



# Prevent and Handle “No-Shows” A Guide for Hotel Owners & Managers

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Introduction

Visa, hotel merchants, merchant banks and card issuers have all expressed concern that the problem of guaranteed reservation No-Shows is growing. Bookings at hotels across the country have risen to as high as 90 percent year-round, reflecting a sharp increase in demand, but without the capacity to meet it. In this kind of market, the cost of an increasing number of No-Shows for guaranteed reservations can have a significant impact on a hotel’s bottom line.

To help solve the problem, Visa hired a third-party research firm to pin point the causes of No-Shows. By providing a better understanding of how No-Shows happen, this research revealed several important steps that some hotel owners and managers are already taking to successfully reduce losses from No-Shows.

This guide highlights these research findings, the Visa Reservation Service, Visa’s recommendations for reducing and handling No-Shows, and other helpful information designed to improve your hotel’s profitability.

Definition of “No-Show”

A reservation becomes a guaranteed No-Show when the customer who has a guaranteed reservation does not cancel it before the hotel’s cancellation deadline, and never arrives to claim the reservation. The Visa Reservation Service (VRS) allows the hotel to bill the customer’s Visa card for the first night’s stay, plus applicable tax. If the cardholder disputes the charge, the transaction becomes a No-Show dispute, and the hotel is contacted for justification.

Hotel Industry “No-Show” Average

Research Showed the hotel industry average No-Show rate as one-to-two percent of all reservations. When the number of No-Shows rooms this represents is multiplied by the average room rate, the result is an estimated expense to the hotel industry of \$50 to the \$100 million per year.

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### “No-Show” Research Findings

Hotel executives were interviewed about their perceptions of why No-Shows occurred, and asked what procedures were already in place to prevent them. Researchers also conducted quantitative research with the same hotel companies, making and canceling 400 hotel reservations to track whether the stated procedure were being followed.

#### What Causes Hotel “No-Shows”

Key reasons cited by hotels to explain No-Shows include:

Multiple bookings made on one account number

Guests checking in at the correct hotel brand, but the wrong property

Inability of hotels to locate a reservation if a guest calls the property to cancel before the central reservation office (CRO) reservation has been received and logged.

Cancellation of the wrong reservation because the guest was not given a confirmation number when the reservation was made.

Guests calling the CRO to cancel and being told that it is after the property’s deadline. The property is therefore unaware that the guest tried to cancel.

Approximately three to five percent of No-Shows are from administrative mix-ups such as incorrect date, wrong name-spelling, etc.

Guests calls CRO to cancel a direct reservation and is told to call the property – and the guest balks.

#### Key Quantitative Research Findings

Quantitative research findings revealed a number of problems in reservation confirmation and cancellation procedures – problems that are largely avoidable when proper procedures are followed consistently.

For reservations made and canceled during the study, confirmation and cancellation numbers were provided as follows:

Channel	Confirmation Number Given	Cancellation Number Given
Hotel 800 Number	93%	71%

Hotel Direct	86%	59%
Travel Agent	84%	36%

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While confirmation numbers were given 93 percent of the time on hotel's toll-free numbers, the remaining seven percent represents about one million reservations annually without confirmation numbers. Without a confirmation number, it can be difficult to locate a reservation in order to make changes or cancel it accurately.

A deadline for canceling the reservation was mentioned 92 percent of the time when a toll-free number was used, 52 percent of the time when hotels were called directly, and again only 52 percent of the time when travel agents were called.

The fact that the cardholder would be charged if the reservation was not properly canceled was mentioned only four percent of the time.

Only 54 percent of non-canceled reservations were billed for a No-Show.

Eight percent that were canceled properly were still charged a No-Show fee.

Note: All No-Show charges in this study were paid by Visa.

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### The Visa Reservation Service

The Visa Reservation Service (VRS) is designed to ensure that hotels and their guest communicate accurately. The rules are simple, direct, and effective. By consistently following these rules, hotel staff can assure guests that their rooms will be available when they arrive – and your hotel is assured of payment if the cardholder fails to claim the room or properly cancel the reservation.

