

**Pennywise, Pound Foolish:
Balancing Guest Service and Financial Control
on Hotel Overcharged Credit Card Dispute**

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Abstract

While reviewing her credit card statement, a hotel loyalty reward program member discovered she was overcharged \$56 for a recent hotel stay. After contacting the hotel she was told the charge was for guest room mini bar items. As the guest never consumed items from the mini bar, she requested a refund. After failing to receive a satisfactory response from the hotel, the guest disputed the charge and received a refund from the credit card company. What should the hotel have done differently?

Key words: customer relationship management; credit card dispute; refund; guest services management; financial control

Background

This trade tale case is an example of the importance of service recovery. In this case, a guest was understandably upset when she discovered an unexpected hotel charge while reviewing her credit card statement. Despite her attempts to resolve the discrepancy by contacting the hotel directly, the hotel's failure to provide a timely response nearly turned a loyal customer advocate into an adversary. Had the guest not checked her credit card statement, the hotel would have achieved a small policy-driven profit by improperly charging a guest for snack-bar items not consumed at the property. However, as the guest did notice the unexpected charge, the guest was left with the impression that the hotel management's integrity was questionable. Since the hotel did not act immediately to resolve the concern, the guest felt it necessary to include the credit card issuer – which further reinforced the guest's unfavorable impression of the hotel's commitment to customer service and satisfaction. After contacting the credit card issuer, the guest received a refund, but

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*Brands and names are disguised to protect individuals and corporate brands.

was still disappointed with the hotel. In the end, the hotel was not only required to reimburse the guest, but likely had to use additional manpower to ensure that financial controls met credit card issuer standards in order to maintain the hotel's relationship with the credit card company. Therefore, it could be surmised that the hotel needs to balance the desire to maximize revenue with customer satisfaction.

The Story

While attending a conference, I stayed six nights at an international chain hotel. In large part I selected the hotel based on previous experience gained through more than five years as a loyalty rewards program member.

The extended six-night stay passed quickly and I was more than ready to return home. Morning came quickly. My check-out routine, performed while half-awake as perfected over many years of travel, began with picking up the hotel bill (which had been slid under the door some time before I woke up) and stuffing it into my purse without really looking at it. I then turned on the TV to listen to the news while showering, dressing, and preparing my luggage for the return trip. Perhaps because of my mother's constant reminders to clean-up after myself as a child, I instinctively made one last pass through the room to make sure I had everything, and to dispose of unwanted items – including left-over snacks and drinks that I typically stored in the hotel mini bar refrigerator. After ensuring that all was in order, I left a tip on the nightstand along with the room keycard as I hurried out the door with my luggage in tow.

Several weeks later, I received my credit card statement only to discover my hotel bill was \$56 more than expected. After comparing the charge to the hotel bill I previously filed away, I called the hotel to ask about the discrepancy.

After identifying myself as a long-term hotel loyalty rewards program member, I explained the billing error noted on my credit card statement. The front desk agent asked me to hold while my call was transferred to guest services for assistance. After waiting on hold for several minutes, I once again explained the reason for my call to the new guest service representative – only to be told that I would once again be transferred since more than a week had passed since the transaction was posted. After several more minutes on hold, followed by additional explanations resulting from yet more transfers, I was finally connected to an accountant who informed me that the \$56 charge was to cover items missing from the mini bar.

The accountant asked several times if I removed or consumed items from the mini bar during my stay. As I relived in my mind my six-night stay, I began to realize that although I did not consume hotel provided mini bar items, I did use the mini bar to store fruit and some bottles of flavored water I purchased at a nearby market during my stay. I suggested that housekeeping may have incorrectly included my market purchases in one of the daily inventory counts and reported the difference upon check-out as “consumed” items. Perhaps never having encountered such a scenario, the service representative took my phone number to follow-up after additional investigation.

