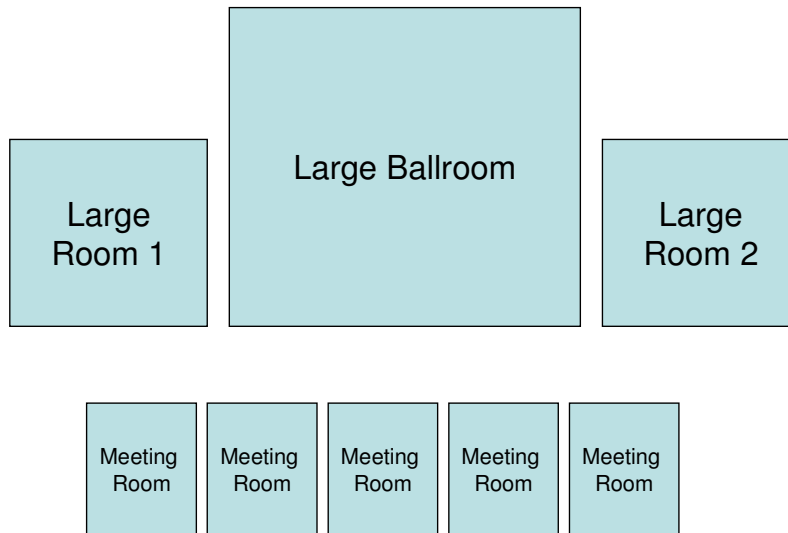


Scenario 2 – The Convention Hotel

Convention Facilities Team (Buyer)

Your mid-sized regional convention is looking for a new hotel. You've found a good facility in just the right part of town and the convention sales team at the hotel seems keen to work with you. You may be bottom-feeders compared to business customers but you've got a long track record with your convention and you're seen as reliable business.

The hotel has three major spaces – a large ballroom for events, and two mid-sized rooms – and five meeting rooms which will work for regular program. You plan to put dealers and artists into one of the mid-sized rooms while using the other one for your larger program items.



The hotel has 400 sleeping rooms, and you need to secure around 350 to hold all your members. There is one nearby overflow option but it won't be popular with members and it is several blocks walk from the main hotel.

Your convention usually happens over Thanksgiving Weekend and you would much prefer to stick with that (not least because it gets more members and keeps them happy) – but in the past there have been a couple of occasions where you moved to the weekend before because your old hotel had higher paying business for Thanksgiving.

If the hotel works out well this year you would be interested in coming back for future years.

Current Position

The hotel has offered you 300 sleeping rooms for Thanksgiving Weekend at \$125 per night. Your target price as a committee is \$100.

The hotel has offered you Function space as shown overleaf. You have all the space for the three days of the convention, except for one meeting room which you cannot have until Saturday due to another booking. Move-in is mostly not a problem but the hotel needs you to complete most of your move-out on Sunday night as it has a business conference starting on Monday morning. They have allowed you to keep the exhibits hall through Monday to allow the dealers and artists to pack and move out. Move-in access to the large program room still needs to be agreed – the

hotel has not currently included in this in their offer and it's going to be a strain on your team to do set up on Friday morning if this can't be resolved.

	MOVE IN	CONVENTION DAYS			MOVE OUT
	THUR	FRI	SAT	SUN	MON
Ballroom					
Large Room 1					
Large Room 2					
Meeting Room 1					
Meeting Room 2					
Meeting Room 3					
Meeting Room 4					
Meeting Room 5					

Available for the Convention 
 To be Discussed 

The hotel has asked for \$20,000 rental for the Function space. This is around twice what you are used to paying and will break your budget if not reduced.

You have been trying to persuade the hotel that it should improve its offer in all areas (more rooms, lower rates, less functional space rental). One part of your argument is that fans will eat and drink a LOT more than other customers, bringing in plenty of high margin food and beverage (F&B) revenue. You think as much as \$50,000 will be spent on F&B by your members over the weekend. The hotel doesn't really believe this and your previous hotel (a different chain) isn't willing to share its numbers from previous years.

Objective

You are the Facilities and Finance leads for the Convention. You're going to undertake what you hope will be the final negotiation with the hotel's sales manager and convention liaison. The hotel is part of a chain and presumably there are limits on what the hotel team is allowed to negotiate – but you don't know what they are.