### Rule for Accepting a Guaranteed Reservation

While speaking with the guest, tell the guest:

1. The room rate.
2. The hotel's address.
3. The confirmation code for the guaranteed reservation.
4. The importance of keeping a record of the confirmation code for future reference.

5. The VRS standard date and time for canceling reservations without penalty is 6:00 p.m. on the scheduled arrival date. If your hotel's deadline is earlier than 6:00 p.m. on the scheduled arrival date, a written cancellation policy must be mailed to the guest. A faxed notice or written travel agent itinerary is acceptable. A simple postcard will also work. Keep a copy of this notice.
6. If the room is not claimed or canceled in time, you may bill the guest for one night's stay, plus tax.
7. A guaranteed room must be held until check-out time on the day following the scheduled arrival date.

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#### Key Points to Remember

The cancellation time and date may vary, but must not exceed 72 hours prior to the scheduled date of arrival.

If the reservation is made within 72 hours of the intended arrival, your cancellation deadline must be 6:00 p.m. on the date of arrival.

If the property's guaranteed cancellation deadline is earlier than 6:00 p.m. on the scheduled arrival date, a written cancellation policy must be mailed to the guest.

If your guest requests a written confirmation, be sure to include:

The Visa card account number.

The card expiration date.

The cardholder's name as it appears on the card.

The room rate, and any other appropriate details about the accommodations.

The hotel's address.

The date and time by which the reservation may be canceled without incurring a penalty.

The guaranteed reservation confirmation code.

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## Cancellation of a Guaranteed Reservation

While speaking with the guest, be sure to:

Provide a cancellation code for the guaranteed reservation. (Note: Please do not use the name of an employee as a cancellation number. This often causes difficulties in a No-Show dispute)

Advise the guest to keep a record of the cancellation code for future reference.

### Key Points to Remember

Write “cancellation” on the reservation form or record and include the same cancellation code provided to the guest.

If the guest requests, provide a written cancellation with:

The Visa card account number.

The card expiration date.

The cardholder’s name as it appears on the card.

The cancellation code.

If a guest fails to cancel a reservation or claim the room, you may deposit a Visa sales draft for one night’s accommodation, plus applicable tax.

Simply write No-Show on the signature line of the completed sales draft. Always obtain an authorization.

Key in the No-Show indicator in the terminal. Contact your credit card processor for instructions.

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### When the Guest Checks-In

1. Be sure obtain a pre-authorization for the estimated cost of the stay.
2. Swipe and/or imprint the card. Obtaining a swipe of the card’s magnetic stripe is always the best practice.
3. Obtain a signature on the folio. Verify that the signature on the back of the Visa card matches the signature on the folio.

## Handling Overbookings for a Guaranteed Reservation

If guaranteed accommodations are not available when the guest arrives, you must provide, at your expense:

Comparable accommodations at an alternate establishment of at least equal quality for one night.

Transportation to that establishment.

Forwarding of all messages and calls to that establishment.

A free three-minute telephone call.

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## Program Steps for Reducing “No-Shows”

The following recommendations, gathered during the qualitative portion of the Visa research, will help your property successfully reduce No-Shows.

1. Require advance deposits for peak times, such as legal holidays and holiday weekends, for prime resort seasons, and for special sports events and major conventions.
2. Always disclose the penalty for not canceling the reservation over the phone during the reservation process. Ask the caller to acknowledge the information by asking questions such as: “Do you understand that if you don’t cancel by the deadline or claim the reservation, you will be charged (specify the amount) for one night’s stay?” Wait for the caller to reply “Yes.”
3. For your busiest times, do call-backs a few weeks to a few days before the scheduled arrival date. When you reach the guest, explain the cancellation procedure again to be sure they understand.
4. Do daily sweeps to check for duplicate reservations, similar name scans, and date discrepancies.
5. Develop a partnership with your top travel agents and review their future bookings with them on a regular basis. This is especially important during peak times or with group bookings.
6. Require an advance deposit if a guest wants to reserve multiple rooms (five or more) on a Visa card.

