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A bit of Conventional Wisdom…

Booking Policies

Assure fairness and efficiency in the use of public assembly facilities

A booking policy provides a tool that regulates the impact of the community's marketing effort. Booking policies are established to establish a priority for events that use public assembly facilities. These policies define the types of events and determine when these events may reserve space in the facility. The booking policy may restrict reservations by establishing minimum guarantees for exhibition space and/or a minimum number of hotel room nights associated with an event.

Most booking policies allow only conventions or trade shows to reserve dates far into the future. Major consumer shows may be permitted to reserve dates beyond the 18 to 24-month period typically reserved for conventions and trade shows to establish a historical time slot for the event. Similarly, sports team tenants must meet certain league scheduling requirements. Certain community events, such as graduations, can be “grandfathered” into a booking policy.

Booking policies are readily accepted by the industry because, most times, they accommodate the scheduling needs of user groups. Conventions and convention trade shows usually require large blocks of space and reserve this space more than three years in advance. Whereas most consumer-type expositions can accept confirmation of dates two years prior to their event and local public events are easily booked within a year or so.

A booking policy should reflect the funding sources for the facility's operation and debt service. As an example, if half of the facility's funding is provided through a hotel/motel tax, the booking policy can be structured to favor the booking of events that generate additional hotel occupancy. Local programming, such as consumer expositions, concerts and other public-ticketed events are a logical spin-off of funding provided by general fund or other local taxpayer revenue sources. A proportional mix of events provides well-rounded program as an added benefit to the community.

A facility's booking policy must be integrated into the overall marketing plan for the community. The marketing plan and booking policies for the facility should be developed and coordinated with the marketing strategies of the areas’ destination marketing organization (DMO). Each of the elements with the marketing strategy should support goals of the community’s leadership.

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Booking Policies versus Pricing Strategies

Be careful not to confuse the two

Booking policies regulate distribution of desirable dates, while pricing strategies provide incentives to the marketplace for less-than-desirable dates.
Booking policies are established to create a booking priority for events that use public assembly facilities. This policy provides an advantage for certain user types over others for the space that is available at any given facility. Through minimum requirements established for exhibition space and/or hotel rooms reserved, larger targeted shows are permitted to book space first.

The right to choose first has significant value.
Only a few months during the year appeal to certain users. Having access to the limited dates in those time periods is essential for the success of those events. Many times, conventions and trade shows are allowed to reserve space first AND are offered rental rates well below what other users must pay for the space. All parties must recognize the added value of access to premier dates.

The goal of a pricing strategy is to maximize the total amount of rental revenue achieved by the facility.
Through special pricing promotions or packaging of services, facilities can fill dates which are outside of “prime time” and are deemed less-than-desirable. For this type of strategy to be successful, facility management must have complete and accurate data on the characteristics of the market. Many times, reduced price alone will not lure a targeted market or client to the facility.

Various rental rate structures within a facility should generate a similar amount of revenue from each space rented, regardless of user type.
To establish a program balance, pricing should focus on generation of revenue per use rather than on "user type". Even though the rent can be calculated by different formulas based upon the type of event, care should be taken so that reduced rates are not offered initially to user types that greatly benefit from the booking policy.

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Food Service Contracts

"Management Fee" offers better control for convention facility management

Two types of food service contracts predominate in public assembly facilities: the widely used percentage-based contract and management fee contract.
The percentage-based contract provides that the food service contractor remits a certain percentage of gross food and beverage sales to the facility. This method is most appropriate where the quality of the food and service can be easily controlled and held relatively consistent, such as the concessions operation in a stadium or arena.

With a percentage-based contract, the primary focus for the food service operator is to *control costs*.
The food service contractor absorbs all of the risks under a percentage-based contract. Since a certain percentage of total sales is paid to the facility regardless of cost, the food service provider is incented to keep food, labor and other costs low to provide an acceptable profit for its operation. The facility operator can easily review and audit the sales figures generated for food and beverage services; management and cost control issues are solely the responsibility of the food service contractor. However, if the percentage-based contract is not properly managed, lower food quality and under-staffing may result in an attempt to control costs.

The management fee contract provides the payment of a fee to the food service contractor for managing the facility's food service operation.
Under a management fee arrangement, fees are based upon a combination of gross food sales and net profits. This method allows facility management to participate in establishing the levels of food quality, menu offerings and cuisine, portions, service levels and price. This contractual arrangement is most appropriate for a convention center operation that emphasizes service.

