

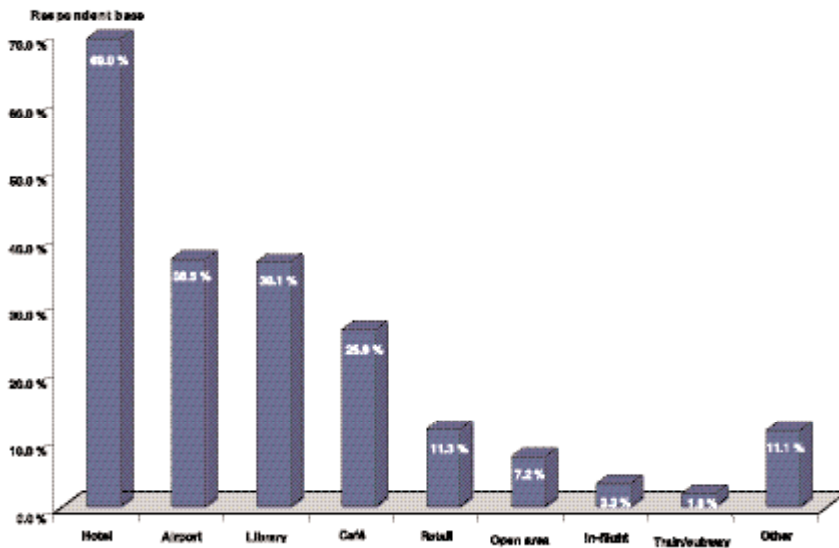


Hotels The Most Preferred Public Access Venue—But Do The Numbers Add Up?

By Amy Cravens ■ In-Stat/MDR

Recent In-Stat/MDR research indicated that hotels are the most popular public access venue for business users. Compared to other "hotspot" type locations, such as airports and cafés, more respondents indicated use of hotel broadband services. According to the survey of potential business users, just over 50 percent of the respondents had personally experienced using a Visitor Based Network (VBN), with a VBN including all broadband public access venues and both wired or wireless access.

Figure 1. At which of the following locations have you used a Visitor Based Network? (N=613)



Source: In-Stat/MDR, 10/03

Of those respondents that have used a VBN service, a pattern emerges of where users are accessing and how often. According to In-Stat/MDR research, the hotel is the most common location for users to access a VBN, with nearly 35 percent of all respondents accessing at

these locations and nearly 70 percent of those that have used a VBN having accessed it at a hotel. This high frequency of accessing the Internet at the hotel is in line with previous In-Stat/MDR end-user research which highlighted hotels as the venue where the most value is derived from having access, likely due to the extended amount of time that the visitor spends at the location and thus, the greater amount of time spent using the service, as compared to a café for instance. VBN, primarily wired, but also wireless, is also highly available at most

business traveler hotels in the US, making access reliable and expected among travelers.

While these results indicate that a strong percentage of respondents have had some experience using hotel broadband solutions, the concern remains

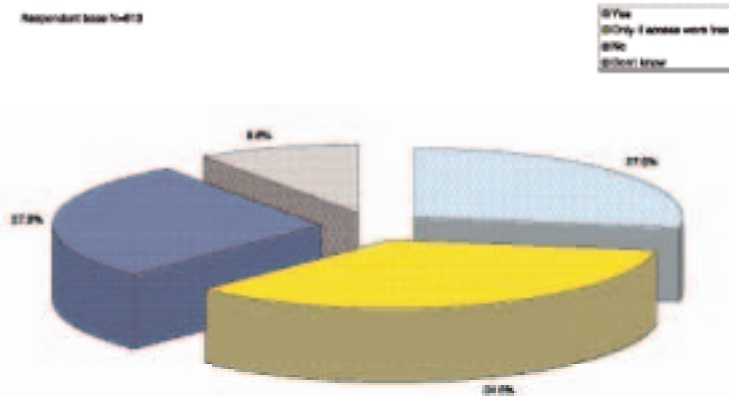
with the frequency of use. Results indicated that almost 50 percent of those respondents that had used hotel broadband services only use these services less than six times per year. Assuming an average access fee of US \$9.95, this represents annual revenue per user of less than US \$60.

While the survey indicated that revenue opportunity from broadband services per guest was fairly small, many hotels are looking at broadband as having benefits aside from the direct revenue opportunity. One such opportunity is to use broadband services to attract and retain guests. The In-Stat/MDR survey

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explored how availability of broadband might affect a visitor's behavior at a particular venue. Respondents were questioned whether the availability of broadband would influence their decision to visit a particular venue. The majority of respondents, 62.2 percent, indicated that broadband availability would influence them to visit a location that offered VBN over one that did not.

Figure 2. Would you be more likely to visit a location (ex: a café) that offered VBN than one that didn't offer that access? (N=613)(N=613)



Source: In-Stat/MDR, 10/03

Of these respondents though, 34.6 percent of total respondents having used a VBN, indicated that it would only influence their decision if the access were free. Some venues have tapped into this sentiment by electing to offer the service for free. The hotel broadband market has transgressed through many layers of

business model evolution and is a more mature market than the "hotspot" market (in cafés and airports). While traditionally guests were charged US \$9.95 for 24 hours of broadband access in the guestroom, more and more hotels are beginning to offer the access for free.

The logic behind such a move is that

broadband is now an expected amenity, not a differentiator, but free broadband is an offering that might influence a decision about where to stay. Hotels anticipate that even a slight increase in room sales will more than compensate for any lost revenue from broadband sales. Thus, hotels are returning their focus to their core product offering, rooms, and using broadband access as a driver to increase sales of that core offering, rather than viewing the access as a revenue center in itself. Thus, while broadband services may not directly influence revenue in a significant manner, results show that the service is significant in boosting the hotel industry's core business of renting rooms. ■

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