

AFFAIRS WITH HOTELS: IT'S COMPLICATED

Conference centres and hotels must resolve differences over short and long-term financial gains from group bookings, argues **Aloysius Arlando**

AS is the case with many relationships, that between convention centres and hotels in the same community can be complicated. And this is not something unique – it's the same in many, if not most, of the destinations around the world pursuing the most attractive meetings and conventions business.

Given the essential roles that both play in the overall product equation, a successful relationship is vital to produce significant mutual benefits; however, it also has inherent potential for conflict.

Benefits generated by a big convention centre for local hotels include accommodation room nights that can easily extend into the hundreds of thousands. There are also satellite activities that accompany these centre-sized events: board and sector meetings, hospitality events and entertainment, which typically spread across the city.

So far, so good. So where are the conflicts?

The first is based on something I call the profit paradox – well illustrated by the number of times I've listened to industry colleagues complaining about high hotel rates at the same time as a lack of hotel rooms, without appreciating the irony of what they were saying.

Clearly, we ourselves need to fully accept the supply-demand dynamic and yield management philosophies that drive and underpin the next wave of new hotel investment, because that is what we need to grow our own business. Convention centres, however, provide a big part of the rationale for new demand, and therefore new investment, in room stock.

There is another issue best illustrated by feedback I had recently from a major global convention client staging a high-profile event in a few years. This event has the potential to deliver many thousands of professional delegates and tens of thousands of room nights along with corporate entertainment and hospitality spin-offs across the city, creating an enormous contribution to that city's profile and reputation.

However, this client confided that they had the "most challenging hotel discussions and negotiations" over securing appropriate rooms blocks, confirming rates and agreeing on release or attrition conditions.

We know that centre clients are not the only business segment for hotels – and this illustrates the inherent conflict that often exists in our relationship.

Centres generally work in the long term, with lead times that can be up to eight years for international groups and up to four for some national events. Hotels, on the other hand, work in much shorter term timeframes. Over the lead period for a major international event there could be two, even three, changes of general management in a hotel that our client is also dealing with.

With a focus on shorter-term returns, it sometimes appears



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that hotel owners and investors don't always understand the importance of reputation and positive positioning for the city in protecting their long-term property investments.

Research we undertake in our venues confirms that while the convention centre typically only receives about 8-10 per cent of what international and national delegates spend in the destination, the hotel sector receives much more. This suggests they should be at least as concerned as we are about maintaining the benefits these events deliver.

There's too much at stake to let relations slide. There's little that can't be solved by co-operation and collaboration driven by ongoing and open communication. Together, we can do a lot for each other and our overall community. ●