

Internet Strategy For The Hotelier

Strategic Planning Scenario

How In-Room High Speed Internet Wiped-Out the Hotelier's Amenities Revenue; A Story About Corporate Travel Web Sites;

Guests are happily surfing the Internet at high speed from your guest rooms. 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 customized a guest web for your property. The web site operated as a subscriber system where the provider's portal kept track of guests and their services so they could even move between your many properties and are "remembered". Best of all, the Internet service provider financed the whole solution allowing you a revenue share and an immediate revenue stream (OK its kinda small right now). Everybody wins. Or so it seems.

Meanwhile. Your In-Room Internet Provider Meets Your Corporate Account. They fall in love and plan to live happily ever after.

Imagine that you are in year two of your five-year contract for internet services. A press release appears in your e-mail. The provider of your in-room high speed Internet services has just struck a deal with your biggest corporate client.

Dateline 2002.

High Speed Internet Provider XYZ Announces Exclusive Deal with Global Consulting Corporation to Provide Global Travel Amenities To Global's Traveling Employees.

XYZ Internet and Global Consulting Corporation (GCC) announced today an agreement for XYZ to provide exclusive Internet based services to all its 20,000 traveling employees. Under the agreement, XYZ's traveler's web portal will provide e-mail, web surfing, telephone services, online news and information, and even in-room movies over the Internet to all traveling GCC employees. "GCC will no longer reimburse for employee use of hotel based amenities" says Joe Thompson, head of Travel Services at GCC. "Our traveling employees will use pre-negotiated pre-purchased amenities from the XYZ portal". "Our consultants consume huge levels of guest communications-related amenities. XYZ has offered us the ability to consolidate the costs, management, and

delivery of those services, regardless of the properties at which they stay” claims Mr. Thompson. “We will focus our travel business on hotel properties that provide our employees cost effective, unfettered access to the XYZ partners travel portal.

Our Condolences On Your Loss of Future Amenities Revenues

About the time they have a wedding, you will be attending a funeral. You, the hotelier, have been “disintermediated”. This is a fancy Silicon Valley term that means that you have been cut out of the loop from serving your own corporate customers and guests. The ubiquitous Internet has allowed your corporate customer to deliver their own digital amenities. Consider:

- You, the hotelier, will now be pressured to provide universal and cheap or free access to all these emerging corporate portals. Your contribution to delivery of high-speed Internet access will be making sure that high speed “digital plumbing” is available for your guest’s favorite portal. By the way, you may not even own that digital plumbing depending on your Internet service provider contract.
- You are no longer in a strong position to argue for a revenue share of digital guest amenities. You are not even in a strong position to retain existing percentages of revenue share (what value do you provide to the corporate customer since you don’t even own that digital plumbing?).
- By the way, most people acknowledge that in the coming years, the Internet will carry voice, fax, and video. Such services will also be delivered from this corporate web site. So you are also at risk of losing current telephone and television revenues. Three things occupy the attention of a hotel guest; the telephone, television, and surfing the Internet. Someday you will be generating revenue from none of them.
- You are also not in a strong position to provide digital amenities that differentiate your brand. This new travel portal will be optimized for the corporate customer, not for purposes of differentiating the guest experience at your property. You have commoditized your guest experience and limited your ability to provide guest centric service. In this world imagine your online promotion of an on-property restaurant to guests. What argument could you make to your corporate customer and their (your) Internet service provider to place this promotion on their site? Will you be paying for digital advertising to reach guests who are already in your guest room?

Alas, you thought you were providing new guest Internet amenities but strategically you were exiting the Internet and telecommunications amenities business. You were enabling your Internet service provider to capture revenues and build a solution in support of your corporate customer. Meanwhile, you were also diluting your ability to differentiate your property, brand, and guest experience.

Now What? Strategic Options.

If you are a narrowly focused “heads on beds” hotelier then all this may not be considered an opportunity lost. Delivering bandwidth will be like delivering electricity. But what if you represent a property where the brand and guest experience are important factors? What if you are a property that generates incremental revenue to the rack rate? What strategic foresight might have prevented you from placing your corporate accounts relationships and amenities revenue at risk? How might you have used the internet to enhance your brand? Consider the following.

1. Retain direct knowledge of guest amenity usage. Your high speed internet provider knew the digital amenities that our corporate customers valued most highly. They used that insight to construct a set of corporate traveler amenities. How did they gain that insight? Answer: they controlled your web site and the flow of information through it. Look for internet accounting tools that provide you independently collected information about guest amenities usage (See SDD's *JAZZ Guest Internet Accounting solution at http://www.sddsystems.com/products_jazz_guest_internet.html*)
2. Be the aggregator of your digital guest amenities. Armed with direct customer insight, negotiate your own Internet information content relationships. Your portal provider owned all the Internet content relationships and those relationships were essentially sold to your corporate customer. There is branding advantage in uniquely integrating for your customers the nearly vast sources of content and services available over the Internet.
3. Aggregate, pre-negotiate, and even pre-sell digital guest amenities directly to your corporate customers. XYZ provided value by moving beyond the piecemeal sale of amenities to individual guests. For you to do this, it requires ownership and control of an independent guest Internet billing system. (Again refer to SDD's *JAZZ Guest Internet Accounting solution at website http://www.sddsystems.com/products_jazz_guest_internet.html*). Such systems must provide you the billing, pricing, and profitability controls to support your negotiations with corporate customers.

Construct Internet Deals That Make You More Valuable To Your Customers In The Long Term (Not Deals that Simplify Your Life).

Your challenge is to structure an Internet service that creates new value for your corporate customer. Turnkey guest Internet solutions have undeniable advantages. But the emergence of corporate travel portals is one example of where your Internet partner was able to uniquely understand your customer and capitalize on a void. Consider two possible principles for structuring your Internet vendor deals and retaining strategic advantage.

- There may be some in-room guest Internet technology components that you should own. Which ones? In this case the strategic technology may be the guest Internet communications accounting system.
- There may be some guest Internet services responsibilities that you should retain or control. In this case, a strategic responsibility might be ongoing analysis of guest preferences and the subsequent negotiating of your own Internet content deals.

These and other principles should have one objective. They should help keep your brand central to creating new valuable services for your customer. They should also give you leverage against others seeking to compete for those customers.

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