

Itineraries

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Billed, and Then a Bit More

Overcharging by Hotels, Deliberate or Accidental, Bedevils Travelers



Andy Atkinson for The New York Times

Flodine Lee is corporate travel manager for Jeld-Wen, a door and window maker. She reviews hotel expenses for 1,000 employees.

By CHRISTOPHER ELLIOTT

Few business travelers study their hotel bills as closely as Flodine Lee, who says she will not check out until her statement is correct to the penny.

Then again, few travelers also manage a corporate travel program. Ms. Lee, who works for Jeld-Wen, a door and window manufacturer in Klamath Falls, Ore., is charged with the increasingly difficult task of finding and reconciling erroneous hotel bills for about 1,000 employees.

"It's amazing how \$5 a night here and \$10 a night there can add up when you spend more than \$1 million a year on hotels," she said. "If you don't pay attention, you could lose a lot of money."

In fact, hotel overbilling is a growing problem for American businesses. The average corporate traveler is overcharged \$11.35 a night, according to a new analysis of more than one million hotel room rates by Corporate Lodging Consultants, a provider of lodging-management services based in Wichita, Kan. The survey, which measured hotel stays during 2004, concluded that American businesses overpay by more than \$1.8 billion every day.

It would be easy to fault the lodging industry for these mistakes, considering that the errors favor the hotels. But experts say that would be oversimplifying the problem. Rather, it is the tedious and often antiquated process of corporate hotel procurement — one that often involves travel managers, travel agents and multiple reservations systems, but also depends on corporate travelers for its success — that leaves companies with a higher hotel bill.

"There's no evidence that the hotels are trying to rip anyone off," said George Hansen, the chief executive of Corporate Lodging Consultants. "But the ripple effect of these pricing malfunctions can be staggering."

His company estimates that hotels in the United States are overcharging business travelers more than \$500 million every year. But the National Business Travel Association, a trade group for travel managers, says corporate America stands to lose as much as \$1.5 billion a year if the rates they have negotiated with hotels are not honored.

The hotel industry says it is concerned about overbilling. "If these errors are hap-

pening, they are unintentional," said Joseph A. McInerney, president and chief executive of the American Hotel and Lodging Association, a trade group for the hotel business. If anything, he adds, charging the correct rate is an industry priority, "because if we don't, we will lose the customer."

But not all hotel executives feel that way, according to consultants who perform rate audits for corporations. "The number of billing errors has increased, and some corporations are now asking themselves the question, Is this intentional?" said Jan Willbanks, the chief executive of DirectConnections, a Redwood Shores, Calif., company that manages hotel programs for businesses. "Maybe it's the old credit card concept. I mean, do you read your credit card statement? Do you bother to balance it? It could be that the hotels figure no one is paying at-

The process of procuring rooms is antiquated.

tention."

How do business travelers end up being billed the wrong rate? Perhaps the most controversial theory is that hotels are quietly manipulating room inventory within their reservations systems to their advantage. According to several consultants, hotel revenue managers can significantly raise profits by cutting the number of rooms that are available at a corporate rate, depending on the overall occupancy level. The net effect is that a traveler can end up paying more than the business bargained, or budgeted, for.

A more widely accepted explanation is that the process of negotiating special corporate rates and then loading them into the reservations systems has become so complex that errors are inevitable. Brian Langer, vice president for client services at RFP Express in San Diego, cites one client, a technology company, which last year signed 4,000 contracts with 100 hotel groups and another 500 individual properties.

"Each of those contracts needs to be disseminated across the groups, hotels, and res-

ervations systems," he said. In some cases, the prices are being typed in manually. Those are not the only culprits, though. Robert Peper, the president of Lodging Logistics, a hotel technology company based in Richmond, Tex., says corporate travelers are frequently to blame for the billing errors. "If you have a business traveler who doesn't go through an approved vendor and makes a reservation on his or her own, you're going to get the wrong rate," he said. These "rogue" business travelers can throw even the best-managed corporate travel program into disarray.

Billing mix-ups are nothing new to business travelers and their employers. But corporate travelers rarely question a hotel bill that is off by a few dollars, because they either do not know what the correct rate is or they are too busy to dispute the bill. And many businesses consider hotel billing error rates of 10 percent or less to be acceptable, according to Maria Chevalier, a vice president in charge of hotel relations at World Travel BTI, a corporate travel agency in Atlanta.

"What they do not realize, and they would not realize unless they do an audit, is that their error rates can be as high as 25 percent," she said. (Agencies like World Travel BTI offer auditing and technology services that can reduce error rates to less than 1 percent.)

The obvious solution would be to computerize the entire process of loading corporate rates, said Chris Wichers, the chief operating officer for Lanyon, a travel distribution technology company in Arlington, Tex. "It's screaming to be automated," he said. But that is easier said than done. Each player, for its own reasons, is resisting a more open technology platform, which basically means the hotel billing problem is here to stay.

Ms. Lee, the corporate travel manager from Oregon, says it is not the big errors that are costly. Those are typically easy to spot on her corporate credit card reports and then resolve. It is the small ones that are hardly noticed. "I have an advantage, when I'm staying at a hotel, that I know exactly what the corporate rate is supposed to be," she said. "But the average business traveler doesn't have a clue."