

Reducing No-Shows: An Operator's Blueprint

Presenters:

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Key Questions

- ❶ What are the pros and cons of non-guaranteed reservations?
- ❷ How do customers take advantage of the current system?
- ❸ What is it costing RAC operators?
- ❹ What are the alternatives?
- ❺ How can we get to guaranteed reservations?
- ❻ Lessons learned by early adopters?

Pros and Cons

① What are the pros and cons of non-guaranteed reservations?

② How do customers take advantage of the current system?

③ What is it costing RAC operators?

④ What are the alternatives?

⑤ How can we get to guaranteed reservations?

⑥ Lessons learned by early adopters?

Non-Guaranteed Reservations

PROS

- Easy reservation process
- Highest reservation volume
- Simple accounting
- Works with OTA systems and travel agent practices
- “We've always done it this way”

CONS

- High no-shows
- Must manage over-booking
- Open to last-minute defections
- Undermines yield management
- May attract non-qualified or marginally qualified renters

Customers Taking Advantage

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Multiple Bookings: Same Supplier and Channel

Conf #	Pick Up	Return	Booked	Net Name
<u>GZS2013774</u>	24Jun 1630	30Jun 1700	31Jan 1128	Orbitz
FCAR \$279				
<u>GZS2019032</u>	23Jun 1700	30Jun 1730	07Feb 1632	Orbitz
FCAR \$309				

Two bookings covering different pick-up dates. BOTH ACTIVE

Four similar reservations booked on four different days. NONE CANCELED.

Conf #	Pick Up	Return	Booked	Net Name
<u>GPS1995848</u>	05Apr 1500	10Apr 1200	03Jan 2352	Priceline retail
CCAR \$185				
<u>GPS1998782</u>	05Apr 1500	10Apr 1200	09Jan 1010	Priceline retail
ECAR \$175				
<u>GPS2002536</u>	05Apr 1500	10Apr 1200	14Jan 1549	Priceline retail
CCAR \$110				
<u>GPS2017881</u>	14Jun 1200	17Jun 1500	06Feb 1126	Priceline retail
ECAR \$140				

Source: ACE Rent A Car Reservations

Multiple Bookings: Same supplier, several channels

Conf #	Pick Up	Return	Booked	Net Name
<u>GZS2001270</u> SCAR \$259	01Apr 0800	07Apr 2000	12Jan 1343	Orbitz
<u>DRV2007012</u> XCAR \$134	01Apr 0800	07Apr 2200	20Jan 1646	CarRentals

Started with Orbitz SCAR.
A week later, booked a
smaller car on CarRentals
with full prepay, no refund.
DID NOT CANCEL ORBITZ

Two identical
reservations booked a
day apart on Sabre
and Priceline.
BOTH ACTIVE

Conf #	Pick Up	Return	Booked	Net Name
<u>GSS2010504</u> ECAR \$49	30Mar 1800	05Apr 1800	25Jan 2118	Sabre
<u>GPS2011302</u> ECAR \$49	30Mar 1830	05Apr 1600	26Jan 2225	Priceline retail

Source: ACE Rent A Car Reservations

Duplicate Bookings: Multiple Suppliers



Ann asks:

About rental car bookings; Is it okay to reserve at more than one rental car company, but just end up using one?

My Response:

It is definitely OK to make multiple car rental bookings. Many people do this (myself included!) especially when booking a car quite far in advance.

...

The only thing that I would ask of you, is, if you can, cancel the rental car bookings from the car rental companies that you do not use.

...

It's not something that you have to do, but canceling, if you can, makes it easier for rental companies and easier on your fellow travelers.

Duplicate Bookings: Multiple Suppliers

About.com Senior Travel

If you find a good rate, make a reservation and keep researching. Many rental car companies allow you to make a reservation without paying a deposit or even providing credit card information. If you find a better deal later on, you can always go back and cancel your first reservation.

(Tip: Read the "Terms and Conditions" carefully for every reservation you make. Some rental car companies now charge for no-shows. If you make multiple reservations, take the time to cancel the ones you don't plan to use.)

Source: http://seniortravel.about.com/od/transportationoptions/a/rentalcardeals_2.htm

Duplicate Bookings: Multiple Suppliers



GroovePuppetFan asks:

I have made multiple reservations trying to get the best price. I have 2 with Hertz, 1 with Alamo and 1 with Thrifty. I have read on this forum that people will make multiple reservations and just go with the car rental that has the shortest line. Do you have to cancel the other reservations?

