



United States-Market Update- Q2 2023

America Midwest/East -Market Update – Q2 2023

CORPORATE UPDATES

JPMorgan Chase 2024 RFP Updates:

JPMorgan Chase 2024 RFP Launch – July 12th. Going forward, will combine both transient and roadshow into one RFP. Only consider strong business cases and new hotels opening between Q4 2023 – Q2 2024 only. Those opening later in 2024 will not be considered. 2024 Requirements are:

- FLAT or lower rates
- LRA only
- Static Rates only (will not accept Dynamic rates only) – will request for dual rate loading
- 6pm same-day cancellation only
- NO resort fee / facility fees etc.
- RT1 room inventory needs to be the highest possible; RT2 with minimal increase
- Unlike in the past, JPMC will send out final notifications as they review each bid; hotels will lower rates will likely be accepted automatically; hotels with not competitive / excessive YOY increase can be rejected immediately without negotiation.

FROSCH now has access to JPMC negotiated rates; only about 5,000 executives of JPMC may use FROSCH for bookings. (That is 2% of JPMC's total 240,000 employee count globally)

Morgan Stanley 2024 RFP Updates: RFP launch on July 20th:

- Hotels to submit absolute lowest bid forward – great interest to reduce global expenses, business-critical and client-facing; non-essential travel placed on hold. Slower growth in spending in coming months, including the beginning of 2024.
- Continue long-term partnership with existing hotels; not considering unsolicited bids.
- Tom Hackenberg – new Asia Hotel Manager based in Hong Kong – joined 3 weeks ago; APAC is 15% of total spend. Expectations: laser focused on reducing expenses YOY – flat to down pricing; mix of cost-effective and premium brands; need our assistance in convincing revenue teams to make tier-1 room rate available – biggest frustration. India is a big opportunity but facing supply issues to open inventory.
- Americas = 62% of global spend of \$40mil. 138k RNs – currently up in Brazil, Canada and the US. Mexico, Peru, Colombian and Argentina are down. Will consider additional hotels in Alpharetta, GA, Columbus Ohio and Salt Lake City, which are the global centers.

- EMEA – places where they took increases last year, will accept flat or minimal increase. Inflation cannot be used as a reason for rate increase in markets where inflation is cooling. London and Paris are increasing in volume – with increase head counts in Paris; new office in Copenhagen; intention is to support existing preferred hotels – not adding new hotels; consolidated in London and will continue to do so. Will remove hotels which tier-1 rates are not available and will add lower-priced hotels; do not want seasonal rates in Europe. EMEA is impacted by trade shows and black-out dates, which need to be minimized. Please advise of renovation plans – UK hotels must include VAT in bid.
- If rates are far from competitive, will reject immediately without renegotiation.

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BAE Systems 2024 RFP Updates:

BAE Systems 2024 RFP Launch – August 4th. BAE Systems has a new approach moving forward for interested properties as a “Fast Track Process” option. Moving forward, any properties that offer the following are eligible for an “evergreen” participation option in the program:

- Offer Per Diem (or lower if commercial rates are lower) as LRA
- Include DOA Cancellation
- Include Internet, Parking, Breakfast and Fitness Center
- Include 65% of inventory at offered per diem rate. This can be either as Room Type 1 or a combination of Room Type 1 & 2 but both room types must be at the per diem rate
- No early checkout fee
- No minimum stay required
- No resort type fees (either disclosed or nondisclosed)
- All Lanyon and BAE Systems custom security-related questions must be answered

BAE Systems remains a top 10 U.S. prime contractor, with strong, enduring presence in international markets. BAE Systems, Inc. Employs a diverse international workforce of approximately 35,000 employees with major operations in 30 U.S. states, the UK, and Sweden. Their sales total \$12.6bn, representing approximately 44% of the Group and an order backlog of \$20.9bn, representing approximately 29% of the Group.

