



Broadband Internet Finally Becomes "Must-Have" Amenity For Hospitality Industry

By Richard A. Diamond ■ *InformaTouch, LLC*

As the Internet became popular in the mid 1990s, and as laptop and notebook PCs became more affordable, travelers began to carry their portable PCs with them on trips away from the office or home, and began to use them in hotels. The early use was via dial-up modems, and in response to the need, hotels installed data ports on the guest room telephones. At the same time, T1 lines were the least expensive high-speed lines that were available, and operated at a constant 1.5 Mbps and cost a whopping \$1,200.00 to \$1,500.00 per month.

tem's vendor and the hotel. The hotel was able to offer a new and desirable service to its guests at no cost to the hotel, and the vendors anticipated making a profit from each installation through the usage of the system.

Even though High-Speed Internet Access was available for a reasonable cost—usually \$9.95 per day—there was a very low "buy rate" (1% to 3%), which after sharing the revenue, did not cover the system vendor's ongoing costs. Thus, the pay-per-use and revenue sharing model failed for those vendors who suffered staggering losses.

sive hotels began to provide an amenity at no charge, other hotels were forced to follow in order to stay competitive. Now, as many hotels are providing "High-Speed Internet Access as a free amenity in guest rooms", it is fast becoming the standard, versus the exception.

High-Speed Internet Lines T1 Lines

As mentioned above, the T1 line from the local telephone company has been the most popular high-speed line choice since the explosive growth of the Internet. A T1 line is an engineered line from a telephone company "Central Office" (CO: a building where all of the local lines converge before they are sent on to the telephone network) to the customer location. A T1 can be up to 25,000 feet from the CO, operates at a constant 1.5 Mbps, and in the late 1990s had a monthly cost of \$1,200.00 to \$1,500.00. These costs have come down significantly over the past few years and many hotels already have a T1 coming in for their business offices.

"Consistent with the history of hotel amenities, as a few of the more aggressive hotels began to provide an amenity at no charge, other hotels were forced to follow in order to stay competitive."

In the late 1990s, high-speed lines became more widely available and at a lower cost with the roll-out of Digital Subscriber Line (DSL) service by the telephone companies, and from television cable vendors via coaxial cables.

Also in the late 1990s, several companies were founded to provide High-Speed Internet Access (HSIA) to the multiple dwelling unit (MDU) industry and to hotels. In the hotel segment, the initial business model was for the vendor to install a system in a hotel's guest rooms, usually at no charge and with a T1 line. The hotel would then charge the guest to use the High-Speed Internet Access service, and the resulting revenue would be shared between the High-Speed Internet Access sys-

The losses forced some vendors to file for bankruptcy and others to re-think and try to change their business models. The hotels with the early systems installed weren't all that concerned, as they had no out-of-pocket costs to have High-Speed Internet Access available, however, this experience in general made a lot of hotels hesitant to deploy HSIA.

This background set the stage, in early 2000, for many companies to introduce low cost, full-featured turnkey High-Speed Internet Access systems for hotels that were interested in offering High-Speed Internet Access, either as a free amenity or on a pay-per-use basis.

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Digital Subscriber Lines (DSL)

DSL lines are available in two varieties—Synchronous (SDSL) and Asynchronous (ADSL). With SDSL, the download and upload speeds are at the same rate, or synchronous. SDSL line speeds are usually a minimum of 384 Kbps, and can go as high as 10 Mbps. Because of the constant speeds and the high upload speed, SDSL lines are usually more expensive than ADSL lines.

With ADSL, the download speed is usually significantly higher than the upload speed (it is more difficult to achieve upload speed). A typical home or small business ADSL line will operate at a floating download rate of be-

tween 384 Kbps and 1.5 Mbps, with an upload speed at a constant 128 Kbps. While the download speed is "cableable," most offerings in the marketplace let it float based on total system usage saturation. Entry-level "business" ADSL lines are the same as home lines except that they usually have static IP

High-Speed Internet Access via a cable company. Cable mixes data with the regular TV signals and can be provided to any location where their coaxial is installed. It usually is configured in a fashion similar to ADSL where the download speed is higher than the upload speed. Cable High-Speed Internet Ac-

Pay-Per-Use and Revenue Sharing

As mentioned above, the pay-per-use model was driven by the early vendor's need to generate revenue to pay for the system that they usually provided to the hotel at no cost which was the traditional "pay per view" installation model used by companies such as LodgeNet and OnCommand. The revenue sharing element was a further incentive for the hotel to allow the vendor to install their system. As indicated above, as the take rate was very low, the hotel's portion of the revenue sharing has been rather insignificant.

Today, there are few, if any, new installations where the vendor will install the HSIA system at no cost to the hotel, and many of the earlier vendors like Wayport and STSN are now re-working their business models to attempt to generate some needed revenue to cover their infrastructure's ongoing operating costs. These vendor's business models are under further pressure as the "High-Speed Internet Access as a free amenity" trend accelerates. Best Western recently announced that 2,300 properties will offer HSIA free to guests and currently, Marriott Courtyard is offering free HSIA to guests at all of their properties (over 500).

