



# Prevent and Handle No-Shows

A Guide for Hotel Owners and Managers





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## Introduction

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Visa®, hotel merchants, merchant banks, and card issuers have all expressed concern that the problem of guaranteed reservation No-Shows is growing. Bookings at hotels across the country have risen to as high as 90 percent year-round, reflecting a sharp increase in demand, but without the capacity to meet it. In this kind of market, the cost of an increasing number of No-Shows for guaranteed reservations can have a significant impact on a hotel's bottom line.

To help solve the problem, Visa hired a third-party research firm to pinpoint the causes of No-Shows. By providing a better understanding of how No-Shows happen, this research revealed several important steps that some hotel owners and managers are already taking to successfully reduce losses from No-Shows.

This guide highlights these research findings, the Visa Reservation Service, Visa's recommendations for reducing and handling No-Shows, and other helpful information designed to improve your hotel's profitability.

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### Definition of No-Show

A reservation becomes a No-Show when the customer who has a guaranteed reservation does not cancel it before the hotel's cancellation deadline, and never arrives to claim the reservation. The Visa Reservation Service (VRS) allows the hotel to bill the customer's Visa card for the first night's stay, plus applicable tax. If the cardholder disputes the charge, the transaction becomes a No-Show dispute, and the hotel is contacted for justification.

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### Hotel Industry No-Show Average

Research showed the hotel industry average No-Show rate as one-to-two percent of all reservations. When the number of No-Show rooms this represents is multiplied by the average room rate, the result is an estimated expense to the hotel industry of \$50 to \$100 million per year.



## No-Show Research Findings

Hotel executives were interviewed about their perceptions of why No-Shows occurred, and asked what procedures were already in place to prevent them. Researchers also conducted quantitative research with the same hotel companies, making and canceling 400 hotel reservations to track whether the stated procedures were being followed.

### What Causes Hotel No-Shows

Key reasons cited by hotels to explain No-Shows include:

- Multiple bookings made on one account number.
- Guests checking in at the correct hotel brand, but the wrong property.
- Inability of hotels to locate a reservation if a guest calls the property to cancel before the central reservation office (CRO) reservation has been received and logged.
- Cancellation of the wrong reservation because the guest was not given a confirmation number when the reservation was made.
- Guests calling the CRO to cancel and being told that it is after the property's deadline. The property is therefore unaware that the guest tried to cancel.
- Approximately three to five percent of No-Shows are from administrative mix-ups such as incorrect date, wrong name-spelling, etc.
- Guest calls CRO to cancel a direct reservation and is told to call the property, and the guest balks.

### Key Quantitative Research Findings

Quantitative research findings revealed a number of problems in reservation confirmation and cancellation procedures—problems that are largely avoidable when proper procedures are followed consistently.

- For reservations made and canceled during the study, confirmation and cancellation numbers and deadlines were provided as follows:

CHANNEL	CONFIRMATION NUMBER GIVEN	CANCELLATION DEADLINE GIVEN	CANCELLATION NUMBER GIVEN
Hotel 800 Number	93%	92%	71%
Hotel Direct	86%	52%	59%
Travel Agent	84%	52%	36%

While confirmation numbers were given 93 percent of the time on hotels' toll-free numbers, the remaining seven percent represents about one million reservations annually *without* confirmation numbers. Without a confirmation number, it can be difficult to locate a reservation in order to make changes or to cancel it accurately.

- The fact that the cardholder would be charged if the reservation was not properly canceled was mentioned only four percent of the time.
- Only 54 percent of non-canceled reservations were billed for a No-Show.
- Eight percent of reservations that were canceled properly were still charged a No-Show fee.

*Note: All No-Show charges in this study were paid by Visa.*



## The Visa Reservation Service



The more a customer knows about your hotel website and online reservation requirements, the better! Unfortunately, customers aren't mind readers, so you can't expect them to automatically know the "in's" and "out's" of your hotel operation—particularly when it comes to policies covering No-Shows, advance deposit rates, and cancellations. Full disclosures in these areas can help reduce customer misunderstandings and downstream disclosure-related chargebacks.

The Visa Reservation Service (VRS) is designed to ensure that hotels and their guests communicate accurately. The rules are simple, direct, and effective. By consistently following these rules, hotel staff can assure guests that their rooms will be available when they arrive—and your hotel is assured of payment if the cardholder fails to claim the room or properly cancel the reservation.

