteliers and corporates also need to bear in mind the lessons learned from previous games. At the Athens Olympics there were massive rate hikes to ridiculous levels which priced people out of the market, while at the Beijing Games there were so many new-build hotels that the volumes weren't sold.

London should be more stable in that respect because there will be very few new-builds in the city, it's a busy city anyway, and many of the Olympic events are spread around the country.

Hoteliers won't just be considering rates though, they'll also be looking at which clients will be most lucrative overall. They will assess their business mix – transient corporate versus conference and meetings versus leisure – and decide which generates the most revenue.

What changes a 'good' client into an 'excellent' client is their ancillary spend over and above the room rate they pay, on food and beverage, hospitality etc. The more 'attractive' you are, the more you're likely to get first refusal on what inventory there is available.

If you don't already have an extended contract period for your negotiated corporate rate

programme, there is nothing to be gained by trying to put one in place solely to cover the London Olympics. There are many reasons why a two-year rate programme can benefit corporate and supplier but regardless of the contract period, the hotels will either blackout the period of the Games or create a high season and increase the rate.

## THE BUYER

**Claire Rowley, Category Specialist,  
Travel, buyingTeam**

Our clients' visibility of this as a potential challenge or issue varies depending on, to some extent, if they are directly involved in the event, their proximity to the various locations, their accommodation needs and demands, and their planning processes.

Early indications have been mixed and we have experienced some properties – mainly serviced apartments – already blocking out inventory in anticipation of the key dates. buyingTeam is encouraging its clients to act early and we are seeing a steady rise in requests for contingency plans and alternative solutions.

Longer term hotel contracts, improvements in videoconferencing facilities, making

arrangements for employees to work from other non-affected offices, changing usual business practices to avoid the flow of traffic, advanced block booking of hotel rooms, negotiations with hotels away from the key locations but with accessible transport links – for example, looking at hotels in Brighton, Basingstoke or Milton Keynes – are all areas which are currently under analysis and are key areas that buyingTeam is looking to understand in more detail.

The prospect of an organisation asking its employees to commute between London and Brighton would, under normal circumstances, seem unacceptable. However, this situation is rare and flexibility and negotiations between the organisation and employee will be the key to its success or failure.

Such extreme change, however, may not be needed in all cases. We have had recent experience with some hotels and serviced apartments who are remaining loyal to their corporate clients and have stated that their rates will not significantly rise over the proposed key dates, and they are not booking out large sections of their inventory for the event.

We are sensing that some of the smaller hotel chains wish to remain loyal to their clients. In times of economic difficulty, we are seeing a trend in hoteliers trying to maintain long-term relationships as opposed to quick wins. One has even described this as key to their long-term success.

The recent demands put on our clients during the economic downturn has heightened the need for successful and efficient supplier relationship management. Hotel and serviced apartments have relied heavily on client

loyalty during this period and it is maybe slightly optimistic to assume this loyalty will be repaid. However, maintaining an effective SRM programme can only enhance the potential opportunities available.

Following recent large events such as London Fashion Week and the visit of the Pope, we are acutely aware that capacity will be tight and availability is a major concern.

Indications suggest that approximately 17,000 athletes, 20,000 journalists, 63,000 Olympic workers and 500,000 spectators will be attending the event at some stage during the competition. With figures like these in mind, it is imperative our clients act now.

To combat these potential challenges, our key message is that of continuous awareness and early contingency planning. Failing to act now will, more than likely, lead to serious availability issues. We believe a strong supplier management strategy, good relationships with your service providers, coupled with contingency planning is an excellent way to mitigate the potential impact of the event.

## THE RESEARCH GROUP

**Andy Storey, Managing Director,  
Rubicon Europe**

Rubicon was recently commissioned to do a study for a major hotel chain on the Vancouver Olympics to help them create their strategy for London 2012. We believe that the Vancouver experience will be replicated for London 2012, in terms of changes in hotel demand and prices.

The key elements of what happened in Vancouver was that the average daily rate for the two-week period of the Olympics increased by as much as 100 per cent year on year and there was also anecdotal evidence that some hotels, particularly those in Whistler, tried for increases above 100 per cent and ended up empty, so there's a lesson for hoteliers there.

There was also a significant drop-off in corporate demand, which started staying away a week before the event and up to a week afterwards into the shoulder period. ADR for contracted business was up by 60 per cent.

Of the 120,000 rooms in the capital, the London Organising Committee of the Olympic Games has a commitment of 50,000 so there will still be a lot of rooms out there and there will be

availability for the corporate buyer. Vancouver ran at 95 per cent occupancy so there was limited availability of stock but London is a much bigger city.

Availability in London will be taken by people like the foreign media and the Olympic Committee as there is very little accommodation in East London and what there is has been booked by LOCOG – the organisation is expecting 22,500 members of the media to set up in 2012 and they've all got to stay somewhere.

Getting contracted rates early is going to be key. Buyers should consider booking their travellers into the outer suburbs of the city and locations outside London, in places like Reading and St Albans, as those areas will be keen to attract business during the Games.

Whether hotels will be loyal to their customers is a key issue. I think larger hotels will look after their customers rather than make a quick buck in the short term. Bookings aren't being made just yet and prices haven't been set but it's all beginning to move now.

Buyers should also be aware that the build-up to the Olympics will begin soon and constraints on hotel accommodation will occur way before the Games begin, even from early 2011. LOCOG is getting international meetings to test out the facilities as the scale of the event is impressive.

Listening to what LOCOG predicts blew me away – they're expecting to raise \$2.3 billion in revenues from things like ticket sales and merchandising and their 1,300 employees currently will swell to 3,500 by 2012, assisted by over 70,000 volunteers.

**“Hotels have relied on client loyalty during this difficult economic period, but it is maybe slightly optimistic to assume this loyalty will be repaid”**



**ANNETTE FORBES-MARSDEN**  
DIRECTOR OF SALES,  
HOTELSCENE

Annette joined HotelScene in February this year as director of sales. Her career in the travel sector spans over 25 years. Having started in the airline sector, she has since held positions at GetThere and Galileo International in various senior sales and account management roles.



**CLAIRE ROWLEY**  
CATEGORY SPECIALIST,  
TRAVEL, BUYINGTEAM

Claire is a travel category specialist for buyingTeam, a leading European procurement service provider. She has worked for buyingTeam since 2005 and has managed a number of major travel projects, including global TMC reviews, hotel and airline RFPs, travel policy design and implementation, contract management of TMCs/HBAs and implementation of online booking tools.



**ANDY STOREY**  
MANAGING DIRECTOR,  
RUBICON EUROPE

Andy is responsible for Rubicon's European operation. In that capacity, he directs the European account management team and drives the sales and marketing strategy for Europe. He has served as a member of Rubicon's board of directors since its inception in 1999. Prior to co-founding Rubicon in 1999, Storey was a revenue management consultant at Aeronomics Incorporated, a revenue management consulting and software development company. He consulted on revenue management projects in many industries including airline, hotel, car rental, cruise line and broadcasting.