Systemwide Reservations

Two days remain before the first guest checks in for the Forest Conservation Conference. A quick review of the reservation module report indicates that several of the new desk clerks took guaranteed reservations (35 rooms) for that convention that account for 10 percent more rooms than are available.

Making reservations is a necessity for travelers and an important marketing tool for lodging establishments. Travelers in various market segments depend on a well-organized reservation system that is easily accessible through toll-free numbers, the Internet, or at a few hours' notice. Lodging establishments want to provide a continuous flow of guests, which will bring profits. A reservation system must ensure efficient means of accessing, processing, and confirming information (Figure 5-1). Without an efficient reservation system, all aspects of managing a hotel are negatively affected. For example, while overbooking reservations may guarantee a full house for the hotel, it also leaves the guest who is turned away with a negative impression. This not only decreases the hope of repeat business but also ensures that the dissatisfied customer will tell others of the negative experience. This chapter examines the reservation system as an integral part of progressive front office management and discusses the operation of a well-run system.

CHAPTER FOCUS POINTS

- ■ **Importance of guest reservations to travelers and lodging establishments**
- ■ **Overview of reservation system**
- ■ **Sources of reservations**
- ■ **Forecasting reservations**
- ■ **Overbooking (occupancy management)**
- ■ **Processing guest reservations**

Importance of a Reservation System

Profitable business ventures rely on effective marketing principles, which include reviewing people who require hotel products and services, determining their specific needs, developing products and services that meet these needs, and making a profit on the sale of those products and services.

A well-organized reservation system allows hotels to ensure a steady flow of guests into their properties. Hotel chains, through their central reservation system, offer their members the ability to fill 30 percent or more of available rooms nightly. Independent hoteliers, in contrast, must create exciting marketing programs to capture room business. Easy access to a hotel's data bank of rooms helps in fulfilling the customers' needs as well as in reaching a targeted daily occupancy rate, average daily rate, yield percentage, and RevPAR. A reservation system is the primary means of producing positive cash flow and a favorable income statement.

Overview of the Reservation System

The hotel industry is powered by sales derived from the use of computerized reservations systems. The systems used to fill rooms consist of the hotel's primary efforts (via marketing and sales and use of their own brand reservation system), their toll-free number,

global distribution systems (GDS), travel agents, and third-party sources such as whole-salers who buy rooms from the hotel and resell them on the Internet. The following information shows how hotels rely on a combination of these well-organized systems to produce a profit.

Choice Hotels International

The following information on Choice Hotels International, Intercontinental Hotel Group (Six formerly Continents Hotels) (formerly Bass Hotels & Resorts), Carlson Hospitality Worldwide, and Pegasus Solutions provides a concise view of the importance of computerized reservation systems to the hospitality industry.

Choice Hotels International, with 5,000 franchisees in 42 countries, operates under the Comfort, Quality, Clarion, Sleep Inn, Econo Lodge, MainStay Suites, and Rodeway Inn brands. In a press release, Choice Hotels International announced its capability of offering guests reservation services through handheld computers:

> Owners of the Palm VII or Palm VIIx handheld computer can download Choice's web clipping application to their handheld by visiting www.choicehotels.com, then clicking on "wireless" on the options menu. After following the download instructions, Palm VII or Palm VIIx handheld owners with Palm.Net service are able to reserve rooms, check room availability, check on existing reservations and more. "Essentially, the application provides all of the booking capabilities available through our web site," said Gary Thomson [senior vice president and chief information officer at Choice].[1]

At one of its two reservations call centers, they received 32,000 calls per day, which accounted for 40 percent of all Choice worldwide reservations.

InterContinental Hotels Group

Intercontinental Hotels Group (formerly Six Continents) operates 3,500 hotels and 535,000 guest rooms in nearly 100 countries and territories around the world. Holidex Plus is the hotel's reservation system. The company states,

> IHG (Intercontinental Hotels Group) experiences over 7 million visits to its Web site each month. Plus, Internet revenues have increased by 50 percent since the launch of the industry leading Lowest Internet Rate Guarantee (LIRG) more than one year ago. IHG was the world's first hotel company to offer the LIRG. This is a consumer promise that states every hotel reservation booked directly through an InterContinental Hotels Group Web site is guaranteed to have the lowest rate publicly available on the Internet for that hotel. HOLIDEX(R) Plus links hotels directly to various Global Distribution Systems (GDS) and travel Web sites. HOLIDEX Plus is far more than an inventory and rate system; it is a strategic revenue system. This includes the ability to set and fence rates giving your hotels business and market requirements. It will allow

a hotel to create programs that will compete in your unique market like tailor-driven promotions—resulting in increased revenue and a wider choice of personalized packages for guests.[2]

Carlson Hospitality Worldwide

Carlson Hospitality Worldwide's central reservation system is called Curtis-C (pronounced "courtesy").

Carlson Hospitality Worldwide Reservations Services today (December 18, 2003) announced it has completed its enhanced "Next Generation" seamless interface with three Global Distribution Systems (GDS), providing travel agents and those booking through the GDS direct access to real-time rates and availability at Carlson hotel brands. Regent International Hotels; Radisson Hotels & Resorts; Park Plaza Hotels & Resorts; Country Inns & Suites By Carlson; and Park Inn, now offer hotel shopping via the company's central reservations system, Curtis-C, through Sabre (Direct Connect Shop), Galileo (Inside Shopper), and Amadeus (Dynamic Access).[3]

The Carlson system services approximately 730 hotel locations and six cruise ships operating on all seven continents. For the year 2000, it processed approximately 8,900 reservations per day, with a total of 3,242,031 for that year. Brands include Regent International Hotels, Radisson Hotels & Resorts, Country Inns & Suites by Carlson, Park Plaza and Park Inn hotels in North America, and Radisson Seven Seas Cruises. It is connected to 455,000 travel agents via the global distribution system (GDS). Curtis-C interfaces with the company's hotels via HARMONY, the company's property management system, and the CustomerKARE (or *Customer Knowledge and Relationship Enabling*) system. It also interfaces with the HARMONY Database Manager, which provides access to hotel inventory (updated rates and availability) along with the ability to deliver reservations through several distribution systems; the Guest Communication Manager, a system that manages guest satisfaction information (providing a history of service problems per guest per hotel and scanning for trends and patterns); and KnowledgeNet, which provides hotels with easy access to valuable company information (corporate policies, forms, reports, hotel procedures, and newsletters) and eliminates monthly printing of hotel reports and distribution to the properties. The benefits of this interfacing of data include creating and distributing products worldwide in seconds, making information easily accessible to customize the customer experience, allowing for synergies among applications and reducing resource requirements, and adapting to changing markets and technologies.[4]

Global Distribution Systems (GDS) in Securing Reservations

Global Distribution Systems (GDS) are distributors of hotel rooms to corporations such as travel agents that buy rooms in large volume. GDSs that play a prominent role in

securing guest reservations include Amadeus, Galileo, SABRE, and Worldspan. The following details the scale of their operation.

TravelCLICK, the source of hotel industry electronic distribution for many GDSs, reported the following based on GDS bookings and Internet travel sites. Electronic bookings for European hotel rooms in the second quarter of 2004 were up by almost 17 percent relative to the same period in 2003. The average daily rate (ADR) improved by about 9 percent.[5]

Role of the Internet in Securing Reservations

The business and pleasure traveler have entered the marketplace with a great degree of sophistication. Armed with information from advertising television promotions, direct mail promotions from credit cards, airline frequent flyer incentive plans, and other promotional sources, they want to secure the best rates and value for their accommodations. They search the Internet for the best price and make sure they are satisfied with their hit. How did this free marketplace come about? How did it seem to become a buyer's marketplace? Why do the hoteliers grimace at the thought of the Internet rate? The following discussions on the background of room rates offered via the Internet, the effect of the Internet on pricing rooms, and consumers' response to use of the Internet in making reservations shows how technology has changed the way hoteliers do business.

