



And the Survey Says...Broadband Demand Strong in Hotels

By Amy Cravens ■ In-Stat/MDR

In-Stat/MDR conducted a web-based survey in June 2003 of North American based hospitality managers regarding broadband usage as a guest service at their property. Over two thirds of respondents, or 69.9 percent, had implemented guest broadband access in their properties. As hotel broadband continues to principally be a business traveler service, it is logical that deployment rates were even higher among hotels that primarily catered to business travelers. Responses closely aligned to the traditional image of the candidate hotel profile for broadband services: The larger more expensive properties had a higher rate

of deployment, as did hotels (versus motels and resorts) located in urban and suburban environments. There is still potential in this segment, however, for expanding the deployment (from limited guestroom coverage for instance to full property coverage), introducing WLAN, or layering additional applications. There also continues to be growth opportunity in the limited service properties, which are just now beginning to aggressively pursue broadband.

It was a minority of respondents that had not implemented any type of guest broadband solutions, and most of those within that minority had plans to implement a broadband solution in 24 months or less. Less than a quarter of those that had not implemented had

cost of implementation seems too great, especially given the tough operating environment that has plagued the hospitality market for the past several years. Another concern for broadband deployment, highlighted in the survey responses, was the insufficient revenue opportunity that is now associated with guest broadband. As the market moves toward the amenity model, hotels are concerned that they will not be able to recover the cost of deployment through guest access fees. While this is likely a realization occurring at many properties, many see other revenue opportunities associated with broadband availability, such as increased bookings.

According to survey respondents that have implemented broadband, top reasons for implementation included to attract/retain guests and to compete with other properties. Other reasons indicated for deployment, although with less prevalence, included the revenue opportunity, the ability to offer other guest services over the network (such as VoD and VoIP), and the ability to use the network for operational purposes (such as staff communications and environmental monitoring).

"While the respondent rate of 69.9 percent having deployed broadband is higher than the actual penetration rates in the North American hospitality market, it is indicative of the increasing prevalence of this type of solution."

no plans to introduce broadband into their property. Percentage of respondents that had no implementation plans was highest among motels (versus hotels and resorts) and in properties with room rates under \$150 per night.

The reasons for not implementing broadband are several, ranging from cost to insufficient resources. Even though the cost per port of in-building broadband solutions has fallen by over one-third in the past several years, now that many properties are assuming the cost of the equipment, even the lower

cost of implementation seems too great, especially given the tough operating environment that has plagued the hospitality market for the past several years. Another concern for broadband deployment, highlighted in the survey responses, was the insufficient revenue opportunity that is now associated with guest broadband. As the market moves toward the amenity model, hotels are concerned that they will not be able to recover the cost of deployment through guest access fees. While this is likely a realization occurring at many properties, many see other revenue opportunities associated with broadband availability, such as increased bookings.

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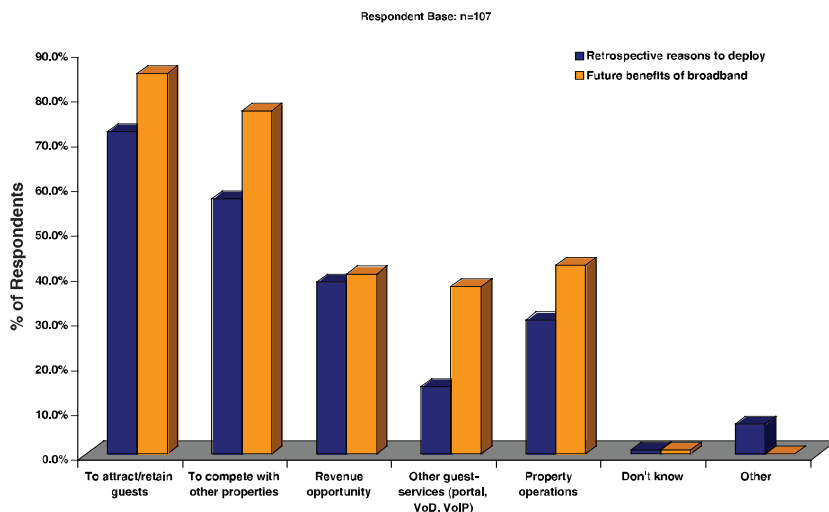
Interestingly, hotels indicated the importance of all of these capabilities are more prevalent when thinking of the future benefits of deployment, as compared to the retrospective reasons for deploying broadband to begin with. The importance of competing with other properties, offering other guest services, and supporting property operations have especially dramatic increases between past perceived benefits and future perceived benefits. Higher-end business traveler focused hotels, however, did have higher expectations for broadband as a revenue opportunity than smaller properties, indicating that a certain class of hotels may be able to continue to charge for the service, while others are forced to move to an amenity model.

that going forward, revenue will be less of a factor as compared to a properties

than chasing non-core revenue pursuits. The hotel would rather win the

"This growth is largely being driven by the hotel's perception of guest demand and viewing broadband as a necessary offering to remain competitive in the current environment."

Figure 1. Primary Research: Retrospective reasons for deployment and perceived future benefits of deployment



Source: In-Stat/MDR, 07/03

According to a 2000 survey conducted by In-Stat/MDR, revenue was a significantly more predominant cause for deployment with 57 percent of respondents indicating revenue as a motivating factor. Comparatively, in the recent survey, 38.3 percent of respondents indicated revenue was a primary factor motivating their broadband deployment. This differential highlights the fact that the once perceived revenue opportunity with guestroom broadband never truly came to fruition and

competitive ability. This shift is also reflective of the change in operating environments, with the current focus in the hospitality market being on competing for the diminished volume of guests, or getting heads in beds, rather

guest's business than milk the additional few dollars of revenue from that stay.

The results of this survey highlight the considerable recovery the hotel broadband market has experienced over the past year and the new mentality of broadband as a necessary amenity offering. Despite the downturn in the travel industry, hotels are pursuing broadband solutions as a new guest service. This growth is largely being driven by the hotel's perception of guest demand and viewing broadband as a necessary offering to remain competitive in the current environment. This is a significant shift in the market to being a demand driven business, both on the part of the guest and hotel, compared to the past which was service provider driven. ■

About the Author

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