

MEETINGSNET

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MEETINGSNET.COM



10%

Hotel Commissions

✂ WHO EARNS THEM ✂ WHO SHARES THEM
✂ WHO THE CUTS HURT



477 meeting
professional
respondents

303 from
third-party planning
companies

174 from
corporations and
associations

Marriott International sent a tremor through the meetings and conventions industry in January when it announced that as of March 31, commissions to third-party planning companies would drop from 10 percent to 7 percent for group bookings in North America. In late March, Hilton Hotels & Resorts followed suit, announcing that it would drop commissions to 7 percent starting this fall.

This 3 percent shocker is clashing with an industry that has come to rely on hotel commissions to offset the costs of meeting management services and, in some cases, defray operational and personnel expenses on the client side.

Is the new 7 percent figure just the beginning? Will more hotel companies follow? Will the chains squeeze commissions even further in the future?

To understand the impact of the cuts, MeetingsNet set out to learn more about the commission landscape today. Who's taking commissions,

who's sharing them, and how do they affect pricing?

We surveyed our readers and heard back from 477 meeting professionals, 303 from third-party planning companies and 174 from corporations and associations.

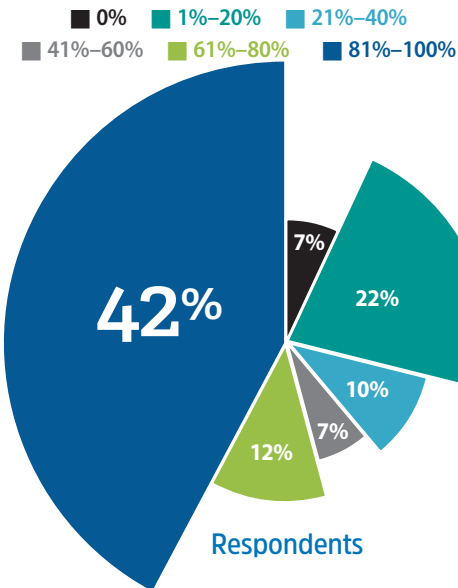
Third-Party Planners

Critical Revenue Source

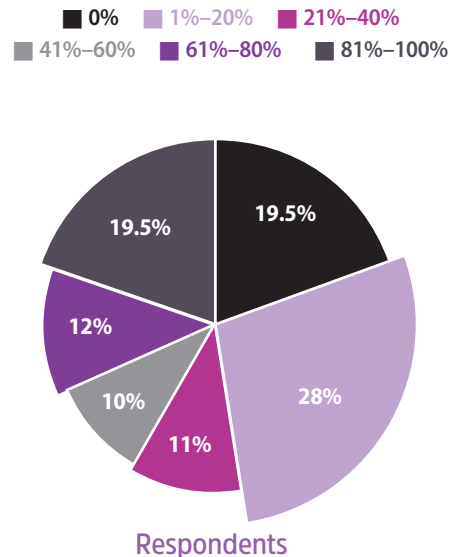
More than nine out of 10 third-party planners take commissions, and for most, they are the lion's share of revenues. However, 80 percent of third parties also earn fees for their work.

The type of fee model used depends on client or third-party preferences and the scope of the project, but about **70 percent of respondents report that the fees they charge are lower, or eliminated, because of hotel commissions.** As one third party notes, "Normally we charge a flat fee, but we base that on the client's overall budget. The hotel commission helps keep that fee down."

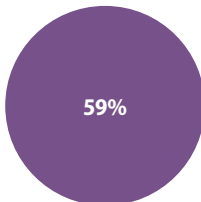
Percentage of Revenue Earned from
Hotel Commissions



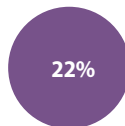
Percentage of Revenue Earned from
Fee-Based Services



Which **fee-based pricing model** do you most typically use?



Flat fee/project fee



Time-based fee
(hourly/daily)



Percentage of
Budget

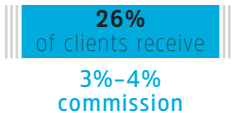


Markup

35%

of third parties share hotel commissions with clients

What amount of commission does the client receive?



The Share

Hotel commissions—10 percent is the industry standard—sometimes flow entirely to a third party's coffers, allowing it to pay operational costs and salaries, or reduce its fees. Other times, that commission is shared.

About 8 percent of third-party respondents share commissions with an outside sales team, most commonly splitting the 10 percent down the middle. A more common scenario is for third parties to share the hotel commission with their corporate or association clients—about one in three have such an arrangement—with the percentage shared ranging widely.

44%

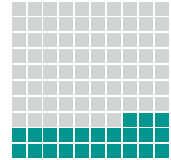
of organizations report receiving a commission share from their third-party planner.

Corporations are twice as likely as associations to have a commission-sharing arrangement.

How corporations and associations spend their commission share:



Covering operational expenses for the meeting itself



Funding meeting department personnel



Covering the cost of the meetings management company



Funding strategic meetings management program technology



Other

Percentages reflect multiple answers.



Keeping Costs Down

For many organizations, commissions play a major role in keeping their meetings affordable. Just 29 percent of third parties and 28 percent of clients say that commissions have zero effect on the cost of a meeting.

Most typically, commissions offset the cost of third-party services for sourcing and contracting hotel properties, budget management and reconciliation, onsite logistics, meeting registration services, participant management, and website creation.

Interestingly, **19 percent of corporate planners and 24 percent of association planners report earning commissions directly from hotels**, without a third party involved.