Background on Room Rates Offered Via the Internet

Sharon H. McAuliffe outlines thoughts for you to consider on room rates offered via the Internet.[6] Prior to the Internet entrance into the marketing of rooms, the only public rates available for consumers were those published on brochures or obtained by means of phone calls to the hotel property or a travel agent. Any discounts were offered to wholesalers and corporate clients based on their volume of business or length of stay. When the dot.com mania hit consumers, the wholesalers decided to advertise free offers to entice consumers to use the Internet. This has left a lasting impression on the consumer's purchasing manner. An initial wholesaler offered to take empty hotel rooms into their inventory on the Internet, and hoteliers were grateful to sell the rooms at low sale prices. Internet volume was light and everything seemed fine. Then other Internet sites offered similar models with their discounts and with a guaranteed lowest price. The result is a transparency of rates. Guests can check room rates before check-in to see if their guaranteed room rate has been offered lower on the Internet.

Effect of Internet on Pricing Rooms

Imtiaz Muqbil,[7] reports on Pricewaterhouse Coopers' study, "Effect of the Internet on Pricing," which was to estimate of the effect of the Internet on lodging room rates, focusing on what room rates in 2003 would have been without the effects of the Internet. He mentions that the Travel Industry of America figures quoted in the study

indicated that approximately 35 percent of Americans used the Internet to research travel. The real-time rate information availability causes business and group consumers to rebook reservations if lower rates are posted. He says these posted rates are now becoming negotiated maximum rates. Another feature of the Internet search yields reduced search costs for leisure travelers because they can compare room rates in their destination areas.

So what is the net effect of this Internet search? The study estimated the net effect to be *minus* $1.27 billion. This loss is caused by the combination of lower average daily room rate (ADR) because of increased transparency and price competition and increased revenues due to increased bookings stimulated by the lower rate. It is interesting to note that the study found that the average rate for Internet bookings was 17 percent below the rate for non-Internet bookings. Furthermore, Internet reservations consisted of about 13 percent of all U.S. hotel reservations in 2003. The study estimated that about 7 percent of these online bookings were incremental reservations, made by travelers who would not have reserved without the existence of low Internet rates. The study estimates that the net Internet effect on the U.S. lodging industry in 2005 will have increased by about 30 percent.

What type of person goes online to make a reservation? The report indicated that in 2003, 75 percent were discount seekers and 25 percent were convenience bookers. The study estimates that in 2005 Internet bookings will come equally from people seeking convenience and people seeking discounts.

Another point Muqbil makes is that price transparency, or the ability of the consumer to determine room rates, will continue to affect the ability of hotels to increase room rates during low seasons. However, during peak seasons, the Internet may enable hotels to increase rates more rapidly than was possible before the Internet.

Consumers Response to Use of the Internet—Third-Party Websites

Third-party websites such as Expedia and Travelocity provide the consumer an opportunity to view hotel room availability and rate with a few keystrokes on the computer. The consumer response to the opportunity to book room reservations online has been overwhelming. TravelCLICK, a Chicago-based electronic provider of reservations for consumers, serves over 7,500 customers in more than 140 countries around the world. It indicated the continued consumers' reliance on the Internet to process reservations.

"Internet (consumer online) room nights displayed growth of 18.7% above the second quarter of 2003 [in 2004]." Year-to-date performance figures [second quarter 2004] reveal total GDS [Global Distribution System] and Pegasus Hotel e-Commerce room night sales at 57,131,438. Of that total, 46,510,434 were sold by travel agents and 10,621,004 originated by the consumer off the Internet.[8]

This overwhelming response to the Internet continues. Price and Starkov[9] report that "in 2004 twenty percent of hotel bookings will be influenced by the Internet, but done offline (call center, walk-ins). In 2004, for the first time Internet hotel bookings will sur-

pass GDS hotel bookings. Two years from now the Internet will contribute over 27% of all hotel bookings (PhoCusWright)." This trend began in 2003, when The Hospitality Sales & Marketing Association International (HSMAI) and Smith Travel Research reported[10] that branded hotel sites accounted for 75 percent (14.8 million) of Internet reservations. Third-party (Expedia, Hotels.com) and GDS Internet sites accounted for 25 percent.

Financial Effects of Third-Party Reservations

The financial effects of this consumer response should be evaluated. The chapter on revenue management considers the job of the revenue manager, which includes evaluating channels of room reservations. For example, a reservation completed via a travel agent may incur a 10 percent commission, while a third-party reservation may incur a commission as high as 18 percent. If you do the math on a room that sells for $100, the commission equals $10 for the 10 percent and $18 for the 18 percent. If you extend that example of an $8 difference to just 10 rooms per night for 365 nights per year, the result is $29,200 ($8 × 10 × 365 = $29,200). However, there is another side to that argument. What if you didn't place those extra rooms for sale on the third-party reservation site? Would they have remained unsold? Would you have lost all income, let alone the differential of $29,200? It is indeed a struggle of wits and experience to compete in the revenue management venue.

Types of Reservation Systems

Franchisee

A **franchisee** is a hotel owner who has access to a national reservation system and receives the benefits of the corporation's management expertise, financial backing, national advertising, and group purchasing. A franchise member of a reservation system or a member of a referral system gains significant advantages from **interhotel property referrals**, a system in which one member-property recommends another member-property to a guest, and national advertising.

Referral Member

A **referral member** of a **reservation referral system**, a worldwide organization that processes requests for room reservations at a particular member-hotel, is a hotel developer/owner who has access to the national reservation system. Hotels that are members of the reservation system are more than able to justify these costs; for example, a chain property may obtain 15 to 30 percent of its daily room rentals from the national reservation system,

depending on local economic and market conditions. Compared to the costs incurred by an independent property that must generate every single room sale with individual marketing and sales efforts, franchise referral costs seem minimal.

Use of the reservation system by franchises and referral properties incurs fees such as royalty, marketing, and reservations. For example, in 2005, Hilton requires an initial fee of $85,000 for the first 275 guest rooms or suites plus $300 for each additional guest room or suite, with a minimum fee of $75,000. A 5 percent of monthly gross rooms revenue is considered the franchise fee. The monthly program fee is 4 percent of monthly gross rooms revenue. Hilton requires installation of their OnQ proprietary business software and hardware system; the costs for these systems range from $40,000 to $150,000. Hilton notes that the franchisee doesn't need to purchase the hardware or software components (except for the up-front costs of installation), or pay for ongoing maintenance and technical support, because these are provided by Hilton Hotels Corporation and paid through the franchisee's monthly fee of 0.75 percent of the hotel's monthly gross room revenue. There are other fees for participation in the Frequent Traveler/Guest Reward program, training, and computer system.[11]

Marriott charges similar franchise fees for an investor seeking a Fairfield Inn franchisee. A $40,000 or $400/room (which ever is greater) application fee is charged. The royalty fee is based on 4.5 percent of the gross room revenues. Marriott assesses 2.5 percent of gross room revenues fee for marketing. Reservation fees include 1.00% of gross room revenues, $2.95 per non-property reservation, and a communication support fee of $412.00 per accounting period. Marriott lists $52,500 to $76,500 pre-opening fees and property management system costs depending on the size of the property, the training required, and where the property management system hardware and software is purchased.[12]

If you do the math on the cost of operating a hotel under the auspices of either of these franchises, you can determine that a franchise is a very expensive business option. However, the benefits (reservation system, advertising, management development, etc.) of operating a hotel with a franchise are numerous and far outweigh those costs.

Sources of Reservations

Guest reservations come from a variety of market segments. Some of the more common groups are corporate clients, social/military/educational/religious/fraternal (SMERF) organizations, group travelers, leisure travelers, and current guests who want to return to the same hotel. This is only one way of classifying guest reservations. The purpose of analyzing these segments is to understand the needs of each group and provide reservation systems to meet their needs. Keep in mind that reviewing their needs will assist you in gaining insight into guests' methods of communication. The more you learn about those methods, the better you will be able to monitor and improve current reservation communication systems.

Corporate Clients

The **corporate client** is a hotel guest who is employed by a business or is a guest of that business. Corporate clients provide a hotel with an opportunity to establish a regular flow of business during sales periods that would otherwise be flat. For example, a hotel located in an area popular with weekend tourists would operate at a loss if an aggressive marketing effort were not made to secure corporate clients from Sunday through Thursday nights. Corporate clients are usually in town to visit corporate headquarters or to attend business meetings or conventions. Visits are usually structured in advance, with detailed agendas and itineraries. Such structured schedules suggest the corporate guest needs reservations to ensure a productive business visit.