### Rules For Accepting a Guaranteed Reservation

Whether the reservation is made on the phone or on the Internet, communicate the following to the guest by voice or e-mail:

1. Hotel accommodation rate, reservation dates, and any other necessary reservation details.
2. Exact name and physical location of your establishment, along with hotel customer service contact phone number(s).
3. The confirmation code for the guaranteed reservation.
4. The importance of keeping a record of the confirmation code for future reference.
5. Clearly stated cancellation policy and procedures. (See "Key Points to Remember" on page 5.)
6. The date and time by which the reservation may be canceled without incurring a penalty: One night's lodging will be billed if the guest has not:
  - Registered by check-out time the day following the scheduled arrival date, or
  - Properly canceled the reservation.
7. For reservations accepted on the Internet:
  - Display your cancellation policy during the reservation process.

This allows the customer to review your cancellation policy before making a reservation commitment. You can reduce customer inquiries and disputes by informing your customers in advance of the terms and conditions of your cancellation policy and the amounts of fees that will be assessed if booked hotel reservations are changed.

- The cancellation policy must be:
  - on the same screen view as the check-out screen used to present the reservation details, or
  - within the same sequence of web pages that the customer accesses during the check-out process
- The cancellation policy cannot be a separate link.
- Require that the customer either use the “click to accept” button, or type in his or her initials to accept the cancellation policy disclosure statement.
- Design your website so that the cancellation policy cannot be bypassed and must be accepted before the reservation is completed.

#### Key Points to Remember

- ✓ The cancellation time and date may vary, but must not exceed 72 hours prior to the scheduled date of arrival.
- ✓ If the reservation is made within 72 hours of the intended arrival, your cancellation deadline must be 6:00 p.m. on the date of arrival.
- ✓ The VRS standard date and time for canceling reservations without penalty is 6:00 p.m. on the scheduled arrival date.
- ✓ A guaranteed room must be held until check-out time on the day following the scheduled arrival date.
- ✓ If the property’s guaranteed cancellation deadline is earlier than 6:00 p.m. on the scheduled arrival date, a written cancellation policy must be mailed to the guest. A faxed notice or written travel agent itinerary is acceptable. A simple postcard or e-mail will also work. Keep a copy of this notice.
- ✓ In any written or e-mailed confirmation, be sure to include the information in 1-6 on page 4, plus:
  - The truncated Visa card account number\*
  - The cardholder’s name as it appears on the card

\* Only the last four digits of an account number may be included in the confirmation.

#### Cancellation of a Guaranteed Reservation

When a guest cancels a reservation, be sure to:

- Provide a cancellation code for the guaranteed reservation. (Note: Please do not use the name of an employee as a cancellation number. This often causes difficulties in a No-Show dispute.)
- Advise the guest to keep a record of the cancellation code for future reference.

### Key Points to Remember

- ✓ Write “cancellation” on the reservation form or record and include the same cancellation code provided to the guest.
- ✓ If the guest requests, or if the reservation has been made on the Internet, provide a written or e-mailed cancellation with:
  - The truncated Visa card account number\*
  - The cardholder’s name as it appears on the card
  - The cancellation code
  - Details related to the cancellation
- ✓ If the guest has not claimed or canceled the accommodations by the specified time, you must hold the reserved rooms available until check-out time the following day.
- ✓ If a guest fails to cancel a reservation or claim the room, you may deposit a Visa sales draft for one night’s accommodation, plus applicable tax.
- ✓ Simply write “No-Show” on the signature line of the completed sales draft. Always obtain an authorization.
  - Key in the No-Show Indicator in the terminal. Contact your credit card processor for instructions.
- ✓ Your establishment is only allowed to charge one night’s rate, plus tax, if a cardholder fails to cancel a reservation.

\* Only the last four digits of an account number may be included in the confirmation.

### When the Guest Checks In

1. Be sure to obtain a pre-authorization for the estimated cost of the stay.
2. Swipe and/or imprint the card. Obtaining a swipe of the card’s magnetic stripe is always the best practice.
3. Obtain a signature on the folio. Verify that the signature on the back of the Visa card matches the signature on the folio.

### Handling Overbookings for a Guaranteed Reservation

If guaranteed accommodations are not available when the guest arrives, you must provide, at your expense:

- Comparable accommodations at an alternate establishment of at least equal quality for one night.
- Transportation to that establishment.
- Forwarding of all messages and calls to that establishment.
- A free three-minute telephone call.

## Program Steps for Reducing No-Shows



The following recommendations, gathered during the qualitative portion of the Visa research, will help your property successfully reduce No-Shows.