Tesla 2024 RFP Updates:

Tesla key updates include:

Americas

- Giga Nevada: factory expansion
- Giga Mexico: new factory build
- Robstown (Corpus Christi): lithium refinery new build
- Engineering HQ: Palo Alto
- Tesla energy projects (various across America with locations TBD)

EMEA

- Gigafactory Berlin: production started
- New markets launched: Turkey and Abu Dhabi (UAE)
- Several energy and sales projects across the EMEA
- Potential announcement of new Gigafactory and new markets entry
- Travel program integrations in Germany
- Meetings & events program growing for this region

APAC & China

- New market entry – Southeast Asia
- Thailand
- Malaysia
- Giga Shanghai expansion
- Continued expansion in Australia

Program Goals

- Reduce cost while maintaining service and quality levels
- Form long-term partnerships with hotel partners who provide value and consistency
- Request hotels to offer fast-track / status matching for hotel reward programs
- Focus on hotels with 200+ room night production
- Leverage spend by reducing properties with limited volume and rewarding those who value long-term partnerships and who maintain reasonable rates and amenities
- Hotel selection is focused on location, price, amenities, and flexibility

RFP Overview

- Re-bids are not guaranteed; first and final offer should be simultaneously presented
- Hotels with increases of 3% or greater will be removed from the 2024 RFP and program
- All offers of 20% or greater off BAR with LRA are welcome
- Properties may choose to increase the chainwide/dynamic offer
- Squatter rates are not permitted
- RFPs due from hoteliers by August 7th for initial RFP distribution

Contact for this market is Casey Burks based in Dallas, TX
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America West -Market Update – Q2 2023

CORPORATE UPDATES

- PHGCORP Chain Discount Added Accounts since January 2023 – Paramount Global and Gap, Inc.
- Overall, corporate accounts will be looking to keep rates flat or possibly ask hotels to lower rates in the 2024 RFP season following the significant rate hikes most hotels implemented for the 2023 season. Travel spend is likely to decrease in some industries such as tech, for the remainder of the year, through Q1 2024. Accounts like Meta, Salesforce and Netflix have implemented layoffs to control costs after an over-hiring spree during the pandemic.
- Rate audits and rate availability have become even more prominent this season. Many hotels globally are failing rate audits due to lack of rate availability although the corporate negotiated rates are loaded correctly. Ensure rates are available and bookable by completing internal audits and keeping an open line of communication with your revenue management team. If the rates are not available and the hotel receives minimal production, it is likely that a travel manager will not re-invite the hotel to participate in the following year's RFP and re-entry into said account in future will be difficult to justify.
- Amazon launched the Amazon Dynamic RFP in late November 2022. All hotels within Preferred Hotels & Resorts that were within a market where Amazon has reported volume were invited. Terms were 25% off BAR, 6pm same day cancellation, and LRA. Other value added amenities like breakfast and parking were also requested. In Cvent Transient (Lanyon), some hotels may see the "Amazon Dynamic" bid still in submitted status. The hotels also likely have a regular "Amazon" RFP in their bid profile. If so, and if "Amazon" shows accepted, then it means the hotel was accepted into either the static program *or* Amazon Dynamic program. The client uploaded all acceptances for both programs under one RFP.
- For 2024, Amazon will be migrating away from CWT and will go live with BCD as the main TMC partner in September 2023. All hotels in the program have been notified as of June 2023 of the change.

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U.S. ENTERTAINMENT MARKET UPDATES

- U.S. Writer's Guild and SAG-AFTRA strikes are significantly impacting production and studio business. The writers began their strike in May 2023 and the actors joined in in July 2023. They have many concerns over streaming service royalties and the use of AI

(artificial intelligence) in the industry. Most productions have halted and depending on how long this lasts, it could cost the industry billions. Red carpet premieres and junket business could also be affected. It is the first time since 1960 that both writers and actors went on strike at the same time. It is in the studios' best interest to end the strike as soon as possible to begin production for tv and film content to continue in the Fall.

