IO 1 – The basics of front office operations

Additional output – Glossary of terms

While working in the front office, the employees use specific jargon and terminology that support smooth operations and communication. Within this chapter, we are highlighting the basic and most used terms and their brief description. This dictionary-like overview should be used before the training to understand these basic concepts. The presented list is not definite and misses the facility-specific jargon created by hotel employees and the details that European Hospitality does not commonly use. We highly recommend using the list of terms during the training and the operations. The presented terminology is general and might be updated to stick better with the culture and jargon of the single property.

The terms are grouped into a more homogenous cluster to better understand them and their concept and connected phenomena.

Reservations and their management

The first set of terms is connected with the reservations, their creation and management. Then, for several terms, there are links to other terms that can deepen the understanding of front office operations.

Confirmed Reservation – Reservation was created by the reservation agent/front office worker in the PMS. The confirmation was made by the payment of reservation guarantee or card pre-authorization, based on the applied cancellation policy.

Confirmation Number – Unique identification code generated for the reservation and its identification.

Floating reservation – Specific functionality of the complex PMS systems where the reservation is created on a specific room type, but the precise room is allocated (be aware of the same wording for the allocation/allotment with different meaning) a few days before arrival. Floating reservations allow better and more efficient room management.

Optional Reservation with Effect – Optional reservation, in general, is created reservation based on the quests request. Still, the quest is not 100 % sure of the arrival, or the reservation is not yet guaranteed. The "Effect" is automated action of the PMS based on the predefined rules that will change the reservation status after the "Option date".

Option date – Arranged and specific date for "Optional Reservation" that leads to specific action based on the reservation characteristics ("Effect").

Optional Reservation without Effect – The principle is the same. After passing the "Option Date", there is no automated action, and the PMS keeps the "Optional Reservation" status. The Front Office employee must change the status.

Reservation on Waiting-list – Main principle of the reservation on the Waiting-list is common to "Optional Reservation". The difference is in the full occupation of the hotel capacity, where the reservation is pre-confirmed by the client with no guarantee of the capacity, which might be freed (based on the previous performance of the hotel).

Tentative Reservation – This reservation has no option date but in principles can be described in the same way. This reservation is confirmed after the guarantee payment or card pre-authorization.

No-show – The situation where the client confirmed the reservation but did not arrive. For the reservation, the cancellation policy is applied.

Cancelled Reservation – Reservation that the client has cancelled. The freed capacity is sold on the market. The reservation can be cancelled freely or with specific cancellation charges based on the policy. Cancellation behaviour of hotels guest directly affects performance forecasting and revenue management.

Cancellation ID – Specific number or code that proves the cancellation of the room reservation must be available to the hotels and the quest.

Check-in – Registration of the quest for a stay. The whole process is complex and is described by the section of this e-book focusing on the standards (SOPs).

Guest Registration Card – The form with a predefined set of personal data that the front office employee must collect and verify before guest check-in. The local laws and restrictions define the range of personal data. The walk-out procedure must be applied when the client cannot provide the data.

Walk-out – The procedure is turning away the client who has the reservation due to the lack of available rooms or not fulfilling the requirements for client accommodation (missing details, black-list, missing ID, more people that were reserved).

Check-out – The process connected with the quest departure and account billing. The whole procedure is described as a standalone standard in the previous section.

Allocation/contingency – Agreement between hotel operator and business partner for a specific amount of room on predefined dates. Tour operators or huge corporations mainly use the allocation. The allocation consists of the capacity, in many cases predefined rates, services structure, and release date.

Release date (Cut-off date) –Predefined date for allocation, which allows the hotel operator to sell the allocated capacity freely. Until this date, the capacity is guaranteed to the business partner. The release date is specific for single allocation and might have the form of a fixed date or relative date, which showcase the number of the day before arrival. The relative release date is connected with higher flexibility for a business partner.

Walk-in – In some cases, walk-ins are defined as a standalone market segment. The walk-in reflects the situation when the client comes directly from the street without a reservation. For this client, the RACK rate is commonly offered.

