



# No-show charges – Yet another conundrum for the general manager

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*Editor's note: As a follow-up to recent articles in our Ask Gail column and several submissions to our How Do You Do It Inquiry? from the last issue, TRC invited Peter Ricci and Rachael Solem to share their philosophies regarding the handling of disputed no-show charges.*

Our services in the hotel business are perishable as we cannot “store them on a shelf” or “package them for a later time.” A 200-room hotel which only sells 100 rooms on a Monday night cannot inventory the 100 unsold rooms and then sell 300 rooms the next night. Kotler, Bowen, and Makens define this phenomenon as “service perishability.” To the hotel general manager, this means charging guests for guaranteed reservations even when they don’t show up.

The credit card companies are not in our favor as hotel managers. As a matter of fact, the majority of guests who phone their credit card companies to have charges removed because “they never stayed there” almost always have their requests fulfilled. In last month’s *Ask Gail* column in TRC we learned a better practice of the Innkeeper would be to make sure that guests are charged in advance, to use more accurate confirmation notices, etc.

I struggled with the conundrum of perishable hotel rooms and uncollected no-show charges for quite some time as a general manager. Over time, I used a successful strategy to collect these no-show charges. My collection rates increased dramatically. After a while, I trained my staff to replicate my procedures so I didn’t have to be as involved personally with the collections. One property’s collection rates increased from 26% to over 42%. Another property’s went from 32% to over 58%. The procedures are quite simple and require nothing more than common sense and compassion.

1. Call the guests who dispute the charges *directly* – General Manager to Guest – so you can build rapport on a personal level.
2. Make it clear that you are a caring and compassionate individual willing to do whatever it takes to provide excellent guest service.
3. Reinforce to the guest that hotels are in the business to make profits. Ask the guest what business he or she is in to gain a mutual understanding that most businesses are profit-driven.
4. Listen to the guest’s explanation of the story; let them speak their peace. Listen attentively and add positive responses, “Oh, I understand.” “Yes, I can see how that happened.” “Yes, I fully agree that last-minute things do happen.”
5. Some guests will say that they did indeed call to cancel. This may be true – don’t always be so quick to assume the guest is not telling the truth. Our front desk agents often are busy and, undeniably, they may have failed to go into the PMS system and cancel the actual reservation.
6. Ask the guest for his or her own resolution. Explain to them that you have in fact lost a night’s revenue on the room since your hotel held it until the next day and it could have been sold to others. Ask them if they would be willing to pay a nominal fee for at least the cost of basic hotel operating expenses (\$15 - \$35).
7. Be fair to all guests. If you are willing to accept a \$15 no-show “bare bones” fee for one guest – then, accept this as the “bare bones” fee you will honor from all guests. Don’t create “ranges” of acceptance based on what market segment the guest falls into. Don’t play “favorites.”

8. Charge the cancellation fee quickly to show that you are a man or woman of your word. Make sure that this smaller cancellation fee is not challenged by the guest.
9. Follow-up with the guest in writing to thank them for being understanding and working to make the situation a “win-win.” Welcome them back in the future with a discount *commensurate* in dollar value to the cancellation fee.
10. You may even wish to educate the guest on the concept of perishability. Educated consumers are better consumers and will understand the importance of canceling an unneeded room in the future.

By following these simple guidelines, I increased our capture rate on no-show billings at each and every property under my direction. It is more profitable to have 50 no-show collections at \$20.00 each, than five at the regular rate of \$69.00. Further, think of all the time the hotel’s accounting staff will save dealing with credit card companies on this issue.

As time goes on, you can train your accounting staff to follow your procedures and to deal empathetically with the guests. After a while, your staff should be able to make these negotiation calls for you.

Solve the riddle – increase profits! ✧

*(Peter Ricci, CHA, is a former general manager of hotels in Florida including Best Western, Holiday Inn, Radisson, and Crowne Plaza. He is now a full-time assistant professor at the Rosen School of Hospitality Management located in Orlando at the University of Central Florida. He may be contacted at [pricci@mail.ucf.edu](mailto:pricci@mail.ucf.edu))*