

Hotel Sourcing Report

HOTEL SOURCING: AN EVOLVING PRACTICE

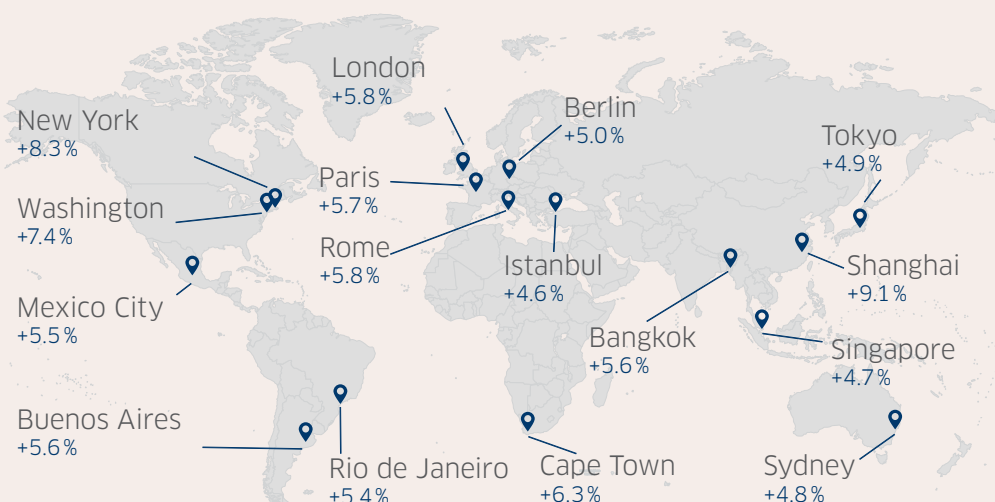
Hotel sourcing is a constantly evolving corporate procurement task, and 2019 is no exception. Given the complexities of our industry, and our ongoing commitment to client transparency, we are introducing this new report. We believe corporate clients and other partners can gain from the trends we see and the data we compile at HRS. For example, as detailed in an ACTE Sourcing report from last year, 51% of companies have altered their approach to hotel sourcing in the past three years. Beyond changing the timing and frequency of their sourcing,

multi-national programmes are increasingly leveraging global performance data and benchmarking to drive better results. The ability to capture, parse and leverage global hotel booking data is part art, part science...supported by experience, top-notch automation, and on-the-ground intelligence. Is your company getting the data awareness it needs to engage in hotel negotiations? Do you have the resources to secure the regional and local insight you need to inform your negotiation strategy?



