Hoteliers Start to Mimic Airlines—Uh-Oh

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By
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Hidden hotel “resort fees” are a comparison shopper’s nightmare. These extra charges can cover everything from gym access and “free” internet to local phone calls and even towels. Often such fees are mandatory, meaning they are added to the bill regardless of whether the traveler uses the service or facility in question.

The result is to mislead customers about the true cost of a night’s stay. In large cities like New York, San Francisco and Los Angeles, resort fees have jumped by 70% in six months.

The trend suggests that the hotel business is drifting toward the kind of economics that define the airline industry. The “big six” hospitality mega-chains—IHG, Hilton, Marriott, Choice, Wyndham and Hyatt—have gobbled up 60% of all U.S. hotel rooms. Now they are adding fees that resemble the baggage and ancillary charges assessed by the “big four” airlines.

Some hotel consultants have explicitly embraced the comparison. “Similar to their airline brethren,” Daniel Lesser, CEO of LW Hospitality Advisors, wrote last year in Hotels magazine, “I firmly believe lodging owners and operators need to be more concerned with economic yields as compared with service and guest satisfaction.” He was even more candid in another post: “I believe the lodging industry should nickel and dime the same population that flies and/or cruises.”

The issue is coming to a head because Marriott International is stonewalling a national investigation by the attorneys general of 46 states and the District of Columbia into “deceptive price advertising techniques.” In June, the D.C. attorney general sent a petition for enforcement demanding that the chain respond to a subpoena it has been sitting on for more than a year. It states that “to date, Marriott has not cooperated in this investigation,” refusing to turn over documents such as copies of internal fee policies and an explanation of how the revenue is reported in its earnings. The petition is pending with the D.C. Superior Court.

The Federal Trade Commission has also advised hotels to tread carefully with what it calls “drip pricing.” In 2012 the FTC warned 22 hotel operators—it declined to say which ones—that their websites “may violate the law by providing a deceptively low estimate of what consumers can expect to pay.”

A study released this January by an FTC economist explained the danger: “Separating mandatory resort fees from posted room rates without first disclosing the total price is likely to harm consumers by artificially increasing the search costs and the cognitive costs of finding and booking hotel accommodations.”

These warnings have clearly failed to convince the big six hotel operators to change course. Two years ago, 10 members of Congress wrote the FTC calling such fees “unfair and deceptive” and asking that they be banned. “Phones and tablets do not lend themselves to extensive disclosures,” they wrote, “and consumers are not well served by budgeting for one fare while being presented with another.” The Federal Trade Commission and state attorneys general should act swiftly to ensure that all mandatory fees are included in advertised room rates.

Mr. Leocha is president and founder of Travelers United.