Community Responses:

20 responses total

12 dealt with GroovePuppetFan harshly

7 mentioned common courtesy

4 mentioned helping their fellow travelers

2 noted that extra reservations can drive up the prices for everybody if the RAC thinks they have strong demand

How Do Customers Benefit?

- **Reduce fear of supplier having no vehicles**
- **Keep options open for different vehicle classes**
- **Keep options open for different itineraries**
- **Flexibility for flight delays or standby tickets**
- **Rebook last minute if prices drop**
- **Fallback position if first supplier rejects renter as unqualified**

What Does it Cost RACs?

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No-Shows: Hard Costs

- ◆ Many rental operations experience “No Shows” at a significant level
- ◆ Up to 25% depending on season
- ◆ Fees associated with booking channel (e.g. GDS) could be \$4-\$6 per transaction
- ◆ ~10-15 million transactions lost a year



Fees to industry roughly \$30 million a year

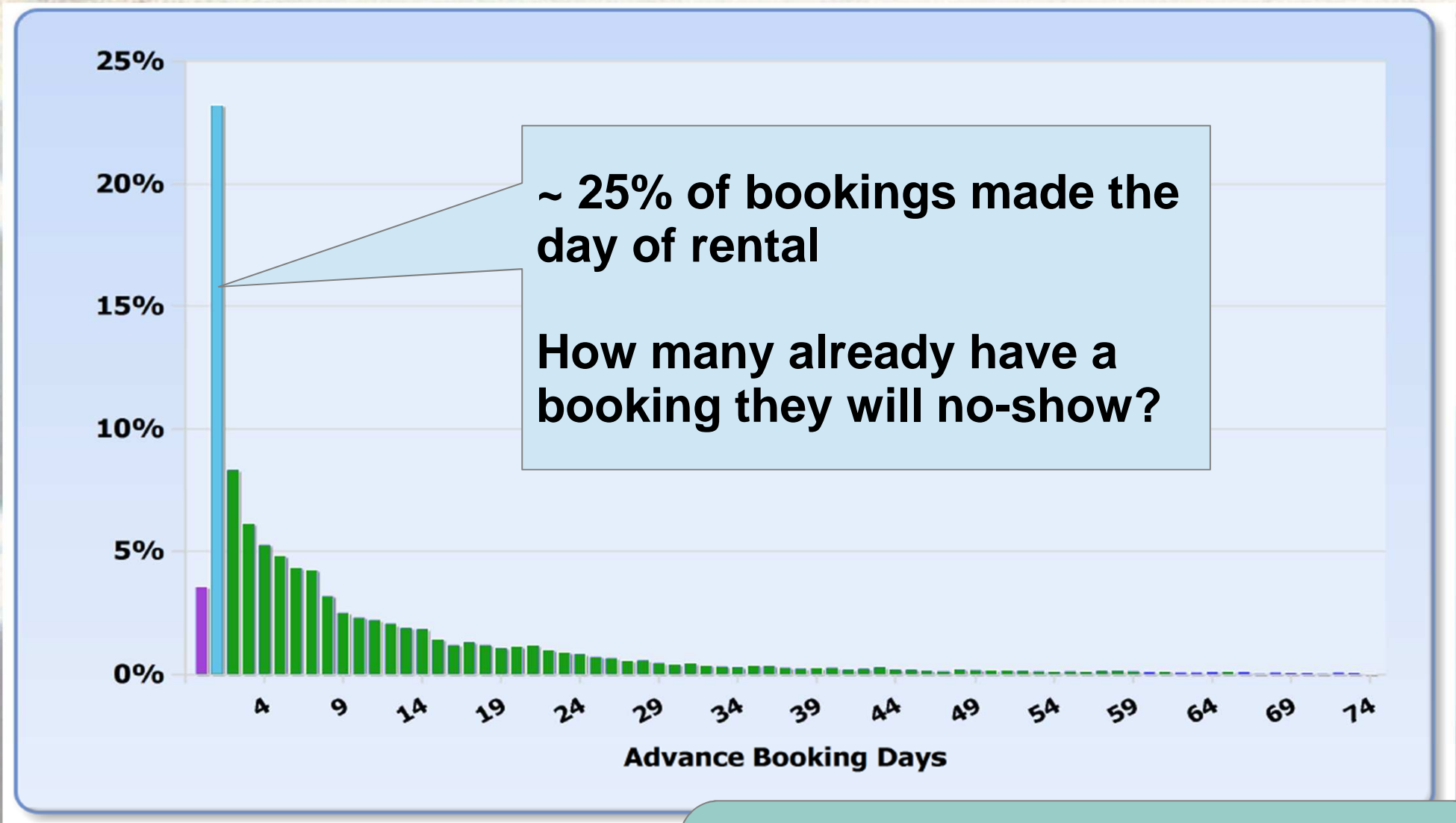
No-Shows: Hidden Costs

- ◆ Forecasting “No Shows” is art, not science
- ◆ Juggling appropriate fleet levels (especially during peak season)
- ◆ Fleet mix issues
- ◆ Long lines create poor customer experience
- ◆ Low morale / high stress = lost opportunities for counter up-sells