1. Require advance deposits for peak times, such as legal holidays and holiday weekends, for prime resort seasons, and for special sports events and major conventions.
2. **Always** disclose the penalty for not canceling the reservation over the phone during the reservation process. Ask the caller to acknowledge the information by asking questions such as: “Do you understand that if you don’t cancel by the deadline or claim the reservation, you will be charged (specify dollar amount) for one night’s stay?” Wait for the caller to reply “Yes.”
3. Send an e-mail confirmation with all required items, including your cancellation policy, and keep your sent e-mail for your records.
4. For your busiest times, do call-backs a few weeks to a few days before the scheduled arrival date. When you reach the guest, explain the cancellation procedure again to be sure they understand.
5. Do daily sweeps to check for duplicate reservations, similar name scans, and date discrepancies.
6. Develop a partnership with your top travel agents and review their future bookings with them on a regular basis. This is especially important during peak times or with group bookings.
7. Require an advance deposit if a guest wants to reserve multiple rooms (five or more) on a Visa card.
8. Have someone designated as the trained reservationist on the property at all times.
9. Mail confirmations whenever possible. Be sure to include the cancellation information. If you’re unsure of how the expense/benefit ratio works, test mailing confirmations and then analyze the results on your No-Show rate.
10. Train your staff at regular intervals on accepting reservations and cancellations.
11. Make agreements with all nearby properties to let you know when a guest mistakenly checks in at their hotel instead of yours and vice versa.
12. “Ghost-shop” your own property. Or have a friend do it for you. Give staff incentives for proper call-handling for both reservations and cancellations. Implement remedial training when necessary.

13. Only accept reservations from the person named on the Visa card.
14. Analyze your source of No-Shows and develop solutions specific to those sources. See page 12 of this guide for how to do this.
15. When processing a No-Show to a Visa account, consult your merchant bank or processor about the proper procedures to use with your point-of-sale equipment, and how to set the No-Show Indicator. No-Show Indicators should be set for all No-Shows transactions.
16. **Always** issue cancellation numbers.

## No-Show Disputes

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Despite numerous education efforts, the volume of No-Show disputes has continued to increase. Analysis indicates a continuing lack of understanding by cardholders and lodging merchants of their obligations when canceling a reservation.

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### Dispute Resolution Procedures

In the event of a No-Show transaction dispute, the cardholder's bank may pursue resolution by filing an Arbitration case with Visa USA. If this is the case, you must be able to provide the following elements on the No-Show transaction to your bank:

- Cardholder name
- Cardholder address
- Cardholder telephone number
- Scheduled check-in date
- Confirmation code

Visa reserves the right to verify your reservation and cancellation procedures on all cases submitted to Visa USA for Arbitration. The results of the testing may impact the ruling decision of the committee.

# How to Ghost-Shop Your Own Property



If you'd like to ghost-shop your own property, consider developing a simple checklist. Your list should include items of special importance for your property, such as whether a call was placed on hold for too long, whether the person answering the phone was polite, did they explain rates and room types, etc.

## Ghost-Shopping Checklist

Here are a few questions you should include regarding guaranteed reservations and No-Shows.

RESERVATIONS	YES	NO
Was a reservation confirmation number given?		
Were you told to write down the confirmation number, and to use it if you needed to make a change in the reservation?		
Were the date and time when cancellation privileges expire clearly and accurately stated?		
Were you told that you would be charged one night's stay for the room and the dollar amount if you did not cancel in time or claim the reservation?		
Were you given time to acknowledge that you heard the above information?		
Were you given the exact name and street address of the property?		

CANCELLATIONS	YES	NO
Was a cancellation number given?		
Were you told to write down and keep the cancellation number to prove that you canceled?		
Were you given another number to call to cancel? What number? _____ Why?		

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Billing A  
Guaranteed  
No-Show

- Send an invoice (or a copy of the folio) to the guest.
- Include a letter asking the guest to contact you if they have a cancellation number or other information about their having notified you of their change of plans.
- Before the letter goes out, make sure the guest's name is spelled correctly, double-check to make sure it really is a No-Show, and check to see if the reservation might have been filed with an incorrect date of arrival.

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Sample Letter  
to Guest Upon  
Billing of  
No-Show

(Date)

Dear \_\_\_\_\_ ,

We missed you! We held a room/suite at the (name of hotel) for your arrival the evening of (date), and were sorry to discover that you didn't arrive as planned.

Our records show that the room was held in the name of \_\_\_\_\_, and was guaranteed with a (name of credit card), number \_\_\_\_\_ (*truncated to show only the last four digits*).

