HVS

MARKET REPORT

An Ounce of Prevention is Worth a Pound of Cure

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Hotels should go above and beyond their competitors to sell peace of mind. In return for taking better care, hotels should benefit from better internal control procedures, measurable payback and considerable goodwill.

This article was reprinted with permission from Hospitality Upgrade Magazine and was first published in the Spring 2002 edition. The hospitality industry is acutely aware that security is a top concern for today's traveling public. Risk management, loss recovery and fraud prevention are all byproducts of increased security that global businesses are focusing on today. Hotels and hospitality companies should be no exception. Ironically, hotels have attempted to limit their liability by not providing a higher level of security. Removing video cameras from parking garages and guest corridors is one strange measure hotels have taken in recent years but face it, those court cases were won in a very different era. Hospitality companies will increasingly be held accountable for the well-being of their guests. In addition to the safekeeping of their guests and guest's personal effects, hotels should be doing everything possible to protect the sensitive data that they are capturing through improved CRM. Legal precedent is changing, along with our inherent desire for security and hotels should go above and beyond their competitors to sell peace of mind. In return for taking better care, hotels should benefit from better internal control procedures, measurable payback and considerable goodwill.

Motive and Opportunity According to a 1999 study published by Arthur Anderson, U.S. businesses lose approximately $400 billion per year due to traditional fraud. Unfortunately, the hospitality industry is not immune from this phenomenon. The motive? Let's face it, when economic times get tough, people steal things. The opportunity? Guests and employees alike will still steal from hotels if they see glaring loopholes in accounting procedures, inventory management, or storage methods for supplies and valuables. In many cases, hotel guests don't steal directly from the hotel, but accuse hotel staff of stealing or losing a very valuable belonging. Guest motives for stealing might include their belief that they have paid an exorbitant room rate, received poor service, or they are under the false impression that hotels have lots of money to loose because they witness wasteful practices. The opportunity is uncovered and further justified by the less ethical who suspect that hotels have little means of defending themselves. It is a well known fact that hotels pay substantial amounts of fraudulent claims on goodwill and fear of negative publicity. **Laptops with Legs** In-room guest safes have become the norm in most branded properties, but have you ever peered into an unoccupied hotel meeting room to see half a dozen laptop computers sitting unattended? Schemes to steal computers, principally laptops, account for $1 billion in losses each year. Hotels are a prime target for laptop theft rings. If a guest has their laptop stolen, it's not just the replacement cost of the computer the hotel has to worry about. The guest may seek compensation their lost

documents, data, and productivity. One can imagine how this gets pricey, but even $3,000 for a top of the line computer is a small price when compared to the potential lost business from a company or group that has had such an experience. Laptop attendants or PC Banks are portable, multi-user security devices that can be purchased by a prudent hotel and then rented to a conference group by the day. It's the same principle that security deposit boxes brought the industry in the early part of last century, "we have it, we offered it, you refused it, therefore we're not responsible it." These PC Banks are available from various manufacturers supplying in-room safes to hotels. **Tackling Tracking** In this day and age there are few valid excuses for misplacing guest's tradeshow booths, briefcases, skis, wedding favors, or ground shipments that arrive in advance. Invest in package tracking software system and start accounting for shipping and receiving revenues collected from guests. Revenues, yes, revenues! Hotels can and should charge for this service, it is perfectly acceptable. Some meeting planners have avoided convention center drayage fees by shipping palates to the receiving dock of the host hotel, or worse the front desk. Yet, hotels can bill groups and individual guests for shipping, receiving, and storage but only if there is a highly accurate means of reporting these charges. A clear record of these services makes it difficult for charges to be disputed and a clear record can only be provided by an automated system. Shipping and receiving systems provide better internal controls. They also deter theft, because the last person to sign for a parcel or shipment is responsible for its whereabouts. Guest parcels can be distinguished from hotel supply deliveries, but are scanned into the same tracking system upon arrival. Automatic notification is available and accountability is assured until the intended recipient digitally signs as proof of receipt. If parcels are missing, employees should know exactly where in the delivery process they disappeared. A guest cannot claim non-delivery of a valuable item when this proof is so readily available. This accountability is not limited to parcels and it can be easily applied to flower deliveries, concert tickets, and gift baskets. Shipping, receiving and tracking systems not only cut costs associated with lost item claims and rising insurance premiums, but they can help manage an income stream or profit center for the hotel. Extremely affordable, a basic system for a mid-size hotel may cost as little as $5,000 (cheaper than a set of heirloom golf clubs) and installation can often be completed in a single day. Meeting planners and guests will pay nominal fees for this level of insurance and security, and they will continue to generate business for hotels that demonstrate a higher level of competence and control. **Undermining Data** Data security is another issue to which the hospitality industry has not given nearly enough attention. The industry has become obsessed with gathering customer data, yet hotels and hospitality companies have hardly accounted for sizable sales of network security devices and services designed to protect that data. Proactively managing potential security risks on your network begins with a vulnerability assessment, which is the process of measuring and prioritizing these risks. There are a number of companies that will analyze your network (at no cost) to expose any vulnerability and suggest necessary steps to take in making your network safe and secure. Phone calls to a few of these companies confirmed that the hospitality industry hasn't placed much importance on this matter, despite the fact that hotels have been entrusted with credit card numbers, address information, stay patterns and even the number of martinis consumed in the lounge by a frequent and discreet guest. Managers who would never consider sharing their hotel's performance data would be appalled to learn how easy it would be for an adolescent hacker to obtain such secrets! A major security breach will cost an unsuspecting hotel a lot of money, not to mention severe damage to the public's trust. **Take Heart** Hoteliers should investigate the benefits of having an automatic external defibrillator (AED) on site for a positive image with guests, as well as employees. The typical business traveler fits very closely with the greatest "at risk" profile for cardiac arrest. In addition, they're away from home, under greater stress, not getting a lot of exercise and have just left a plane and airport, both of which likely have AEDs. Whether or not a liability exists for not having an AED is something each hotel should discuss with their risk management group, but in the last five years several large payments were made to settle suits against Lufthansa, United Airlines and Busch Gardens for not having defibrillators. See www.hearthosp.com for more information on AEDs. Despite apparent risk mitigating opportunities, many hoteliers

tend to wait for a substantial loss or high-profile law suit involving another hotel before they go shopping or consider their own investment. This article has presented some economical products and services intended to reduce a hotel's liability in an increasing litigious and security-obsessed society. Sure, money is tight for any hotel these days, but a pound of prevention is often cheaper than an ounce of cure. Hotels that put off these investments run the risk of continued monetary loss, as well as damage to reputation and public perception. Ironically, as demand risk-reducing products and services increases, costs for such equipment and services may actually increase in the future and late comers could pay more than forward adopters.