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BUSINESS DAY

New Hotel Policies Mean a Late Cancellation Will Cost You

By MARTHA C. WHITE JULY 17, 2017

Business travel can be unpredictable: Flights can be delayed, meetings rescheduled or assignments changed — sometimes with little notice.

But now, those last-minute changes could prove costly as more hotels impose 48-hour minimums for canceling a stay without penalty.

Marriott International, which recently acquired Starwood Hotels and Resorts, was the first with the new policy. Last month, it put into effect a 48-hour cancellation policy for new bookings within the Marriott and Starwood brand families in the United States, Canada, the Caribbean and Latin America. Hilton Worldwide is imposing a similar cancellation policy in the United States and Canada for new bookings as of the end of this month.

There are a few exceptions: Marriott's policy does not include its Design Hotels or its time-share properties, and Hilton says franchised hotels can opt out of the policy if they choose, while some hotels in busy cities or resort areas may require 72 hours' notice to cancel.

Hotels say they need to protect themselves from travelers who try to game the system by booking multiple rooms and canceling on short notice in the hope of being able to quickly rebook at a cheaper last-minute rate. That has become a growing issue with the proliferation of sites and apps that make it nearly effortless for travelers to book, cancel and rebook at no cost.

The new policies, hotels say, will increase the availability of rooms in locations like New York City, where occupancy is high and rooms can be scarce.

But some business travelers and managers say these policies effectively punish them for circumstances outside their control.

“Corporate travel is a little bit tricky because you do have so many itineraries that change,” said Douglas Quinby, analyst and vice president for the research and travel market research firm Phocuswright.

Adrienne Dancer, who coordinates travel for an events marketing firm specializing in the automotive sector, said the new policies could wreak havoc on her budgets because employees often need to transport equipment on the roads.

“It can shift often, especially due to weather delays, because we do have a lot of travelers who are driving,” she said. “They might get delayed by a flat tire or other instance and get stuck somewhere,” she said.

The hotel companies say their policies are just good business.

“Last-minute cancellations in particular have prevented rooms from being made available to our guests,” a Hilton official said in an emailed statement.

Brian King, global sales officer at Marriott International, said that the industry “is really running at an all-time high of occupancy and rooms are at a really strong demand.” He added, “People were canceling and customers couldn’t find rooms when they needed them.”

Industry experts predict that other brands will consider their own 48-hour cancellation windows — if they haven’t already.

“There’s certainly no question that the industry is thinking long and hard about different channels customers have to book room reservations,” said Scott Berman, hospitality and leisure group leader at the consulting firm PwC. “It’s become a far more competitive environment.”

Stephanie Sheppard, a spokeswoman for Hyatt, said in an emailed statement that the company “has no plans to make changes to its cancellation policies on a national or brandwide basis.” Currently, the cancellation window varies, and “the most common cancellation policy at Hyatt hotels in the U.S. is 24 to 48 hours in advance.”

A spokeswoman for Carlson Rezidor Hotel Group, which includes brands like Country Inns & Suites By Carlson and Radisson, said cancellation policies were determined by individual properties.

“We’re always evaluating changing guest behaviors, owner feedback and other dynamics,” a spokesman for Intercontinental Hotels Group said in an emailed statement, adding that some of its hotels still allow day-of-arrival cancellations without penalty.

“The industry is trying to figure out or to develop a strategy where customers remain loyal to the brand and are dissuaded from looking for better options later in the game,” Mr. Berman said. “Once that room goes unsold, it’s lost.”

Online and mobile booking tools that allow travelers to book a room with a few taps on their phones are a double-edged sword.

“Some of the challenge they face is that, as an industry, we’ve sort of trained the customer that if they want lower rates, they’re better off waiting until the last minute,” said Chad Crandell, chief executive of CHMWarnick, a company that provides asset management and advisory services for hotel owners.

Bjorn Hanson, a clinical professor of hospitality and tourism at New York University, agreed that the proliferation of third-party booking tools had made hotels’ jobs more complicated. “It’s a bit of a circular issue because the behavior

makes it more of a challenge, which causes there to be more volatility in room rates,” he said.

As a result, hotels have to contend with a rising number of cancellations, often within days or even hours of when a guest is scheduled to arrive. To fill those rooms, they use third-party sites or apps, sometimes at considerable expense.

“You’re going to pay a higher cost,” Mr. Crandell said, because some of these platforms can charge commissions of up to 25 percent of the rate. “On top of that, you’re going to likely be charging a lower room rate, so it’s a double hit, if you will.”

Some road warriors argue that they are the ones being hit twice if they have to pay for a hotel room they never sleep in — one that the hotel may resell after they cancel.

“I get it in New York City or a convention hotel. I get that,” said Ryan Layton, who works in factory automation and spends about 250 nights a year on the road. “But these airport hotels and hotels out in the middle of nowhere — they’re going to lose a lot of business travelers.”

“Now it’s going to get worse,” he said, adding that he already has had to pay for unused hotel rooms when his plans changed at the last minute.

But Mr. King, of Marriott, maintained that having a consistent policy across all brands and markets was better for customers. “Occupancy across the industry is so high,” he said. “These secondary or tertiary markets are busy, too.”

Industry experts say big companies will try to negotiate more flexible terms for their travelers when their contracts come up for renewal. (Existing corporate contracts supersede the new policies.) But entrepreneurs and smaller businesses have less recourse.

“Typically, for corporate travelers, they require a degree of flexibility with their travel,” said John Lyons, vice president and general manager for the global client group at American Express Global Business Travel. “A hotel chain that’s amending its policy to cancel 48 hours out could be problematic. That reduces their flexibility. It could potentially increase their costs.”

Greeley Koch, executive director of the Association of Corporate Travel Executives, said that “we’ve got people for and against it.” The first response is usually negative, he said. “Most business travelers like flexibility, and I think that’s why we’re seeing some of the initial reaction,” he said. But he added that the other sentiment he had heard from members was one of relief.

“They see it as a positive because this will weed out the people who hold all sorts of reservations,” he said. “This makes it easier for those business travelers that have a true need — maybe they’ll find inventory available at the hotel they want to utilize.”

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