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# Beware of Room Poachers

How frauds are undermining your block -- and what

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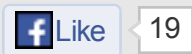
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by Cheryl-Anne Sturken | November 01, 2013



**It was hailed as a major victory for the event-planning community.** In December 2008, the American Society of Association Executives announced it had won a settlement in a lawsuit it had brought in federal court against Henderson, Nev.-based Complete Event Planning Inc., a third-party room-block marketing firm, for having misrepresented itself as ASAE's official housing agency. In a press release, ASAE's general counsel Jerald Jacobs, a partner with Washington, D.C.-based

#### TAKING LEGAL ACTION

**Cease-and-desist letters** are a good first step in the legal process against unauthorized housing bureaus. Such letters will cite "tortuous interference," which claims the



poacher is intentionally interfering with contractual relations between the group and the hotels it has contracted with. It sends a warning to room poachers that the organization is aware of their activities and sets the tone that more serious legal consequences will follow. Yet such notice might not have much bite, says Jonathan T. Howe, Esq., senior partner of Chicago-based Howe & Hutton and a contributing editor to M&C.

The reason: It's the organization that has entered into a contract with the hotels, not the individuals being solicited. "Interference is hard to prove," Howe says.

Pillsbury Winthrop Shaw Pittman LLP, said the terms of the settlement sent a clear signal that "the association community will not tolerate improprieties in this area."

Five years later, however, a clearly frustrated meetings industry finds itself on the losing end of a siege by aggressive housing bureaus actively pursuing their attendees. Sometimes called "room poachers" or "room-block pirates," these companies generally position themselves as an event's housing bureau, convincing attendees to unknowingly book outside the official room block.

While it is not illegal to operate a



The graphic features a dark blue header with white text: "THE INDUSTRY EVENTS THEY'RE ALL TALKING ABOUT". To the right, it lists "M&C Highly-Sought Hosted-Buyer events" with sub-points: "> Interact 2013", "> Targeted Regional Destinations", and "> The Premier Golf/Marketplace Event". The M&C logo is in the bottom right. Below the header, on a black background, the text "M&C EVENTS" is in red, and "M&C Highly Sought Hosted Buyer events" is in white.

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"[Poachers] can easily say you can't deny them the economic opportunity to make a dollar." On the other hand, he notes, if they are infringing on intellectual property, such as using your logos in their solicitation material, then there is a clear case for legal action. (See a related M&C article by Howe, "Keeping Attendee Rustlers at Bay," [bit.ly/1czxvRX](http://bit.ly/1czxvRX).)

"What we have to do as an industry is get law enforcement agencies, like the Federal Trade Commission, and the secretaries of state in localities where these companies have set up shop involved and taking action," says Howe. "Until then, it's

third-party housing company and solicit attendees to sell them discounted rooms for an upcoming event, sources argue that it is unethical, at best, to falsely claim to be a group's official housing provider.

"These people are like cockroaches. You stamp out one, and 10 more pop up," says Phelps Hope, CMP, vice president of meetings and expositions for the Atlanta-based Kellen Co., an association management firm that manages close to 300 meetings, events and trade shows globally each year. Hope notes how one client's board member fell prey to a clever caller and reserved a room for an upcoming event, only to find when he got on-site

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only going to get worse." -

C.A.S.

that his reservation did not exist and his credit card had been charged.

"They are intentionally being unethical, and I don't understand why the industry has not made this topic a priority and gone after them," says Hope.

### How they operate

A typical room-poaching scenario plays out like this: First, the third-party housing company secures inventory by buying a block of rooms at a headquarters hotel under a fictitious group name. The firm might target an upcoming meeting or exhibition, but not necessarily, as headquarters properties in major meetings markets generally enjoy a constant flow of business. At the same time, the third party might acquire another handful of rooms at several outlying hotels in the same city, through a wholesaler.

If they haven't yet done so, they now zero in on an upcoming event and troll association websites -- repositories of often easy-to-access lists of members, executives, etc. -- to gather contacts. Exhibitors also are by nature easy prey, because they like to advertise their attendance and need accommodations as well.



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Next, the third party places calls or sends emails to unsuspecting attendees, often identifying themselves as the "official" housing bureau for the event. Some even reproduce the association's logo in their correspondence to give it an air of authenticity, as in the ASAE case cited earlier. Others simply claim to be "affiliated with" or "working on behalf of" the group's housing bureau.

They might warn that the room block is close to selling out and urge attendees to book immediately to secure housing, using the lure of a room rate that is significantly less than the published group rate -- for a limited time only.

One company researched by *M&C*, TradeShow Housing, promises on its website, "We can get you discounts on rates up to 70 percent off the rate the hotel itself offers you." Another, Convention Housing Services, claims to work with 90,000 hotels worldwide and exhorts attendees to "Call now for prices so low, we can't even publish them!" (*M&C* tried to contact these and other housing companies mentioned in this article, but none responded for comment.)

Not surprisingly, attendees find such offers tempting, and many promptly hand over their credit card data, believing they have scored a

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great rate and their housing is a done deal. Unfortunately, this often turns out to be the start of a long, costly nightmare.

In the best of outcomes, attendees do, in fact, score room reservations at a discounted price -- but it might be at a lower-tier hotel far off the shuttle route.

Worse, the cancellation penalties for such reservations can be harsh. Diamond Bar, Calif.-based Exhibition Housing Services states on its website that it will "impose penalties at our discretion" for amendments or cancellations that the company considers unreasonable. These include a \$50 per-room fee for canceling reservations of more than three rooms. And, if more than 45 percent of a reserved block is canceled, "you will agree to pay a penalty of no less than one night per room plus any other penalty the hotel might or EHS may impose."

In the most dire cases, attendees show up to find no room reservations in their name, their credit cards have been charged and they are in the hole for thousands of dollars. "One of our exhibitors booked a block of 15 to 30 rooms over the course of the conference, through one pirating company, and when they showed up they had no housing at all and their card had been charged more than \$5,000," reports Jennifer Ragan-Fore, senior director, conference and member programs, for the

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Washington, D.C.-based International Society for Technology in Education. "There was nothing we could do to help. They ended up finding rooms 45 minutes away and had to hire their own transportation to get to and from the event."

While it's hard to pin down just how many people fall prey to such scams, Richard Harper, executive vice president at Scottsdale, Ariz.-based HelmsBriscoe, says he recently counted about 45 third-party rooming companies actively seeking attendees under highly questionable circumstances.

Attendees aren't the only victims, sources note. Unofficial housing bureaus can undermine the relationship between meeting organizers and the hotels they contract with, not to mention the overall business reputation of an event. Not only do groups run the risk of incurring stiff attrition penalties for not meeting their block pickup, other contractual obligations, such as food-and-beverage guarantees, also can be affected. And the more successful these housing companies are, the more damage can accrue to a group's ability to negotiate future rates and room blocks.

"It is disruptive to our work flow, time consuming and costly for us to manage," says Kristin Torres, executive director, meetings and events,

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for the Centennial, Colo.-based National Cattlemen's Beef Association. "We are put at risk for attrition, and every time we have our attorneys get involved, we are charged." Moreover, she notes, "We have been growing steadily over the last 16 years, and we have been trying to adjust our block, which makes their scam all the more successful if we aren't on top of the right increase for our block."

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