

For revenue management systems to work in lodging properties, “the problems of multiple-night stays, the multiplier effect of rooms on other hotel functions (such as food and beverage), the booking lead time for various types of rooms, the lack of a distinct rate structure and decentralized information systems” must all be addressed.<sup>32</sup> Failing to understand and adjust for these multiple variables can lead to the problem of **overbooking**. Even when manual systems are used, overbooking can occur.

Hotels strive to achieve a “perfect sell,” where every available room is sold. To do this the hotel may purposefully reserve more rooms than are available because historic data indicates that a certain percentage of their reservations will get cancelled. It is a gamble for hotels, which sometimes pays off with maximum revenue at 100% occupancy, and sometimes does not when the property is actually overbooked.

When a property is overbooked and everyone holding confirmed reservations shows up, some guests must be relocated or “walked” to other accommodations, which costs money and creates guest dissatisfaction. Because a lodging reservation is a binding contract, lodging property managers should be prepared to provide alternative accommodations free of charge plus transportation and communication allowances when there is “no room at the inn.” It is interesting to note that providing cash-based compensation rather than vouchers in overbooking situations is preferred by customers, but may be more importantly, providing guests any type of over compensation does not result in increased rebooking patronage.<sup>33</sup>

The availability of comparable hotels in the area will dictate whether a property practices a strategy of reserving more rooms than it has available. In some areas there will be a variety of accommodation options making it possible to walk guests, while in other areas there may only be one hotel and walking a guest is not a viable option. Even in the case of a hotel that does not purposefully reserve more rooms than it has, sometimes there could be a maintenance issue that puts a room out of order and the hotel still may find itself in an overbooked situation and faced with the dilemma of having to walk a guest.

Even though properties may grow in size and complexity, the basic business operations remain the same. Providing accommodations to the traveling public continues to be a 24-hour-a-day, 7-day-a-week task that demands dedication to detail and a strong desire to welcome and serve each guest as if that guest were the first and most important person of the day.

## FYI CHECKOUT PENALTIES

If you’ve made a reservation with a major hotel chain such as Hilton, Hyatt, or Westin for three days and decide to checkout after the second day, don’t be

surprised to find a \$25 penalty added to your bill. In an attempt to control room availability and better serve their guests, these and many other hotel

chains are adding a checkout penalty when guests fail to honor the full length of their reservations.

## Summary

Accommodations create temporary living quarters for guests through a variety of sources, including B&B, private accommodations, condominium properties, timeshares, conference centers, hotels, motels, RV parks, and campgrounds. Lodging properties, which provide the bulk of overnight accommodations, can be traced to biblical times but did not develop into a significant segment of the tourism industry until rail and oceangoing transportation systems improved and automobile travel became convenient and popular.

Growth in the number of lodging facilities has resulted in the development of several classification schemes that can be used for reporting and comparison purposes. These classification schemes show that lodging facilities come in many sizes and types and therefore require varying levels of staffing and managerial expertise for successful operations. Basic functions that must be performed in all lodging properties include administration, front office, housekeeping, and maintenance.