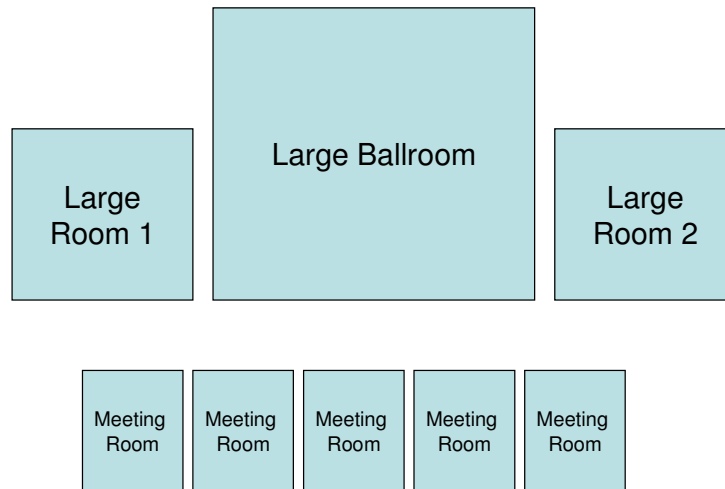
You need to get the best deal you can to take back to your committee covering:

- Room block size
- Room rates
- Allocation of Function space including MI/MO
- Function space hire costs

Scenario 2 – The Convention Hotel

Hotel Sales Manager and Convention Liaison (Seller)

A mid-sized Science Fiction Convention in your city is looking for a new hotel and your facility seems to be the right size for them. They are bottom-feeders without a lot of cash, but your contacts around the city say they pay the bills on time and you'd be happy to have their business given the current economy. The hotel has three major spaces – a large ballroom for events, and two mid-sized rooms – and five meeting rooms.



The Convention would like to hold their event over Thanksgiving weekend and you have currently offered them space as shown below. You have a high value business conference moving in on Monday morning so you need the Convention to be out of most of the space on Sunday night.

	MOVE IN	CONVENTION DAYS			MOVE OUT
	THUR	FRI	SAT	SUN	MON
Ballroom					
Large Room 1					
Large Room 2					
Meeting Room 1					
Meeting Room 2					
Meeting Room 3					
Meeting Room 4					
Meeting Room 5					

Available for the Convention	
To be Discussed	

Thursday is a problem: you have another event moving out on Wednesday night and you really want time on Thursday to reset the room before the convention moves in. It will be inconvenient for your staff to have the room ready earlier but you could do it if you really had to (at a cost of a few \$1000s).

Bedrooms

You have 400 sleeping rooms in the hotel. You have currently offered 300 of these at \$125 per night. Your chain will only let you sell a maximum of 340 of these to any single event. You have a reasonable chance of finding more profitable business than the Convention for the next 40 rooms so whilst you could give up these up to the Convention if necessary to get the deal, it wouldn't be the best business you could do.

Function Space

You have asked for \$20,000 for the Function Space rental. This is not unreasonable for this type of event based on other volunteer organisations. The Convention team has indicated it would like to pay a lot less, on the basis that they will spend a lot on food and drink. You would normally expect about \$20,000 food and drink revenue with 50% gross profit for the hotel.

Financial Flexibility

Your chain sets certain limits on what you can negotiate but you are flexible and have authority to make a deal within these limits. Their interest is in total value of the business – which means total income from rooms and function space and half the food and drink revenue.

The current offer gives you

300 rooms x \$125 x average of 3 nights = \$112,500
Function space = \$20,000
Food and drink margin = \$10,000

So the current offer is worth \$142,500 to you. You can trade within these categories – so for instance you could cut the Function space rental to \$10,000 if you thought the food and drink income would double to make up for it – but you really don't want to chance your position on unproven promises of high spending fans.

You have \$20,000 of negotiating room on the package i.e. you can give this much up on Function Space or reduced room rates (IGNORE any income from selling more than 300 rooms for the purpose of this calculation), in addition to any concessions you make vs. an expectation of more food and drink income.

Future Business

You know that the Convention may come back for future years if this year works well. This would be good news for the chain, and for you, but it has no cash impact on this year's deal.

Objective

You are the Sales Manager and Convention Liaison for the hotel and you're going to undertake what you hope will be the final negotiation with the Convention's Facilities and Finance representatives. You need to get the best deal you can covering:

- Room block size
- Room rates
- Allocation of Function space including MI/MO
- Function space hire costs

WILDCARD OPTION

The Convention has only talked to you about Thanksgiving Weekend. The previous weekend is however quiet and vacant and all Function space would be available from Thursday through Monday. For the earlier weekend, you would be able to offer 340 rooms at \$110 and a \$15,000 Function Space Rental based on the same assumption of \$20,000 food and drink income at 50% margin. (Again, you could make further concessions in return for more food and drink income if you want to take the risk). This might be a better option for you overall ... especially as there might be a Wedding party interested in the Saturday night of Thanksgiving Weekend.