

MPINCC
Annual Conference & Expo
February 10, 2011
Moscone West Convention Center

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

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Welcome!
Focus on.....

- Drafting*
- Negotiating*
- Managing*
- Enforcing*

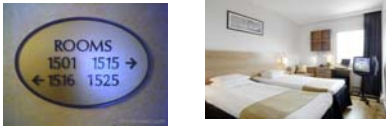
... Attrition Fees for Rooms and Food and Beverage

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.

Master Sheet - Hotel
 1/15/11 10:00 AM
 1/15/11 10:00 AM
 1/15/11 10:00 AM

Room	Room Type	Address	Rate	Rate	Rate	Rate
101	Standard	101	101	101	101	101
102	Standard	102	102	102	102	102
103	Standard	103	103	103	103	103
104	Standard	104	104	104	104	104
105	Standard	105	105	105	105	105
106	Standard	106	106	106	106	106
107	Standard	107	107	107	107	107
108	Standard	108	108	108	108	108
109	Standard	109	109	109	109	109
110	Standard	110	110	110	110	110
111	Standard	111	111	111	111	111
112	Standard	112	112	112	112	112
113	Standard	113	113	113	113	113
114	Standard	114	114	114	114	114
115	Standard	115	115	115	115	115
116	Standard	116	116	116	116	116
117	Standard	117	117	117	117	117
118	Standard	118	118	118	118	118
119	Standard	119	119	119	119	119
120	Standard	120	120	120	120	120
121	Standard	121	121	121	121	121
122	Standard	122	122	122	122	122
123	Standard	123	123	123	123	123
124	Standard	124	124	124	124	124
125	Standard	125	125	125	125	125
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128	Standard	128	128	128	128	128
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131	Standard	131	131	131	131	131
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164	Standard	164	164	164	164	164
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200	Standard	200	200	200	200	200

Managing Attrition Fees

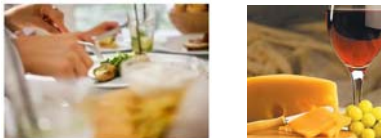
- Attrition fees must be managed outside the contract
 - Group's efforts to fill the room block
 - Hotel's efforts in reselling rooms
- Communication is key!
- Change in terms may be necessary to fill room block

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?



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A collage of four images: a red location pin on a map, a sunset over water, a modern glass building at night, and a person holding a yellow sign.

**WHAT ELSE IS
ON YOUR MIND?**