As a long-term loyalty rewards club member who provided the likely reason for the mix-up, I was confident the return call would result not only in a refund, but an apology and maybe even some sort of “comp” for the inconvenience. Instead the return call resulted in an at least another hour of explanations to other parties, followed by being placed on hold no less than four times. Despite the repeated explanations, the hotel representatives seemed unable (or unwilling) to reverse the charge. Rather than simply acknowledge the mix-up and issue a refund, I was now listening to a hotel employee who felt it necessary to lecture me on the need for credit card pre-authorizations (implying this was the hotel’s only recourse for dealing with dishonest guests). In addition, it apparently made the employee feel it was easier to explain that resolving this issue wasn’t as simple as removing the disputed mini bar charge – rather, this would require a review of all transactions for my entire six-night stay – something that could not be done over the phone right now, even if I had the time and patience. To make matters worse, I was told nothing more could be done for at least another week as the responsible manager had already left to begin the Christmas holiday. It was clear by the quick “no” response to the question “Can another manager help?” that my loyalty rewards program membership was meaningless. I also remember thinking this lecture may have been intended to teach me some sort of lesson.

Despite being frustrated and tired, I became re-energized when I realized I could file a dispute directly with the credit card company. I soon found myself giving the credit card customer service representative yet another five-minute rendition of my mini bar experience. Unlike the hotel however, the credit card company representative came across as very understanding. After summarizing my complaint, he explained that a review would be conducted and I would receive a written response within a few weeks. As I hung up the phone, I told myself that my time and mental well-being was worth more than \$56 and decided I wasn’t going to pursue this any further. The whole experience left me tired, frustrated and feeling betrayed and I vowed to forget about it.

Needless to say I was pleasantly surprised when, several weeks later, I received the letter from my credit card company as well as a call from the hotel company, as promised, stating that they had refunded the disputed \$56 charge and hoped I was satisfied as they considered me to be a valued customer. Is this how the hotel and the credit card companies value my business? I was pleased!

Possible Solutions

- A. The hotel does not honor the guest’s refund request.
- B. The hotel contacts the credit card company without responding to the guest. The credit card company then contacts the guest to discuss the dispute.
- C. The hotel informs the guest of their dispute handling procedure and provides evidence of the transaction to the credit card company. The hotel apologizes to the guest immediately and follows up with a letter from the General Manager apologizing for overcharging and explaining the disputed

amount will be refunded to the credit card. The hotel contacts the credit card company and provides evidence of the charges. The hotel informs the credit card company a refund was processed by the hotel despite believing the charge was accurate.

- D. The hotel apologizes to the guest immediately and follows -up with a letter from the General Manager apologizing for overcharging and explaining the disputed amount will be refunded to the credit card. The hotel contacts the credit card company and provides evidence of the charges. The hotel informs the credit card company that a refund was processed by the hotel despite believing the charge was accurate. The hotel explains to the credit card company that the hotel supports the principle of delivering excellent guest services to the credit card company's card holder (the guest). The guest receives another letter from the credit card company confirming the refund and invites the card holder (guest) to request additional assistance if not satisfied with the resolution.
- E. The hotel apologizes to the guest immediately and follows -up with a letter from the General Manager apologizing for overcharging and explaining the disputed amount will be refunded to the credit card. The hotel contacts the credit card company and provides evidence of the charges. The hotel informs the credit card company that a refund was processed by the hotel despite believing the charge was accurate. The hotel explains to the credit card company that the hotel supports the principle of delivering excellent guest services to the credit card company's card holder (the guest). The guest receives another letter from the credit card company confirming the refund and invites the card holder (guest) to request additional assistance if not satisfied with the resolution.

Assessments

Surface Assessment

The hotel guest services manager should have informed the guest of the dispute handling procedure. Option E is a better solution for the guest as it demonstrates to the guest that the hotel made the mistake, and is willing to correct the problem and issue a refund.

Deep Assessment

The hotel incorrectly charged the guest for services/items not received. This was not acceptable. Mistakes happen, but they must be corrected quickly and sincerely.