The reservation for the corporate guest may be initiated by a secretary or an administrative assistant. These office personnel are vital to the marketing efforts of a hotel. Many hotels offer a secretaries club, which is a powerful marketing and public relations effort aimed at this group. The program encourages the secretary or administrative assistant to make room reservations with the hotel for visiting business clients by providing incentives such as gift certificates for the person who books the most reservations, free meals for being a member, and free special-interest seminars. This system provides the basis for a loyal contingent of secretaries and administrative assistants who think of the club's hotel first. This marketing program helps the front office manager and the reservationist get to know the leaders in the business community in an indirect way. If such people need a quick reservation on a busy night, they feel they will receive special consideration from the hotel's management.

A toll-free phone number assists the cost-conscious corporate client by giving corporate guests calling from outside the property's area code an opportunity to save on phone bills. The independent lodging property that has installed a toll-free phone number gives itself a marketing advantage. If the person making the reservation wants to check out rates, location, amenities, related hotel services, and the like, he or she can do so without incurring expense. The corporate client can then match travel needs with available lodging properties.

The corporate client can also place the reservation through the reservation/referral system of the chain organization. The large chains, which advertise by radio, television, billboard, and print, allow the corporate client to make reservations easily through a toll-free number. The number connects the caller to a reservationist who has access to a data bank of available rooms at lodging properties that are members of the chain or referral system. The reservation can be completed in minutes. The use of a single phone number to access all properties offers the corporate client an easy, standard way to make reservations for stays in several cities with one call. In the lodging industry, this opportunity to gain repeat business is very important.

The travel agent also makes reservations for corporate clients. The travel agent who is booking air or other transportation for clients usually books room reservations as well.

The corporate client can also visit a hotel's website to obtain information and make a room reservation.

Social/Military/Educational/Religious/Fraternal (SMERF)

The SMERF market provides a good opportunity to fill vacancies in odd times of the business of the cycle, because this market will travel at off-peak times to save money. For example, educators may hold meetings during the Christmas vacation or summer recess so they can secure a lower room rate. SMERF groups may number just 50 to 100, but there are many such groups to be courted. They can be mined through the combined efforts of a local travel and tourism board, Internet searches to determine when they schedule their annual, semiannual, or quarterly meetings, and a review of local newspapers to identify the leaders of local chapters.

Meetings/Incentive/Conference/Event (MICE)

The lucrative MICE market requires a devoted hotel marketing and sales team or agency to locate large groups of conference attendees who want to schedule their meeting at a conference hotel. Many details are involved in encouraging a group to book an event, including airfares, supply of hotel rooms, room rates, and area cultural activities. The support of a local tourism and travel association is a major asset.

Group Travelers

Group travelers are persons traveling as a group either on business or for leisure. Convention guests and seminar attendees are examples of groups that travel on business. Participants in organized tours who pursue recreation, education, and hobbies, and special interests constitute some of the leisure segment. The key to marketing reservations to this group is providing an efficient access method for planning details of a tour. The **group planner** is the person responsible for securing guest room accommodations, food and beverage programs, transportation reservations, meeting facilities, registration procedures, tours, and information on sightseeing, as well as maintaining a budget for group travelers. The group planner must satisfy the needs of the group in an efficient, orderly, and professional manner. The details involved in organizing a three-day convention in a large city for 700 attendees or a seven-day tour of points of interest for 44 people are quite extensive. How does the group planner begin?

Options available for the tour or meeting planner include tapping into the **bus association network**, an organization of bus owners and tour operators who offer transportation and travel information to groups, using directories listing lodging properties, communicating with hotel representatives of lodging properties, and contacting hotel brokers. Hoteliers provide information concerning lodging facilities and tourism through these sources.

Bus associations are professional organizations on the national and state levels that provide their members with organized destination information needed for planning tours and conventions. Usually these associations organize conventions of their own by work-

ing with hotels, tourist attractions, and travel and promotion associations in the public sector that supply facilities and points of interest to the group traveler. Through the monthly publications of these associations, members can remain current on the travel industry. The lodging operation that advertises in these publications will reach a market that is looking to add variety to a group tour.

Travel directories, organized listings of hotel reservation access methods and hotel geographic and accommodations information, also help the group travel planner match facilities with the needs of the group. The most common of these directories is the *Hotel and Travel Index*. Other directories include *Travel Books & Guides* from AAA, *Michelin Guide*, *Mobil Travel Guides*, *Official Hotel Guide*, *Official Meeting Facilities Guide North America*, *The Hotel Guide*, and *Weissmann Travel Reports*. However, the ease of access to information on a hotel's products and services via the Internet is highlighted by Starkov and Price,[13] who indicate that "over 162 million Americans are active Internet users (Nielsen)." Beatty[14] urges hotel operators to use websites to attract online customers: "A recent survey of 1,100 Internet users conducted for Genex, an Internet design company based in Atlanta, found that 65 percent of respondents will not patronize a poorly designed site—even if it is a favorite brand."

Working with a **hotel representative**, a member of the hotel's marketing and sales department who actively seeks group activities planners, is another method the group planner may find quite useful. Armed with details about the lodging facility, points of interest in the area, and community background, the hotel representative can prepare a package deal for the planner. The active solicitation of group business can prove profitable for a hotel.

Another type of active solicitation for group travelers is done by the **hotel broker**. This is the person who sells hotel room prize packages to corporations, sweepstakes promoters, game shows, and other sponsors. By booking reservations in volume, a hotel broker obtains a discount for the organization that wants to offer a hotel visit as a prize. Chain and referral organizations usually have people in their corporate marketing and sales divisions who contact organized groups or brokers to sell the hotel rooms and facilities.

As mentioned earlier, the key to securing the business of group travelers is to develop a structured access system that assists the planner in meeting the needs of the group. The more readily available the information concerning the lodging property, tourist attractions, and the community, the easier it is for the planner to choose a property. (Please note that hotel brokers also solicit room blocks from hoteliers on certain dates for resale on their third-party website.)

Leisure Travelers

Leisure travelers are people who travel alone or with others to visit points of interest or relatives, or for other personal reasons. These travelers, who are often unrestricted by deadlines or schedules, are more flexible in their travel plans than are corporate clients and group travelers. They are more willing to seek someplace to stay along the way;

however, some of the people in this group may want to obtain guaranteed reservations to ensure a trip with no surprises. This fragmented group consists of many subgroups, including singles, married couples, young families, senior citizens, and students. Some of the methods the leisure traveler can use to secure room reservations are travel agencies, toll-free numbers, reservation/referral systems, and the Internet.

Although using travel agents to place reservations may not be as common with leisure travelers as it is with businesspeople, the ease of one-stop shopping that travel agents offer encourages hotels to develop strong business relationships with them. The fee a lodging facility pays for accepting a reservation placed by a travel agent is usually 10 percent or more of the room rate, a minimal sum compared to the increase in volume and subsequent profits that an agent can generate for a property. Another method used by the traveler to make reservations is the toll-free phone number. Calling these numbers, which are listed in travel guides and the phone book, provides travelers with up-to-the-minute room rates and reservation availability status.

The third method available for the traveler is the reservation/referral system. This option offers the traveler a quick way to contact a particular hotel via a national or an international reservation/referral system. Travelers planning long trips or visits to unfamiliar areas usually prefer some assurance that accommodations will be available, clean, safe, and comfortable. The name recognition built up over time by a chain provides that assurance and convinces the traveler to place room reservations through its reservation/referral system.

A fourth method used by the market segment to make reservations is via the Internet. Travelers can visit the website of participating hotels to investigate accommodations and pricing as well as to make reservations. The leisure market has embraced this method, via their home computers and widespread Internet connection.

Current Guests

An often overlooked way to attract room reservations is through **current guests**, guests who are registered in the hotel. (Although this topic is covered in more detail in chapter 13, it is important to mention it here as a source of reservations.) This potential market is a promising source of repeat business. The people in this group have already experienced the services and facilities of a lodging property and may be willing to make an immediate commitment to more hospitality from the same hotel or another hotel in the same chain or referral group.

The opportunity to book additional reservations occurs during the check-in and checkout phases of the guests stay. After registering the guest, the front desk clerk may ask if he or she will be continuing to travel after leaving the hotel. If the guest mentions plans to travel to another city, the desk clerk may inquire if a reservation is needed. Likewise, the desk clerk may ask the guest on checkout if additional reservations are needed for continuation of this trip or for future trips. The hotel that promotes its facilities to current guests in this way will be rewarded with an increase in room occupancy.

