

Hotel News Now

Vital information for hotel decision makers

Hotel room piracy shows dramatic increase

February 19 2015

Third parties are diverting attendees away from official room blocks, which can have awkward, even disastrous, effects on the reputations of event organizers and host hotels.

By Terence Baker
Reporter, Europe
tbaker@hotelnewsnow.com

GLOBAL REPORT—Meeting, incentive, convention and exhibition business is under attack by pirates.

To be more specific, event room blocks are increasingly feeling the effects of room block piracy, in which third parties—sometimes thieves out to steal credit card information and sometimes more legitimate sources—effectively funnel attendees away from official host hotels.

The practice results in host hotels having no record of these attendees' reservations; attendees themselves thinking they made the booking through a legitimate source, and meeting and event planners often having to pay attrition fees for not fulfilling room-block agreements with host hotels.

Suffering are the attendee, who loses money to the pirate; the hotel, which might have replaced "non-bookings" with less-valuable business, and the event planner and event itself, which run the risk of ruined reputations.

The so-called pirates often begin by obtaining attendee lists either legally or otherwise, sources said.

The Convention Industry Council, a global organization based in Alexandria, Virginia, has formed a working group that has proposed best practices in a white paper titled "[State of the industry report: Effects of room block piracy and poaching.](#)"

Michael Dominguez, senior VP of corporate hotel sales at MGM Resorts International, and a member of the CIC's Accepted Practices EXchange working group, said it is a problem experienced across the hotel landscape.

"We would not have put together an APEX task force if it did not affect the broader industry. It is prevalent," Dominguez said. He stressed this problem had nothing to do with legitimate wholesalers and online travel agencies.

Dominguez emphasized some of this piratical behavior is not illegal.

"Depending on where you are, these practices might not be criminal, but we believe (they are) certainly very unethical," he said. He said CIC's research showed a majority of its members reported their meetings and events had been targeted by piracy in the past.

Fighting pirates

Gerd Tritschler, GM at the Renaissance Düsseldorf and a former VP of revenue management and strategy at Marriott International, said for average-size events, such as the ones held at his hotel, most bookings come via the city's convention bureau.

"It is, however, always a good idea to have an Extranet booking engine to know bookings are legitimate bookings. Overall, this is the responsibility of revenue management, which would look at booking patterns, (then) alert and advise sales teams as to the exact nature of those coming in," Tritschler said. His hotel has 244 guestrooms and 8,300 square feet of meeting space.

Stuart Bowery, GM of the Grosvenor House, a JW Marriott Hotel in London, said his property, which has 494 guestrooms and 61,000 square feet of meeting space, does not contract rooms on allocation.

By doing so, "we avoid the issue (of) third-party price dilution. Ninety-nine percent of the time, the group rate will be less than the best-available direct transient rate," Bowery added.

Educating the guest

Education is key in order to appease all legitimate pieces of the meetings, incentives, conventions and exhibitions puzzle.

"Absolutely there is an increased need to have more education and for organizers, associations, meeting professionals and hotels, and attendees, to talk to one another. We have to inform everyone what is appropriate and the risks associated with it," Dominguez said.

He added it is surprising that with heightened cyber security sensitivity, many attendees are willing to give personal and credit-card information to save a few dollars.

"When we explain it's very easy to give all this to a person you don't know definitely represents the hotel or event, they very quickly grasp the situation," Dominguez added.

"In the long term, this costs attendees money. Support from hotels also might (go down), as if too many (guestrooms) are cycled off, events

will not be able to justify the (return on investment) on their spend. Inevitably, that will lead to higher registration costs," Dominguez said.

Mariela McIlwraith, president of event and conference planners Meeting Change and author of the white paper, said hotel front staff are put in difficult situations when attendees arrive with no real reservation awaiting them; plus, the attendees themselves have limited recourse.

"Messages going out to prospective attendees look very real, and by booking outside of the block, they think they are getting a good deal for themselves and their companies," she said.

McIlwraith agreed all parties have roles to play in terms of best practices, which include:

- provide more training for hotel staff;
- have staff realize what type of events—large events with multiple event planners and booking options and events with higher proportions of long-distance attendees, for example—stand more chance of being targeted;
- allow staff freedom to flag room-block bookings of 10 and 20 or more that just do not look right;
- restrict the number of permitted multiple group bookings over high-risk dates;
- offer packages to wholesalers including air and travel, which are not so attractive to pirates; and
- use a single system to manage registration and housing.

Dominguez added organizers must continually reiterate roomnights should be booked through host hotels and official housing blocks.

"There's no reason anyone should book outside the block, and if you do, we cannot be responsible. When we see 30 rooms held with no name, immediately there's a red flag. Yes, sometimes organizations do that, as they need the rooms, but a red flag goes up nonetheless," Dominguez added.

"The biggest red flag, though, is when orders come in clumps," Dominguez said.

Dominguez said the defense against pirates should not consist of solely a cease-and-desist letter.

"Yes, send one of those, too, but everyone should ask, what is it that everyone can do in cooperation?" he added.