Option E reflects this principle is held by both the hotel and the credit card company. According to Tabassum (2015), trust and loyalty must be earned – especially in the retail and financial sectors. In this case, charging my credit card without informing me diminished my trust in both the hotel and credit card company.

My loyalty was diminished through frustration experienced while dealing with hotel staff – especially as they disregarded my status as a loyalty rewards program member, displayed disrespect by repeatedly putting me on hold while transferring my call, and chose to lecture rather than provide a solution.

Although I understand the hotel's position, I feel they compounded the billing mistake by not listening, lecturing, and then failing to follow up. Contrast this with the service provided by the credit card representative. Not only were no transfers made (placing me on hold), but the representative also explained what I should expect (investigation followed by a decision letter).

Upon receiving the letter from the credit card company as well as the phone call from the hotel company notifying me of the refund and reiterating the company's commitment to customer satisfaction and thanking me for my business as a valued customer, I experienced regained trust and new loyalty to both the hotel and the credit card company.

What if I never received the follow-up call, which I was told would come after the appropriate manager returned from the holiday break? Failure to follow-up conveys a lack of commitment which can easily be equated with being viewed as unimportant or of little value.

I am glad that this overcharge incident ended on a happy note.

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Appendix: Multiple Choice Solution Points Awarded

- A. The hotel does not honor the guest's refund request. 0 points. A "no action" solution will result in hotel guest dissatisfaction. As no action is viewed as no response, the guest will feel ignored and not valued as a customer.
- B. The hotel contacts the credit card company without responding to the guest. The credit card company then contacts the guest to discuss the dispute. 1 point. No communication leaves the guest feeling no action has been taken (similar to the above). This equates to failure due to poor customer service. The credit card company is alerted that a merchant in their network is not practicing good customer service or that it is not communicating adequately in regard to its financial controls.

- C. The hotel informs the guest of their dispute handling procedure and provides evidence of the transaction to the credit card company. 2 points. The hotel communicates with both parties. However, by only providing evidence to the credit card company, the guest may still feel there has been insufficient communication.
- D. The hotel apologizes to the guest immediately and follows up with a letter from the General Manager apologizing for overcharging and explaining that the disputed amount will be refunded to the credit card. The hotel contacts the credit card company and provides evidence of the charges. The hotel informs the credit card company that a refund was processed by the hotel despite believing the charge was accurate. 3 points. The hotel exercises good guest services management by communicating with the guest as well as the credit card company. The hotel demonstrates appropriate financial control by investigating the charge and providing evidence to the credit card company. The hotel processes the refund to the guest.
- E. The hotel apologizes to the guest immediately and follows up with a letter from the General Manager apologizing for overcharging and explaining that the disputed amount will be refunded to the credit card. The hotel contacts the credit card company and provides evidence of the charges. The hotel informs the credit card company that a refund was processed by the hotel despite believing the charge was accurate. The hotel explains to the credit card company that the hotel supports the principle of delivering excellent guest services to the credit card company's cardholder (the guest). The guest receives another letter from the credit card company confirming the refund and invites the cardholder (guest) to request additional assistance if not satisfied with the resolution. 5 points. The hotel contacts the credit card company to refund the disputed amount. The hotel informs the guest of the refund via a letter.

Editorial Commentary

This case explores how one hotel company handled a loyalty reward program guest complaint. The hotel must maintain financial control through proper billing while ensuring customer satisfaction as well as sustaining its contracted credit card company relationship. In this scenario the hotel needed to weigh the cost of recovery while satisfying the credit card company's overall objectives of cardholder satisfaction.

As for handling the hotel loyalty program member's request, good customer service procedures must be followed over the entire course of the service recovery interaction. Conducting "Root Cause Analysis" (Dorsch et al., 1997) is key to identifying and resolving hotel guest disputes. Although the guest signed the credit card pre-authorization, it is the responsibility of the hotel to ensure subsequent charges are valid. Otherwise the guest may feel the hotel is violating the trust

established over many years as a loyal customer.