Cancellation Policy – Set of rules used for demand management. The cancellation policy showcase the possible reservation changes and the relative dates for these specific changes.

Cancellation Charges – Based on the reservation policy, in some cases, the clients are charged a specific amount of money. If the reservation is not guaranteed, It might be hard to enforce the charge (accepting an unguaranteed reservation is not recommended). For guaranteed reservations, the difference between guarantee and charge is refunded.

Prolonged stay – When the client is satisfied or needs to stay at the destination for longer, the demand for a stay prolonging might occur. The client is price-insensitive (if the price is not significantly different), and the distribution and housekeeping costs might be reduced. The number or a relative number of prolonged stays is crucial for "Overbooking" estimated.

Shortened stay – In case of guest dissatisfaction with an unpredictable situation, the stay might be shortened. Based on the situation, the FOM should select the most suitable procedure that sticks with the cancellation policy and terms of trade.

Overbooking – The situation when more rooms that are physically available are reserved. The overbooking strategy is an overly complex and sophisticated approach to demand management that considers cancellations, no-shows, allocations, prolonged and shortened stays and the overall behaviour of hotel guests.

Skipper – The person intends to leave without paying for the consumed services. The practice tries to avoid skippers by pre-authorising credit/debit cards or guaranteed payments. However, in many cases, when the services and the during-stay consumption are charged on the room account, the clients can leave without payment and proper check-out.

Pre-authorization – This is an allocation of the specific amount on the credit/debit card of the client that serves as a guarantee for the stay. The authorization is cancelled based on the company terms and conditions or no longer than the reservation is fully paid.

Up-selling – Sales technique based on offering the better room type (the more expensive one) than was reserved by the clients. The benefits are promoted to the client to fit better the needs. In many cases, this technique is used when the reserved room type is fully occupied and the staff wants to avoid the walk-out of a free-of-charge room upgrade. Currently, up-selling is also used to describe all the sales activities that lead to higher revenue generated by the reservation.

Gratuity – Free of charged services.

Cross-selling – Sales technique that promotes other services offered by the accommodation facility (wellness, F&B and others) or its partners.

Expected Arrival List – The list of reservations/hotel quests is expected to arrive today. The list is as well used to maintain the no-shows.

Expected Departure List – The list of reservations/hotel quests that are expected to leave today. The list is commonly connected with the overview of the stayovers.

Rates and meal plans

The following set of terms is focused on various types of room rates and meal plans offered to hotel clients. The different rates might be perceived as well as stay restrictions that are described in the following section of the terminology overview.

RACK – The price of the hotel room is presented physically at the front desk. The rate is commonly described as the opposite of the *BAR (Best Available Rate)* as the highest rate publically available. In many countries, this rate is required by laws or directives. RACK is offered to *walk-ins* (see their specification as a marked segment for further understanding).

BAR – Best Available Rate is not the best rate offered by the accommodation facility but the best publically available rate. Within e-commerce, the *rate parity* is no longer required by the mutual agreements, and the BAR describes the online rate, even though there are differences in the rates on various online distribution channels.

NR – Non Refundable rate is connected with a property-specific discount (commonly 10 %), advanced accommodation payment, and other services without the cancellation policy. The payment is not returned to the client when the reservation is cancelled.

MLOS – Minimum Length of Stay can be used as a discount for longer stays and as a stay restriction, where the revenue managers try to target specific customers. Commonly, this restriction is used to avoid short stays.

CORPRATE – Corporate Rate is an agreement between the hotelier and corporate partners that guarantee special rates and services structure. Fixed rates are becoming more flexible, and discounts from BAR are offered to avoid revenue loss in a dynamic environment.

Complimentary Rate – Free of Charge accommodation provided to business partners.

House Use – Special rate or even gratuity offered to hotel employees of close partners.

Opaque Rate – Non-visible, time-limited and quest-specific offer. Sometimes described as well as the ad hoc rate.