Marco D'Ilario,
HRS Vice President
Sourcing Solutions

2019 Forecast - A Global Snapshot



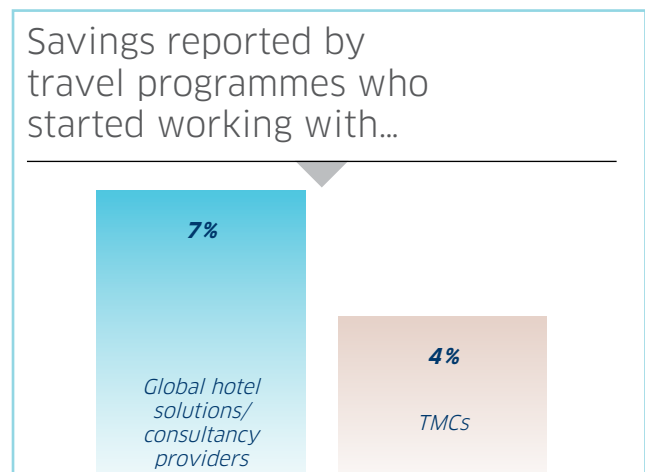
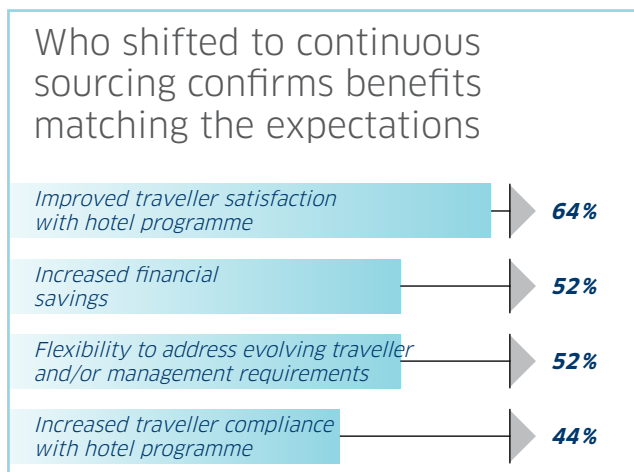
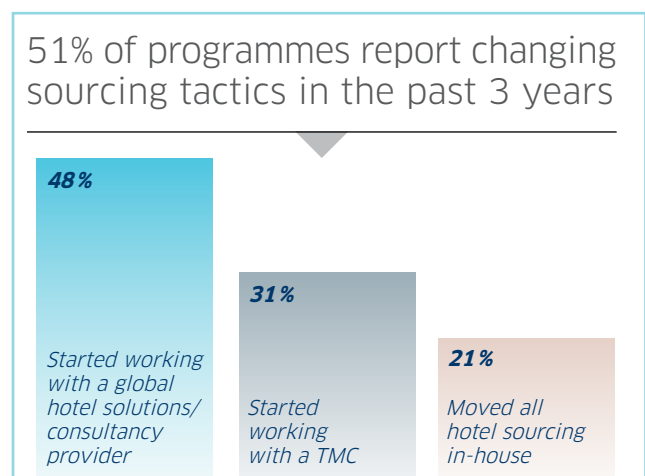
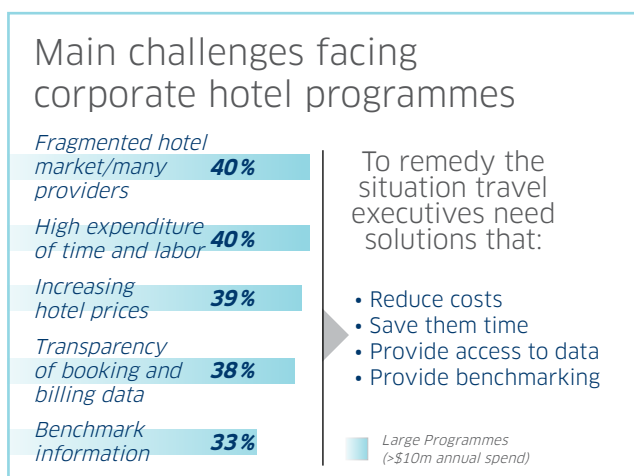
With our growing client roster (more than 1/3 of the world's top 100 brands use HRS for sourcing), no other global company has the insight HRS has when it comes to corporate rate trends in top business destinations. Here's a look at rate projection for 2019, based on rates we benchmarked in these cities as we negotiate preferred hotel agreements for clients.

RECENT DEVELOPMENTS IN HOTEL SOURCING

Enhancements in automation and process improvement are making 2019 a watershed year for hotel sourcing. As detailed in last year's ACTE report, more than 10% of companies have moved away from the traditional, once-a-year hotel RFP season to an engaged, year-round model. Continuous Sourcing ensures that companies can take advantage of rates fluctuating in select markets, as well as alter their procurement strategy as internal corporate priorities change. Continuous Sourcing drives increased transparency in the relationship between corporates and hotel suppliers. Hoteliers appreciate the elevated level of engagement

from preferred partners that deliver consistent volume; corporate hotel programme leaders benefit from timely rate analysis that can drive faster implementation of newly-negotiated rates in all relevant shopping/booking channels.

With such benefits, it's no surprise that 52% of programmes that practice Continuous Sourcing recorded both increased financial savings and flexibility. A whopping 44% measured increased programme compliance. If you are interested in how Continuous Sourcing can help enhance your hotel programme, reach out to your HRS Sourcing Consultant today.



