



Article Title

Attrition clauses: outstanding issues and recommendations for meeting planners

Citation

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Abstract

This paper deals with the attrition clauses within hotel group sales agreements, the former of which became popular in the early 1990s. Attrition clauses specify pre-determined liquidated damages that a group (usually a corporation or an association) must pay to the hotel in case the group does not pick up a certain percentage of its room block. Attrition charges may also apply to food and beverage agreements as well as to meeting facilities.

Methods

The study surveyed 20 hotels of all sizes in a large metropolitan area considered a convention city. The questionnaires were sent to all 20 of the room managers ahead of time so they could familiarize themselves with the issues. Altogether, 10 were personally interviewed in their premises for about 90 min, seven were interviewed by telephone, and three mailed back their responses.

Results

The survey shows that meeting planners will usually not agree to attrition charges when signing GSAs with over-flow hotels. This is partly because delegates are known to trickle back to the conference hotels when rooms become available.

Also, the study reveals that liquidated damages are usually between 70% and 90% of lost room revenues.

Conclusion

The effects of the economic downturn and September 11 on the travel and lodging industries have ended the seller's market in many locations (Las Vegas is a notable exception). While most hotels still insist on attrition clauses, meeting planners can and should insist that attrition contracts, which are largely drafted by hotels, be modified to be more equitable.