Incentive Rate – Special discounted offer to loyal business partners who might provide their employees, families or other business partners with a company-specific discount code that stimulates their demand for hotel services.

Group rate – For the leisure or corporate groups, special rates are offered based on the group budget and revenue managers' willingness to sell the bulk of the rooms. The group rate is commonly lower, but the average room rate for specific occasions might be even higher.

Rate Parity – The strategy of using the same public rates on the online distribution channels. Rate parity is no longer part of the agreements for the OTAs but might be found in the contract with other distribution partners. Rate parity can be described as rate equality. The client's final decision is not influenced by the price stimuli but by the distribution channel convenience.

Rate Disparity – Contrary to rate parity, the channels are differentiated by the presented price, and the preferred channels offer better rates and conditions or services. Therefore, a customer's decision is mainly affected by the price stimuli. On the other hand, a higher rate of disparity might cause confusion and loss of the customer.

Full Board (American Plan) – The room rate is complemented by the three daily meals (breakfast, lunch and dinner). The rate is charged, including these meals.

Room Only (European Plan) – The room is charged separately without other services.

B&B (Continental Plan) – The room is charged, including breakfast. The plan is the most common; for further reporting, it is crucial to administer the room revenue and other revenue separately.

All-Inclusive – Special plan that contains not only the accommodation but all the other services, charges and taxes. The range of services must be clearly defined to avoid service over usage and revenue loss.

DDR – Delegate Daily Rate is a rate used by the event planners to set the average rate of a set of services (accommodation is excluded) on the delegate for a day of the event. For shortened events, the Half DDR of 8 Hours DDR is used.

Charging, Charges and taxes

Customers' stay in the hotel room or generally in the hotel is directly linked to several taxes, charges or other payments. The main idea of this e-book is to present the most common and crucial ones for front office operations. The list is incomplete but proposes the main idea behind selected taxes and charges.

Late Charge – The transaction posted on the room account is already checked-out.

No Post – Special functionality that disables posting the charges on the room account from other departments of other systems.

Void – The cancellation of the charge posted on the room account. In many PMS systems, the payment can be voided only during the day of account posting.

Stay Taxes – In many countries, the stay (local) taxes are applied to support local administration or the government. The hotel quests commonly pay the local taxes (the tax is excluded from the room rate and paid separately), collected by the accommodation facility and monthly given to the administration body.

VAT – Value Added Tax connected to various products and services. All the items in the PMS account must be charged with the correct VAT.

Damage Charges – During the stay, the hotel quest might damage the inventory of the hotel room. During the housekeeping or maintenance, the proper check must be done, and any damage must be documented. Damage charges or refunds are applied during the stay or during client check out. The client must be informed about the whole situation and the requested amount.

Room Key Loss – In many hotels, room keys (cards) are given to the hotel client with the condition of their return. When the key is not returned, a key loss charge is applied. This charge should cover the lock exchange or card deactivation and reactivation.

Routing instructions – The rules used by the hotel front office employees are based on the agreement with the business partner. The rules are applied while charging the quest of the company account and directly link the groups of the accounts with the account owner. For example, corporate reservations can be used, where the accommodation is paid for by the company (including basic restoration as breakfast) and the rest of the consumption is paid for by the client himself.

Amenity – Service of product given to the client at no charge during the check-in or stay. This product should improve the overall guest experience and comfort of the stay.

Crib Charge – Special charge for a crib given to the quests with a kid under five years (the age limit should be directly set by the hotel management and the amount charged for such a service).

Extra Bed Charge – Surcharge is lower than the average guest rate for providing an extra bed in the hotel room.

Housekeeping and room statuses

While managing the reservations, registration or stays of the clients, it is crucial to understand the room statuses and the housekeeping services. The following set of terms is directly describing the statuses of the hotel's rooms and their understanding.

Occupied – The room is occupied by the hotel guest who stays in the room.

Stayover – The quest is not expected to check out this day. The room will remain occupied for at least one more night.