Source: ACTE Study »A new Horizon in Hotel sourcing« 2018





A DEEPER LOOK AT TOP BUSINESS DESTINATIONS: **SHANGHAI**

In each report, we'll focus on a particular business destination, discussing local highlights and specifics about the hotel contracting environment. We'll share data from the past year, details on HRS rates in that city, and projections for the year ahead.

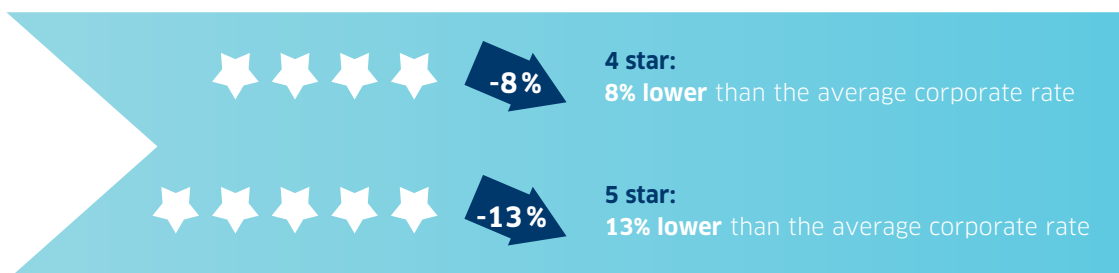
Shanghai – A Vibrant Business Travel Destination

Shanghai is China's busiest hub for corporate travel, and has retained that status for several years. The government's decision to create the country's first free trade zone in Shanghai in 2013 has enhanced this position; more than 40,000 companies have established operations in Shanghai in the past five years.

While other first-tier cities like Beijing or Guangzhou have also seen major infrastructural changes, Shanghai has an advantage in its long history as an international hub.

In the new millennium, buoyed by the opening of the free trade zone, the city has been transformed into one of the world's most important and eclectic financial centers. Overall in Asia Pacific, the hotel landscape is very fragmented. Ninety-five percent of the hotels in the market are independent hotels, defining the environment as a pure buyer's market. In Shanghai, specifically, market data showed an average rate increase for 2018 of 3.6 percent with an occupancy rate of 63% (source: ceicdata.com). The traditional approach for hotel programmes is to drive high levels

of optimization; the main lever for improvements is the capability and willingness to innovate the approach. A growing number of hotel programmes are using an outsourced automated process (through benchmarking, volume bundling and alternative hotels), delivering rate decreases of 12 percent on average, with benefits in the quality of the hotel programme as well. In Shanghai, there are excellent opportunities for companies to save on all categories of hotels via automated outsourcing. Here are the savings corporates were able to secure in 2018:



Shanghai Negotiation Detail

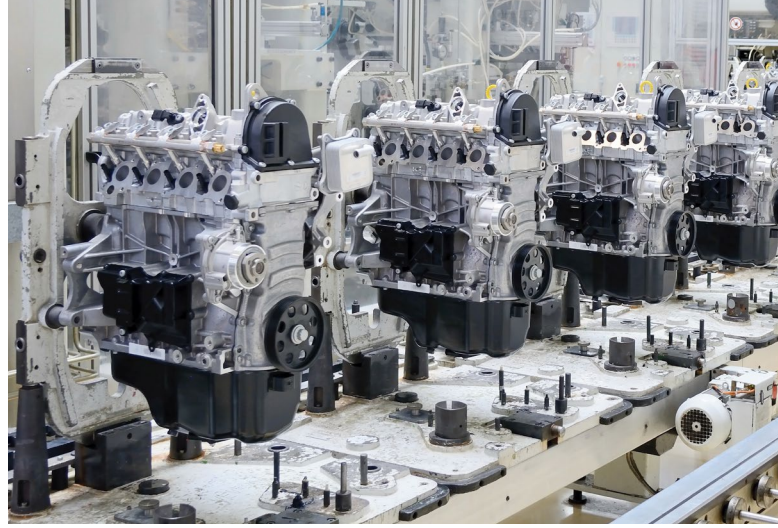


- Corporates should aggressively negotiate to include Last Room Availability (LRA). An examination of Shanghai hotel contracts found a range of 60 to 87% of contracts including a clause for LRA.
- Free WiFi is a must. More than 90% of contracts include free WiFi. Corporates should make this request up front in any Shanghai hotel negotiation.