No Shows add complexity to an already complex business

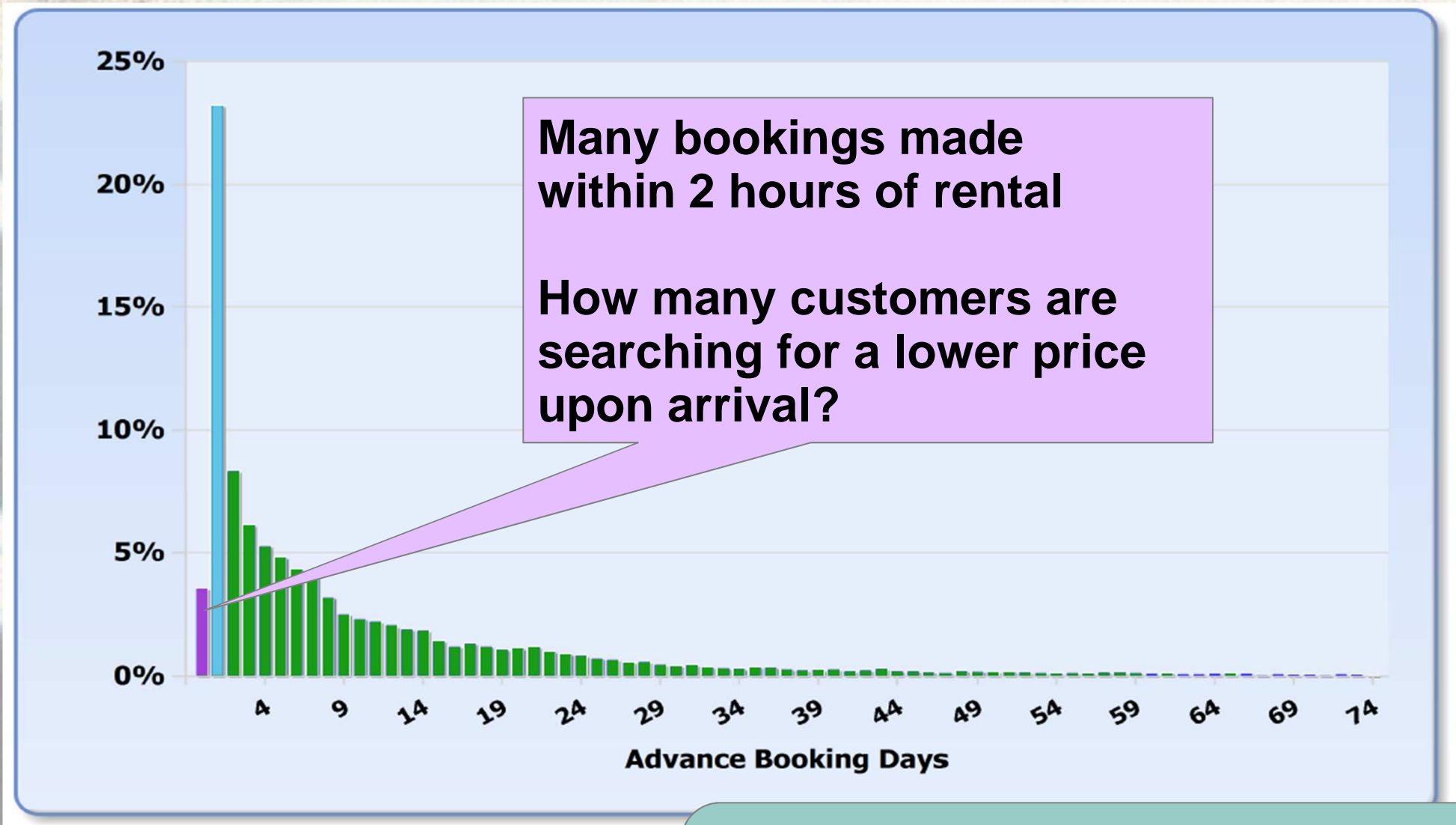


Day-of-Rental Bookings



Source: ACE Rent A Car Reservations

Last-Minute Bookings



Source: ACE Rent A Car Reservations

Traditional Online Bookers

Some Traditional Online Bookers Encourage These Behaviors

Book now!
You will not be charged anything today

Amount due at booking: \$0.00



“Recent price drop in Tucson”

Partners or Adversaries?

**Most traditional online bookers
have interests aligned
with travel suppliers**



**New generation of bookers
may not be well aligned
with travel suppliers**



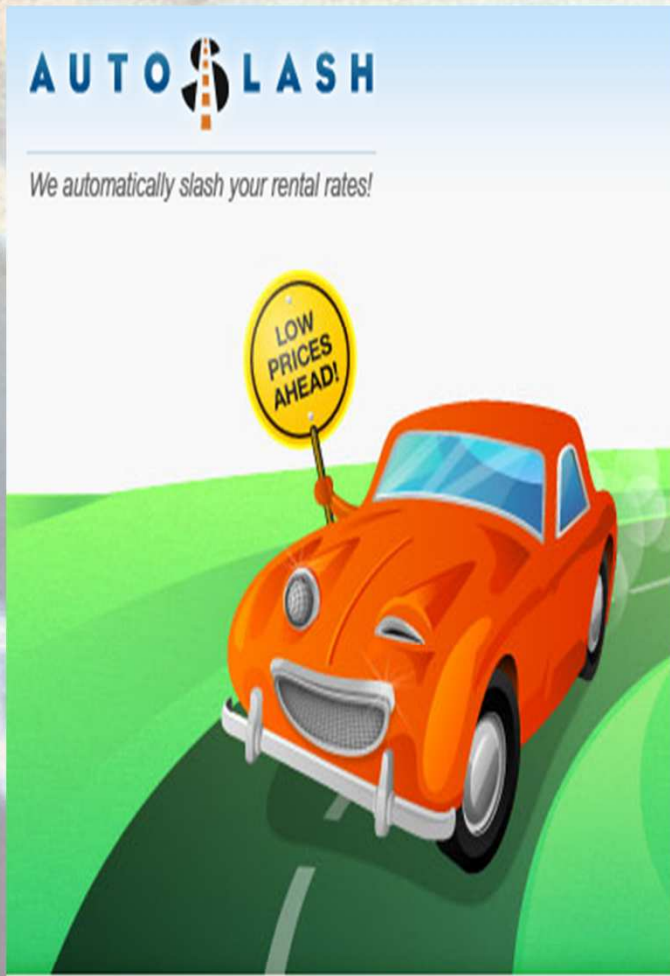
Backbid.com

Initially for hotels only

- 1) Book a hotel reservation that allows cancellation
- 2) Go to BackBid.com -- request competitive bids
- 3) If you like a bid, cancel your original reservation

**BUT ... the new reservation
requires a GUARANTEE**

Autoslash.com



What the consumer sees:

- Normal booking engine (via Travelocity)
- Autoslash tries known promo codes automatically
- Autoslash periodically requotes, rebooks automatically if price drops

What the RAC sees:

- Promo codes used more than expected
- Yield management undermined
- Confusion from multiple rebooking

Autoslash.com

AUTO SLASH

We automatically slash your rental rates!

LOW
PRICES
AHEAD!



Inherent clash of interests:

***Some major chains blocking
Autoslash:***

- ◆ ***Enterprise***
- ◆ ***National***
- ◆ ***Alamo***
- ◆ ***Budget***
- ◆ ***Avis***

***“We don’t want a customer
to get a discount
for doing nothing.”***

Impact on Yield Management

Possible goals of yield management:

Achieve high prices on advance bookings

Adjust last-minute pricing to consume excess supply

Goal of Backbid, Autoslash, and similar sites

Exploit unsecured reservations and last-minute pricing to undercut the pricing on advance bookings

New Websites Exploit RAC Lack of Resolve

The New York Times

AutoSlash might not exist but for the fact that auto rental companies mostly let you change or cancel reservations as much as you want and decline to penalize you if you don't show up to pick up your car. And travelers don't show up in droves — 20 percent of the time, according to a longtime industry consultant, Neil Abrams.

