



The Nuances of Negotiating AV Services with a Hotel

SmartSource Computer &
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www.smartsourcerentals.com

Executive Summary

Audio Visual services aren't always a top priority when meeting planners are in the contract negotiation phase with hotels, but looking closely at the contract stipulations for AV should be an important part of the planner's review process.

Exclusive, in-house AV providers may be an appropriate choice for some meeting planners; however, many planners prefer to use preferred contractors with whom they have a prior relationship and a service-level and pricing agreement.

Preferred AV contractors can offer a number of significant benefits to meeting planners, especially those with large, prominent, and complex programs.

There are a number of steps that meeting planners can take to ensure they obtain the most favorable terms regarding the use of a preferred A/V contractor.

Planners Don't Always Prioritize AV Services

Audio visual services aren't always the first topic that comes to mind when a meeting planner begins negotiating a hotel contract. Availability on specific dates is important. The appropriate type and amount of meeting space is also a priority. In industries where attendees are very cost-sensitive, the planner will also closely scrutinize the sleeping room rates. And he/she will make sure that the date for releasing unreserved sleeping rooms doesn't leave guests without accommodations or a risk of heavy attrition penalties.

But, while dates, space, and rates are crucial, there could be a hidden "gotcha" in the contract. Because AV isn't top of mind for many planners at the beginning of the event-planning cycle, clauses prohibiting the use of any company—including the planner's preferred vendor—other than the exclusive in-house AV provider can wreak havoc on the meeting program and budget later. That's why it's not only important for planners to look for references to exclusive vendors and penalties but to have a strategy for negotiating AV services. This white paper is designed to help.

Insourced Versus Outsourced AV Companies

AV contractors fall into two groups. One group—the in-house, exclusive provider—contracts with the hotel to provide AV services to hotel customers. In exchange for this exclusive and privileged position, the in-house vendor pays the hotel a commission on the amount of services it invoices to the customer. The percentage can range from thirty to fifty percent, some or all of which is passed on to the client. Hotels often try to protect this revenue stream with contract clauses that penalize customers for not utilizing the exclusive provider.

In theory, the idea of an in-house AV provider is a sound one if the customer is not budget sensitive, has not contracted with an outsourced (preferred) vendor for its meetings, has no particular provider preference, or has minimal AV requirements. In any of those scenarios, having a reputable vendor with an ample inventory of equipment and well-trained technicians onsite could be seen as an amenity. But theory and practice often differ. Few customers in the “do more with less” meeting environment of today have unrestricted budgets and zero preferences.

The second group of AV contractors is the outsourced vendor. Untethered to a hotel or a commission structure, these companies can provide services at some or all of the customer’s selected meeting venues, including multiple properties (unless there are major nonnegotiable prohibitions at certain hotels). Many sign preferred provider contracts with customers, offering predictable and competitive pricing as well as familiarity with the customer’s requirements and preferences and service-level consistency.



In-house AV contractors charge from 30% to 50% more than outsourced service providers because of the commissions they are required to pay the venue.

Eight Reasons to Select an Outsourced Audio-Visual Service Provider Instead of the Exclusive In-House Contractor

ECONOMY: In-house AV contractors charge from 30% to 50% more than outsourced service providers because of the commissions they’re required to pay the venue. Thus, planners often pay more for the same or less service and rental equipment than they would by using a preferred vendor.

CHOICE: The large pool of outsourced contractors enables an event planner to find a company with particular expertise and capabilities. Many secure a number of bids from reputable third-party AV contractors to ensure that the pricing and service they receive is competitive and appropriate for their requirements.

PRINCIPLE: Event-industry trade associations openly support commercial competition and planner choice. ESCA, SISO, IAEE, and MATSO are among those that have continuously reiterated their opposition to the use of exclusive in-house vendor services.[1]

[1] <https://exhibitcitynews.com/iaee-requests-restraint-in-adopting-in-house-services-1544/>

CONSISTENCY: Contracting with an Outsourced AV provider—one that the planner has carefully vetted—means that event organizations can depend on a high level of service for all its events. Working with different in-house AV vendors from event to event can become a process of “reinventing the wheel” for planners.

