

Internet Strategy For The Hotelier

Strategic Planning Scenario

How In-Room High Speed Internet Deteriorated the Hotelier's Brand. A Story About Personalized Travel Web Sites;

Guests are happily surfing the Internet at high speed from your guest rooms. The marketing hype and a couple surveys said that your guests demanded this service ASAP. Looking at your Internet usage levels beyond the occasionally computer geek heavy conference, you find that 2-5% of your guests really meant it. Nonetheless, the Internet is the future and you are positioned to capitalize on all things Internet.

Congratulations. You are a technology leader.

You led the industry and committed to a turnkey high-speed guest Internet provider for five years. The decision was easy given the service providers ability to create and operate a total guest Internet solution. In addition to technology, the service provider even customized a guest web for your property. The web site operated as a subscriber system where the provider's portal presented with all sorts of interesting Internet content and services. They could even move between your many properties and be "remembered". Best of all, the Internet service provider financed the whole solution allowing you a revenue share and immediate revenue stream (OK its kinda small right now). Everybody wins. Or so it seems.

Hmmm. Your Internet Provider Has a New Friend.

Imagine that you are in year two of your five year contract for internet services. And imagine this press release from your service provider.

Dateline 2002

"In-Room Internet U.S.A" Announces Joint Marketing and Integration of Services with the worlds largest domestic internet travel and reservations provider; "Cyberspace Travels".

In-Room Internet USA announced today that they would integrate their widely used in-room guest web portal with the leading guest travel and reservations web portal from Cyberspace Travels. Their combined portals and business initiatives will create a mega-travel web portal called "Personal Traveler" that caters directly to frequent travelers. "A traveler visiting our combined portals can pre-purchase their entire travel experience including their airline tickets, car, and hotel room;" says David Davidson of Cyberspace Travels. "But that's not all," interjects Mark Serfer of In-Room Internet U.S.A. "They can also now pre-purchase in-room digital amenities like including which online newspaper they would like to read, which games they would like to play online, which movie they would like to watch online. "In fact they can actually pre-purchase or fix prices for these digital

amenities on an annual basis through our Personal Traveler portal site and can use these personally selected amenities at any hotel and even from home.” Personal Traveler also announced a loyalty program that provides free digital content services to frequent travelers and heavy consumers of portal information. With Personal Traveler, travelers can for the first time personalize their entire travel experience and can completely integrate and pre-negotiate their travel services.

Our Condolences On Your Loss Of Revenue and Brand:

You, the hotelier, have been “disintermediated”. This is a fancy Silicon Valley term which means that you have been disconnected from your own guests. Consider:

- A percentage of travelers will pre-purchase travel and digital amenities from this portal. And they will like it. They will ask during future bookings; “does this hotel provide access to my guest portal so I can get my favorite digital amenities?” Some percentage of guests will choose to stay where they are provided free access to their travel portal amenities portal.
- You, the hotelier, will be pressured to provide universal access to all these emerging travelers portals. Your contribution to the delivery of high-speed internet access shifts to having the high speed “digital plumbing” available for your guests favorite portal. By the way, you may not even own that digital plumbing.
- Alas the guest amenities relationship is now with the travel portal provider and not you! What precisely is your argument for a share of the digital amenity profits from this new portal? You are not in a strong position to expand or even retain existing percentages of revenue share. Worse, you are at risk of losing current telephone and television revenues. If you believe that television and telephone are destined to operate over the internet. Those amenities will also ultimately be offered directly to the traveler from the portal.

You thought you were providing new guest internet amenities. But strategically you were exiting the internet business and enhancing a competing brand. Your brand and the guest portal brand are now competing for the same traveler’s attention, and you are at a distinct disadvantage. Why? The scope of the travelers portal is broader than a hotelier’s contribution to the travel experience. The portal provides value before, during, and after a travel event. It will have a greater share of your guests attention by its very nature.

Now What? Strategic Options.

What strategic foresight might have prevented you from placing your brand and your guest relationship at risk? What can you do to meet the guest’s travel needs and still serve your own interests? Consider the following..

1. Control the guest portal and the content presented to your guests. Don't confuse a guest portal customized to your brand image with control of that web portal and the content aggregated on that portal? Here's this control question made tangible: who owns AND actually presents the first web page a guest sees as they enter your high speed internet service? The answer for both questions had better be you, the hotelier.
2. Be the aggregator of your digital guest amenities. Own your Internet information content relationships. Your portal provider owned all the Internet content relationships and those relationships were essentially sold to the travel portal. There is a strategic advantage in uniquely integrating the nearly infinite content and services available over the Internet. Effective aggregation improves your guest services and differentiates your guest experiences (and your therefore brand).
3. Control the flow of dollars. Establish ownership and control of guest billing. Look for an independent Internet communication accounting and billing systems. (See SDD's JAZZ Guest Internet Accounting solution at http://www.sddsystems.com/products_jazz_guest_internet.html). Such systems provide independent presentation, pricing, margins, and posting control of your digital amenities. Without control of your billing system, you may have thought you were revenue sharing with the Internet portal provider. But your Internet service provider was really sharing with you.

Construct Internet Deal Structures Which Enhance Your Brands (Not Just Deals To Simplify Your Life)

Your challenge is to structure an Internet service provider relationship which builds (or at least does not dilute) your brand. This is especially true of five year relationships. Turnkey guest Internet solutions have undeniable advantages. But the emergence of guest oriented travel portals is one of several future scenarios where long-term implications could outweigh the short-term gains. Consider two possible principles for structuring your Internet vendor relationships.

- There may be some guest Internet technology components that you should own. In this case strategic technology may be the guest internet communications accounting system. (Again, see SDD's JAZZ Guest Internet Accounting solution described online at http://www.sddsystems.com/products_jazz_guest_internet.html)

- There may be some guest Internet services responsibilities that you should retain. In this case, a strategic responsibility might be the negotiating of your own Internet content deals.

These and other alternatives should have one objective. They should help keep your brand central to creating valuable services for the guest.

Ron Tarro is President/CEO of SDD, Inc. SDD is a telephone and internet communications accounting tools provider based in Delray Beach, Florida. (www.sddsystems.com). Mr. Tarro was formerly a senior member of Ernst & Young Management Consulting's internet and telecommunications strategy group.