

# Watch Out: Rate Squatters About!

*Regular GDS hotel rate audits can help companies better manage the risk of "rate squatting" and its impact on their travel program.*



**Richard Verreault**

Manager, Hotel Distribution and Sales Development, CWT

Hotel rate audits have typically focused on ensuring that preferred properties have correctly loaded their clients' negotiated rates into a global distribution system (GDS). Increasingly, however, travel managers and their travel management companies are looking out for GDS "rate squatting" and seeking ways to manage this risk to compliance and savings.

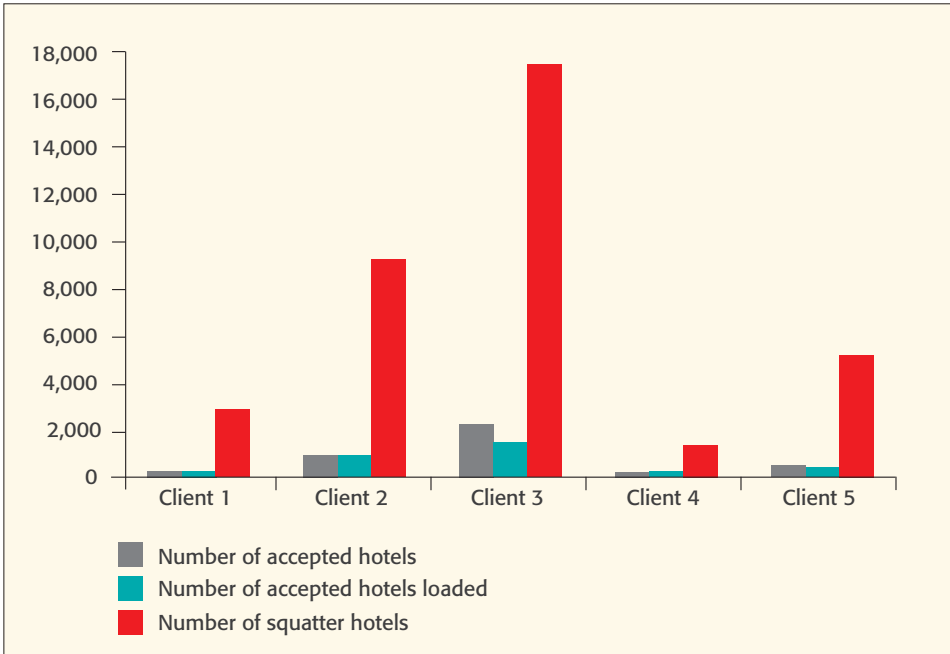
## A real risk to travel programs

Hotels control the process of providing content to GDSs, which makes rate squatting a common occurrence. Rate squatting, as the name suggests, takes place when a hotel occupies GDS space intended for a company's preferred suppliers without the company's consent. Technically, this is possible whenever a hotel has a company's rate-loading codes. Rate squatting occurs, for example, every time a property uploads rates before it actually signs an agreement with the company. Other examples include a hotel uploading rates after an agreement has expired or a chain using the preferred provider code to integrate individual properties that are not included in the overall contract with the company.

Because "squatters" load rates using the same code as a company's preferred hotels (see the sidebar on Page 37), the GDS display does not distinguish between squatter rates and preferred partner rates. This can dilute a company's preferred hotel program, eroding compliance and savings.

The results of rate squatting audits can be astounding. For example, a mini survey of five CWT Hotel Solutions clients found approximately 11 squatting hotels for every "legitimate" hotel displayed in the GDS, as shown in the graph on Page 36. Twelve percent of the hotels in the companies' travel program, however, had not yet loaded their rates at the time of the audit. If they had done so, the ratio would still have been eight squatting hotels for each accepted hotel.

A mini survey of five CWT clients found on average 10.7 squatter hotels for every “legitimate” hotel displayed in the GDS



Source: CWT Travel Management Institute

The same survey also found that most squatter prices are higher than preferred partner rates. Squatter rates often represent best available rates or standard corporate rates, which can be 25 percent more than the average negotiated rate. Given that each hotel publishes a range of prices, the survey found a total of 65 squatter rates for every negotiated rate.

### Measures to protect against squatting

Faced with this challenge, companies can help minimize hotel rate squatting and its impact on their travel program by using the following tactics:

- **Conduct regular audits** to identify squatters, monitor progress and provide all of the facts when negotiating with suppliers. (See the sidebar on Page 37.)
- **Communicate with properties and account managers** assigned to clients to underscore the importance of rectifying incorrect GDS information as quickly as possible to minimize negative impact to the travel program.
- **Integrate clear GDS rate-loading instructions into the request for proposal and contract process** and ask hotels to refrain from pre-loading hotel rates before receiving acceptance notifications from the company.
- **Maintain an ongoing relationship with preferred hotel chains** to help eliminate squatter rates.

- **Reinforce travelers' and travel arrangers' awareness of the travel policy and preferred hotels program**, and take action to reinforce compliance. One solution is to provide electronic directories of approved hotels.
- **Use an online booking tool with a filtering capability** that prevents non-preferred hotels from being displayed. Agents can also use tools that filter information. To that end, *CWT HARP*, a centralized database, highlights hotels that a company has selected for its program.

While hotels remain in control of the GDS rate-loading process, travel managers find that a little vigilance can go a long way in minimizing the impact squatter rates can have on the bottom line. ■

### Rate loading and auditing: two critical processes

Rate loading is one of the critical steps in managing a successful hotel program, along with rate auditing. It is also one of the least understood.

The **rate-loading process** begins once a hotel program has been finalized. Normally, the travel management company (TMC) sends a confirmation of acceptance to the hotel, along with rate-loading instructions and a target date for completion. Included in the instructions is a list of codes which must be used to load negotiated rates. These correspond to the TMC's implants and business travel centers that will be making reservations for the client. At the same time, the account manager assigned to the client sends full details of the hotel program to the subject matter experts working at the TMC who will oversee and audit the rate-loading process. It is imperative for this information to be complete and accurate.

The **auditing process** ideally begins as soon as the deadline for hotels to load rates has passed. It is typically carried out once a year and in several stages. In an initial audit, the TMC checks that the negotiated rate for each hotel is displayed on all global distribution systems (GDSs). When this is complete, the account manager or audit team contacts all hotels that have not loaded rates correctly. Correct rate-loading information is resent and a new target date is set. Once the new deadline has passed, a follow-up audit takes place. This usually eliminates 85 percent of errors. In some cases, this process is carried out three or four times until 99 percent of errors have been rectified.

Audits can reveal an error rate ranging from 20 percent to 80 percent, but typically averaging 35 percent. In addition to squatter rates, problems include negotiated rates not being loaded on time, not loaded correctly (i.e., the wrong rate) or not loaded at all. As rate loading is ultimately in the hands of hotels, audits continue to play a key role in reducing errors.