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Features

In Defense of Resorts

Planners and hoteliers are pressed to prove the value of luxury properties

By Cheryl-Anne Sturken
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The U.S. lodging industry is in the throes of the strongest buyer's market in a decade. Yet, despite the breadth of deeply discounted luxury product now available, few corporate meeting planners are willing to grab the bait -- particularly from resort hotels.

"It is the perfect storm," says Tim Brown, partner at Irvine, Calif.-based Meeting Sites Resource, a 16-year-old independent meeting planning firm, whose business is 80 percent corporate. "It is a question of perception. They are asking, 'What will people think?' It is a knee-jerk reaction to AIG and the public sentiment that followed."

It has been almost five months since the news first broke that New York City-based American International Group had spent more than \$400,000 on a lavish incentive program, days after receiving an \$85 billion federal bailout. Although the trip was arranged by an AIG subsidiary for top-producing independent agents, and no AIG executives attended, the media pounced -- and the bugle call for corporate stewardship continues to echo.

As powerful a factor as it is, perception is not the only issue challenging planners. Waves of factory closings, cutbacks and layoffs have compounded already pressing budgetary issues across corporate America, which has left planners walking a very tight line as they struggle to juggle company image and meeting spend.

"Whether it's 'R' for resort or 'R' for recession, planners are being extremely cautious," says James Gelfand, vice president of sales, marketing and revenue development for the PGA National Resort & Spa in Palm Beach Gardens, Fla. "Some groups are outright canceling meetings booked for this year, paying the cancellation fee and moving on, because that is less expensive for them than going ahead with the program."

Gelfand points to one client who had two programs booked to take place this year, each expected to draw about 250 attendees: one was for the company's sales staff, the other for its customers. "They canceled the program for their staff, because they said they couldn't justify bringing their own people to a resort, but they are going ahead with their customer meeting," says Gelfand. "It is a constant challenge to remind planners that we have created conference packages for serious meetings, if only they can look past the five golf courses in the backyard."

Working the market

To take advantage of the multitude of value-laden packages hotels are ponying up, yet still stay within the confines of management's heightened concern with public awareness, meeting planners are going to have to be careful in working the market to their advantage. Some suggestions from industry sources include the following.

- Aim for the middle. "Book too posh a property, and you are throwing money away. Book a lower-end property, and you are sending out a negative image," says Jennafer Ross, CMP, vice president of business development for Philadelphia-based Signature Marketing Group and president-elect of Dallas-based Meeting Professionals International's Philadelphia Area Chapter. "Our solution has been to find three- and four-star properties that offer the amenities of a resort and function like a resort, but they don't call themselves a resort."

Trading down, says Diana Maccia, regional director for Scottsdale, Ariz.-based site-selection firm HelmsBriscoe, doesn't mean sacrificing chain loyalty or preferred vendor status. "Many smart hotel chains, such as Marriott, have created different product levels for different clientele," she notes. "For instance, JW Marriott is a notch above a regular Marriott property, but lower than their Ritz-Carlton brand."



Along with its beautiful layout, the PGA National Resort & Spa in Palm Beach Gardens, Fla., has 34,000 square feet of meeting space.

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And, while many JW Marriotts, such as the JW Marriott Desert Ridge Resort & Spa in Palm Desert, Calif., are well-known resort properties, many others -- including the brand's hotels in Denver; Grand Rapids, Mich.; and Washington, D.C. -- include all the luxury amenities of a resort, just not the word resort in their name.

Three months ago, Tim Brown traded down to a four-star hotel -- Loews Ventana Canyon Resort -- for a longtime high-end corporate client who previously met only at five-star resort properties. "We paid a \$199 rate vs. \$450, and the chairman loved it so much, he wants to go back," says Brown. "He had no idea of the rate we got his meeting planner. He just knew he tried a new type of hotel and loved it."

- Independent vs. institution. While booking a property with the word resort in the name can be problematic, especially those with iconic luxury cachet such as a Ritz-Carlton, a Four Seasons or a Mandarin Oriental, there are plenty of alternatives.

Now is the time, says Jim Schultenover, who serves as president of the Washington, D.C.-based marketing consortium Krisam Group, for planners to give independent hotels some serious consideration. "The planner who wants the biggest bang for their buck should talk to a luxury independent," he advises. "Independents fly below the radar, because they are not tied to a chain. They are much more flexible and willing to negotiate just about anything."

