

# Contracting Rates

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## **Introduction**

One of the major sources of hotel business in Malta as well as worldwide is that of Tours and Groups. A group or tour will consist of a minimum of 5 rooms, but there can also be several hundred rooms. Not all groups are holidaymakers – some groups will consist of conference delegates, sports teams, trade fair attendees etc. Usually groups arrive *en masse*, and depart together. Although the group members may be billed separately, the general rule is that the bill is footed by the company.

## **Setting a price for a group**

Generally tour operator rates and group rates are identical, but there may be situations where a group approaches a hotel directly. In reaching a rate the hotelier will invariably consider the following factors:

- Time of year and week
- Length of stay
- Number of guests and rooms
- Facilities and services requested (eg. Conference room hire, meals etc)
- Identity of the group
- Yield techniques (this is to be discussed in another lecture)

Lower rates are normally quoted during off-peak seasons. When deciding on the rate to be agreed, the previous year's occupancy for the corresponding period must be considered.

## **Net rates**

Bookings made through agents or by agents are normally subject to commission. When quoting rates for groups however, most hotels quote a net rate on which there is no commission. It is then up to the agent to charge the appropriate commission.

## **Tour operators**

Contracts with tour operators are generally negotiated 12-18 months in advance, although the current trend is to negotiate in the short term. The aims of the hotelier and the tour operator are conflicting:

- The operator wants many rooms at a cheap price during the peak season/s.
- The hotel wants the operator to sell off-peak space at the highest rates possible.

The hotelier will normally negotiate a "series" of rate packages covering the entire year. The negotiations may also allow for quantity discounts, or complimentary/free rooms for certain amounts sold. Generally the tour operator will not commit himself to selling rooms, but will request an allocation of rooms available. Hotels will normally allocate more rooms than they have available.

## **The contract**

Once rates have been agreed with a tour operator, agent or group, a contract must be entered into. The contract will include the following:

- Dates of agreement
- Companies involved in the agreement
- Room types and services included
- Rates agreed
- Booking procedure
- Cancellation policy
- Payment method and terms of payment (including prepayment/deposit)
- Contact names and numbers
- Expected room nights / allocation

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## **Bibliography**

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