

# Cash talks when overbooked hotel guests walk

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Cash bonuses can help hotel operators lure back disappointed customers who were displaced during overbooking snags, according to Penn State researchers.

In an experiment, participants said they were more satisfied with [cash compensation](#) than a voucher if they lost stays at a [hotel](#) due to overbooking, said Breffni Noone, assistant professor of hospitality management.

"A lot of people in the hotel industry ask the question: 'What do I do to compensate customers who have been turned away because of overbooking?' " said Noone. "The results suggest cash-based overcompensation works best."

The researchers, who released their findings in the online version of *Journal of Hospitality and Tourism Research*, said that hotels and airlines typically try to overbook stays and flights because customers may not show up. These no-shows can cost these businesses revenue that can never be recovered, according to Noone.

"Hotels and airlines intentionally overbook because they will never get the opportunity back again," said Noone. "It's not like a [retail store](#) that can pull products off of a shelf and put them back on later for resale -- when people don't show up, you don't have a chance to fill those rooms at a hotel or seats on an airplane again."

In the experiment, Noone measured how satisfied 212 potential hotel customers were with the industry standard compensation -- a free night's stay at a comparable hotel, transportation and a telephone call -- when it is combined with additional compensation in the form of either a voucher or a cash-based award. Vouchers are coupons that typically must be redeemed at the hotel or hotel chain. She also tested [customer satisfaction](#) at three levels of overcompensation for a \$200 a night hotel stay -- 50 percent or \$100, 100 percent or \$200, and 200 percent or \$400.

Noone, who worked with Chung Hun Lee, [graduate student](#) in [hospitality management](#), said that cash-based overcompensation leads to higher satisfaction ratings than industry-standard compensation or voucher-based overcompensation. People were most satisfied with the 200 percent cash bonus, although the satisfaction level was not statistically significantly higher than satisfaction with the 100 percent cash bonus. Satisfaction with cash bonuses does not increase linearly as the [cash](#) amount increases, but appears to level off at a certain point.

Noone suggested that this indicates that an optimal level of overcompensation for booking errors may exist.

"The lesson seems to be that, at some point, throwing more money at the situation does not necessarily produce better results," said Noone. "Once you hit an optimal level, there's no reason to go farther."

Provided by Pennsylvania State University

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