Third Party

Do hotel commissions affect the cost of your services for clients?

29%

No, commissions **do not affect** the costs clients pay

22%

Yes, commissions **slightly reduce** the costs clients pay

18%

Yes, commissions **greatly reduce** the costs clients pay

31%

Yes, commissions **cover the entire cost** of our services

Corporations & Associations

What impact do hotel commissions have on your meetings and events?

Our third party earns hotel commissions that **offset the cost of some of the services** they provide us.

CORPORATE 31%

ASSOCIATION 15%

Our third-party meeting planning partner earns hotel commissions that **offset the cost of ALL of the services** they provide us.

CORPORATE 23%

ASSOCIATION 31%

Our organization **earns commissions directly** from one or more hotel brands, without an intermediary involved.

CORPORATE 19%

ASSOCIATION 24%

Our meeting hotels are always booked at non-commissionable rates. Hotel commissions have **no impact on our meetings.**

CORPORATE 27%

ASSOCIATION 30%

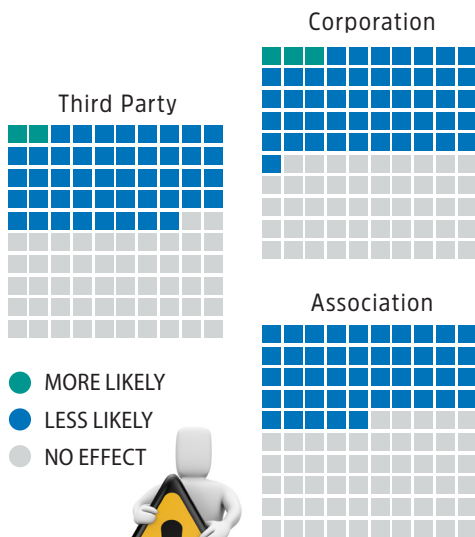


Feel the Impact?

The change in some hotel commissions will continue to play out in the months and years to come, potentially creating disruption in third-party pricing models, site selection decisions, and the ability for some intermediaries to stay in business.

While an overwhelming number of third parties see the change as a negative—a devaluing of their professional services and, for some, a threat to their existence—others see it as a shift toward pricing models that ensure the lowest possible hotel rate.

How does a commission cut from 10 percent to 7 percent—affect your decision to book a property?

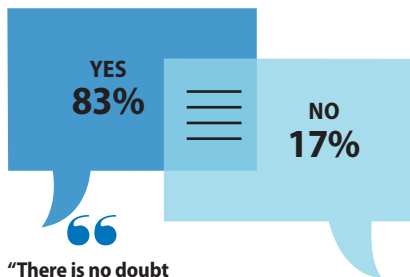


- MORE LIKELY
- LESS LIKELY
- NO EFFECT



Third-Party Planners

Does a commission cut from 10 percent to 7 percent have a negative effect on your organization?



“There is no doubt that this will have an impact not only on our business but our clients’ bottom lines. The majority of my groups’ housing is paid for by commission, but with this change, our model will have to adjust or we will begin booking at destinations that offer 10 percent or more commission.”

“We just signed a three-year agreement with our largest client. Thirty-five percent of our income for their meetings comes from the commissions we receive from the conference venue.”

“This will especially hurt the SMM clients, who rely on commissions to offset the cost of their meetings programs.”

“I select no and hope that it is the actual outcome.”

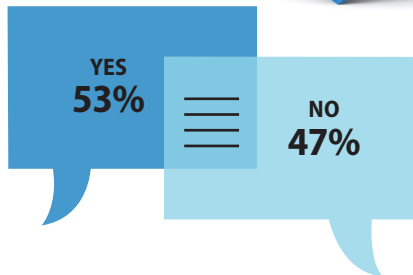
“No negative impact for us, but for those clients who we pass the commissions back to, their budgets are now having to increase.”

“There should be no commissions. There should just be flat fee/hourly fee-based rates to create total transparency.”

Does a commission cut from 10 percent to 7 percent have a negative effect on your organization?



Corporations



"We will be losing, on average, about \$15,000/event or \$45,000/year based on our current pattern of Marriott bookings."



"If my third-party company has to charge for its services, I will no longer be able to use them. Thus, I will have to spend much more time working on sourcing and contracting."



"It's not so much the financial impact, but more about relationships."



"I believe it will actually help lower room rates across the brands."

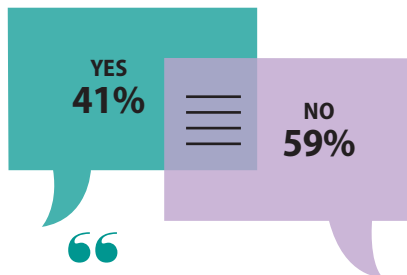


"To professionalize our industry, we need to eliminate covert/hidden commissions."



"No impact because we pay hourly fees for the services provided."

Associations



"As in healthcare, when one company cuts back, others are likely to follow."



"We have a solid and efficient working arrangement with our small housing and contract management group. This will create chaos in the creation of addenda to reflect the commission change to more than 60 contracts already signed through 2021. It is not reasonable to expect the third party to accept 3 percent less on all of the contracts already signed nor is it reasonable for our organization to accept less."



"As an association that does not accept commissionable rates, I would be happy to see fewer third-party organizers direct their clients to Marriott properties. The competition for dates and space has gotten out of control."



"I don't feel it will have a negative impact on my organization directly, however I know it will impact my trusted third-party contacts."



"It's about time that hotels took this step!"