So why don't they change the rules? Mr. Abrams said it was because executives in the industry lacked the proper resolve. "It is mind-boggling," he said. "Even New York restaurants ask for a credit card when you make a reservation. It's a freaking steak, as opposed to a \$20,000 vehicle."

<http://www.nytimes.com/2012/02/18/your-money/autoslash-a-rate-sleuth-makes-rental-car-companies-squirm-your-money.html>

At a Restaurant Near You



<http://youtu.be/e8-RVEP0L8U>

Alternatives?

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Airline Cancellation Policy

Continental/Delta/US Airways

- ◆ 24-hour flexible booking, allows for changes to be made within 24 hours of purchasing ticket
- ◆ If cancelled after 24-hours, a full refund will be awarded with a \$150 change fee



Airtran

- ◆ \$75 fee per person to any change made after purchase, plus any fare increases
- ◆ Remaining balances will be placed on credit for use another time for up to one year



Southwest Airlines

- ◆ Unused, fully refundable tickets can be applied towards future travel for one year
- ◆ No cancellation fee



Hotel Cancellation Policy

Hilton

Cancel by 11:59 PM on the day before arrival
Otherwise traveler will be charged



Marriott

Cancel by 4:00 PM on day of arrival
Otherwise traveler will be charged



Hyatt

Cancel by 3:00 PM day before or 24 hours prior to arrival
Otherwise traveler will be charged



Starwood Hotels

Cancel by 6:00 PM on day of arrival
Otherwise traveler will be charged 1 night including taxes



Why Has RAC Industry Lagged?

There has been some off the radar progress...



- ✓ **Opaque systems fully prepaid (Hotwire, Priceline)**
- ✓ **Pilot projects**
- ✓ **Pre-paid rentals**
- ✓ **Many European bookings are prepaid, inclusive**
- ✓ **Some operators quote a no-show penalty (collect fee after-the-fact)**

Emerging Solutions

“Prepay and save”
on RAC brand
websites

OTAs evolving to
support prepay

Hertz.com
Car Rental & Car Sales

	GMC Yukon or similar ⓘ 4WD/AWD Large SUV, FFAR Vehicle Details	154.49 USD Per Day	140.59 USD Per Day SAVE 13.90 USD
		Pay Later	Pay Now
	Chevrolet Suburban or similar ⓘ 4WD/AWD Prem Extra Capacity SUV, PFAR Vehicle Details	174.49 USD Per Day	160.59 USD Per Day SAVE 13.90 USD
		Pay Later	Pay Now

Results Displayed: 104 of 104

Sorted by total price

See Pre-Paid Rates | Specialty Car: \$41.60/day

PREPAY and SAVE
NO REFUNDS
Dealer's Choice
Compact or larger

\$41⁶⁰/day
\$95.40 total includes tax

[See all pre-paid rates >](#)

Sponsored Listing
Hotwire

Car Type
Economy

Pickup Location
O'Hare International
Airport(ORD)

Chevy Aveo, Hyundai
Accent, or similar

- Seats 2 adults
- Unlimited Mileage
- Automatic
- Air Conditioning

\$41⁹⁵/day
\$130.29
total includes tax

[Select >](#)

Economy



ACE
RENT A CAR

Pickup Location
O'Hare International Airport
(ORD)

Chevrolet Cobalt
Coupe or Similar

- Seats 4 adults
- Unlimited Mileage
- Automatic
- Air Conditioning

\$49⁰⁰/day
\$111.98
total includes tax

[Select >](#)

Road Map

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The ACE Solution: Real-Time Collections

- Merchant account integrated into reservation system
- Supports many “guarantee types”
- Works consistently across all channels
- Payments collected before giving confirmation#
- Refunds processed automatically according to rules
- Includes accounting system to manage vouchers

Smaller operations could do this processing manually

Critical Success Factors

Policies: Must be well conceived and as consistent as possible with other suppliers

Disclosure: Be very clear what payments will be processed. Force customer to agree via check-box. Save documentation to prove the rules were communicated.

