

- To the extent possible, discourage price disclosure among customers. For example, do not display price overtly on tickets and other paperwork, and keep sale interactions as private as possible.

### 11.5.3 Overbooking Perceptions

One area of RM where customer expectations have to be managed especially carefully is overbooking. Customers who make a reservation and pay for it expect to receive the product. At the same time, customers who reserve and cancel expect a full refund, since from their point of view they have not used the product. Overbooking, as discussed in Chapter 4, is the fine art of balancing these customer expectations while maximizing utilization of capacity.

Managing overbooking is certainly not limited to just the science and models. No matter how well the models perform, there will inevitably be a day when a customer with a guaranteed reservation cannot be accommodated. So policies and procedures need to be put in place to handle these inevitable denied-service situations.

Customer acceptance of overbooking depends to a large part on tradition and industry norms. In the airline industry in the United States for instance, it is pretty much accepted as part and parcel of airline travel. This can be attributed to a number of reasons. First, the voluntary denied-boarding system discussed in Section 4.1.1, whereby volunteers are requested to take an alternative flight in return for compensation, is widely perceived as a fair means of selecting who will be denied service. Second, airline travelers usually have a number of alternative flights. Third, the process is transparent; all passengers are gathered together at one spot at the time of departure, so everyone realizes that the flight is oversold and that someone has to be left behind. (This cannot be said for a hotel, for instance, as an arriving customer sees no queue or clear evidence of a full hotel.) Finally, there is a long history and tradition of overbooking in the airline industry, and airline ticketing staff are well trained to handle denied boardings.

Planning, training of customer-relations staff, and well-established policies and procedures are the key factors in managing overbooking. Firms usually have advance notice that an overbooking situation is going to arise. By adequately making plans in advance, customers can often be accommodated with substitute arrangements.

If customers have to be denied service involuntarily, the procedures should be fair and minimize inconvenience to the customer as much as possible. Compensation should be flexible and geared toward the interests of the customer. If the customer expects cash (in lieu of, say, a 50% discount for the next stay at the hotel), the firm should specify how