



UNIT-8

Dealing with Overbooking

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Understand why the majority of major hotels deliberately overbook
- ✓ Discuss the reasons for unexpected/unplanned overbooking
- ✓ Consider the various options available when demand for rooms exceeds availability

Unit 8

Dealing with Overbookings

Overbooking is something that every hotel must contend with. Overbooking occurs when a hotel sells more rooms than it physically has. In a working example, a hotel with 160 bedrooms could sell 165 bedrooms for any given night. This would mean the hotel was overbooked by five rooms. In some instances, overbooking occurs deliberately as a strategic sales tactic. If you're fully booked but you know at least a few guests won't turn up, you can overbook to ensure these vacant rooms are filled.

It sounds like a risky tactic on the surface, but it's actually the norm for the vast majority of hotels. And just in case you wondered, the answer is yes - there are instances when *all* the guests who booked for the same night turn up, leaving you with more guests in reception than rooms in your hotel. In which case, you, as a receptionist, will need to know exactly how to handle such scenarios.

There's always the potential for overbooking to occur at any time and for a variety of reasons. This is why it is important *not* to wait until the very last minute to start planning. In fact, planning for overbooking scenarios should form an important part of your standard daily duties. Most hotels remain in close contact with other hotels in their locality. They call each other once or twice a day, share their availability and keep a note of the rooms available elsewhere. This way, any issues with availability can be solved by out-booking guests to similar hotels nearby.

It's rarely an outcome guests are particularly happy with, but it's far better than leaving them with nowhere to sleep!

A few basic rules to follow when conducting availability checks in your area:

- Call the hotels that are closest to yours, so that any guests you out-book won't have far to travel.
- Ensure that the hotels you include in your availability checks are of a standard similar to or better than yours. Never downgrade guests to lower quality hotels.
- If you call a hotel that is full, let them know how many empty rooms you have available and give them the day's room rate, which they can share with guests they can't accommodate.
- Be willing to negotiate with hotels that want to out-book guests to you at a lower price. They may do the same for you in future.

Causes of overbooking

Overbooking occurs for one of three reasons. The first of which being that your hotel is in high demand and more people want to stay there than it can physically accommodate. The second is more general demand across the area - common if your hotel is positioned in a prime travel or transit hot spot. The third reason (which is surprisingly common) is human error and poor sales management.

High demand for your hotel

High demand for a hotel is never a bad thing. In fact, it's the ultimate goal of the vast majority of hotel proprietors. When demand is consistently high for your hotel, you may find yourself in a position where you can overbook safely, accurately and strategically. As a general rule of thumb, the larger the hotel, the more likely it is at least a few guests will not turn up for their bookings. If you have 500 guest rooms, for example, you're far more likely to deal with non-arrivals than a smaller establishment with just five guest rooms.

High demand in the local area

This refers to instances where it's not the hotel that's popular, but the area in which it is located. Some localities are popular among tourists and travellers throughout the year, while others experience a huge influx of visitors for major events. Examples of which include football matches, concerts, music festivals, public holidays and so on. By keeping a close eye on the general activity in your area, you'll be in a better position to plan for periods of peak demand. High demand can also be used to justify higher prices - particularly when demand outstrips supply.

Human error

These days, computerised reservation systems make it difficult to overbook. If you attempt to book more rooms than you have for a specific night, the system will not allow you to do so. That is, unless you bypass this block with a manager's password...in some instances. However, this doesn't solve one of the most common causes of overbooking.

That being - when a reservation is entered into the system, though booked for the wrong date. When the error is identified, the *actual* date the guest wanted to stay is already full. Or perhaps, you enter a reservation for one night, but they actually wanted three nights. Day one is available, the next two are full. In both instances, you find yourself dealing with an overbooking issue that's entirely *your* fault.

How to Out-Book

There are two possible approaches to out-booking - strategies known as proactive and reactive out-booking. Dealing with guests you've accidentally (or deliberately) overbooked can be challenging and fraught, but is all part and parcel of the job.

General Out-Booking Guidelines

If it's clear you're going to need to out-book one or more guests, it's worth considering which guests are more suitable to be out-booked than others. For example, it's generally advisable to out-book leisure guests, rather than corporate guests or those using your hotel as part of a larger group. In addition, you might want to think twice about out-booking regular customers, VIPs or people with limited mobility. The same also applies to customers you know are inherently difficult to deal with - keeping challenging guests sweet should always be prioritised.

When you've decided which guests you will relocate to other hotels, the time comes to choose appropriate establishments and rooms. The stronger the relationships you develop with the other hotels in the area, the more likely they are to accommodate your guests for the same price you quoted them. If they don't, under no circumstances should the guest be charged a penny more than the originally quoted rate. If the hotel charges a higher rate, it's the responsibility of your hotel to pick up the difference. If the room rate is cheaper, the difference should be refunded to the guest as a compensatory gesture.