On-Change – The quest has departed/checked out, but the room is not yet cleaned. The room is not ready for quest allocation.

Do Not Disturb (DND) – The quest requested not to be disturbed.

Cleaning in Progress – The room attendant is currently cleaning the hotel room. When using proper housekeeping applications or real-time notifications in the PMS, the other employees can track the actual status of the room and estimated time of room preparation for quest allocation.

On-queue – The Cleaning is in Progress, but the client has already arrived and wanted to check in. In this situation, there is a need for proper communication and up-to-date request solving.

Vacant & Ready – The room was cleaned and is ready for the next quest.

Inspection – The room was not occupied for a specific number of nights (commonly three nights) or touched. The level of cleanliness needs to be checked, and the status changed to dirty or inspected. Inspected room guarantees the standard cleanliness level but was not cleaned that day.

Touched – When the room was touched, someone entered the room, and the room attendant or housekeeping supervisor needs to check the level of cleanliness (inspect to room status).

Dirty – The room is labelled for cleaning. The whole cleaning procedure is highly standardized as it relates to room maintenance.

Sleep-out – The room is allocated to a hotel guest, but the bed was not used. The client slept outside.

Out-of-Order (OOO) – The room out of order is not sellable and is deducted from the hotel's inventory. There are several reasons why the room is OOO, for example, refurbishing, maintenance or proper extensive cleaning.

Out-of-Service (OOS) – Contrary to the OOO, the room is not deducted from the hotel capacity but cannot be occupied at this time. Some maintenance action is needed (TV remote not working, damaged light bulb etc.).

Did Not Checked-out (DNCO) – The room is formally occupied as the client did not checked-out, but the account is settled. Thus, the reservation status is not the skipper.

Late Check-out (LC) – The quest can check out later than the standard departure time. This service is commonly given to business clients or those quests when the capacity to allow operational room allocation. In some cases, for this service, the clients are charged.

Early Check-in (EC) – On specific occasions, the client is allowed to check in early, which is the standard time set by the hotel. The description is similar to the Late Check-out.

Service Refused – The cleaning of the room was refused by the client, directly by stating that with the door stamp or indirectly using Door Lock (DL) or Chain Lock (CHL).

Guests and Market Segments

When working in the front office, it is crucial to understand the difference between the hotel guests, even though the service level/quality should be maintained at the highest possible level. Therefore, proper market segmentation is a crucial activity for hotel marketing and revenue managers and directly highlights the specific needs of the market segments. As for the previous parts of the dictionary, we propose only the most common market segments and their brief specifics. For example, a comprehensive description of the market segments can be found in the book "Hotel Revenue Management: From theory to practice" by Stanislav Ivanov (2014).

Frequent Individual Traveller (FIT) – The market segment that is directly connected to e-commerce and online sales, where customers tend to use the Best Available Rates, book for vacant times, travel during holidays, and individually. The length of stays is shorter (ranging from 1 to 6 nights), and the customers use as well other services of the hotel when necessary. In the context of revenue management, this segment is sometimes labelled as a leisure individual.

Leisure Group – Leisure groups are mainly concentrated in the season of the high tourist demand while the stays range from 7 to 14 days. The rate is proposed to the intermediate, the tour operator (TO), who has already created the package of services. Therefore, there is a low expectation of up-selling and usage of other services that are not included in the package. When arriving, in many cases, the TO already shared the rooming list (complete details about the clients and their allocation in the predefined hotel rooms, which should speed up the whole check-in procedure). The group has different check-in times in some hotels to avoid queuing in the property's lobby.

Corporate individual – Business trips and corporate travel are great sources of income during the weekdays. The accommodation is connected to the special conditions of cooperation (*Corporate or Routing instructions)* based on the mutual agreement with the company. In addition, corporate clients are commonly given special services like early check-in, late check-out, and office services specially rated for other services provided by the hotel.