Forecasting Reservations

Forecasting, or **rooms forecasts,** which involves projecting room sales for a specific period, is a natural next step after collecting the data from the reservation process. This step includes previewing the effects of reservations on the income statement, scheduling labor, and planning for the use of facilities. In addition to presenting a practical method for preparing a rooms forecast (sometimes referred to as a *projection of room sales*), this section also explains how such a forecast can be used as a means of communication with other departments (Figure 5-2).

One of the purposes of a rooms forecast is to preview the income statement. It enables hotel managers to determine projected income and related expenses for a certain period. The front office manager who has estimated total room occupancy to be 100 rooms with an average room rate of $90 for a seven-day period can project a revenue of $63,000 (100 × $90 × 7) from room sales. Budgeted cost control policies allow the front office manager

FIGURE 5-2 **A rooms forecast assists in planning for delivery of service.**

ROOMS FORECAST   FROM: __ SUN DEC 1 __ TO: __ SAT DEC 7 __

	1	2	3	4	5	6	7			
GUAR RES	25	50	55	40	45	10	10			
CONF RES	20	25	20	20	25	10	15			
WALK-INS	80	80	80	5	5	5	5			
GROUPS	20	0	0	30	30	30	0			
TTL ROOMS	145	155	155	95	105	55	30			
TTL GUESTS	180	195	190	110	125	75	45			

COMMENTS: DEC 1/2/3 WALK-INS FROM DDS CONVENTION AT STONE HILL MANOR
DEC 4/5/6 JOHNSON TOURS FROM CANADA—ALL MEALS IN DINING
ROOM A LA CARTE

CC: HOUSEKEEPER   GENERAL MGR
FRONT OFFICE MGR   DIR MKTG AND SALES
SWITCHBOARD   FOOD AND BEV MGR
MAINT ENGR   EXEC CHEF
GARAGE MGR   BANQ MGR
RESTAURANT MGR   HOSTESS A.M./P.M.
                         LOUNGE MGR

to allocate a certain amount of that income for front office staff. This process of projecting sales and related expenses is important to the successful management of the front office (Figure 5-3).

The front office is not the only department that depends on a well-constructed rooms forecast. The food and beverage department, housekeeping department, and maintenance department rely on the **house count**, or the number of persons registered in a hotel on a specific night. This is important for scheduling labor, using facilities, planning improvements or renovating facilities, ordering supplies, and the like. For example, if a **full house**, 100 percent hotel occupancy, is predicted and there are no scheduled banquet-breakfasts,

| FIGURE 5-3 | The front office forecast is issued to all department heads in the hotel. |

TIMES HOTEL

Weekly Room Sale Forecast

	10/1	10/2	10/3	10/4	10/5	10/6	10/7
Departures	0	10	72	75	5	15	125
Arrivals:							
Confirmed	40	20	30	25	5	8	22
Guaranteed	30	18	17	90	4	2	10
Total	70	38	47	115	9	10	32
Walk-ins	20	20	30	10	10	5	50
Stayovers*	10	85	68	65	175	177	65
No-shows	5	3	5	10	2	2	3
TOTAL**	95	140	140	180	192	190	144

*Yesterday's total—departures

**Yesterday's total—departures + arrivals + walk-ins – no-shows

Notes:

10/1   Dental Commitee (125 rooms), checkout 9:00 A.M.–10:30 A.M.
        Lion's Convention (72 rooms), check-in 1:00 P.M.–4:00 P.M.

10/3   Lion's Convention, checkout after 10:00 A.M. group brunch; checkout extended until 1:00 P.M.
        Antique Car Show in town. Most are staying at Hearford Hotel (only 50 reservations so far); expect overflow from Hearford, about 30 walk-ins.

10/4   Antique Car Show over today.
        Advanced Gymnastics Convention. Mostly ages 10–16.
        Check-in 4:00 P.M.–6:00 P.M.

10/7   Advanced Gymnastics checks out at 12:00 noon.
        Painters Convention in town. Headquarters is the Anderson Hotel.
        Expect overflow, 50 walk-ins.

extra waitstaff must be scheduled in the dining room. Employees in the housekeeping department may be refused vacation when a full house is expected. Other contingencies include a maintenance department's need to schedule major repairs and preventive maintenance, annual cleaning, and remodeling of guest rooms when occupancy is low; a controller's need to prepare a cash flow estimate; an executive housekeeper's need to schedule adequate staff based on guest room occupancy; a security department's requirement to be aware of activity projected for the hotel; and a parking garage manager's need to know if the garage can meet the auto/van space requirements for the anticipated guests. These are just a few of the uses of the rooms forecast.

The front office manager determines the revenues projected by this rooms forecast. To do this, the average room rate or the specific room rate for a group may be applied. This information is important to the controller, general manager, and owner of the hotel, who use it in managing the hotel's finances. This system can also be used to prepare quarterly or yearly forecasts.

Overbooking (Occupancy Management)

The practice of **overbooking**—accepting reservations for more rooms than are available by forecasting the number of no-show reservations, stayovers, understays, and walk-ins, with the goal of attaining 100 percent occupancy—is viewed by the general public with skepticism. As a future hotelier, you should prepare for the onerous task of developing a policy on overbooking. The front office manager is responsible for administering this policy.

American courts seem to agree that "in many instances, overbooking to overcome the problem of no-shows and late cancellations may produce advantages by way of operating efficiencies that far outweigh the occasional inconveniences to guests and travellers." They have held hotel overbooking to be customary and justifiable practice for offsetting the losses from no-shows. Writing in February 1980, Gould et al. could find no direct statutory or administrative law governing hotel overbooking with the exception of one Florida regulation.[15] Hoteliers and front office managers who practice overbooking do so to meet an organization's financial objectives. They do not intentionally overbook to cause problems for the traveler. Rex S. Toh reports "the no-show rate is anywhere between 5 and 15% in most markets."[16]

The financial loss due to no-shows may be substantial. In a hotel that typically has 100 confirmed reservations (not guaranteed with a credit card) and experiences a 5 percent no-show rate, five rooms per night would remain unsold. With an average room rate of $70, these five rooms would cost the hotel $350 in revenue. Over a year, this amounts to $127,750. Lost revenues of this volume force the hotelier to develop an aggressive occupancy management policy. This policy is based on management of the occupancy categories into which guests are placed: those with confirmed reservations, those with guaranteed reservations, stayovers, understays, and walk-ins. However, most hoteliers require a guest guarantee his or her stay with a credit card number to ensure their intent

of arrival and thus guarantee payment for product and services on the part of the guest and hotel.

Confirmed reservations, prospective guests who have a reservation for accommodations that is honored until a specified time, represent the critical element in no-shows. After that time (usually 4:00 P.M. or 6:00 P.M.), the hotel is under no obligation to hold the reservation. The front office manager must keep accurate records of no-shows in this group. Various types of travelers with confirmed reservations—corporate, group, leisure—have different no-show rates. For example, corporate confirmed reservations may have a 1 percent overall no-show rate. Group travelers may have a 0.5 percent no-show rate, with no-shows all coming from one or two particular bus companies. Leisure travelers may have a 10 percent no-show rate. A detailed investigation of each of these categories will suggest methods for minimizing no-show rates.

Guaranteed reservations, prospective guests who have made a contract with the hotel for a guest room, represent a less volatile group because the guest provides a credit card number to hold a room reservation. Rex S. Toh reports that the no-show rate for guaranteed reservations was 2 percent, compared to 10 percent for confirmed reservations.[17] The front office manager should investigate these no-shows to determine their sources and plan accordingly.

Stayovers are currently registered guests who wish to extend their stay beyond the time for which they made reservations. Accurate records by traveler category (corporate, group, leisure) reveal the stayover rate of each. For example, employees of a corporation who travel with spouses may extend a Thursday and Friday business trip to include a Saturday. Similarly, a group conference scheduled from Monday through Thursday may encourage the attendees to stay longer to sightsee.

Understays are guests who arrive on time but decide to leave before their predicted date of departure. Leisure travelers may find their tourist attraction less interesting than anticipated. Urgent business may require the corporate client to return to the office sooner than expected. Maintaining accurate records helps the front office manager predict understays.

