

# GDS Hotel Audits: The Hallmark of a Preferred Hotel Program

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Ever wonder if the time and effort invested in building a managed hotel program is delivering the expected cost savings? Are travelers receiving the negotiated rates you worked so hard to secure? A hotel rate audit in the global distribution systems (GDSs) is a necessary and invaluable process to help ensure your company is actually reaping the benefits of the managed hotel program you've put in place.

## Automated GDS rate audits

Running an automated GDS rate audit takes the guesswork out of whether negotiated rates have been loaded correctly by preferred suppliers. When rates are loaded correctly and travelers book through their designated travel management company (TMC), either travel counselors or online booking tools, organizations are assured of the cost savings associated with a managed hotel program. On the other hand, if negotiated rates are not loaded into the GDSs by hoteliers, or not loaded correctly, the missed savings can be significant. For example, consider a company that has projected 50 room nights per month at a preferred hotel with a negotiated rate of \$100 per night with last room availability (LRA). If the hotel is non-compliant and instead loads a \$130 rate, the corporation stands to lose \$18,000 annually in missed savings. Depending upon the total number of non-compliant hotels, this figure easily increases if the company does not insist hotels take corrective action.

Companies can expect the full audit cycle to take 2-4 months and the cost is dependent upon the number of hotels audited and the number of GDSs audited.

## Audit successes

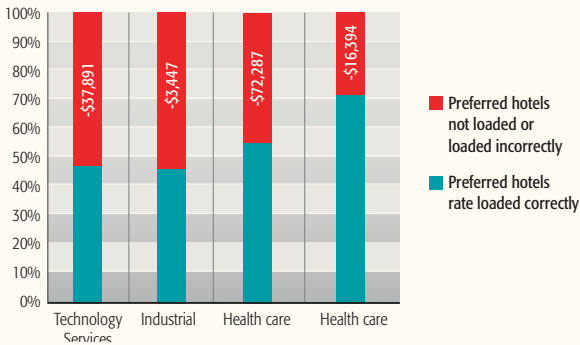
Generally speaking, CWT clients set audit goals of 90% rate accuracy, or a maximum of five audits. When reviewing CWT Hotel Solutions client rate audits thus far in Q110, on average client negotiated rates were loaded correctly 75% of the time after the initial audit, while 25% of hotel rates were either not loaded at all, or not loaded correctly. After a second audit, the number of rates loaded correctly for clients increased 11%, averaging 85% correct, while 14% remained unloaded or incorrect. While 2010 rate audits are not yet complete, at the conclusion of the 2009 audit cycle, on average clients achieved 90% accuracy or more by the fourth audit.

During Q110, an examination of four CWT Hotel Solutions clients, who track quarterly hotel performance, showed each of these clients realized missed savings between \$3,447 and \$72,287 (see top chart at right). These missed savings are determined by calculating total room nights booked during the quarter, what those nights should have cost based on negotiated rates, and what clients actually paid based on booked data.

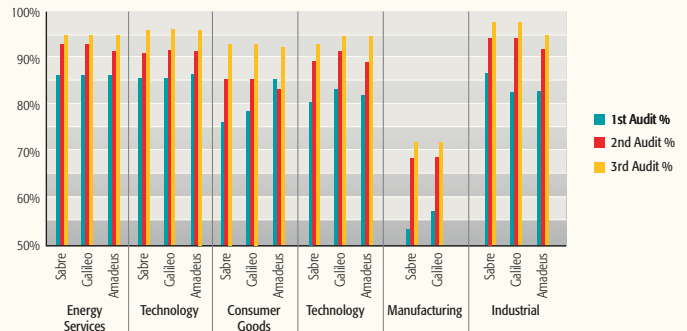
After each round of audits, travel buyers or their third-party auditors should "chase" non-compliant hotels to remedy negotiated rate loading. This often involves multiple phone calls and emails to individual hotel properties. Corrective action by hoteliers is crucial to a company realizing the cost savings of a preferred hotel program.

When reviewing another subset of six clients, who are undergoing hotel rate audits and who use multiple GDSs, results show after the first audit, on average 80% of rates were loaded correctly and 92% after the third audit (see bottom chart at right). These six preferred hotel programs range in size from small (32 hotels) to large (1,038 hotels).

Q1 2010 Hotel Rate Loading - Missed Savings



Q1 2010 GDS Rate Audit Success Rate\*



Hotel compliance

In a closer look at all 2010 hotel suppliers used by CWT Hotel Solutions Group clients (see top chart on page 3), Marriott had the top score with 91% of rates loaded correctly after the first audit in Q1 10, while Hyatt and Accor had the top score of 98.5% after the third audit.

