Hotel Management Issues

Andra Teodorescu

Rachel Bittar

**What would you say have been the biggest changes in hospitality law affecting hotel owners in the past five years and what would you opine are the two biggest issues hotel managers face in the coming year?**

* We continue to see employment cases take front and center. I put great weight on this as we only review cases that have gone through the judicial system so we are seeing only the tip of the iceberg. There must be many, many more that get settled or fizzle out long before a court hears the case.
* Employers must be mindful that they must ALWAYS conduct themselves with fairness and be professional.
* They must respect all employees and not play favorites.
* The workplace is not the place to allow one's true self to emerge, even in a free country. Too much is at stake and businesses and reputations are always at risk. One's guard should never go down.
* Constant employee training is crucial and should not be cast aside when budgetary times are challenging.
* As with all other cases (premises liability comes to mind), employers must take a proactive stance and steer clear away from potential liabilities. Preventative mindset is key. Not to live in fear about doing the wrong thing; everyone makes mistakes. But the hope is to minimize these mistakes and learn from them.
* Employment issues remain hot, and as such are a mine field for restaurateurs and hoteliers.
* Retaliation, discrimination, sexual harassment, overtime pay, failure to check applicants' credentials and references, and arbitration clauses remain the subject of many a lawsuit. (Hotel owners and managers should) Think prompt and conduct a thorough investigation, followed by appropriate discipline and employee training. This can significantly reduce liability.
* Another topic that doesn't quit is franchising. The contract between the franchisor and franchisee is critical. A franchisee should study it and consult at length with his/her lawyer and accountant to fully understand the undertaking.
* Not infrequently, insurance issues surface in lawsuits. As with franchising, the language of the contract is determinative. Hospitality manager are well-advised to employ their lawyer to review contracts of all stripes before signing. This can save many legal problems down the road.
* Finally, premises liability (negligence) remains a significant cause of lawsuits. Managers cannot for a moment let up their guard when looking for dangerous conditions in and around their facilities.

What would you say are the two biggest issues hotel managers face?

In 2015, a scant 45 percent of Americans planned to take a summer vacation, and even out of those who were planning a getaway, only 35 percent were taking trips longer than a weekend, according to a Marist Poll. Additionally, 30 percent of companies said they were spending less on expensive business travel as a means to cut back expenses. The global recession affected the hospitality and travel industry just as much – if not more – than any other sector, as both consumers and businesses were hesitant to spend money on travel and lodging.

Fortunately, the global economy is improving, which means consumers and businesses are growing more confident about their financial situations. For those in the hospitality sector, this is a good sign, as it may translate into more money spent on vacations or business trips. That said, increased activity may lead to an increased chance of risks. The hospitality sector faces a variety of potentially damaging threats that hotels need to contend with, particularly as they deal with an influx of new leisure and business travelers.

**Top Four Risks**

**1. Data privacy**

Cyber security has been a big concern for a number of sectors, ranging from power and utility companies to government organizations. While those specific industries are more concerned about cyber terrorism, the hospitality business is more focused on preventing data and identify theft.

Hotels collect a lot of information about their guests to insure themselves against damages and to fuel their own rewards programs. This makes them popular targets among cyber criminals and hackers, as a single breach could result in hundreds or even thousands of pieces of guests’ personal information (names, addresses, social security numbers, etc.) and payment details being compromised. Because of this, they need to make sure this data is protected against fraudsters.

“Many segments of the hospitality industry have rewards programs that encourage customers to frequent a particular establishment or chain,” ThinkRisk explains. “These programs necessarily store personal and financial information in order to facilitate reservations, billing and payment and benefit awards. In addition, online reservations and payments as well as transactions processed on-site involve collecting credit card or other personal financial information from customers.”

A security breach has huge ramifications. At the very least, businesses are required to contact other guests (past and present) and inform them that their data may have been compromised – this alone can be costly and may also lead to brand damage. If stolen data is used by fraudsters, the businesses may face liability claims for failure to protect data and maintain reasonable safeguards.

As more hospitality and travel companies use digital systems to automate tasks and manage their data, they need to be aware of the potential risks these solutions bring to the table.

**2. Guest behavior**

Guests represent the fuel for any hospitality company. Without guests and travelers, these businesses wouldn’t make any money. However, guests can also potentially be the biggest threats – both directly and indirectly – to profitability. Lawsuits from people who are injured or damage to guestrooms can represent a big risk to the bottom line.

Take, for example, Plim Plaza. In October 2011, the Maryland Department of Health and Mental Hygiene discovered Legionella bacteria in water collected from various locations. Six people fell sick because of the disease, and one of them died. The California-based hotel chain was later sued for $6 million by those who contracted the disease.

Another instance of guest risk occurred when the owner of a Hilton condo dropped several beer bottles over a railing. The bottles caused more than $10,000 worth of damage to the hotel’s pool and hot tub, which had to be closed and drained to clear any glass. Additionally, some glass landed on the roofs of other buildings, causing further damage, Hospitality Risk Solutions adds.

Hotels should have internal controls in place to handle guest destruction and ensure travelers’ safety during their stay. Small things, such as closer management of property and resources, can prevent incidents like this from happening in the first place.

**3. Staff**

Staff is another critical risk. During the recession, many employees were rooted by their jobs because it was so difficult to find work elsewhere. As the economy improves, staff will have more options both in and outside the industry. This means hotels are at greater risk of having their key personnel poached by their competitors. Hiring and retraining are options, but they come with additional expenses.

Travel and hospitality companies need to address any demographic, wage level and worker satisfaction issues to ensure their staff remains motivated and content. Creative companies are coming up with new retention plans and innovative strategies to help keep employees engaged.

At the same time, hoteliers also need to ensure their employees aren’t actively working against them. Property theft is a big issue at many hospitality companies, given the number of amenities they deal with on a daily basis. While a stolen towel might not seem like much, theft adds up over the course of the year – especially if hotels are part of a larger chain.

**4. Branding**

Hospitality companies rely on their brands to drive customers. Popular brands such as Hilton or Marriott are familiar with customers and have become trusted names in the market. They also tend to be very protective of their brands and aren’t afraid to throw their weight around when another company tries to infringe on their trademarks.

For example, the Hilton Prestige Portfolio led to a copyright infringement lawsuit from Prestige Resorts & Destinations, which alleged that Hilton infringed on its trademark and claimed unfair competition.

The number of risks that hospitality businesses are facing is on the rise. It’s paramount that companies take advantage of a risk management software that can help to discover these threats before they negatively affect business.

The other major problem is outside influences over which we have absolutely no control :

1. **Terror attacks** in this country or in any other that guests from other continents think are next door
2. **Volcanic eruptions**, where everyone cancels and expects us to act as their insurance company
3. **Strikes of trains**, air traffic controllers or indeed taxis !
4. **Weather** - flooding, snow, sun etc etc
5. **Events in the city being cancelled** - large conferences, concerts, marathons