Because your room was guaranteed, and we don't have a record of your canceling your reservation, we have charged the credit card you guaranteed the room with for the amount of one night's room rate. If we've overlooked any pertinent information or you have a cancellation number, please contact me at the hotel during daytime business hours.

We're sorry you weren't able to stay with us this time, and we hope we'll have another opportunity to serve you.

Sincerely,

General Manager  
Hotel Name and Phone Number





## Identifying Sources of No-Shows and Developing Solutions

*The following practices are recommendations only.*

Follow these procedures to pinpoint the source of your No-Show reservations:

1. Segregate No-Show reservations from overall reservations activity.
2. Separate No-Show reservations by source, market segment, rate type, or other specifics.

If you are unable to segregate reservations that result in No-Shows, develop a system to:

- Log each reservation with a market segment code (leisure, corporate, group, etc.) or by rate code (rack, corporate, weekend, promotional, etc.)
- Code each reservation by source (central reservations, travel agents, in-house reservation, sales office, or executive office, etc.)
- Organize reservations by selected time periods (annual, quarterly, monthly, weekends, weekdays, etc.)

After you've gathered data for a month or two, work through the following steps to develop solutions to your specific problems.

### Step One: Reservation Source

Identify the primary market segments or other contributing sources of No-Show reservations.

1. Choose a specific time-period, such as one month or one calendar quarter. Keep the time-period consistent for all data used.
2. Within this time-period, how many reservations resulted in No-Shows from reservations made through the central reservations department, hotel direct, travel agents, or any other single source?
3. Convert the number to a percentage. For example:

MARKET SEGMENT	NUMBER OF RESERVATIONS	NUMBER OF RESERVATIONS RESULTING IN NO-SHOWS	NO-SHOW RATE
Hotel Direct	400	20	5%
Central Reservations	500	30	6%
Travel Agents	200	8	4%
Total/Average	1100	58	5.3%

**Average No-Show Rate: 5.3% (58 divided by 1100)**

*(For average rate: divide total No-Show reservations by total number of reservations.)*

While your sources of business may be different from those above and most likely your numbers will not be as simple, this process should help you pinpoint the largest sources of the hotel's No-Shows.

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**Step Two:  
Reservation  
Rate**

Continue the same type of analysis with reservation rates.

1. Analyze reservation rates the same as in step one. Does any type of rate—rack rate, weekend rate, event rate, package rate, etc.—cause more No-Shows?

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**Step Three:  
Multiple  
Bookings**

Continue the same type of analysis with your group/multiple room bookings.

1. Do the same analysis as in steps one and two for group reservations. Identify which group types cause more No-Shows than others. Was it corporate meetings? Conventions? Multiple-rooms booked to one credit card? Tour groups?

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**Step Four:  
Policies and  
Procedures**

Now that you know the sources, rates, and groups which cause the largest number of reservations to result in No-Shows, consider the following:

1. What type of confirmation notice or contract was sent to confirm the reservation to the individual responsible for the booking? Could this procedure be improved?
2. How could the communication between the hotel and the booking source be improved?
3. Should you shift any of your reservations from guaranteed reservations to advance deposits?
4. How can you improve and expand your relationship with travel agents to obtain accurate reservation and cancellation data?
5. Is your staff being trained on an on-going basis on the importance of giving proper confirmation and cancellation information?
6. Is the confirmation and cancellation number from the reservation source being recorded as part of the individual's customer file in the hotel's reservation management system? If the number changes from the booking source to your hotel's system, is there a way to link the two to identify the reservation if the guest calls with changes?

## In Review

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While the issue of No-Shows is complex and difficult for everyone involved, here is a quick review of what you can do to prevent or reduce the problem.

1. Follow the Visa Reservation Services procedures in this guide.
2. Ensure that all reservations sources are collecting all information necessary to guarantee a reservation properly.
3. Ensure that proper procedures are in place to summarize the details of the reservation and to clarify the terms and conditions to the customer.
4. Issue a guaranteed reservation confirmation number, request that the customer document it, and be sure that the customer understands its importance.
5. Use an automated or manual property management system with built-in procedures for updating changes or cancellations with appropriate confirmation or cancellation numbers.
6. Reconcile all reservations and other activity to the property management system or a manual inventory control system on a daily basis.
7. Consider creating customized terms and conditions for market segments associated with high No-Show rates.
8. Identify travel agent No-Show reservation trends for reservations made directly through the hotel, through a third party, or through automated channels, and work with the source directly to communicate the problem and create a solution.
9. Always use the Visa No-Show indicator code when billing the No-Show.
10. Always issue a reservation cancellation number.

