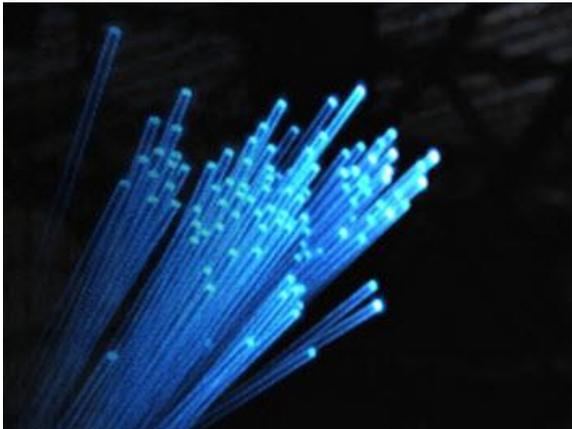


High-Speed Internet Access

...what are the drums telling you?



By Mark G. Haley

One of the things that drives many –if not most- hoteliers crazy is the incessant, pounding, punishing drumbeat that High Speed Internet Access (HSIA) in hotels should be free, like water or electricity. The vocal crowd pounding those drums beat out the rhythm with a religious fervor, preaching the evils of actually paying for a high-value service in a hotel in guest satisfaction surveys, TripAdvisor reviews and Twitter posts. These messages often include comments like “I’ll never stay in a hotel that

charges for Internet” and “Why does a high-class hotel like {enter brand name here} charge for Internet when all the other five-star hotels do not?”

Setting aside the emotion and looking at the facts, one finds that the more upscale the hotel, the more likely it is charge for Internet access, especially in the United States. Claims that “all the other luxury hotels don’t charge for Internet” are false, certainly in North America. The more downscale the hotel, the more likely Internet access is complementary. This seems like a dichotomy: How can the budget hotel give HSIA away for free, when the luxury property charges for it?

There are several reasons for this:

- Select service properties are less likely to offer a support-offering and certainly will not have an on-staff IT manager to help guests with connectivity problems and monitor the network
- If the Internet service is free, then complaints about connections, poor response time or other Internet service issues are greatly softened

- Upscale hotels are more likely to invest in more bandwidth, current technology standards, bandwidth aggregation devices, WAP controllers and other aspects of the technology that improve performance
- Because they can: upscale and luxury guests are less price-sensitive than select-service guests

All of the above come with a price tag, and the costs will not stop increasing, so the funds need to come from fees or out of the owner's earnings.

The primary elements of costs are bandwidth (an operating expense, recurring monthly), infrastructure (access points, switches, controllers, etc.; usually a capital expense) and support (operating). Let's look at each.

Bandwidth

Bell Labs projects 550% increase in overall bandwidth demand from 2013 – 2017. Video (Netflix and the like), cloud applications (too many to name, but start with Salesforce.com for an example) and mobile devices (smartphones and tablets) are the primary drivers of this demand growth. So if a hotel needs to deliver a high-quality Internet experience, they need to monitor their bandwidth consumption and stay ahead of demand, at a continually increasing cost. This non-stop cost increase isn't reflected in a market-bearing room rate, giving lie to the idea of "just build it into the rate."

HSIA Infrastructure

When a hotel buys a sink or a toilet, it is good for 12-15 years or more with a little maintenance. When a hotel spends \$500-\$1000 per room on HSIA infrastructure to enable a brand-worthy Internet experience, they might get five years out of it before

shifting technology standards force the hotel to upgrade, spending a like amount of money again. The marketplace is now in the early stage of another standards transition, to what is called "802.11 ac." The three things you need to know about 802.11ac are:

- AC runs visibly faster than the prior standard, especially for video
- It is built into the iPhone6 or Samsung Galaxy 6 in your pocket and the new laptop in your bag
- It will cost you more to buy and implement than the old "n" standard, more than just replacing the old access points with new ones
 - With 802.11ac, you need more access points (think one per room), and software to automatically manage them all

Support

Support is actually the smallest component of cost. While we aren't seeing support costs decreasing, better support providers, improving software and more-educated guests traveling tend to make the Internet experience a better one for the guest.

While hotels are forced to upgrade both bandwidth and infrastructure on an upwards-only escalator, the drumbeats for free Internet only get louder and louder. Some hotel companies are yielding to what they see as the inevitable and giving it all away. Others are making Internet free for members of their loyalty programs, even if they join on the spot. A more nuanced, and profitable, approach a few leaders have taken ties complementary HSIA to the combination of booking directly on the brand.com website plus loyalty program membership. This at least increases profits by taking reservations transaction fees, TA

commissions and OTA margins out of the hotel's cost structure.

Hotels committed to high guest service levels will always find a way to deliver a great Internet experience, whether it is funded by fees for service or out of the owner's pockets. But we can always hope that the rhythm of the drums will change from "Free Internet!" to "Fast, Reliable, Easy to Connect Internet!" ■

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Article first published in Hospitality Upgrade