

# AUSTRALIAN UPDATE

## What Is Happening in Hospitality Technology in 2004?



by Ted Horner

**W**ithout a doubt wireless technology (WiFi) and in-room guest technology, such as digital video on demand, are beginning to become important new areas for hotels to embrace and the Australian market is now seeing evidence of these technologies being installed either in new hotels or older properties being refurbished.

### WiFi

The communications revolution is experiencing new milestones that will totally alter the way people work and interact with the Internet. People are more mobile and have a wide variety of lifestyle choices whether it be working from home or while traveling. Whatever they choose the need to stay connected is paramount. The plethora of new mobile devices such as the small laptop or the new portable data entry devices (PDAs) bring true mobility to reality.

In Australia wireless is on its way to exploding into a multi-million dollar industry over the next few years, and it has already attracted thousands of users. Hotels have a unique opportunity to increase the value of their core products and services by providing a wireless infrastructure for customers to connect to the Internet, check e-mail and utilize corporate applications. In addition, there is a significant opportunity for businesses to benefit from the network by offering customized guest amenities and equipping employees with wireless devices to improve operational inefficiencies.

The mobile direction in Australia can be described below:

- The Gartner Group estimates that within three years there will be thousands of wireless hotspots across Australia. The major Australian telecom companies (telcos) are committed to rolling out extensive networks to cash in on the increasing demand.
- Increases in data speed and better security will lead to more people accessing the Internet via wireless than fixed devices.
- Major laptop suppliers and PDAs (personal digital devices) are offering wireless-enabled products many incorporating Intel's Centrino chip technology.
- WiFi hardware is getting cheaper for both business and home users.
- A number of hotels are rolling out hotspots allowing users to get online up to 300 feet from the access points found in lobbies, coffee shops and conference areas.
- The initial feedback from these hotels is that with minimal promotion guests are opening themselves to the service.

### Telstra (Australia's Largest Telco) and McDonald's Wireless Hotspots

To prove that wireless is becoming a mainstream requirement last February McDonald's in partnership with Telstra opened wireless hotspots in 44 stores across the country and they offer Telstra



mobile customers and people with approved credit cards wireless broadband access. Over the next 12 to 18 months the intention is to provide access in over 500 locations across Australia.

Hotels in Sydney that have WiFi include Sheraton on the Park, Westin, Observatory, Park Hyatt, W Hotel, Shangri La and Sydney Harbour Marriott. Several of the major hotel chains such as Hyatt, Hilton and Starwood are committed to extensive rollout of hotspots in their properties throughout Australia.

### Return on Investment

At this time wireless as a stand-alone entity is not cost justified based on usage alone, however we are beginning to see signs of increased usage.

Hotels ought to consider deployment of wireless as it is happening overseas for the following reasons:

- Hotels cannot afford to yield additional food and beverage sales to nearby coffee shops because they offer wireless access.
- Experience from the United States suggests that establishments that offer WiFi for free are enjoying increasing patronage translating into additional sales compared to those that are charging for the service.
- Eventually the increase in productivity as a result of



wireless usage will take the choice away from both front and back of house hotels.

- With the major carriers committed to roll out many hotspots throughout the country and the increasing number of devices that are sold with wireless standard, demand will rise dramatically.

- Some IT companies are mandating wireless as a condition to stage their conferences and product launches at individual hotels.

Hotels that install WiFi as early adopters will yield a competitive advantage and with proper marketing and promotion drive additional food and beverage sales in coffee shops, restaurants and bars.

## What in-room technology do guests want?

The next big thing is digital television and HDTV for guestrooms. Guests are looking for the wow factor combined with great content.

## In-Room Guest Entertainment

Over the past few years hotel operators and owners, especially in the five star or upscale boutique segment, have been considering how they can offer a guestroom environment that equals if not exceeds what consumers experience at home.

So what in-room technology do guests want?

With a continually expanding breadth of digital entertainment choices, guests have shown a liking to on-demand movies and expectations have increased to include games, music and shorter form options like previously aired TV episodes and video magazine content. Now guests want the value-added convenience of pause, skip and save features like they have at home with their DVD and CD players. Evidence now exists that buy rates are up and this translates to more revenue for hotels.

Complementing in-room television offerings is wired and/or wireless broadband access. The global number of hotel rooms with high-speed Internet access is expected to rise to 2.3 million rooms by 2007. The question is no longer if, but rather which vendor and what business model to adopt. Care must be given to which interactive services are provided to ensure that guests are not intimidated or they fall outside their established behavior patterns or lead to potential liability concerns.

The next big thing is digital television and HDTV for guestrooms. Guests are looking for the wow factor combined with great content. Today one of the hottest selling consumer electronic items is a flat-screen plasma or LCD screen as part of a full home entertainment system. Why wouldn't guests who have these systems at home expect to see them in hotel guestrooms?

## Using These Technologies to Increase Usage

Usage of a hotel's in-room entertainment system depends largely on the following benefits to the guest. The quality and range of entertainment options, both in the categories of entertainment offered, for instance movies, games and music and the large variety of title choices within these categories. The flexibility of entertainment to the guest's schedule is also a selling point as the guest has advanced functionality to pause, skip and save. This is the degree to which a hotel's entertainment mix is targeted to its specific demographics. For example, a resort with a high concentration of families can focus on family-oriented entertainment compared to an airport hotel that may be more aligned to the interests of business travelers. Lastly, the convenience with which digital entertainment options can be browsed and ordered is certain to benefit the guest.

Today's interactive TV systems offer opportunities for revenue beyond the traditional guest pay usage commission. As an integrated part of the larger hotel marketing plan the following can be done:

- Linking guests to the hotel's loyalty program
- Promoting onsite revenue centers such as the food and beverage outlets, spa or golf course
- Delivering highly targeted messages and promotions to an existing customer base
- Cross promotion with movie purchases and room service or minibar offerings
- Leveraging interactive convenience services like video checkout by adding an e-mail receipt that extends the brand and a customized marketing message to guests after their stay

Hotels refurbishing their rooms should consider investing in the next generation of in-room guest technology that incorporates flat, plasma screens combined with digital video on demand systems and more advanced stereo systems than the standard clock radio.

If hotels want to gain a competitive advantage then they will have to realize that the NG (next generation of IT savvy business travelers), who are without a doubt the main adopters of new technology, will patronize hotels with technologies that are designed to enhance their overall experience while using your facilities. We are not far away from these types of guests deciding on a hotel based on the technology that is installed at the property. With the heavy investment of Intel and the whole wireless technology industry, there is no doubt that WiFi will be a key component in this new order of things.

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