Free Amenity versus Pay-Per-Use

The early pay-per-use business model has demonstrated that the hotel guests are not very likely to pay for Internet access that they can get for free via dial-up, and with the aggressive competitive trend rapidly shifting to providing High-Speed Internet Access as a free amenity, most hotels are actively looking for cost effective systems to deliver High-Speed Internet Access.

When a hotel provides High-Speed Internet Access as a free amenity, it usually gains a competitive advantage over its neighbors that do not provide free High-Speed Internet Access (or any HSIA), and everyone avoids the cost and hassle to implement and use a pay-per-use approach. However, recent industry trends indicate that HSIA is fast becoming a required FREE amenity for business travelers.

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addresses to support the routers that are usually at the customer end of the line (to support LAN and other networking equipment that is typically in business environments).

Today, DSL is available in most locations in the US, with an entry-level business ADSL line costing less than \$100.00 per month. Some of the newer business ADSL lines have speeds 1.5 Mbps—6.0 Mbps down, and 1.0 Mbps up, and only cost several hundred dollars monthly. The main technical drawback to DSL is that the signal strength and quality tends to degrade severely from about 15,000 feet out from the telephone company's "central office" (CO). New amplifier and repeater technology is being installed to push the effective limit well beyond the 15,000 foot range, but will take some time for all of the telephone companies to have it in place in most locations.

Cable Lines

While a T1 line is generally available everywhere but relatively expensive, and where DSL is less expensive but may not be available, the alternative is

cess is usually priced to compete with the entry-level home and business ADSL offerings. Cable High-Speed Internet Access vendors usually have both home and business accounts, and higher speeds are available. A drawback of cable-based High-Speed Internet Access is that the speed tends to degrade when there is a high subscriber base within a "node" and when more of those users access the line simultaneously. In general, that saturation/speed decline situation has not been evident because most nodes have not reached subscriber saturation. In addition, cable-based High-Speed Internet Access is usually "open", or not secure by its very nature.

The typical usage pattern of Internet users in a hotel is usually skewed to needing more download speed than upload speed. Most hotel guests check and send email, and do light Web access in the morning and evening hours. Thus, the raw speed (bandwidth) needs for a hotel are not very high, compared to an office environment where many people are accessing the Internet actively and continuously throughout the day.

Wireless Equipment versus a Wired System

Wireless is a very hot topic and it is getting a huge amount of hype by Intel, Microsoft, Cisco and other gear manufacturers. Generally, a wireless system is less expensive than a wired system as the wireless system needs fewer wireless access points to broadcast the signal throughout the property and the installation is quicker as well.

Many HSIA vendors will do installations with a mix of wired connections in guest rooms and wireless broadcast in common areas. However, wireless systems currently have several drawbacks in a hotel setting. The first drawback is the security issue. As most wireless systems are not as secure as the wired solutions, it creates a potential liability exposure for a hotel. While hardened wireless systems have been available for some time, it is only really effective in a highly controlled situation—where all the users and the server have the same encryption software to protect the transmissions. This issue has received much attention and several solutions have been implemented so be sure to discuss this with your HSIA service provider.

The second drawback is the current level of wireless users. Even though most of the new notebook PCs have wireless as a built-in feature, the new notebook PCs only represent a small portion of the total number of notebook PCs being carried by travelers. This is similar to the situation several years ago where a majority of the traveler's PCs had a modem, but only a few had Ethernet capability (either via a PCMCIA card or built-in). With only a modem, travelers could only use the data-port on the telephone and not a high-speed connection.

Wireless cards do require installation and configuration steps to use, which could create a situation where the hotel could be exposed to the possibility that the guest will not install or configure the card properly and blame the hotel for the resulting changed configuration with their PC.

It is apparent that the reality for ho-

tels to safely and effectively use a wireless system is a few years away, and in the mean time, a wired system is the best way to go. Many of the wired systems offered by HSIA vendors are inexpensive enough that a hotel could use them for a few years and then move to a wireless system when secure wireless HSIA becomes more commonplace. ■

About the Author

Rick Diamond is President of InformaTouch LLC and has over 25 years of expe-

rience in the hospitality, broadband and telecom industries. InformaTouch's products and services are aimed at the hospitality industry by enhancing the traveler's experience. InformaTouch offers a secure wireless or wired network of in-room, guest accessible, touchscreen PC workstations. These touchscreen computer terminals integrate High Speed Internet Access, digital video on demand movies, local advertising, directory services and many other features into a simple to use and administer guest interface. The author can be reached at rdiamond@informatouch.com.

What to look for in your HSIA provider:

- Does the company have a proven track record?
- Does the company provide a full turnkey solution?
- Does the HSIA system address security concerns?
- Can the Hotel owner decide to offer it as an amenity or pay system; wired or wireless or a combination?
- Does the company provide a toll free 24/7 technical helpdesk?
- Does the company assist with marketing the new HSIA service?
- Does the company have references that confirm that they keep their promises?

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