Corporate group – Group of corporate clients ranging from small meetings to large and hallmark events/conventions. Sometimes, this segment is labelled as MICE (Meetings, Incentives, Conferences and Exhibitions). The rate is based on the company budget or *Corporate,* and with connection to the events, other services are charged as a package – for example, *DDR.*

SMERF - Acronym for Social, Military, Educational, Religious, and Fraternal. The specific market segment might be connected to the special condition of stays.

Non-quest – The clients are not interested in accommodation services, but the other ones provided by the accommodation facility.

VIP – VIPs are commonly listed within the PMS with the notation about their status. Special procedures are prepared for them. Please check the procedures for VIPs in your hotel.

FAM Trip – Familiarization trips are commonly used to promote the hotel or other accommodation facility to the tour operators and their representatives when starting a new partnership or to enter new markets. The tour operator's representatives of other partners (can be targeted on event managers or other corporate clients) are given the full service free of charge to be familiar with the services and their quality. This costly way of hotel promotion can be the most powerful one as the representatives can directly experience the stay in the hotel. They are treated as VIPs to promote the business.

PRESS Trip – The press trip is similar to the familiarization trip. The only difference is in the targeting of the event on the communication houses that can promote the specific hotel abroad or in other local destinations. Currently, hotels are targeting influencers as well that have great reach.

Crew – Hotels close to the airports with a great location to the airport can benefit from this segment as the crews of flights are given full service in the hotel and a high level of flexibility.

Blacklisted quest – The quest that is not allowed to stay in the hotel. Mostly because of the previous stay and behaviour that occurred during that stay. In some cases, the poor credit history of the client is shared within the chain to avoid the unwanted loss of revenue.

Basic KPIs – indicators of hotel performance

As we understand the front office employees' terminology, we should be reporting the hotel's performance in some cases. In this instance, it is crucial to list the basic key performance indicators with the description.

Occupancy rate – The ratio of occupied hotel rooms to available hotel rooms. In the calculation, it is crucial to distinguish between available and total rooms. Available rooms are calculated from the total rooms subtracted by the rooms out of service. As the KPI is rate, the final number must be multiplied by 100.

Market Penetration Index (MPI) – Several indices are used to compare our hotel's performance to the market competition. MPI compares the value over one means of overcoming the competition. Values below one showcase the situation when the competition performs better.

Average daily rate (ADR) – The revenue generated by the accommodation services divided by the hotel room sold. The calculation does not consider other revenues and costs.

Average Daily Index (ADI) – When comparing the performance towards the competition, indices can be used. For example, ADI divides the hotel ADR by the average ADR of the competition set. The final evaluation of the results is the same as MPI and RGI.

Average Guest Rate (AGR) – The revenue generated from the accommodation service is divided by the number of hotel guests. Similarly to the ADR and AGR, other indicators can be created to divide the generated revenue into other variables.

Revenue per Available Room (RevPAR) – The calculation of this KPI is nearly the same as for the ADR. The difference is in the denominator, where all the available rooms for sale are included (see the Occupancy rate for the description of the difference between total and available rooms). Another way of calculation is multiplying the ADR by Occupancy Rate.

Revenue Generation Index (RGI) – Similarly to MPI and ADI, this index is used to benchmark the hotel performance towards to market in connection to the RevPAR calculation. Interpretation of the results keeps the same for all three KPIs.

Total Revenue per Available Room (TRevPAR) – This KPI also considers other revenues from other departments. Therefore, the results should be higher than RevPAR.

Gross Operational Profit per Available Room (GOPPAR) – Both previously mentioned KPIs are connected with the revenues of the specific hotel departments. Still, none of them considers the costs connected with hotel operations. Gross Operation Profit is a simple difference between hotel revenues and costs. Again, divided by the available rooms. GOPPAR more

precisely describes the facility's current status and creates a better point of view on hotel operations and its profitability.

Cost per Occupied Room (CPOR) – The total costs allocated to the accommodation services are divided among the occupied rooms. The ability to calculate these average costs leads to better pricing of the hotel rooms and their distribution.