With a management fee contract, the primary focus for the food service operator is to *increase gross sales.*
Most of the food service management fee is earned through a percentage of gross sales coupled with a percentage of net profit. The facility also shares in the gross sales and receives its largest share from the net profits. Consequently, the facility shares proportionally in the risks of the operation. The food service contractor must control costs under the management fee method or the facility's return based upon net profits will suffer.

These contract types offer different incentives and risks to the food service contractor and each type is appropriate under certain applications. When properly managed, both contract types can offer similar financial returns to the facility. Regardless, food service operations must be meticulously managed for maximum financial return under any type of contract.

A bit of Conventional Wisdom…

Move-in and Move-out Days

Stop forcing your clients to pay for those "free" days

Are move-in/out days *really* free?

Many facilities offer free move-in or move-out days with the rental of each show day in their exhibition areas. Rental rates are established to generate a certain amount of revenue for the facility and revenue to cover the cost of those *free* days is included in the normal rental rate for the space. Still many clients and building managers have allowed themselves to view these days as *free*, and that is bad for both show management and the venue. Any day, whether move-in, show or move-out, is a valuable and limited commodity.

Should move-in/out days be counted as use days?

Absolutely! A move-in/out day cannot be leased to another client; they occupy dates that are removed from inventory.

Free move-in/out days promote inefficiency in the use of facilities.

If these days are viewed as *free,* they have no perceived value and clients have no incentive to reduce to the number of days. Although facility usage data may show a high occupancy rate, those statistics will hide the fact that the facility has not *maximized* its revenue potential. A primary operational goal for the facility should be to sell as many full-rent days as possible. By establishing a charge for move-in/out days, clients will exercise greater care in the use of these days and more dates will become available to the facility for rental at full-value.

Charging for move-in/out dates provides financial incentives and rewards for those clients who manage the move-in/out of their events.

Features in the newest convention centers allow facilities to be loaded and cleared in an expedited manner – improved loading docks and scoring the exhibition hall floor on a 10-foot by 10-foot grid, for example, can reduce set-up times significantly and ultimately save money for the clients. The show manager can weigh the cost of additional labor to move the show in/out at an accelerated pace against the cost of rent for an additional day. With this pricing policy, the facility allows the show producer to make a *management* decision and provides an opportunity for them to control the cost of the event.

Quit playing the free game; assign a value to move-in/out days and stop forcing show management to *buy* free days.

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Pricing Strategies

"Justice is blind," as it theoretically treats all those who enter the justice system equally. What if this same philosophy is applied to facility rental rates? Try the "*Blind Eye"* approach and focus on revenue contribution rather than event type. This exercise is an invaluable tool in determining the break-even potential for a public assembly facility and the results provide a logical and fair basis for establishing rental rates.

Public facilities are at risk when preparing separate rates for user types such as religious, not-for-profit, fraternal, service clubs, social, etc. Why should certain users pay a premium or a penalty for using the spaces within a public facility? The "*blind eye"* strategy protects facility management from claims that the facility economically favors one type of user over another, or that the facility favors out-of-town users over the local taxpayers that financially support the facility.

Under the "*blind eye"* strategy, all users pay relatively the same rate, even though the rental charges may be calculated differently. Exhibitions pay on a "net square foot" basis over a minimum amount. Public expositions or concerts pay a percentage of gross ticket sales versus a minimum amount. Meetings and conventions without exhibits usually pay a flat rate. In each case, the minimum rental amount should calculate to the same amount and equal the desired level of revenue contribution from each space.

Once the amount of revenue contribution is determined, different rental formulas can be developed to produce the required revenues to meet expenses or an acceptable operating deficit. If the rates for break-even-point operation seem unattainable, managers may consider methods that enhance the "value" of their product. A higher level of service level, technological and aesthetic improvements to the product or packaging facility services that would otherwise be charged "ala carte" increase perceived value to the client.

Facility management must resolve to uphold the rates and apply them to all users in order to achieve the desired revenue contribution. If reduced rates are offered as part of a promotional campaign or marketing strategy, the difference between the standard and promotional rate should be accounted for as a separate marketing expense. The accumulation in this account provides valuable data for review, analysis and preparation of budgets/rates in subsequent years. Managers must also eliminate all expenses that do not enhance the product, generate revenue or produce a direct benefit to enhance the bottom line.

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