RELATIONSHIPS: Planners can build rapport with outsourced AV providers that remain intact as the event moves from venue to venue. One of the many advantages of using one AV provider across many events is that the provider understands the requirements and objectives of the planner, leaving the planner able to focus on other tasks.

REPRESENTATION: A carefully selected outsourced contractor works for the planner—protecting his or her interests and budget—not the venue. In contrast, an in-house exclusive AV services provider works to preserve the integrity of its contract with the hotel.

CUSTOMIZATION: Outsourced AV service providers can work outside the fixed equipment inventory of a venue, bringing in the best and newest equipment for the event. In-house providers typically have a very small inventory of standard equipment located in the hotel.

CREATIVITY: Working with an outsourced AV provider gives planners access to a wider range of ideas and solutions, not just those common to the venue. A preferred, outsourced AV provider is better equipped and motivated to bring unique solutions to a problem or challenge.



“I find the relationship you develop with a dedicated and consistent Audio Visual partner is invaluable. As a planner, it makes our lives much easier when working with a team that already knows our programs, our budgets, who can anticipate our needs, and is a familiar face to our VIPs.”

- Director, Meeting Services

What Meeting Planners Should Know Before they Contract with a Hotel

Hotel contract negotiation can be a daunting process for even the most experienced meeting planner. Contracts are complex legal documents that aren't exactly easy reading, and the consequences for not negotiating or negotiating poorly can be severe—especially for large meetings. So, planners should know a couple of things before they begin negotiating for AV services:

- Planners have the most negotiating power before they sign the contract.
- Most hotels will make concessions on AV services if they are at risk of losing a customer.
- Some hotel properties are always in high demand and unlikely to negotiate on AV and other services.
- Some markets are “supplier markets,” meaning occupancy rates are temporarily high so that hotels aren't motivated to negotiate on AV and other services during this period.



A clause that reads, "Company XYZ is Hotel's preferred provider for audio visual needs. Because the use of another provider will necessarily involve the use of Hotel's and Company XYZ's equipment and expertise, a fee of \$X will be charged if Client ABC selects such a provider," is not true as a rule.

How to Negotiate with Hotels on AV Services

Addressing AV services in a hotel contract should begin before a planner reaches the contract stage. If AV is a large component of meeting programming or a big percentage of the meeting budget, planners should **outline (in as much detail as possible) the specific AV equipment and labor requirements of the meeting**. Armed with that information, which can come from previous meetings, competitive bids for AV services, or a third-party AV consultant, planners can scrutinize the in-house provider's pricing and services with confidence.

Aside from costs being a disqualifier, the planner may consider **removing a hotel from consideration** as a meeting venue if either of the two conditions exists:

- The planner's organization has a preferred AV company under contract, and the hotel is unwilling to allow the preferred vendor to work in the hotel without additional costs.
- The planner's organization has its own standard hotel contract allowing the use of a preferred vendor without additional costs, and the hotel is unwilling to accept the contract.

Assuming the hotel under consideration is amenable to negotiating on AV services, there are a number of contract concessions that can be made on both sides:

- Even though the Federal Communications Commission protects the rights of planners to bring their own wireless equipment and networks into the building,^[2] often, the in-house AV provider controls the hotel's Wi-Fi service. If the hotel grants the planner's request to use his or her preferred AV contractor without penalty, he or she might agree to purchase the Wi-Fi service from the in-house provider/hotel.
- Most hotel revenue comes from sleeping rooms and food and beverage sales. Although these offerings are unrelated to AV services, planners can block fewer sleeping rooms or purchase less hotel food and beverage if the surcharges for using a preferred AV vendor are too egregious, but the hotel is firm on its AV policy and other properties are available.