Proactive Out-Booking

The proactive approach to out-booking is the preferred approach for most hotels. It's also a considerably less stressful approach for both hotel workers and guests. Proactive out-booking occurs when hotels contact guests ahead of time, inform them of the issue and provide them with all the information they need about their new accommodation. This gives you the opportunity to apologise to the guest, confirm that their requirements will be met by a comparable hotel and give them the address, telephone number and so on of where they will be staying. For obvious reasons, this is far easier (and less unnerving) than telling guests at the point of arrival.

On the downside, proactive out-booking does increase the risk of ending up with empty rooms. If you take a proactive approach to out-booking to keep your occupancy rate at exactly 100%, you may lose out if guests fail to arrive or cancel at the last moment. Speaking of which, it's important to note that if a guest chooses to cancel as a result of being out-booked, they must be provided with a full refund immediately. Even if it goes against your usual cancellation policies, they are entitled to an apology and a refund...as it's technically *your* fault.

Reactive Out-Booking

The alternative option is to simply wait for people to arrive, out-booking as and when you need to. It's a process preferred by some hotels, which involves gradually checking guests in throughout the day, until such a point when you've no vacant rooms left. If any of the overbooked guests then arrive, you'll need to find suitable accommodation for them on the spot. Suffice to say, this doesn't tend to go down well with guests who expected to stay at your hotel, only to be told at the last possible second it's not going to happen.

The risks of reactive out-booking are obvious. Along with the potential for paying elevated last-minute rates for hotel stays in your area, there's every possibility there could be no suitable accommodation available. In addition, there's a strong chance you'll find yourself on the receiving-end of a severe telling-off from the guest. After which, they may leave a *very* negative review about your establishment, or perhaps about you personally. The only plus side being that reactive out-booking makes it easier to ensure your hotel remains 100% full and doesn't run with empty rooms due to cancellations.

Irrespective of whether or not you deliberately overbook, you will occasionally (if not regularly) find yourself dealing with disgruntled guests. Put yourself in their shoes - how would you feel if you had been travelling all day, only to be told at the last second you had been out-booked? You then need to take a taxi with all your belongings to a hotel you didn't intend to stay at, which may be in a less desirable or convenient location. You can't expect guests to be particularly happy about the situation, so try to see things from their perspective.

If they wish to make a complaint, refer the case to a member of management. If authorized to do so, you may also try to bring the guest back onboard by offering some kind of discount, a free future stay or a full refund.

General Guidelines

Whether you opt for proactive or reactive out-booking, it's important to be aware of the benefits and potential consequences of each approach.

Proactive Out-Booking Risks

You commit to out-booking one or more guests, potentially at a cost to your hotel. This means you are also guaranteed unhappy guests, who may choose not to use your hotel again in the future.

Proactive Out-Booking Advantages

You can let the guests you are out-booking know ahead of time, so that they can plan for the change and aren't given the news at the last moment. If they want to change or cancel their booking, they have the option of doing so. Good communication breeds happy customers - even when the news being delivered isn't particularly positive.

Reactive Out-Booking Risks

Reception workers will have the unpleasant task of telling guests they have been out-booked at the moment of arrival. Any of these guests could be an important client or a regular customer, who may then take their business elsewhere. Guests have no time to reconsider their plans as they are not informed until the last minute, which almost always causes disappointment and frustration.

Reactive Out-Booking Advantages

You are more likely to run at 100% occupancy, as there's a strong chance one or more guests will not show up as expected.

Whichever way you handle it, overbooking carries a variety of risks. Just because most hotels do it doesn't necessarily mean it won't cause you more problems than it is worth. Ultimately, therefore, it's up to those in charge of your establishment to determine if and to what extent it will allow overbooking.

A few more general guidelines to round off the module:

- If you do overbook deliberately, do so moderately and carefully. As a rule of thumb, never overbook by more than 10% of your hotel's total capacity, as in doing so you're more likely to end up with guests you cannot accommodate.
- When guests arrive and you don't have rooms available, try not to panic. If you remain calm, cool and level-headed, they're more likely to do the same. If you give the impression something awful has happened and fly into a fit of hysteria, it will only frustrate and anger them further.
- Always view the situation from the perspective of the guest. Think how you would feel in their position and empathise with their disappointment.
- Under no circumstances should guests who have booked as part of a group booking be separated across different hotels.
- Never out-book elderly guests, pregnant women or guests with mobility issues of any kind.

- Make the necessary transit arrangements for all guests you out-book and ensure your hotel pays for them.
- Build and maintain strong relationships with other hotels in your area. Chances are, you'll need their help from time to time - just as they'll need yours.

Further Reading:

- ✓ *Simon & Schuster, (2013), Overbooked.*