A welcome sector of the hotel market, **walk-in guests**, can enhance daily occupancy percentages when effectively managed. The front office manager must be aware of activity in the local area. Heavy tourist seasons, special tourist events, conventions, and the like will increase the number of potential guests. Awareness of such possibilities helps the front office manager plan. Walk-in numbers are often higher if the front office manager maintains good relations with the front office managers of nearby hotels, who may refer guests to the property when their own are fully booked. Sending guests who cannot be accommodated to nearby hotels is a win-win situation for guests and hotels.

When these occupancy categories are tracked, the front office manager can more accurately predict occupancy. The front office manager can obtain the data for this formula by reviewing the property management system (PMS) reservation module, which lists the groups, corporate clients, and individual guests who have made reservations for a specific period. Also, the front office manager should check tourist activity in the area, business events planned in other hotels, and other local special events.

The following **occupancy management formula** considers confirmed reservations, guaranteed reservations, no-show factors for these two types of reservations, predicted stayovers, predicted understays, and predicted walk-ins to determine the number of additional room reservations needed to achieve 100 percent occupancy. **No-show factors** are based on prior experience with people with confirmed or guaranteed reservations who did not show up.

	total number of rooms available
−	**confirmed reservations** × **no-show factor based on historical data**
−	**guaranteed reservations** × **no-show factor based on historical data**
−	**predicted stayovers**
+	**predicted understays**
−	**predicted walk-ins**
=	**number of additional room reservations needed to achieve 100 percent occupancy**

Here is an example of how to use this formula:

1. If a 200-room lodging property has 75 confirmed reservations with a 5 percent no-show factor in that category, 71 rooms can be predicted to be occupied by guests with confirmed reservations. The no-show factor is based on historical records of this category for this property maintained and reviewed by the front office manager.

2. There are 100 guaranteed reservations with a historical no-show rate of 2 percent. This means that 2 rooms have probably been reserved by no-show guests and may be available for sale. The policy of the hotel may or may not allow the sale of these 2 rooms. If the hotel knows of other hotels in the immediate area that have available rooms for that particular night, the front office manager might be willing to walk a guest with a guaranteed reservation to another hotel if all the guests with guaranteed reservations arrive. It is important to be extremely cautious in this category. An unpleasant scene can occur if an exhausted guest arrives at 3:00 A.M. with a guaranteed reservation and finds no vacancies.

3. The predicted number of stayovers at this given time—based on historical records, with considerations for the season of the year, tourist attractions, nature of the current guests (convention, tourist, or business traveler)—is 4 rooms. This number of rooms must be subtracted from the number of rooms available for sale.

4. The predicted number of understays at this given time, considering factors similar to those applied to stayovers, is 5. This number of rooms is added to the number of rooms available for sale.

5. The predicted number of walk-ins for this given period—using historical records and available information concerning tourist events, activity at other hotels, attractions in nearby communities, and the like—is 8.

The arithmetic for this example works out as follows:

200 rooms available
- **71 confirmed reservations (75 − [75 × 0.05])**
- **98 guaranteed reservations (100 − [100 × 0.02])**
- **4 stayovers + 5 understays**
- **8 walk-ins**
- = **24 number of additional room reservations needed to achieve 100 percent occupancy**

The occupancy management formula indicates to the front office manager that 24 additional rooms must be rented to achieve 100 percent occupancy. By predicting this number, the front office manager has reasonable flexibility in accepting 24 additional reservations for the evening.

Revenue Management

Revenue management is the technique of planning to achieve maximum room rates and most profitable guests. This practice encourages front office managers, general managers, and marketing and sales directors to target sales periods and to develop sales programs that will maximize profit for the hotel. This topic is fully explored in chapter 6. Revenue management is part of the successful administration of a reservation system because it forces the front office manager to make a realistic attempt to produce a favorable income statement. Applying rate categories to specific periods with minimum length of reservations and reviewing potential markets and their spending habits assist the front office manager not only in meeting the goal of 100 percent occupancy but also in achieving maximum profitability.

FRONTLINE REALITIES

As front office manager of The Times Hotel, you want to project the number of additional rooms you will need to overbook to achieve 100 percent occupancy for the night of April 15. Use the following historical data to determine the number of additional room reservations needed to achieve 100 percent occupancy: 500 rooms available, 100 confirmed reservations with a 5 percent no-show history, 200 guaranteed rooms with a 2 percent no-show history, 15 stayovers, 10 understays, and 45 walk-ins.

Processing Guest Reservations

Means of communication with the client; room inventory data banks; systems for reservation, confirmation, deposits, and cancellations; and **blocking procedures**, a process of reserving a room on a specific day, are the major components of a well-organized guest reservation processing system.

The guest who wants to secure overnight lodging accommodations must have an efficient means of communicating the room reservation to the hotel, such as a toll-free phone number, fax number, or personal computer. In turn, the hotel must have a way to check reservation requests against a data bank of available rooms. To ensure the reliability of the room reservation, the hotel establishes a deposit or guarantee system that commits the guest to the purchase of the accommodation. A cancellation process allows the guest and the hotel the flexibility necessary to function in a complex society. A blocking procedure that balances future commitments with present room requirements also helps the front office manager provide an effective room reservation processing system.

Systemwide Reservation Systems

The lodging property associated with a systemwide reservation service is connected to the system via a nationwide toll-free telephone number. The telephone number is widely distributed by the marketing and sales departments of the corporation. The potential guest who dials this toll-free number is greeted by an operator located at the central reservation headquarters. This operator has access to the computerized data bank of available rooms at each participating lodging property, so that, for example, a request for a certain type of room for three consecutive nights (February 15, 16, and 17) at a property in Boston can be matched through the data bank. If the participating property has rooms available for those nights, the request can be processed. If it does not have space available, the operator can suggest properties in the reservation/referral system that do have rooms available.

After the operator determines that the guest's room request can be satisfied, he or she asks for the arrival time. The many lodging properties in the industry have different policies on how long they will hold a reserved room; some will hold the room until 6:00 P.M., for example, while others will hold the reservation only until 4:00 P.M. In any case, the time of arrival is extremely important to the hotel's income. Rooms held for guests who do not show and that cannot be resold adversely affect the front office manager's ability to produce income. The maxim that "a room unsold is an opportunity lost forever" has profound implications for the profit-and-loss statement.

Because the hotel must have lead time to resell a no-show reservation and because guests want to ensure that their accommodations will not be resold before they arrive, a system must be in place to meet the needs of each. Both computerized and traditional reservations systems can offer various levels of reservation assurance to accomplish this goal via advanced, confirmed, and guaranteed reservations.

Outsourcing Reservations

In addition to central reservation systems (CRS) operated by hotels, **outsourcing** providers of central reservation systems are available for hotel managers.

> This new breed of CRS and service provider processes voice, Internet and Global Distribution System–based reservations on behalf of hotels. This hybrid group provides reservation systems to clients that want to manage closely their reservation processing, while also offering all the services of a traditional representation company. In addition, these companies offer their services through Web-enabled application-service provider [ASP] models.
>
> SynXis Agent, a suite of reservation-management and distribution products, consists of four main components—a CRS; GDS connectivity; alternate-distribution-system connectivity; and Book-A-Rez, an Internet-booking tool. Through its suite of Internet-based applications, SynXis enables hotel operators to consolidate and control hotel inventory from all booking sources. It also provides direct access to the four major GDSs and enables consumers to book hotel reservations online through the hotel's Web site.
>
> Sally Payze, former vice president of operations at SynXis, indicates, "It consolidates inventory across all booking channels into a single image of inventory. That allows all channels to have access to the last room available and there is no managing of allotments by channel. Its interface allows hotels to define and manage group profiles, administer room blocks and manage rooming lists. In addition, travel planners can enter their own rooming lists directly from the Web, which saves hotel labor, provides immediate confirmation numbers and reduces data-entry errors."[18]

Another provider of reservations outsourcing is Pegasus Solutions. The services they offer include real-time availability and pricing for property and room types, a Web-based property access tool for rate and inventory management, property information and electronic report distribution, connectivity to electronic distribution systems, interfaces with key industry property management systems, revenue systems, and loyalty program systems to approximately 7500 hotels.[19]

Types of Reservations

Confirmed Reservations

The confirmed reservation is comparable to a contract that becomes void at a certain hour of a certain day. The confirmed reservation allows the hotel to project the number of guests that will check in by the deadline hour. After that deadline, the hotel is free to sell unclaimed room to walk-in guests or to accept overflow guests from another property. The hotel usually keeps track of the number of no-shows and compares them to the total number of confirmed reservations that were made; these historical records help in predicting occupancy—and revenue—accurately. (They are also used in overbooking, discussed earlier in this chapter.)

