



NEW YORK HOTEL'S POLICY AGAINST NEGATIVE ONLINE REVIEWS BACKFIRES

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In recent years, online reviews and ratings, but particularly the reviews, have become critical to the success of hotels. A New York “boutique hotel” was surely aware of this when it enacted a policy fining guests for negative online reviews, ultimately leading to significant public backlash online.

On August 4, Page Six of the New York Post published an article about the Union Street Guest House (USGH) in Hudson, NY, entitled “Hotel fines \$500 for every bad review posted online.” In a matter of hours, the hotel’s online ratings plummeted, as random Internet users reacted to the USGH’s unique policy.

In relevant parts, the USGH’s policy – previously posted on the hotel’s website – stated as follows:

“If you have booked the Inn for a wedding or other type of event anywhere in the region and given us a deposit of any kind for guests to stay at USGH there will be a \$500 fine that will be deducted from your deposit for every negative review of USGH placed on any internet site by anyone in your party and/or attending your wedding or event. If you stay here to attend a wedding anywhere in the area and leave us a negative review on any internet site you agree to a \$500 fine for each negative review.”

The USGH would reimburse the \$500 once the negative reviews were removed from the internet. But this was trivial to those that caught wind of this policy. News of this policy spread quickly and it spread widely, and, as a result, the USGH’s reputation took a significant hit.

Surveys and research shows online reviews are influential

According to the results of TripAdvisor’s annual TripBarometer survey, released in April 2014, 89% of the 50,637 travellers polled indicated that reviews are influential in their booking decisions. Meanwhile, 96% of the global hoteliers surveyed felt the same way about “generating bookings.”

It is difficult to ignore such statistics and, as a result, many companies have taken steps to generate positive reviews and also to learn from negative ones.

In terms of the latter, on Sept. 22, *The New York Times* ran an article about US hotels actually making renovations based on feedback in online reviews.

Meanwhile, in late 2011, Starwood Hotels & Resorts began integrating guest reviews on its website. Each review is written by verified guests and members of management at the respective Starwood hotels appear to personally read and respond to each review, good or bad. Other companies have since implemented similar guest review programmes.

There are many positives of integrating such a programme, chief among them that Starwood clearly seeks to control its own reputation and not let reviewers on third-party websites dictate its reputation. After all, a recent study from SAS and Pennsylvania State University revealed that reviews are the most important factor for consumer hotel decisions.

Certainly, taking an active role in the review process and trying to prevent negative reviews from causing great harm is important to most hotels. However, attempting to chill speech (i.e. threatening to fine someone for a negative review) is frowned upon, and the USGH learned this the hard way.

Hotel's policy leads to flood of bad reviews, significant reputational damage

An obvious challenge that hotels and other businesses face as far as online reviews go is the potential for bad reviews, once posted online, to remain on the internet indefinitely.

Beyond this, however, the current social media and internet landscape has created an environment in which the public can quickly react, and often overreact, to anything remotely controversial and subject a party (individual, company, sports team/club, governing body, etc.) to major ridicule.

In the case of the USGH, not long after the story broke about the fines for negative online reviews, the hotel saw its reputation drowning in a metaphorical pool of one-star Yelp reviews.

In the early hours of Aug. 4, the USGH had a generally positive set of online reviews and ratings: a 4.2 rating on Google, a four-star average on TripAdvisor, and a three-star rating from a modest 13 reviews on Yelp.

By 11:00 am, New York time, however, a Google search for "Union Street Guest House" showed a one-and-half star Yelp rating average from 107 reviews. By noon, Google listed 353 reviews with the average rating dipping to just one star. Before long, the total number of reviews on Yelp far exceeded 353, actually more than doubling this number.

In a matter of just a few hours, several hundred new reviews had been published to the USGH Yelp page, the overwhelming majority of them accompanied by one-star ratings from enraged Internet users. There were also some five stars from previous satisfied customers who wanted to counteract the one-star ratings, but these did not come close to leaving a dent.

As the story spread to more and more news outlets, the bad reviews increased. Thus, while the instant backlash was a result of bad press, the flood of bad Yelp reviews actually contributed to further bad press.