Technology: Ideally, seamless and automatic

Accounting systems: Ensure that the every customer receives their voucher value when they arrive at the counter

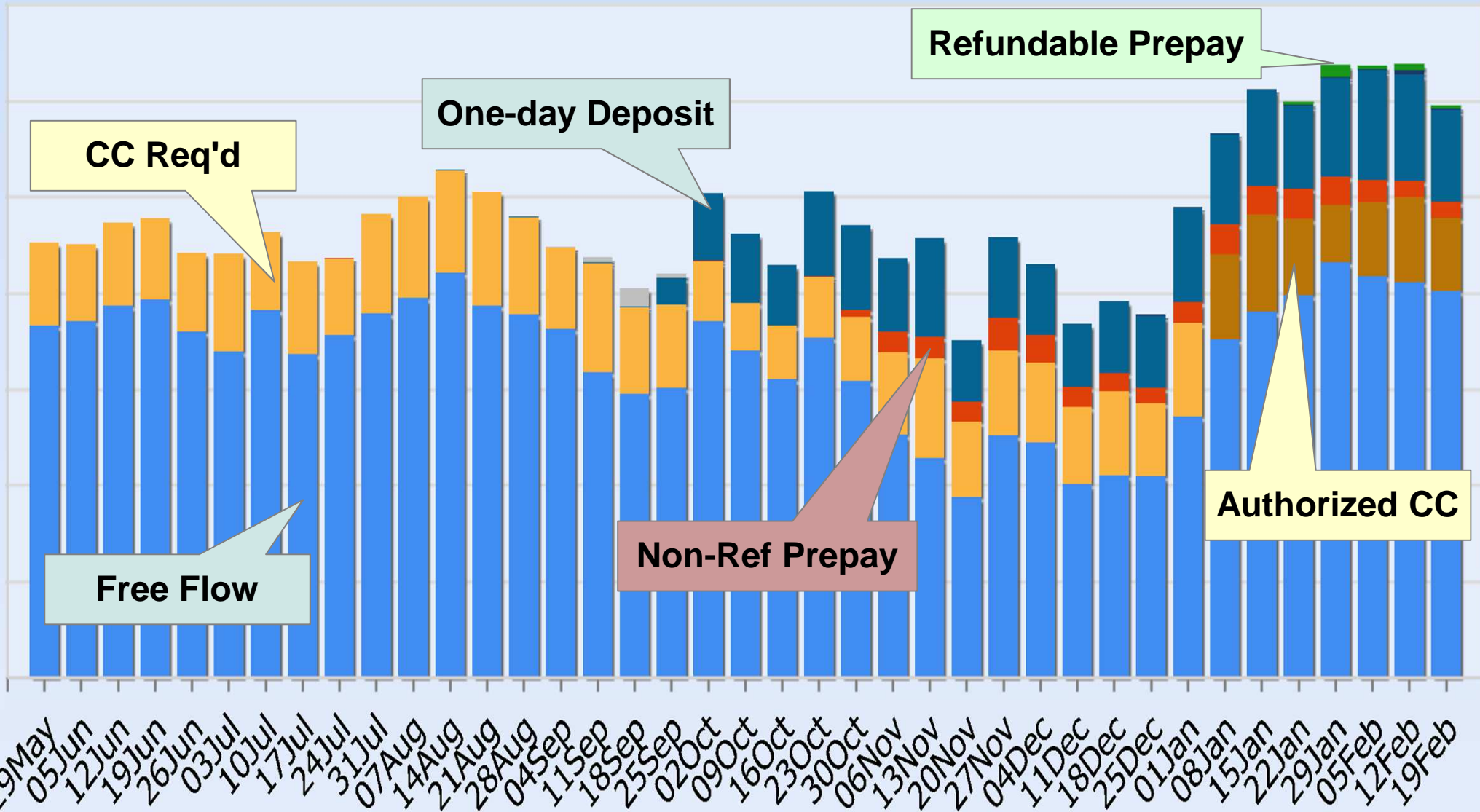
Customer satisfaction systems: Surveys, complaint processes, chargeback resolution systems, social media monitoring