Guaranteed Reservations

Guaranteed reservations enable lodging establishments to predict revenue even more accurately. They commit the guest to pay for a room night and the hotel to provide accommodations regardless of arrival time. If the guest does not show up (without prior cancellation), the hotel may process a credit card voucher for payment. Likewise, no matter when the guest arrives on the reserved night, the hotel must have the reserved accommodation available. The guaranteed reservation requires the hotel to determine the method of guest payment. The guest may secure the method of payment with a valid credit card, an advance payment, or a preauthorized line of credit. (Each of these methods is described in detail in chapter 9.)

Reservation Codes

Reservation codes are a sequential series of alphanumeric combinations that provide the guest with a reference for a confirmed or guaranteed reservation. (Reservation codes are also referred to as *confirmation numbers*.) Such a code indicates that accommodations have been secured for a specific date with a commitment to pay for at least the first room-night. The code, which usually consists of several letters and digits that do not necessarily have any meaning to the guest, may identify the hotel in the chain/referral group, the person who processed the reservation, the date of arrival, the date of departure, the type of credit card, the credit card number, the room rate, the type of room, and/or the sequential number of the reservation. The organization that develops the code includes in it information appropriate for the efficient management of a particular reservation system. A guaranteed reservation code may look like this:

122-JB-0309-0311-MC-75-K-98765R

- *122*: the identification number of the property in the chain
- *JB*: the initials of the reservationist or desk clerk who accepted the reservation
- *0309*: the date of arrival
- *0311*: the date of departure
- *MC*: the type of credit card (MasterCard)
- *75*: the nightly room rate of $75
- *K*: indication that the reserved room has a king-size bed
- *98765R*: the sequential reservation number

A few things should be kept in mind when establishing a reservation code system. The amount of memory available to store the code information in a computer data bank may be limited. Therefore, a short code that provides less information may be necessary. The reservation code should be designed to give adequate information to the hotel property that must provide accommodations for the guest. The purpose of the code is to communicate the details of a guaranteed accommodation to the host property. The guest data have already been entered into the central computer and usually can be easily retrieved. However, there are times when these data may not be available, or they may be misplaced.

When this happens, a reservation code allows the host property to provide appropriate accommodations.

The method of paying for a guaranteed reservation is established when the reservation is made. Credit cards or previously approved direct billing are the most common methods. Sometimes the guest sends a bank check or delivers cash to secure a reservation. A bank check is acceptable, as long as adequate time is available to process it. The cash advance payment and bank check, however, should alert the front office manager that this guest has not established a line of credit with a credit card organization or with the hotel. Determining how the guest will pay the final bill is essential. The folios of guests who pay cash in advance must be monitored.

Cancellations

Cancellations due to a guest's change in plans are easily handled by a computerized reservations system. The guest calls the central reservation system or the hotel where the reservation was made. Some lodging organizations stipulate a period for canceling reservations. Twenty-four, 48, or 72 hours' notice may be required for the guest to be exempt from paying the first night's room rate. Policies vary among reservation systems, based on the historical frequency of cancellations (and the subsequent effect on the profit-and-loss statement) and the public relations policy (the potential of lost repeat business) of the organization.

Cancellation Codes

A **cancellation code** is a sequential series of alphanumeric combinations that provides the guest with a reference for a cancellation of a guaranteed reservation. (Cancellation codes are also referred to as *cancellation numbers*.) Such a code verifies that the cancellation has been communicated to the hotel property and assures the guest that he or she is not liable for the canceled reservation. For example, if the front office staff mistakenly processes a charge for a guaranteed reservation that had been canceled, the guest could refute the credit card billing with the cancellation code.

A cancellation code is composed like a reservation code and consists of letters and digits that may identify the hotel property, the person who processed the cancellation, the date of arrival, the date of departure, and/or the sequential number of the cancellation. This and other information is included to ensure efficient management of room cancellations. If the guest had applied a cash deposit to the room, a credit balance on the guest folio would have to be processed. A cancellation code may look like this:

122-RB-0309-1001X

- *122*: the identification number of the property in the chain
- *RB*: the initials of the reservationist or desk clerk who accepted the cancellation
- *0309*: the date of arrival
- *1001X*: the sequential number of the cancellation

Blocking Procedure

After a reservation is received, the reserved room is blocked in the room inventory. In a computerized reservation system, the room is automatically removed from the available-room data bank for the dates involved. For example, if each of the participating 75 hotels in the reservation/referral system has 200 rooms available, the room bank would have 15,000 rooms available to be sold on any one night. As a reservation request is processed, the room or rooms involved are blocked out of the available-room inventory. Reservation requests for 4,000 rooms on a particular night at the participating properties require the computer to block (or reserve) those rooms at the appropriate hotels. If additional reservation requests are received for that night at a particular property and that hotel is already filled to capacity, the computer will not process the requests. It may, however, tell the computer terminal operator that a hotel in the same geographic area has vacancies. This is undoubtedly one of the major advantages of participating in a reservation/referral system. This type of blocking is usually referred to as **blocking on the horizon**—that is, in the distant future. Another type of blocking, referred to as **daily blocking**, involves assigning guests to their particular rooms on a daily basis.

Process of Completing Reservations Through a PMS

The previous discussion focused on processing guest reservations through a central reservation headquarters. However, the individual PMS at a member hotel of a reservation/referral system is also able to process a reservation request. Chapter 4 discusses the reservation module and includes the list of applications available to the reservationist or desk clerk (shown in Figure 4-7). If the reservationist selects option 1, Guest Data, the screen of the video display terminal will look like that in Figure 5-4. The clerk enters the data into the PMS as requested. That data is then cleared through the rooms reservations bank to confirm the availability of the room requested.

Other options in the menu are accessed as needed. For example, option 2, Room Inventory, lists the **reservation status,** or the availability of a guest room to be rented on a particular night—that is, *open* (room is available for renting), *confirmed* (room is reserved until 4:00 P.M. or 6:00 P.M.), *guaranteed* (room is reserved until guest arrives), and *repair* (room is not available for guest rental) (Figure 5-5). Option 3, Deposits, is accessed when the clerk must determine whether the guest had a deposit on file (Figure 5-6). The information for this option is compiled from the Guest Data option, where the clerk indicates the guest wanted to guarantee a reservation with a credit card or send a cash (bank check) deposit. Option 4, Special Requests, assists the reservationist or desk clerk in determining if rooms are available to meet the specific needs of a guest (Figure 5-7). Facilities for handicapped guests, smoking/no smoking options, particular views, and locations near other hotel facilities are some of the features listed here. This option helps the new desk clerk provide hospitality to guests.

RESERVATIONS—ENTER GUEST DATA

NAME:

COMPANY:

BILLING ADDRESS: ZIP:

PHONE NUMBER:

DATE OF ARRIVAL: TIME OF ARRIVAL: DATE OF DEP.:

AIRLINE: FLIGHT #:   TIME OF ARRIVAL:

ROOM: # GUESTS: RATE:

COMMENTS:

CONFIRMATION:

CREDIT CARD: NUMBER:

TRAVEL AGENCY: AGENT: ID #:

ADDRESS: ZIP:

ROOM INVENTORY 11.06

ROOM	TYPE	RATE	STATUS	GUEST
101	K	65	OPEN	
102	K	65	CONF	SMITH, V.
103	K	65	CONF	GREY, R.
104	DB	55	GUAR	LITTLE, N.
105	DB	55	GUAR	THOMAS, P.
106	K	75	OPEN	
107	K	75	OPEN	
108	KSUITE	95	GUAR	DENTON, K.
109	DB	55	OPEN	
110	DB	55	GUAR	SLAYTON, J.
115	K	75	REPAIR	
116	K	75	REPAIR	
117	KSUITE	95	REPAIR	
120	SUITE	150	GUAR	STONE CO. CONV.
121	K	95	GUAR	STONE CO. CONV.
122	K	95	GUAR	STONE CO. CONV.
123	K	70	GUAR	STONE CO. CONV.
124	K	70	GUAR	STONE CO. CONV.
125	K	70	GUAR	STONE CO. CONV.

