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***New revenue-share model eliminates hotels' HSIA capital outlay and risks, while giving owners a key competitive differentiator and new revenue streams.***

In the 1990s, the hospitality industry welcomed a wave of rebrandings — including the rebranding of clients as partners. While the thinking behind this cultural change was admirable, far too much lip service has been paid to the word “partner.” The bottom line is just that: A true partnership shares the bottom-line revenues — rather than placing all of the upfront and ongoing costs, and associated risks, on one party's side (in this case, on the hotel's side).

In a rare example of true partnering, in-room pay-per-view movie providers in the 1980s began sharing revenues with hotels in exchange for the right to place their entertainment in front of a captive audience. Much to many participants' dismay, this revenue-share model that survived and thrived for decades was followed with little success by high-speed Internet access (HSIA) providers in the 1990s.

**What went wrong?**

For starters, it was the basic business models of delusional HSIA suppliers — not the proven practice of revenue sharing — that left hundreds of hotels without the HSIA service they had promised their valued guests. Awash in debt and weighed down by crippled capital markets no longer willing to throw millions more dollars into money-losing ventures, most HSIA revenue-share partners switched to equipment purchase/lease models, left hospitality and/or went bankrupt — sometimes all three in that order.

The old HSIA revenue-share models were based on people, products and pricing that simply could never work, namely:

- Unrealistic HSIA usage rates (double-digit take rates were expected right out of the gate in many cases);
- Costs of acquiring, installing and supporting HSIA technology often was two to three times the projections; and
- Suppliers that amounted to little more than service specialists trying to acquire, install and support technology they knew little about.

**How does this new model differ from the failed HSIA revenue-share model of yesteryear?**

- Realistic numbers — The business model requires an average take rate of 1.5 percent to break even. With more than 100 installations across all types and sizes of properties, ARESCOM averages 4 percent usage (twice that of many HSIA revenue-share predecessors) due primarily to superior technology, ease of use and support.

**Hospitality's Toll-Free Super Highway to Increased Business**  
*Why Shared Revenue Is the Way to Go*

- No more middle man — ARESCOM manufactures and supports its HSIA equipment and circuits directly.
- No more supplier solvency questions — A revenue-share model offered by a HSIA equipment manufacturer that doubles as a direct supplier is the key to the viability of this model. A low-cost provider position will allow a HSIA vendor to maintain zero debt, positive cash flow and solid sales growth — ensuring hotels that it will be around for the long term.

**How does this new revenue-share model differ from HSIA equipment purchases/leases?**

One of the biggest arguments is zero costs to hotels. Most vendors charge \$300 to \$400 a room to wire HSIA ports, and this does not include reoccurring monthly charges for connectivity, maintenance and support that can cost tens of thousands of additional dollars per year.

The next argument is leasing equals buying. Make no mistake about it: Leasing is just an equipment purchase with flexible financing. The only flexibility here involves the hotel owner bending his arm to reach deeper into his pocket to also pay high interest rates each month.

And with the revenue-share model there are reduced risks. Wired and wireless HSIA standards change every few years, if not every few months. The few hotels that have the cash for non-revenue-share HSIA deployment don't want to lock themselves into technology that could be extinct tomorrow. The revenue-share model includes continual upgrades to the latest HSIA technology, and companies are moving rapidly toward the latest wireless technology for hotels.

Of course, guest satisfaction is important. ARESCOM's experience proves that not only are guests willing to pay for HSIA but also that most believe there's no such thing as a free lunch — that if you provide the service and don't have a pay-per-use/revenue-share model, it's automatically built into rates, penalizing non-users. The take rates match or exceed non-revenue-sharing competitors because guests say user-friendly technology and around-the-clock support is worth it.

Lastly, it is franchisor/franchisee friendly. The major mid-market and upscale chains, particularly those catering to business travelers, know they need to fill guests' need for speed. Yet few franchisors have the flexibility in their franchise agreements to demand such a brand standard, unless a revenue-share plan is offered to licensees.

ARESCOM has installed HSIA free of equipment, installation, connectivity or maintenance charges to hotels at more than 100 properties in the past year and both ARESCOM and its true partners are making money in these revenue-share endeavors. In fact, this new and proven HSIA revenue-share model works so well that ARESCOM expects to place its wired and wireless solutions into more than 600 additional hotels before the end of the year.