Lessons Learned

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Volume Impact

ACE Honored Reservations by Week
May 29, 2011 – Feb 19, 2012



Problem Cases

Flight delays / cancels / diversions

Family emergencies

Local customers not reading the rules

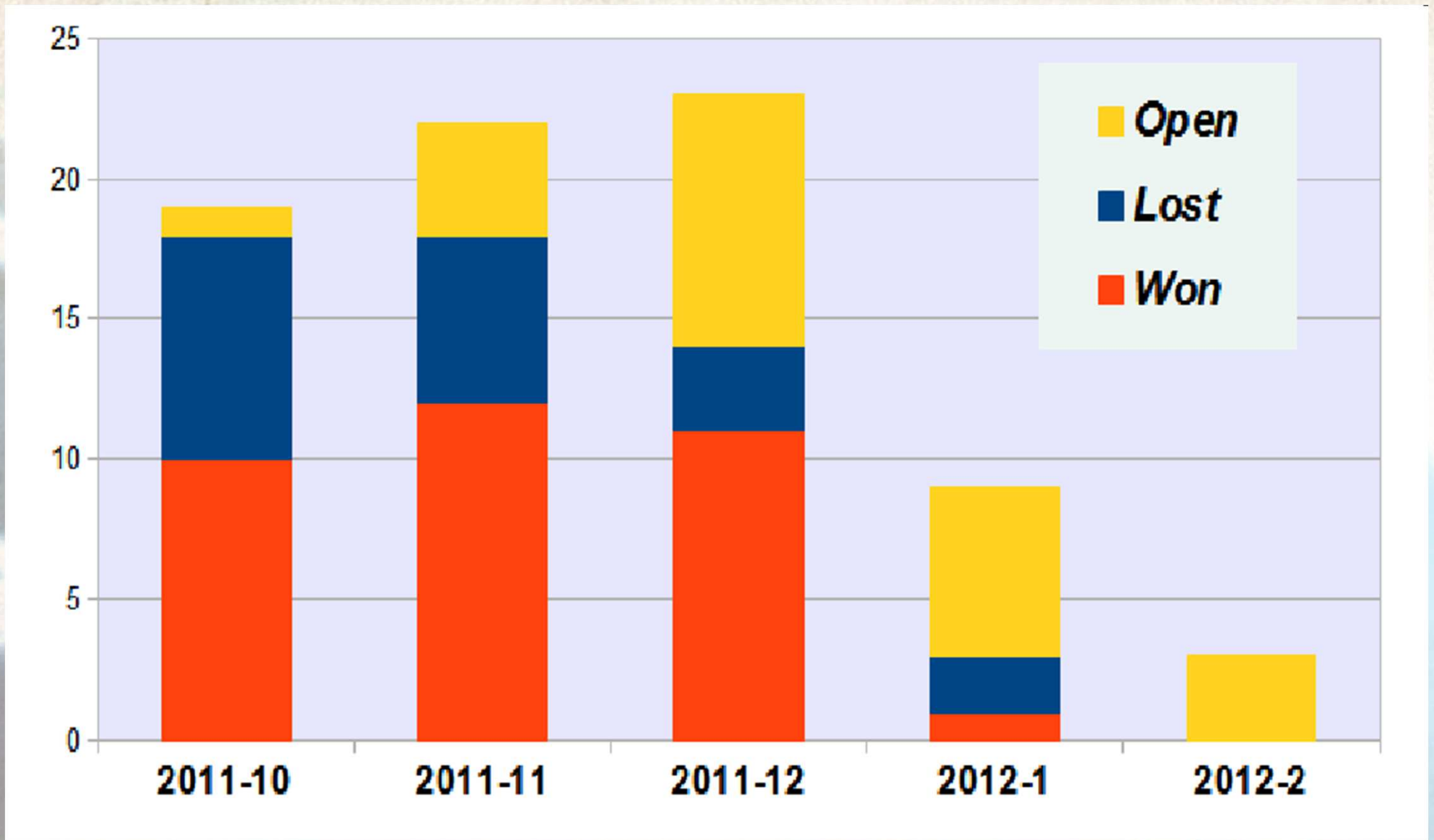
Vouchers mis-applied at counter

Re-book to much lower value

Misunderstanding of charges

Customers trying to “game” the system

Chargeback Results



Losses: 0.1% of charges, and declining

Next Steps

Continue to raise public awareness that no-shows can have consequences

If you are not doing any guarantees, get started

Support leading OTAs like CarRentals.com

Encourage the other OTAs to join us



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Q & A