DEPOSITS—RETRIEVE DATA

NAME: GROSSMAN, S.

MANDRAKE INSURANCE CO.

ADDRESS: 47 LANKIN DRIVE

PHILADELPHIA, PA 00000

ARRIV: 0917   CASH 75.00   FOLIO: 55598R

NAME: LINCOLN, D.

KLINE SHOE SALES

ADDRESS: 7989 VICTORY PLAZA

NY, NY 00000

ARRIV: 0917   CASH 100.00   FOLIO: 56789R

SPECIAL REQUESTS—ROOM AVAILABILITY 06 05

ROOM	TYPE	RATE	STATUS
101	DB/RAMP NEARBY	65	OPEN
108	K/RAMP NEARBY HDKP BATH	75	OPEN
109	DB/RAMP NEARBY HDKP SHOWER	75	REPAIR
115	K/HEARING & VISUAL IMP/HDKP SHOWER	75	OPEN
130	K/OCEAN VIEW	85	OPEN
133	K/OCEAN VIEW	85	OPEN
136	K/HEARING & VISUAL IMP/HDKP SHOWER	75	OPEN
201	K/HDKP TUB	75	OPEN
208	K/HDKP TUB	75	OPEN
209	DB/HDKP SHOWER	55	OPEN
211	K/POOLSIDE	75	OPEN
301	K/HDKP TUB	75	OPEN
333	K/OCEAN VIEW	85	OPEN
428	DB/MEETING ROOM	95	OPEN
435	DB/MEETING ROOM	95	REPAIR

Option 5, Blocking, provides reports to the front office manager on which rooms are to be reserved for incoming guests on a particular day or on the horizon (Figure 5-8). This option assigns a guest or guests to a specific room. Option 6, Arrivals, lists the individuals or groups expected to arrive on a specific date (Figure 5-9). Option 7, Departures,

FIGURE 5-8   **The blocking report screen provides front office staff with room reservation status on the horizon.**

BLOCKING REPORT 02 MONTH

ROOM	STATUS	COMMENTS
101	GUAR	PENN CONFR
102	GUAR	PENN CONFR
103	GUAR	PENN CONFR
104	GUAR	PENN CONFR
105	GUAR	PENN CONFR
106	OPEN	
107	OPEN	
108	OPEN	
109	GUAR	0205114501
110	OPEN	
201	GUAR	PENN CONFR
202	GUAR	PENN CONFR
203	GUAR	PENN CONFR
204	GUAR	PENN CONFR
205	GUAR	PENN CONFR
206	GUAR	PENN CONFR
207	OPEN	
208	OPEN	
209	GUAR	0219BR4567
210	GUAR	0418BR4512
301	OPEN	
302	GUAR	PENN CONFR
303	GUAR	PENN CONFR

FIGURE 5-9   The arrival report screen lists incoming guests with reservations.

RESERVATIONS INCOMING 01 15

NAME	ROOM	RATE	DEP
ABERNATHY, R.	400	75	0216
BROWNING, J.	201	75	0217
CANTER, D.	104	65	0216
COSMOE, G.	105	65	0219
DEXTER, A.	125	70	0217
DRAINING, L.	405	95	0216
GENTRY, A.	202	70	0216
KENT, R.	409	70	0218
MURRY, C.	338	80	0218
PLENTER, S.	339	80	0217
SMITH, F.	301	75	0218
SMITH, S.	103	65	0216
WHITE, G.	115	75	0216

indicates which guests are expected to check out on a particular date. This option is used by the front office manager or desk clerk to determine room availability for guests who wish to overstay their reserved time as well as to sell future visits (Figure 5-10). Option 8, VIP, provides the desk clerk with information on guests with VIP status (Figure 5-11). Even though all guests are very important persons, VIP status is granted to persons who may be regular guests and expect special treatment, or celebrities or officials who need to spend minimal time checking in. If this information is obtained with the reservation request, it will assist the desk clerk at registration.

Option 9, Projected Occupancy, provides the various departments in the hotel with information concerning the number of guests who will be in the hotel on a certain day (Figure 5-12). Option 10, Travel Agents, allows the reservationist to maintain data on the travel agent or travel agency that initiated a reservation (Figure 5-13). This option allows speedy processing of the agent's or agency's fee for placing a reservation with the hotel. This option interfaces with the accounts payable module. Option 11, Guest Messages, allows the front desk clerk to relay important information to the guests on registration (Figure 5-14). This feature is another way the hotel can convey hospitality to the guest by demonstrating attention to details. Reports concerning reservations can be obtained by the front office manager by selecting option 12, Reports.

FIGURE 5-10   The departures screen lists names of guests and groups for a particular day.

DEPARTURES 03 09

ROOM	NAME	COMMENTS
207	SMITH, V.	GREATER COMPANY
208	ANAHOE, L.	GREATER COMPANY
209		
211	LISTER, B.	MERCY HOSPITAL
215		
233	CRAMER, N.	KRATER INSURANCE CO.
235		
301	SAMSON, N.	MERCY HOSPITAL
304		
319	DONTON, M.	JOHNSON TOURS
321		JOHNSON TOURS
322	ZIGLER, R.	JOHNSON TOURS
323		JOHNSON TOURS
324	ASTON, M.	JOHNSON TOURS
325	BAKER, K.	JOHNSON TOURS
	BAKER, P.	JOHNSON TOURS

FIGURE 5-11   The VIP information screen lists details of special needs of guests.

VIP INFORMATION

BLAKELY, FRANK M/M
GRANITE DEVELOPMENT COMPANY
2234 WEST RIVER DRIVE
GRANITE, IN 00000
000-000-0000

LIKES SUITE 129/30 OR SUITE 145/46. PERSONAL SECURITY GUARD NEEDS ROOM 131 OR 147. ALERT HOTEL SECURITY OF THEIR ARRIVAL.

CEO/GRANITE DEVELOPMENT COMPANY WILL WANT BABYSITTER (CHILDREN AGES 5 AND 7). CALL CHEF TO SEND WINE AND CHEESE AND CHOCOLATE CHIP OR OATMEAL COOKIES AND MILK. CALL GIFT SHOP FOR YELLOW ROSES FOR MRS. BLAKELY.

DIRECT BILL (TIMES HOTEL ACCT. NO. 420G) TO GRANITE DEVELOPMENT COMPANY, 301 THOMPSON DRIVE, GRANITE, IN 00000

FIGURE 5-12   The projected occupancy screen assists front office managers in meeting projected income.

PROJECTED OCCUPANCY 12 18

CONF RES	42 ROOMS	50 GUESTS
GUAR RES*	89 ROOMS	93 GUESTS
STAYOVERS**	50 ROOMS	85 GUESTS
WALK-INS***	35 ROOMS	50 GUESTS
TOTALS	216 ROOMS	278 GUESTS

OCCUPANCY 86%   ROOM INCOME $15,120

*   JOHNSON AEROSPACE ARRIVAL AFTER 10 P.M.
**   SMITHMILL CORP. BUFFET BREAKFAST AND BANQUET DINNER.
*** LANCER STAMP SHOW AT ST. THOMAS HOTEL.

FIGURE 5-13   The travel agent screen assists hotels in keeping track of commissions paid to travel agents.

TRAVEL AGENT INFO

DATE	AGENCY	AGENT	ACTIVITY	COMM STATUS
09 23	MENTING #4591 32 KAVE SIMINTON, NJ 00000 000-000-0000	BLANT, E. #4512 B	GUAR 5 @70	PD 09 30
09 30	MENTING #4591	CROSS, L. #4501 B	GUAR 10 @65	PD 10 05
02 01	MENTING #4591	CROSS, L. #4501 B	GUAR 20 @75	PD 02 10
02 05	MENTING #4591	BROWN, A. #4522 B	GUAR 10 @70	PD 02 15

FIGURE 5-14	The guest message screen is available for front office staff at a moment's notice.