[2] https://apps.fcc.gov/edocs_public/attachmatch/DA-04-1844A1.pdf

- The types of charges that hotels might impose on customers that prefer their own AV contractor include the use or installation of rigging points (places where the outside vendor attaches equipment to the hotel ceilings), the cost of a supervisor to oversee the preferred contractor, electricity, labor for connecting AV equipment to the electrical source, and other energy-related service fees. Some or all of these fees can be reduced or eliminated during negotiations.
- Another way to approach the use of a preferred vendor is to **not accept any type of surcharges**. This can be accomplished by placing the following clause that Tyra Hilliard, Esq., J.D., CMP, an attorney and expert on event contracts, recommends into the hotel's contract:

"Use of Outside Service Contractors Group will not be required to use Hotel's in-house or exclusive contractors or vendors for services such as audio-visual, security, exhibition services, and similar types of goods and services. If Group brings in outside contractors, Group will not be required to pay surcharges for use of outside contractors, nor will Group be required to pay Hotel's employees or agents to supervise outside contractors. Group agrees that this provision does not include services provided by unions with current agreements with Hotel."

- Another negotiation tactic, when possible, is to book the same hotel for multiple years. Doing so can help planners save money on all types of services and amenities, including a waiving of the AV surcharges. In addition, if a planner is under a multiyear contract with a hotel and is pressured to sign a new contract due to a shift in hotel policy, the planner can hold the hotel to the original signed contract.
- When being pressured by a hotel to use the in-house AV provider or face surcharges, planners can begin questioning the qualifications, certifications, and insurance arrangements of the hotel and the exclusive provider. Many in-house providers don't employ highly trained or certified AV technicians or electricians, and hotel sales personnel prefer not to engage in insurance discussions or have to manage the insurance forms.
- Planners may also consider a "best of both worlds" solution: to mitigate the premium costs of in-house, exclusive contractors, planners can ask for surcharges to be dropped in exchange for using the in-house contractor for a portion of the meeting (break-out rooms, for instance), but their preferred contractor for the rest (general session). This approach gives the hotel, in-house contractor, and the planner some of what they want and makes the in-house contractor more of an ally than an adversary—always a benefit.



"If there is a large fee to bring in an outside vendor rather than using the in-house AV company, that's something you've got to negotiate out. If the hotel is not flexible on that, that could make or break the decision regarding what hotel to use. We have our own standard in-house hotel contract saying in the terms and conditions that we need to be able to bring in our own AV provider at no additional cost. That's our first communication with the hotel."

- Emily Walker, Director,
Meeting Nurses
Emergency Nurses
Association



“For us it was more beneficial to have an AV provider that you can work with over time. You have that commitment from them that they have skin in the game in that if they do a good job, we’re going to stay with them. We like the partnering aspect with a vendor where they come and say, ‘hey, here’s what’s trending right now in some lighting and staging design or we’ve got this equipment that we’ve used over here and we could also use it for your program and save money.’ I like the long-term relationship in which our vendor really works hard to make it a ‘wow’ experience for us year over year.”

- Wendy Holliday, Executive Director
PLM World

Conclusion

In-house AV contractor exclusivity is a recurring discussion topic in events. The major event-industry associations support allowing planners to have unfettered choice in the contractors they choose. Most planners prefer the freedom of choosing their contractors. Putting the potential extra cost aside (cost is one factor, but not the only factor, and some preferred vendors can charge as much as in-house providers), the idea of using an unknown company to manage a substantial AV program is risky as a rule.

The concept of in-house, exclusive AV service providers serves hotels and the exclusive vendors well. And it makes sense for some meetings and some planners who have a lot on their plates. But for meeting planners with substantial AV programs or those whose budgets mandate savings on every line item, it’s appropriate and advisable to work with a vetted, competitively priced, and familiar firm under a multiple year and multi-venue contract. It makes economic sense and adds a level of security and continuity to the provision of AV services that shows up in the program and the bottom line.