Some of the Internet headlines included the following:

- "Hotel that fines guest for bad reviews gets a taste of justice" (*New York Post*)
- "This Hotel's \$500 Fine For Bad Reviews Is Backfiring Horribly" (*The Huffington Post*)
- "Hotel threatening \$500 'bad review fee' trolled with spoof complaints" (*The Guardian*)

Several weeks after the story was first published, most of the top results on Google for “Union Street Guest House” remained links to news stories about the USGH policy from the likes of Today.com, Slate, *Time*, *Washington Post*, ABC, Mashable, and Business Insider among others.

Since the vast majority of the new online reviews were not based on legitimate customers’ actual first-hand experiences, Yelp removed them for violating its policies. As of September 26, there were just 39 reviews on the USGH Yelp page. Nevertheless, the average star rating was still just 1.5.

Hotel removes policy, owner says it was intended as a “joke”

Amidst the story going viral and the number of one-star reviews quickly rising, the person operating the USGH Facebook page, which also began filling up with bad reviews, posted a status claiming the policy was a joke, as reported by various news outlets. This status update, too, garnered more negative comments and was soon after deleted.

In addition to the widespread scepticism about this policy allegedly being intended as a “joke,” according to Mashable several people online linked to a November 2013 Yelp review from a guest who said the hotel had tried to collect the \$500 fine from him.

The following day, Aug. 5, the hotel owner posted an apology on Facebook. Chris Wagoner stated he was embarrassed and admitted it was a USGH policy.

“It was originally intended as a joke and never something I told employees to enforce,” he wrote. “However, since it was listed on our website it did represent an official policy.”

Wagoner called the policy a “mistake,” and more specifically “a case of a joke gone very, very bad.”

He added: “I’m a novice when it comes to the Internet and digital communication. That’s by no means an excuse, but a realization that I need to learn and continually educate myself on technologies that affect my business. I vow to do that moving forward to avoid mistakes like this in the future.”

Lessons learned from the USGH policy gone wrong

The case of the USGH is a prime example of why businesses must be aware of the possible reputational impact of a potentially controversial policy (or really anything posted online). A hotel or other company must always be mindful of the legal ramifications of particular policies and contractual language it adopts and clearly it cannot ignore reputational considerations.

Even if a policy subjecting consumers to a fine for negative feedback is considered legally supportable, the reputational harm can be monumental if consumers – or, quite frankly, anyone that can read about it online – feel there is “bullying” involved.

In an email to CNBC, TripAdvisor spokesman Kevin Carter stated:

“It is completely against the spirit and policies of our site for any business owner to attempt to bully or intimidate reviewers who have had a negative

experience. We have sent this property correspondence addressing that issue. It appears that the Union Street Guest House has removed the clause threatening guests with financial penalties from their website. This is a positive result for travelers and free speech supporters alike. TripAdvisor will be monitoring this property going forward and will continue to be on the lookout for policies like this one."

While this USGH situation may be an anomaly, the reality is that this or something similar could happen to any hotel or other business.

It would be naïve to assume that there are not harmful (and often fake) negative reviews. In fact, companies across the globe are being significantly harmed by false negative reviews posted online by bad actors such as competitors and former employees.

However, companies can often learn a lot from genuine constructive criticism online.

Among the early reviews to the USGH Yelp page that morning, Yelp user "John M." stated: "You should avoid anywhere that does not want to improve upon the customer experience and actively avoids any negative, or possibly constructive, feedback as a matter of policy."

Top businesses make informed decisions based on customer feedback, and in many situations there will be an opportunity to win over disappointed clients. Beyond that, sophisticated consumers may be sceptical of a company with exclusively glowing five-star online reviews. Instead, they prefer honest feedback, which may mean some low or so so ratings.

New, proposed US laws aimed at protecting online reviewers

California recently passed legislation prohibiting businesses from having customers sign non-disparagement clauses agreeing not to post bad online reviews.

AB 2365, signed into law on September 9 by California Governor Jerry Brown, subjects businesses to fines for contracts including provisions in which a consumer will waive his or her "right to make any statement regarding the seller or lessor or its employees or agents, or concerning the goods or services."

According to the newly enacted California law, businesses will be fined \$2,500 for a first-time violation, \$5,000 for any subsequent violation(s), and potentially \$10,000 for "willful, intentional, or reckless violations."

This new law is the first of its kind in the United States, but it will surely not be the only one as online reviews continue to play a significant role in society. Just days after AB 2365 became law, a California congressman proposed national legislation similar to the California law, which would safeguard authors of "honest" negative reviews.

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