Revenue per Occupied Room (RevPOR) – The difference to RevPAR is in the use of occupied rooms. The calculation stays the same.

Information Technologies and Distribution Channels

The last section of the terminology is dedicated to the information and communication technologies and distribution channels specific to the hospitality industry. Finally, the core system is described and its functionality in connection to the front office operations.

Property Management Systems (PMS) – The core of hotel operations. In the past years, the PMS was mainly perceived as a tool for reservation handling based on the database of the clients (currently, we can call this system a receptions system or a tool). Modern PMS are giving the hotel operators more functionality connected with comprehensive hotel operations management. The data are stored in a central data warehouse and accessed by the different employees on a different levels of detail/granularity. The whole system should support all the activities of the hotel. From the front office's perspective, the system is mainly used for customer relationship management, reservation handling and reporting.

Point of Sale – Restaurant System (POS) – There is a strong analogy with the PMS as the POS can be labelled a comprehensive restaurant system. All the restaurant functionality should be connected to a central node supporting operational, tactical and strategic decisions. Regarding front office management, it is crucial to exchange the details about hotel guests, their preferences, and purchased meal plans. Oppositely, the data about the consumption in the hotel restaurant can be transferred to PMS and let the client pay at the end of the stay. Close cooperation between the front office and F&V is also needed while providing the client with room service.

Global Distribution System (GDS) – One of the first complex distribution channels used mainly by airlines. The GDS is working on the B2B (Business to Business) principle, where the final client purchase the accommodation as part of the package from the intermediate (in many cases, the TO of the travel agent/agency). From the hotel perspective, we can reach global customers, their higher volume, but with higher distribution costs and lower rates. For example, we can list Sabre, Amadeus, Galileo or Worldspan.

Online Travel Agency (OTA) – Travel agents were formerly the intermediaries who purchased the capacity from the GDS. Their functionality was derived from the functionality of the GDS but currently provides a better user experience, more visually attractive interface, reviews and many more to the final clients. The distribution through the OTA can be direct (direct agreement with the commission-based distribution model – the commission is paid at the end of the month for all the checked-out reservations, or netto distribution model – the OTA collects the payment and after check-out is paid out to hotel without the agreed commission) or indirect, where the OTA is using the capacity allocated to the different distribution channel. When working with the intermediaries, it is crucial to check the status of the reservations, document any changes and inform the OTA through the extranet about them (no-show, for

example). The distribution might be costly; the hoteliers tend to transfer the customer from OTA to more direct channels.

Tour Operator (TO) – The travel packages' creator mainly targets the best tourist dates and locations. The agreement about the allocated rooms and the conditions is created in advance (sometimes more than a year before planned arrival). In this sense were are talking about the high number of reservations with lower than market rates.

Web Booking Engine (WBE) – The booking engine on the hotel website is a crucial tool for the hotel's direct online distribution. With respect to the functionality of the OTA, the hotel websites underwent huge development in recent years to deliver a better experience and faster booking process. However, the absence of the booking engine can repel the clients from the website. Therefore, third parties always provide the WBE.

Meta Search Engine (MSE) – These search engines search through the predefined (pre-indexed) distribution channels and add the dimension of rate comparison to search results. The final reservation is the note directly created on this website, even though there are trying different integration to make the customer journey more convenient.

Channel Management Systems – Having more online distribution channels might be time-consuming in capacity and rate updates. The channel management tools connect the selected online distribution channel into one hub, which is then used to manage the inventory, rates and reservations on the connected channels.

Concierge application – In many hotels, the concierge is not part of the Front Office team. However, the hotelier still wants to actively provide the clients with a wider portfolio of services and information. In this case, the clients might be instructed to download (or log into the web applications - depending on the provider of such a solution) the app, where the requests might be handled during their stay. There is always a user (hotel employee) whose responsibility is to handle these requests.

Guest journey application – Is having wider functionality than the concierge apps, where these provide the quest with the ability to check in online before arrival, use the phone as a room key, and handle the requests during the stay and check-out without meeting the front desk.