

## Precision helps counteract costly mistakes with group contracts

BY JACK GARSON  
HM COLUMNIST

Your city is hosting the Super Bowl and your hotel is booked solid. Then you get "the call." A corporate client reminds you that her group has the right to a

guaranteed stay at any time—and the group wants to stay during the big game. Worse, this group gets a room rate that is much lower than your Super Bowl rate. So now, you have to struggle to walk dozens of other guests—who are going

to be furious—and lose tens of thousands of dollars in the process.

Even with the best clients, be careful when you agree to their special contract clauses.

Consider the following costly mistakes—and take

action to avoid disaster.

**Rate guarantees.** Big groups often want the best rates—lower than any other guests. They insist on a blanket guarantee that their group will get a better rate than anyone else staying at your hotel. But don't assume anything. You might think that it's obvious this guarantee won't apply to hotel employees staying at the hotel using employee discounts. Or it can't possibly

apply to special wholesale deals or large national accounts. Wrong! You can't count on any exceptions if you're promising the group the best rate—especially if you get into a fight and they look for leverage. Instead, when you're negotiating the contract, bargain for a list of appropriate exceptions to this rate guarantee. Further, you shouldn't even have to honor this guarantee under certain circumstances. For example, impose minimum roomnight requirements. Your world shouldn't get turned upside down for a small event.

### Guaranteed room availability.

As with great rates, groups with bargaining power sometimes insist on guaranteed room availability. Again, don't assume

**You can't count on any exceptions if you're promising the group the best rate—especially if you get into a fight and they look for leverage. Instead, when you're negotiating the contract, bargain for a list of appropriate exceptions to this rate guarantee.**

anything. Get out your calendar and create a list of "blackout" dates where you won't guarantee availability. Consider the presidential inauguration, Final Four games, NASCAR and other big events. You don't want to promise rooms—especially at bargain rates—when you're going to sell out at great rates.

**Do your math.** A lot of contract catastrophes come from vague provisions. Consider attrition clauses. Sometimes, the contract simply says a group is entitled to 10-percent attrition for a stay. If a group commits to 500 roomnights for a five-night stay and can cancel 10 percent of those nights without penalty, you don't want all 50 cancellations on one night. Make it clear. Specify the

See **Group contracts** | page 28



When Harry Met Sally (1989)



## HAVE WHAT THEY'RE HAVING!

Do you long for a big brand experience but without all the drama? At **Vimana Franchise Systems LLC**, our enhance infrastructure lets you enjoy the same services offered by the big brands but at the lowest fees (4%) and with the easiest terms.

Franchising really can be satisfying.

Call Vimana today to discuss your best deal.

- > **New central reservations system powered by IBC**
- > **Global loyalty club program**
- > **Full revenue-management included**
- > **Free cloud-based PMS**
- > **Preferred OTA agreements**
- > **Worldwide sales department**
- > **Exceptional purchasing network**
- > **Dedicated account manager**
- > **Free Vimana University online training**
- > **Custom Built vanity website**
- > **Effective consumer marketing including metasite listings**



www.vimanafs.com (407) 654-5540 development@vimanafs.com

## Group contracts

*Continued from page 26* roomnights and permitted attrition per night using a chart and examples. The more time you spend making the contract clear, the less time you fight—and lose money—later on.

**Damage clauses.** I've had cases where rock bands use a hotel elevator as a bathroom

and football players do more damage in the guestrooms than on the playing field. Again, powerful groups want the hotel to have good insurance coverage and take responsibility for injuries and damage. But there should be limits. Your hotel should not be obligated for the intentional misconduct of the



## SHHHH...Guests at rest!

Whether resting, working, playing or sleeping, providing a cool, comfortable and quiet environment for your guests to enjoy is key to their satisfaction. Don't let your in-room HVAC disrupt their stay!

The newly redesigned ETAC-II from Gree and Carrier Enterprise is now even quieter and more efficient than ever before. The unit is wireless and hardwire thermostat control ready, and advanced humidity control ensures individual comfort. You'll put your CFO at ease too, with advanced energy-saving capabilities and the longest standard warranty in the industry.

Wake up to the ultimate in-room temperature control solution. For more information, contact Carrier Enterprise today.



Visit us at AAHOA  
Booth #844  
April 12-14, 2017  
San Antonio, TX



1-866-239-4440 • WWW.GREE-ETAC.COM

group's members.

**Cancellation rights.** Almost every sophisticated group will bargain for cancellation rights. Some cancellations rights are quite clear, but ambiguities can lead to big problems. Consider the clause that allows the group to terminate the contract for "force majeure." Literally, force majeure means "a superior force." Legally, it usually means a cause that can't be anticipated or controlled. But that definition is nowhere near precise enough for some situations. After 9/11, all of the planes were grounded in the U.S. No reasonable person disputes that this was "force majeure," entitling a group to cancel a large event that draws people from across the country. But what if a group just failed to sell enough tickets for an event—is that force majeure?

Likewise, if the lead singer of a band gets in a car accident and is hospitalized, many people would agree that this situation is force majeure. But what if the lead singer just refuses to sing because your state legislature passes a controversial new law?

The bottom line is that you need to be precise in your contracts. You also need to consider a lot of different possibilities. Remember, no one reads a signed contract unless there is a problem. But that's when contracts do their job. So don't just consider the contract another task to check off your list. Treat your contract like a valuable insurance policy that pays if disaster strikes. **HM**

*Jack Garson is the founder of Garson Law in Bethesda, Md. He leads the business practice and has extensive experience in hotel contracts and related disputes. Contact him at jgarson@garsonlaw.com.*