However, in this scenario, the challenge for the hotel is to deliver the message to the guest by explaining the pre-authorization procedure effectively. In this case, the guest waited for a long time while her call was repeatedly transferred, resulting in an emotionally fatigued and frustrated customer. Instead of simply citing the pre-authorization procedure, the hotel customer service representative could have considered using a conversational approach – perhaps sharing a personal example of a similar experience – to reduce the guest’s perception of “being lectured” to.

After realizing the extra charge resulted from mini bar items not consumed, the guest’s sole objective was to obtain a credit card refund. However, from the hotel’s perspective, the long explanation of the credit card pre-authorization procedure was necessary to ensure that the guest did not feel the hotel was acting dishonestly. Furthermore, telling the guest that the disputed charge could not be resolved until appropriate personnel returned from their holiday was likely to result in additional guest service dissatisfaction. The lack of a refund, combined with multiple ineffective call transfers, and long wait times, only worsened the guest’s perception of the hotel’s commitment to customer service – undermining customer loyalty.

Furthermore, by conducting Root Cause Analysis, the hotel is able to identify process deficiencies and shortcomings. Even though guests provide credit card pre-authorization, hotels should confirm additional charges before guest departure. At the very least, this hotel should have followed up by sending the guest a letter explaining charges resulting from mini bar consumption were added after her departure, and inviting her to contact the hotel if need be. By doing so, the hotel reduces the initial confusion experienced by the guest and demonstrates to the credit card company that proper controls are in place.

The hotel also has to consider the credit card company’s objective to ensure customer satisfaction resulting from credit card utilization. Perceived trust, service attributes, and satisfaction are significant antecedents to credit card holders’ loyalty that are valued in retail banking (Lewis and Soureli, 2006; Reichheld and Aspinall, 1993). There is a mutual dependency between the hotel and the credit card company to provide accurate accounting for charges. The hotel relies on the convenience of charging the credit cards used by hotel guests to pay for goods and services. Thus, the hotel’s relationship with credit card companies is important for sustaining its lodging revenues.

In this case, the hotel must satisfy both the hotel guest and the credit card company – particularly as it pertains to the service recovery process. Thus, option E satisfies the need to maintain relationships with both hotel guests and the credit card company. The hotel demonstrates sincerity by providing an apology to the guest verbally as well as by written letter. By doing so, the hotel not only satisfies the guest’s request by confirming the refund, but also earns continuing loyalty to the hotel company, by demonstrating commitment to admit and correct mistakes.

Option E is the better solution for the credit card company as well. The hotel and the credit card company are co-dependent – each enjoying the financial benefits resulting from the utilization of their respective goods and services. If the credit card

company does not respond to customer disputes, the customer will stop using the credit card. The hotel must also be sensitive to customer requests for refunds, otherwise the credit card company may decide to drop the hotel from its network, which could ultimately result in fewer guests due to the lost convenience of reserving and paying by credit card. Thus, it is in the hotel's best interest to communicate and cooperate in disputes to maintain customer satisfaction.

Another factor the hotel failed to consider is the significance of the disputed amount – in this case the \$56 dispute associated with a six-night hotel stay totaling over \$1,000 (i.e., the disputed amount was slightly more than 5% of the total bill). Furthermore, over five years of membership with the hotel, I had stayed and spent over \$10,000 with properties the hotel chain owns in cities internationally. Customer service employees should be trained to recognize the value of loyal customers. Is it worth losing guests who have a track record of booking multiple night stays for a few items from the mini bar? Employees must be empowered to write off insignificant amounts and quickly resolve disputes over the phone. It should be obvious that customers don't want to be lectured. They are able and likely to take their business elsewhere. It should be standard practice to make credit card adjustments without involving the guest in several time-consuming administrative steps. Once the adjustment is made, the hotel and the credit card company can notify their customer of the solution and express appreciation for their continued loyalty and opportunities to continue to serve in the future.

In this case, the hotel risked losing a loyal guest and a valuable relationship with a credit card company over a one-time \$56 transaction (likely worth even less due to mark-up). As the saying goes, "Don't be penny wise, pound foolish".