

HOTEL TELECOMMUNICATIONS IN THE 21ST CENTURY



by Geoff Griswold

No matter what telecommunications strategy a property takes, one thing is for certain, it needs to be a different one from the past.

The early 1980s marked the beginning of an era of profitable hotel telephone departments. The advent of call accounting systems (thanks to deregulation) enabled hoteliers to easily mark up calls to a profitable (some say too profitable) level. Guests had little choice back then but to use the guestroom phone and grumble about the cost.



With the proliferation of cell phone plans with free nationwide long distance, hoteliers fight an uphill battle attempting to find profit in telecom. It is very difficult to compete with an average cost of 5 cents per minute for long distance.

This era has come to an end. With few exceptions, most hotels have seen between a 15 percent and 25 percent drop in telephone revenues over the last five years. The main reason for this decrease is guest choice. The guest now has a variety of choices for communicating including fax over the Internet, e-mail, cell phones, calling cards and now even Internet-based phones. All these alternatives offer a less expensive means of communicating than using the traditional hotel guestroom phone and other services such as fax.

A fax machine in the guestroom was considered a premium amenity for many years. With the Internet explosion, however, the machines have seen less use.

While some hotels continue to enjoy a reasonable revenue stream, others have reported declines in revenue. E-mail and Internet faxing have contributed to the drop in usage.

Calling cards have led the shift from 0+ to 1-800 dialing. This shift not only has depleted revenue from commissions but also ties up much needed trunk lines.

Modem calls are also another source of PBX congestion, but contrary to popular belief, not as much as calling cards.

Cellular phones have become so widely used that some cell phone providers have had trouble keeping up with the demand. AT&T's one-rate plan was so successful that for a time subscribers were unable to complete calls in certain areas. These problems have now been addressed for the most part.

What is of concern to hoteliers attempting to eke out a profit in telecom is the proliferation of nationwide cell phone plans that include no roaming or long-distance charges and nights and weekends free.

A typical example is the all-digital plan from Sprint, which includes 600 anytime minutes, e-mail and Internet access (limited), and 5,400 night and weekend minutes (nights begin at 9 p.m.). The cost of this plan is \$60 per month.

A guest on such a plan has an average cost of about 5 cents per minute for long distance, depending on the mix of anytime vs. night and weekend. Assuming that the wireless reception quality is acceptable, it is very difficult for the hotel to compete on a cost basis.

High-speed Internet access (HSIA) is fast becoming an expected amenity. With more guests carrying laptops than ever before and Internet business activity rapidly increasing, the guest must have the best connection available. HSIA also relieves the congestion on the PBX caused by modem calls.

While some revenue-sharing business models have proven unsuccessful, there are realistic approaches to installing and providing HSIA on at least a break-even basis, if not generating a small profit.

The Self-Contained Guest

Another concern among hoteliers is what can be termed the self-contained guest. Typically, this guest carries a notebook computer, a small printer, a cell phone and perhaps a pager. The guest has spare batteries for the phone, an antenna booster that enhances reception and the ability to connect to the Internet wirelessly. The guest sends and receives faxes over the Internet or with a direct dial wireless connection. The phone receives voicemail messages when in use or turned off during charging. Theoretically, the self-contained guest needs no hotel telecommunications services.

Attracting the Guests to Use the Hotel's Telecommunication Services

Hotels are unable to compete on price with devices that the guest has brought with him. What the hotel can do is offer a better experience at a reasonable price to entice guests to use the hotel's telecom infrastructure.

No matter what cell phone the guest may carry or what service provider is used, no wireless connection is as good as a land-line connection. Given a choice, most guests would prefer to use the hotel phone if they can afford to.

Wireless Internet connections, while improving, offer an experience that is, at best, the speed of a dial-up connection. Generation 3 cell phones promise better connections, but that is some time in the future. Therefore, it is not possible for the guest to attain anywhere near the quality wirelessly that a high-speed Internet connection furnished by the hotel can provide.

Some hoteliers have recognized this advantage in quality by offering package plans. One small hotel chain is offering unlimited local calls and high-speed Internet access for \$9.95 a day. The take rate on this package has been as high as 25 percent.

Other chains are tying such packages to their loyalty programs. The guest must first enroll in the program to be eligible for the packages. This approach has led to an increase in enrollment.

Such packages can require a two-way interface with the call accounting system. This two-way interface allows the call accounting system to recognize package plans vs. normal call accounting billing for other guests.

Other properties are looking at the feasibility of offering fixed-rate long distance, such as 12 cents per minute. This is a variation from traditional hotel long-distance pricing, but is more attractive to the guest.

No matter what strategy a property takes in the telecommunications department, one thing is for certain, it needs to be a different one from the past. Given the hotel's advantage in quality over the

guest's portable devices, the proper packaging of services will lure even the most avid self-contained guest back to using the hotel's telecom services.

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The KioPhone from Concierge Networks (see a complete description of the product in Figure 1).

FIGURE 1. Internet Appliances

Internet appliances are becoming increasingly popular for use in guestrooms. The following are two examples of such products. *The reviews do not constitute either a recommendation or endorsement of the devices.*

The **KIOPHONE from CONCIERGE NETWORKS** (Alpharetta, Ga.) offers a combined telephone and Internet appliance. The device features a 12.1-inch color LCD touchscreen and a full-size QWERTY-style keyboard. It easily fits on any desk and provides both high-speed and dial-up ports for laptop use.

Other features include on-screen retrieval of voicemail, connectivity through a virtual private network (VPN) and built in smartcard reader. Telephone features include two-line capability, speaker phone and speed-dial buttons.

The device attracts guests that do not carry notebooks. Studies have shown take rates for Internet appliances to be typically over 20 percent as opposed to under 10 percent for laptop user connections.

The **ELANZAWEBPHONE from ELANZA TECHNOLOGIES** (Chicago, Ill.) is a phone, Internet appliance and supports voice-over IP (Internet calling). The screen is a 7.5-inch color touchscreen that can be used to navigate the Web.

The appliance uses Microsoft's CE 3.0 operating system and an Intel CPU. The telephone has a standard handset and touch dialing mounted on the right of the device. The full-size QWERTY keyboard is detachable.

Like the KioPhone, this device appeals to guests that do not carry laptops and to users who desire a simplified Web experience.