7. Have someone designated as the trained reservationist on the property at all times.
8. Mail confirmations whenever possible. Be sure to include the cancellation information. If you're unsure of how the expense/benefit ratio works, test mailing confirmations and then analyze the results on your No-Show rate.
9. Train your staff at regular intervals on accepting reservations and cancellations.
10. Make agreements with all nearby properties to let you know when a guest mistakenly checks in at their hotel instead of yours and vice versa.
11. "Ghost shop" your own property. Or have a friend do it for you. Give staff incentives for proper call-handling for both reservations and cancellations. Implement remedial training when necessary.
12. Only accept reservations from the person named on the Visa card.
13. Analyze your source of No-Shows and develop solutions specific to those sources. See page 14 of this guide for how to do this.

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14. When processing a No-Show to a Visa account, consult your merchant bank or processor about the proper procedures to use with your point-of-sale equipment, and how to set the "No-Show Indicator." No-Show indicators should be set for all No-Show transactions.
15. Always issue cancellation numbers.

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### "No-Show" Disputes

#### Funding Procedures

#### Background:

In 1989, Visa introduced the T & E Resolution Program, which provided a process for settling hotel no-show transaction disputes. These disputes generally resulted from a lack of understanding by either the cardholder or the lodging merchant of their obligations when canceling a reservation.

For those cases where liability could not be determined, a fund was established to allow Visa to absorb the amount of the transaction. Since the program was introduced, over 60,000 disputed transactions have been resolved and over \$4.6 million in no-show disputers were funded.

#### Program Changes:

Despite numerous education efforts, the volume of no-show disputes has continued to increase. Analysis indicates a continuing lack of understanding by cardholders and lodging merchants of their obligations when canceling a reservation.

As of April 2000 the process for funding no-show disputes changed. Your bank will no longer request funding through the T & E Resolution Program but will pursue resolution through filing an Arbitration case with Visa U.S.A. You must be able to provide the following elements on the no-show transaction:

Cardholder name

Cardholder address

Cardholder telephone number

Scheduled check-in date

Confirmation Code

Visa reserves the right to verify your reservation and cancellation procedures on all cases submitted to Visa U.S.A. for arbitration. The results of the testing may impact the ruling decision of the committee.

The elimination of the T & E Resolution Program does not affect your bank's ability to provide effective resolution to no-show transaction disputes.

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#### How to Ghost-shop Your Own Property

If you'd like to ghost-shop your own property, consider developing a simple check list. Your list should include items of special importance for your property, such as whether the call was placed on hold for too long, whether the person answering the phone was polite, did they explain room rates, etc.

#### Ghost-shopping Checklist

Here are a few questions you should include regarding guaranteed reservations and No-Shows.

Reservations

Yes No

Was the reservation confirmation number given?

Were you told to write down the confirmation number, and to use it if you needed to make a change to the reservation?

Were the date and time when cancellation privileges expire clearly and accurately stated?

Were you told that you would be charged one night's stay for the room and the dollar amount if you did not cancel in time or claim the reservation?

Were you given time to acknowledge that you heard the above information?

Were you given the exact name and street address of the property?

Cancellations

Was a cancellation number given?

Were you told to write down and keep the cancellation number to prove that you canceled?

Were you given another number to call to cancel?

What number?

Why?

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Sample Letter to Guest Upon Billing of "No-Show"

(Date)

Dear \_\_\_\_\_,

We missed you! We held a room/suite at the (name of hotel) for your arrival the evening of (date), and were sorry to discover that you didn't arrive as planned.

Our records show that the room was held in the name of \_\_\_\_\_, and was guaranteed with a (name of credit card), number \_\_\_\_\_.

Because your room was guaranteed, and we don't have a record of your canceling your reservation, we have charged the credit card you guaranteed the room with for the amount of one night's room rate. If we've overlooked any pertinent information or you have a cancellation number, please contact me at the hotel during daytime business hours.

We're sorry you weren't able to stay with us this time, and we hope we'll have another opportunity to serve you.

Sincerely,

General Manager  
Hotel Name and Phone Number

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Billing a Guaranteed No-Show:

Send an invoice (or copy of the folio) to the guest.

Include a letter asking the guest to contact you if they have a cancellation number or other information about their having notified you of their change of plans.