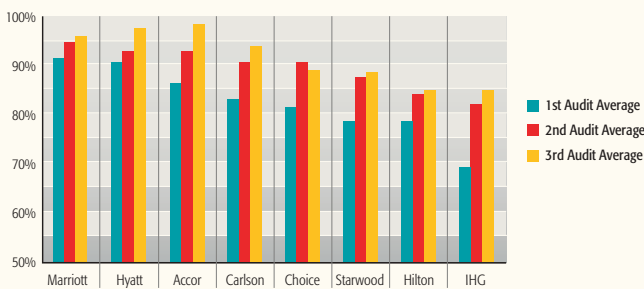
GDS compliance

Since 2008, results of GDS hotel rate audits for CWT Hotel Solutions Group clients reveal (see bottom chart on page 3) that Amadeus has consistently placed highest in the GDS rate audit results, compared to Sabre and Galileo. In this three-year data set, clients had their hotel program audited in all three GDSs. While the responsibility to correctly load rates primarily falls on the shoulders of hoteliers, there is a component of rate-loading success that is dependent upon the accuracy and ease of liaising with the technology provided by each individual GDS.

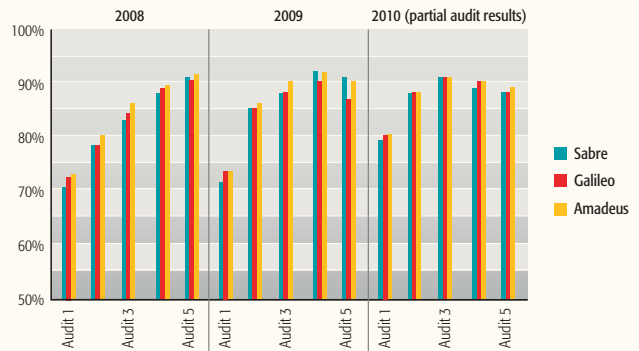
Continuing the momentum

During the GDS audit process, travel managers should monitor results and identify trends in rate-loading compliance among their preferred hotel suppliers. Run spot hotel audits with online booking tool test reservations, and call upon support from national account managers if a hotel group or chain lags behind in resolving rate-loading issues. Travel buyers need to ensure their agreed-upon negotiated rates are loaded correctly and are accessible to travelers via both travel agents and their online booking tool. Only then can companies demonstrate their time and effort have given them a return on investment. ■

Q1 2010 Hotel Rate-Loading Compliance\*



GDS Hotel Rate Audit - Percentage Loaded Correctly\*



Should the percent of successfully loaded rates go down as subsequent audits are performed, this is explained by understanding that after a client's hotel program reaches its audit goal for accurately loaded rates, that client's auditing is complete and the program is no longer included in any additional rounds of auditing.

### Measuring hotel savings against BAR

Once a company's preferred hotel program is established, and rates are loaded correctly, it is often helpful to know how the company's negotiated rates compare to the preferred hotels' best available rate (BAR), otherwise commonly known as the hotel's published rate. As many travel buyers know, there is a population of travelers who like to "beat the agency" or who try to find the exceptions to the rule. A BAR savings audit can determine how often a company's negotiated rate beats the BAR, will calculate the savings realized by the company as a result of securing negotiated rates, and can help negate the concerns of these tenacious travelers.

The objective of this audit is to compare a client's negotiated rates to their preferred hotels' BARs and determine the savings over BAR for each property. When the automated audit tool searches a specific date, it retrieves all rates found in the GDS; therefore, the BAR rates may include multiple room types from standard rooms to superior/deluxe rooms. The savings calculation determines the savings differential between the BAR rate and the client's negotiated rate, and then calculates a total savings based on the total number of room nights booked within a given period.

Here are sample annualized savings from a client using this savings measurement method when comparing to BAR:

- Savings compared to lowest BAR: \$826,221
- Savings compared to highest BAR: \$3,564,400
- Savings compared to average of all BARs: \$1,822,353

Companies typically book standard room types, yet the audit pulls the BAR, whether it is a standard room type or higher. Therefore, the lowest BAR rate is recommended for a more conservative comparison.

BAR savings audit reports will show the hotel name (basic hotel information), the client contracted rate (overall average), and the BAR average results (low, high, average). Included in this report are the client's total room nights for each property, which are then used in the calculation to report annualized savings. BAR savings audits can be conducted as a one-time review, or an ongoing monthly or quarterly evaluation, depending upon a company's strategy.