



## **Battling with Broadband: How Hotels are using High-Speed Access to Compete for Guests**

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### **Executive Summary**

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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. The survey resulted in 153 qualified responses. Respondents either managed hotels, motels, resorts/spas, or were associated with a hotel management group.

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.

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 one quarter of those that had not implemented had no plans to introduce broadband into their property. The 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.

Among the respondent base, Ethernet was the most common technology deployed in the property. This is especially true in properties where 80 percent or more of the guests are business travelers, and where Ethernet and wireless are predominant. In "business traveler hotels," 70 percent of respondents indicated Ethernet being used and 50 percent of respondents indicated the use of wireless technologies. It is In-Stat/MDR's belief that the heavy predominance of Ethernet is not necessarily indicative of the market at large, as DSL and HPNA are still a significant portion of ports shipped.

Meeting rooms, guestrooms, and business centers, were the most common areas of the hotel to have guest broadband availability, according to respondents.

Hotels in which the guests were predominantly business travelers (80 percent of guests or more) demonstrated different deployment trends, compared to hotels with less of a business traveler focus (40 percent of guests or less). The “business traveler” hotels were more likely to have broadband available in the guestroom and lobbies, but were less likely to have the service in a business center. This indicates that those hotels that cater to the business traveler need to have more ubiquitous property coverage to meet the more stringent connectivity needs of their core guests. Properties that do not have as many business traveler guests are better able to get away with the more restricted option of business center access.

One of the most complex, and contested, issues in the hotel broadband market continues to be the business model. Since the early days of hotel broadband, the business model has been an important topic, as early models proved unsustainable. Currently, there are a variety of different ownership and pricing structures being floated in the market, as discussed in earlier sections. In terms of equipment ownership and provider relationship, while many providers are offering revenue share agreements to some properties (with the provider assuming equipment ownership), the majority of the In-Stat/MDR survey respondents own the network equipment in their deployments.

The research also indicated that the mean fee per night was US\$ 9.40, a slight decrease from the traditional \$9.95 per night. Over half of the respondents that charge for access price their service in the US\$ 5 to US\$ 10 range. Only 31.8, less than a third, of respondents priced access over US\$ 10. While the majority of respondents did not expect their current pricing to change, over a quarter of respondents believed that pricing would fall or that access would be free in the next 12 months.