**percentage of hotel contracts including Last Room Availability at the contracted rate
Data source: HRS analysis on 1 million room nights sourced for global clients in Shanghai in 2018*

A DEEPER LOOK AT TOP VERTICAL MARKETS: **MANUFACTURING**

In each report, we'll examine a different vertical market and discern noteworthy trends. HRS works with a broad spectrum of global corporations; our unmatched hotel benchmarking data from around the world enables us to compile, analyze and contrast corporate spend patterns. In this first report we'll look at metrics from our manufacturing clients.

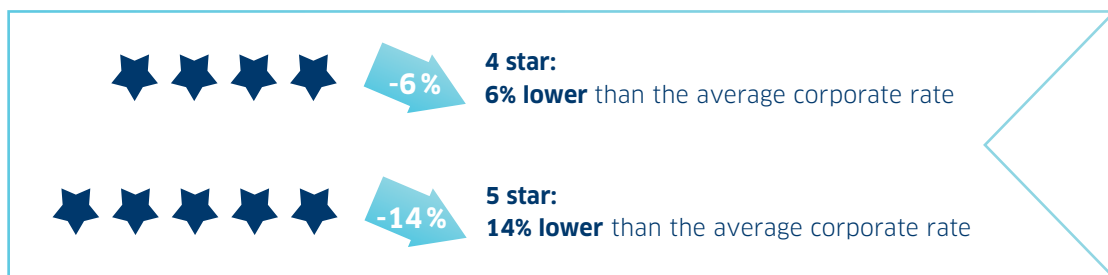


Manufacturing Companies Get Better Rates Via Sophisticated Benchmarking & Focused Negotiation

Manufacturing is a vertical market that knows no borders with companies in every country producing products and services vital to economies old and new. Correspondingly, manufacturing firms book a significant number of hotel rooms around the world. With rare exceptions, manufacturing is a conservative sector when it comes to travel management. Hotel programmes are based on chains and historical agreements, despite the global market offering a fragmented landscape with 75% of global

supply coming from independent local players. Leakage remains the main challenge to overcome. Manufacturing companies also stand to gain from continuous sourcing, so they can take advantage of savings opportunities in different markets as rates evolve during any given year. Once-a-year hotel negotiations no longer suffice. Based on Sophisticated Benchmarking and Focused Negotiation, the hotel programmes of more than two dozen global manufacturing companies reported rates (on average) 5% lower than average programmes (see the breakdown by star level below).

In the past two years, HRS has found that manufacturing companies in particular have seen the quality of their hotel portfolios increase when they take advantage of outsourcing models during bidding seasons. As a result, these companies have registered increased traveller satisfaction, rising adherence to policies and better, duty of care compliance. In manufacturing, companies that have insight into their hotel booking patterns and rates certainly have opportunities to save on all categories of hotels. Here are the savings corporates in manufacturing were able to secure in 2018:



Manufacturing Negotiation Detail:



- As always, corporates in any vertical market should lock in Last Room Availability (LRA) in their hotel supplier contracts. An examination of manufacturing company hotel contracts found a range of 58 to 69% of contracts including a clause for LRA.
- Free WiFi is a must. More than 90% of contracts include free WiFi. Regardless of vertical market, companies should make this a standard request in any hotel negotiation.

**percentage of hotel contracts including Last Room Availability at the contracted rate
Data source: HRS analysis on room nights sourced for global Manufacturing clients in 2018*