Before the letter goes out, make sure the guest's name is spelled correctly, double-check to make sure it really is a No-Show, and check to see if the reservation might have been filed with an incorrect date of arrival.

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Identifying Sources of "No-Shows" & Developing Solutions – (Recommendations Only)

Follow these steps to pinpoint the source of your No-Show reservations:

1. Segregate No-Show reservations from overall reservations activity.
2. Separate No-Show reservations by source, market segment, rate type, or other specifics.

If you are unable to segregate reservations that result in No-Shows, develop a system to:

Log each reservation with a market segment code (leisure, corporate, group, etc.) or back rack rate code (rack, corporate, weekend, promotional, etc.)  
Code each reservation by source (central reservations, travel agents, in-house reservation, sales office, or executive office, etc.)

Organize reservations by selected time periods (annual, quarterly, monthly, weekends, weekdays, etc.)

After you've gathered data for a month or two, work through the following steps to develop solutions to your specific problems.

### Step One

Identify the primary market segments or other contributing sources of No-Show reservations.

1. Choose a specific time-period such as one month or one calendar quarter. Keep the time-period consistent for all data used.
2. Within this time-period how many reservations resulted in No-Shows from reservations made through the central reservations department, hotel direct, travel agents, or any single source?

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3. Convert the number to a percentage. For example:

Market Segment	# Reservations	# Reservations Resulting in No-Shows	% of No-Shows
Hotel Direct	400	20	5%
Central Reservations	500	30	4%
Travel Agents	200	8	4%
Total	1100	58	

Average No-Show Rate: 5.8%

(For average rate: divide No-Show reservations by total number of reservations.)

While your sources of business may be different from those above and most likely your numbers will not be as simple, this process should help you pinpoint the largest sources of the hotel's No-Shows.

### Step Two

Continue the same type of analysis with reservation rates.

1. Analyze reservation rates the same as in step one. Does any type of rate – rack rate, weekend rate, event rate, package rate, etc. – cause more No-Shows?

### Step Three

Continue the same type analysis with your group/multiple bookings.

1. Do the same analysis as in steps one and two for group reservations. Identify which group types cause more No-Shows than other. Was it corporate meeting? Conventions? Multiple-rooms booked to one credit card? Tour groups?

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### Step Four

Now that you know the sources, rates, and groups which cause the largest number of reservations to result in No-Shows, consider the following:

1. What type of confirmation notice or contract was sent to confirm the reservation to the individual responsible for booking? Could this procedure be improved?
2. How could the communication between the hotel and the booking source be improved?
3. Should you shift any of your reservations from guaranteed reservations to advance-deposits?
4. How can you improve and expand your relationship with travel agents to obtain accurate reservation and cancellation data?
5. Is your staff being trained on an on-going basis on the importance of giving proper confirmation and cancellation information?
6. Is the confirmation and cancellation number from the reservation source being recorded as part of the individual's customer file in the hotel's reservation management system? If the number changes from the booking source to your hotel's system, is there a way to link the two to identify the reservation if the guest calls with changes?

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### In Review

While the issue of No-Shows is complex and difficult for everyone involved, here is a quick review of what you can do to prevent or reduce the problem.

1. Follow the Visa Reservation Services procedures in this guide.

2. Ensure that all reservation sources are collecting all information necessary to guarantee a reservation properly.
3. Ensure that proper procedures are in place to summarize the details of the reservation and to clarify the terms and conditions to the customer.
4. Issue a guaranteed reservation confirmation number, request that the customer document it, and be sure that the customer understands its importance.
5. Use an automated or manual property management system with built-in procedures for updating changes or cancellations with appropriate confirmation or cancellation numbers.
6. Reconcile all reservations and other activity to the property management system or a manual inventory control system on a daily basis.
7. Consider creating customized terms and conditions for market segments associated with high No-Show rates.
8. Identify travel agent No-Show reservation trends for reservations made directly through the hotel, through a third party, or through automated channels, and work with the source directly to communicate the problem and create a solution.
9. Always use the VISA No-Show indicator code when billing the No-Show.
10. Always issue a reservation cancellation number.