- Stress value. Schultenover emphasizes that while planners might be reluctant now to place business with resort properties, that market is exactly where some of the best meeting value exists today. Resorts, he adds, are going to hammer away at the value they can deliver to the planner's bottom line -- value they never would have been offered eight months ago.

"The perception that the luxury resort market is a 'let them eat cake' market is completely wrong," says Schultenover. "We say, 'Talk to us. Give us a chance. Check us out. Because you will be completely amazed at the total value you will get.' That's the message we have to get through."

Pat Durocher, CEO and founder of Scottsdale, Ariz.-based site-selection firm Global Cynergies, agrees. She suggests planners take the initiative and work up a cost analysis to demonstrate why they believe placing the meeting at a resort property is the right choice.

"In this economy, the most persuasive evidence may be financial," says Durocher. "It goes without saying that a planner working for a company that has been financially affected by the current economic situation will do everything possible to reduce costs and select venues that provide the best overall value, regardless of whether it's a resort or another type of meeting hotel."

Rules of engagement

Hotels with the word resort in their name are not the only taboo planners are battling. The destination itself also can fall under the long reach of management scrutiny.

"We often hear from our clients that a serious meeting cannot be held in a location that is perceived as fun, such as Hawaii," says Jennifer Brown, CMP, partner at Irvine, Calif.-based Meeting Sites Resources. "Even if we are able to negotiate an excellent rate comparable to hotels of a lesser caliber, the city where it is located is still a concern."

Not all resort destinations, however, set off alarm bells. Signature Market Group's Jennafer Ross recalls one corporate client who was adamant about not wanting to send a wrong message by taking his sales team to a resort, even though he required that the meeting include golf.

"We proposed several properties, and threw in one 'resort' property," says Ross. "Based on the rates, and the impression from the site visit, the client elected to go with the resort, because the location was subdued and did not appear over the top."

2008: A SKI-SLOPE YEAR FOR RESORTS

According to Hendersonville, Tenn.-based Smith Travel Research, the U.S. resort market suffered a major blow last year. "Hotels in resort markets are luxury, high-end properties, and that is the exactly the sector hardest hit," says Chad Church, manager, industry research for STR. The chart below, prepared by STR for M&C, shows that while resort hotels got off to a good start in 2008, compared with the same period in 2007, they struggled in the final four months with double-digit declines in occupancy and revenue per available room.

	% OCCUPANCY	% CHANGE	ADR*	RevPAR**	% CHANGE
Jan.	66.4	-0.7	\$235.93	\$156.70	3.4
Feb.	74.1	2.3	\$257.36	\$190.65	4.0
March	76.9	-2.0	\$258.04	\$198.31	1.1
April	74.7	-2.6	\$233.82	\$174.76	-2.1
May	69.4	-1.9	\$211.83	\$146.99	-1.5
June	72.0	-6.5	\$201.77	\$145.36	-5.5
July	71.9	-3.4	\$202.84	\$145.94	-4.9
Aug.	70.0	-4.9	\$202.22	\$141.58	-5.0
Sept.	58.1	-10.2	\$193.85	\$112.61	-11.1
Oct.	64.9	-9.0	\$209.12	\$135.75	-9.7
Nov.	58.7	-12.3	\$196.75	\$115.58	-15.5
Dec.	52.5	-6.7	\$201.92	\$105.97	-13.8
YTD 2008	67.5	-4.7	\$218.46	\$147.35	-4.5

Source: Smith Travel Research *Average daily rate **Revenue per available room

Behind the Perception

In January, 80 members of the Financial & Insurance Conference Planners' Northeast Chapter gathered at the Westin Copley Place in Boston for a day and a half of education. Included in the agenda was a two-hour interactive session devoted to overcoming today's destination-perception challenges.

Dianne Devitt, CMP, executive producer/owner of the Riverdale, N.Y.-based event-production company DND Group and adjunct professor at New York University, led the group in identifying best practices to meet the challenge, including:

Profile your event. Spec sheets with dates, space and various requirements are de rigueur. But planners also need to create a detailed profile of every event so they can show management why a particular meeting should be held in a luxury resort.

Understand that value is not only about dollars and cents. Even in belt-tightening times, incentives provide a return on investment and belong in a luxury environment, where they earn their ROI.

Build relationships. Planners need to develop relationships with internal clients, their company's marketing and public relations departments, and upper management, so each of these key areas understands what they do and the worth they bring to the company.

Value the brand. The Four Seasons and Ritz-Carltons of the world have worked for years to create their image. Planners have to educate management about how holding a meeting at such a resort means they can tap into that brand power to raise the right type of awareness about the meeting. -- C.A.S.