- Music touring has been seeing record growth in 2023 since the pandemic shutdown. Many artists and bands are on tour, extending tours, or announcing “farewell” tours. It is key for hotels interested in this business to remain flexible with terms, such as reduced or waived deposit requirements for groups, flexible cancellation/attrition policy, offering best available entertainment rates and very timely response to these clients. Force majeure clauses must “include illness to artist/band or show cancellation” to be considered seriously by entertainment booking agents. Hotels that offer no contract or short contracts (1-2 pages) will have an advantage by sending an offer in a clear, concise manner.
- CATCH entertainment group sourcing tool RFP for 2024 will be available in September 2023. The price for 2024 will be \$850 USD. This includes a subscription to the tool where a hotel has the opportunity to update a property profile with key information to attract entertainment buyers.

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- Outbound travel to Europe and Asia remains strong, whereas domestic travel has dropped some compared to previous years. Forecast to shift again for next year.
- Attended Travel Pivots, an industry forum and received the following feedback from the industry:
 - Overall Stats: leisure travel is up 31% from last year, North America is traveling to Italy, Germany and France. Europe is traveling to UK, Spain and US. Hot topics in travel: labor issues, sustainability, inclusive travel.
 - Commissions: remain the #1 challenge for advisors/agencies. Manual processes, constant follow up and lack of response. Looking for new systems as Oynx is not proving to be user friendly. Some hotel options: 1) create one point person at each hotel to handle commissions 2) invoice at time of booking (or at least arrival). Especially European hotels which mandate an invoice 3) do not load non-commissionable rates in the GDS (no point because an advisor will not book non-commissionable) 4) commission for small groups has been challenging, how can hotels reward advisors for these bookings?
 - Pricing Psychology: “free” nights is best option for value adds (over discounts or other value adds). However when breaking down on the folio, show the \$0 rate for the one night, do not evenly distribute the rate amongst all nights.

- Value-Adds: top sellers: upgrades to suites/villas (include the additional breakfast and credit for additional participants), airport transfers, unique experiences to the hotel/destination.
 - Amenities: “One size does not fit all” PERSONALIZATION. Create an amenity form (similar to Signature Travel Network) for each arrival guest. Offer choices: transfer or spa or F&B credit. Ensure you are following what the advisor requests on the form/email/etc. Example: if they say they do not drink alcohol, remove all alcohol in the room, etc.
 - FAMs: prefer individual fams or group fams. If a group FAM, start with host agency and roll out to individual advisors/IC’s. Engage with local market/activities. Be sure to include free time for personalized experiences. All advisors have different clients they sell to, which will want different experiences.
 - What Motivates Advisors to Close the Sale: #1 Best interest of their client...bonus commissions, preferred partners (over non partners) “who has my back?”, gift cards (these can be extended to their client).
 - Service Fees: what are these? Explain where this fee goes. Is it distributed to staff? Which staff? How much? Do guests need to add additional gratuity?
- **Internova Travel Group (ITG)** represents more than 100,000 travel advisors in over 6,000 company-owned and affiliated travel agencies predominantly in the United States, Canada, Mexico, and the United Kingdom, with a presence in more than 80 countries. Today our family of agencies include:
 - **ALTOUR:** Altour, Travel Leaders Corporate, Your Event Solutions (YES) and CTS
 - **GLOBAL TRAVEL COLLECTION:** Andrew Harper, ASTG, Tzell Travel Group, In the Know Experiences, Protravel International, Colletts Bespoke Luxury Travel, and R. Crusoe & Son.
 - **TRAVEL LEADERS GROUP:** Barrhead Travel, Bonotel Exclusive Travel, CurCon Cruise Outlet, Cruise Specialists, Nexion Travel Group, Roadtrips, Travel Leaders Vacation Center and Travel Leaders Network.

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