MESSAGE—GUESTS

BRINKE, L. W. 01 02 12:57 P.M.

TOM WASKIN OF GN MERCH IS NOT ABLE TO KEEP APPT ON 01 02 AT 4:00 P.M.
CALL HIM TO RESCHEDULE 000-000-0000 BEFORE 7:00 P.M. 01 02. SWE

BRINKE, L. W. 10 12 1:38 P.M.

JENNIFER HOW OF STERN ELEC WILL MEET YOU AT 5:00 P.M. IN TIMES HOTEL LOBBY AS PLANNED. BRING ALONG DATA ON RESEARCH PROJECT 21-Z. SWE

These examples provide only a brief overview of the capabilities of the reservation module of a PMS. Your hands-on experience will provide you with real-life applications of a valuable management tool. Managing reservation data allow the front office manager to organize hundreds of details into usable information—information that helps provide hospitality to guests and bring financial success to the lodging property.

Database Interfaces

To plan their work, department managers rely on information captured at the time a reservation is made. **Database interfaces,** which transfer shared information among computers, allow managers to retrieve this information at will. Marketing directors need current data to monitor projected sales, while sales representatives in the marketing department need immediate information on room availability for specific periods. Housekeeping staff members plan routine care and maintenance activities depending on projected occupancy. Maintenance crews plan refurbishing and repairs when projected occupancy is low. Food and beverage directors can promote a positive cash flow by increasing food and beverage marketing programs during slow room sales periods. The controller also needs to access the reservation database when planning fiscal budgets.

True Integration

The term *true integration* denotes a hotel's central reservations system and property management sharing a database. Rebecca Oliva reports the term **true integration,** in which the

CRS and PMS use the same database for processing reservations.[20] This allows for real-time reservations, which are a perceived benefit for consumers, as well as less technology investment for the storage of data, which is a benefit for hotel investors. Hotels can access reservation data via the Internet.

Solution to Opening Dilemma

The override feature on a reservation module for a property management system allows individual employees to book reservations beyond the number of rooms available and beyond the occupancy management limit. This feature must be controlled by the reservations manager, front office manager, or manager on duty. The front office staff must check out the room availability in nearby hotels and notify guests that their room reservations will be handled at another hotel. In some cases, guests can't be notified prior to their arrival, and the front desk staff must be prepared to deliver customer service with utmost composure.

Chapter Recap

This chapter addressed hotel reservation systems. As the popularity of computerized reservation systems has increased, chains and referral properties have adopted them to meet the needs of the traveling public. The consumer's increasing reliance on the Internet to make room reservations has affected the profitability of hotels.

Reservations ensure that corporate, group, and leisure travelers have accommodations at their destination and provide the hotel with a steady flow of business. Determining the sources of these reservations assists the front office manager in developing procedures to satisfy the needs of the guest. The traveler can use various means to make reservations, such as toll-free telephone numbers, fax numbers, and the Internet. The rooms forecast is used to communicate occupancy status to other departments in the hotel. Overbooking, used to balance no-shows and understays, can be carefully structured using the occupancy management formula. Computerized reservation systems also help front office managers manage guest information databases, dates of arrival, length of stay, and so forth. Confirmed and guaranteed reservations assure the guest of accommodations on arrival, with various degrees of assurance based on time of arrival and willingness to prepay. These levels of assurance also affect the financial success of the hotel. All elements discussed in this chapter combine to provide means of access for the guest and a technique for marketing rooms for the hotel. The front office manager is responsible for providing this service to the guest.

End-of-Chapter Questions

1. How does a well-organized reservation system meet the needs of the traveler?

2. How does the lodging industry meet the need of the traveler for assured reservations?

3. What advantages does a hotel belonging to a reservation/referral system enjoy?

4. What are the major sources of guest reservations? What information does this analysis reveal?

5. Discuss the nature of a typical corporate client's travel plans and explain how these plans are supported to a well-organized reservation system. What reservation access methods are available to the corporate client?

6. Why are tour or meeting planners important to the hotel with regard to group reservations? What reservation access methods are available to the planner of group tours?

7. How does the leisure traveler differ from the corporate client and the group traveler? What reservation access methods are available to the traveler?

8. If you have been or are currently employed at a front desk in a hotel, what do you think of the potential for repeat business from current guests? Does your hotel have a procedure to secure reservations on check-in or checkout?

9. Why is it necessary to prepare a rooms forecast? What are the components of this management tool? In addition to the front office manager, who else uses the room forecast?

10. What does *overbooking* mean? Discuss the legal and financial implications of this practice.

11. What are the components of an aggressive occupancy management procedure? How are they applied to the occupancy management formula?

12. What are the major steps involved in processing a guest reservation?

13. Briefly describe the method used to process a reservation with a computerized system.

14. Discuss the differences between a confirmed reservation and a guaranteed reservation. What financial implications does each entail?

15. Design a reservation code for a computerized reservation system. Why did you choose the control features in your code?

16. Develop a cancellation code for a computerized reservation system. Why did you choose the control features in your code?

17. What does blocking of rooms involve? Give examples.

18. How do you think true integration of the central reservation system and a hotel's property management system affect guest satisfaction and the hotel's financial success?

CASE STUDY 501

Margaret Chu, general manager of The Times Hotel, and Ana Chavarria, front office manager, are in the process of developing a policy on overbooking. The current policy prohibits the reservations manager from booking more than 100 percent of the available rooms. Reservations are composed of 60 percent confirmed and 40 percent guaranteed.

In the past six months, about 5 percent of the confirmed reservations have been no-shows, resulting in a financial loss of about 500 room-nights. No analysis of the confirmed reservations that resulted in no-shows has been made because Ms. Chavarria has not had time to organize such a study. This loss of $42,500 (500 rooms × $85 average room rate) has forced management to consider developing an aggressive occupancy management program.

Offer some suggestions to Ms. Chu and Ms. Chavarria concerning the following related concepts: the legality of overbooking, the need to maintain an accurate accounting of the financial impact of no-shows, and the management of the reservation/occupancy categories that make up the hotel's room sales (confirmed reservations, guaranteed reservations, stayovers, understays, and walk-ins).

CASE STUDY 502

Use the following data to prepare a rooms forecast for the first week of May for The Times Hotel:

Number of rooms available = 600
Number of rooms occupied on April 30 = 300

May 1:
Departures = 200 rooms
Arrivals = 200 rooms (70 percent confirmed, 30 percent guaranteed)
Walk-ins = 40 rooms
No-shows = 0.02 percent of expected arrivals

May 2:
Departures = 50 rooms
Arrivals = 100 rooms (60 percent confirmed, 40 percent guaranteed)
Walk-ins = 10 rooms
No-shows = 0.02 percent of expected arrivals

May 3:
Departures = 200 rooms
Arrivals = 100 rooms (50 percent confirmed, 50 percent guaranteed)

Walk-ins = 20 rooms
No-shows = 0.02 percent of expected arrivals

May 4:
Departures = 50 rooms
Arrivals = 100 rooms (20 percent confirmed, 80 percent guaranteed)
Walk-ins = 10 rooms
No-shows = 0.01 percent of expected arrivals

May 5:
Departures = 300 rooms
Arrivals = 70 rooms (30 percent confirmed, 70 percent guaranteed)
Walk-ins = 25 rooms
No-shows = 0.0143 percent of expected arrivals

May 6:
Departures = 50 rooms
Arrivals = 175 rooms (92 percent confirmed, 8 percent guaranteed)
Walk-ins = 10 rooms
No-shows = 0.04 percent of expected arrivals

May 7:
Departures = 200 rooms
Arrivals = 180 rooms (10 percent confirmed,
    90 percent guaranteed)

Walk-ins = 25 rooms
No-shows = 0.0223 percent of expected arrivals

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Key Words

blocking on the horizon	full house
blocking procedures	group planner
bus association network	group travelers
cancellation code	guaranteed reservations
confirmed reservations	hotel broker
corporate client	hotel representative
current guests	house count
daily blocking	interhotel property referrals
database interfaces	leisure traveler
forecasting	no-show factor
franchisee	occupancy management formula

outsourcing

overbooking

referral member

reservation code

reservation referral system

reservation status

revenue management

rooms forecasts

stayovers

third-party reservation web site

travel directories

true integration

understays

walk-in guests