

Internet:

Choosing the best Internet system for your guests

DECIDING HOW BEST TO DELIVER A RELIABLE AND PROFITABLE INTERNET SERVICE TO YOUR GUESTS CAN BE A DIFFICULT AND CHALLENGING TASK.

Internet technology changes quickly and there are a plethora of products and suppliers, not to mention a variety of ownership and profit-share models. Meanwhile your guests increasingly expect to be able to access the Internet in more places, at higher speeds, and at cheaper prices.

Together, these factors can make it difficult for accommodation managers to identify the best billable Internet system to service their particular guests, both today and into the future. Similarly, a solution that works for one property may very well not be suited to the next.

So it is important that managers at all levels take the time to understand their options, research the suppliers, and ultimately settle on a system and ownership model that suits their exact needs.

Consider the future: The Internet is a relatively new invention, but its incredible speed and power, as both a communication media and information directory, has firmly cemented its position long into the future. Televisions, cars, watches, fridges, and washing machines are just some of the most common household products that are now being manufactured with Internet connectivity to deliver more services to more people in more places. Farmers can now even adjust their property's electric fencing and move cattle remotely over the Internet.

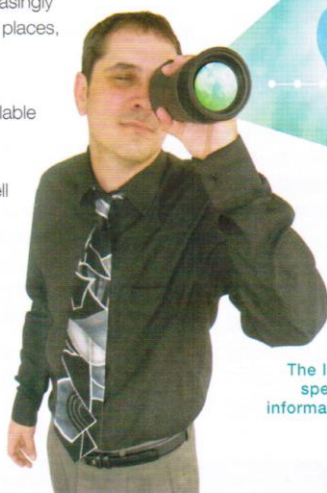
What this means for accommodation managers is a greater demand from their guests for reliable, fully-functional, high-speed Internet access available for use 24/7. What it also means is that any Internet system installed today must be capable of meeting the increased demands of tomorrow's guests, particularly with regard to speed, data volumes, concurrent user rates, and simplicity of use.

Assess your business goals: Ask yourself why you want to install an Internet system for your guests. Are you looking to add a new revenue stream, or are you more concerned with increasing service levels and customer satisfaction? Are you looking to increase occupancy rates, increase your star rating, or perhaps change your customer demographics? Are you looking for an Internet system that seamlessly integrates with your brand, or would you be happy to outsource the Internet system to a third-party supplier operating under their own name?

Being clear with your motivations will ultimately help you choose the best equipment and best ownership model to help you achieve your business goals.

Choosing a solution: Beyond your business goals, the best Internet system for your business will depend on factors such as your building layout, room numbers, in-house IT knowledge and guest demographics.

Look at your local competition: It is vitally important you take some time to investigate what Internet services are already being offered in your area, and at what price. This could be the local Internet café, tourist information centre, restaurant or any adjacent accommodation providers.



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You need to understand that most Internet users are reasonably savvy and, if they can detect a free or cheaper Internet signal or service from a nearby property, then they will use that system over yours.

For example, I was recently asked to advise a hotel why their new Internet system wasn't earning any money. A quick site survey revealed two apartments in the adjacent building had open-access wireless Internet signals that allowed anyone within range to connect to the Internet for free. There was also a strong signal from the hotel on the other side of the building and a quick connection to their system revealed they were offering much cheaper access plans. Of course the supplier in this case had not bothered investigating such things before selling the system to this particular hotel.

Finding cheap or even free Internet access being offered next door to you does not rule out your own system being from profitable but it does impact on the model that will be right for you, and obviously the investment calculations when calculating your likely ROI.

In-room versus specific area coverage: It is obviously ideal to be able to provide Internet access directly to every guest in every room. But there are also certain times when only offering Internet access in specific areas of your property is actually far more profitable. To make this assessment, consider your guests and your other revenue streams, and always predict your likely return on investment considering the capital required.

For example, a resort at Coolangatta on the Gold Coast recently chose to offer free wireless Internet access on the ground floor and a premium pay-per use system in the rooms. This moved guests away from sitting in their room with their laptop and, instead, put them downstairs in the bar and restaurant area, which is also where the travel brochures and tour booking desk is. The result was a significant increase in food and beverage sales and tourist booking commissions.

Internet:

◀ There are also costing factors. Almost all Internet systems have a certain number of units of equipment being used to deliver Internet to a certain number of rooms. For example, most common network switches and routers come in standard configurations of 8, 16 or 24 ports. This means the cost per room to deploy 26 rooms is much higher than the cost per room to deploy 24. Similar per-room pricing fluctuations happen with wireless systems too.

So consider for a moment, would you achieve all your business goals and a better ROI, if you serviced only 80% of your rooms at perhaps 70% of the cost of a full deployment? Ask your supplier what the room coverage and per-room cost would be if you dropped back one or two hardware units of equipment from the proposed solution. It may not be ideal but for sites on a budget it may give you access to a better system than you would otherwise afford.

Wireless versus cabled: There are many myths out there among managers I meet about which is better: cabled or wireless? I've heard just as many managers say they "wouldn't consider anything except a wireless system" as I've heard say the opposite. The reality, of course, is that they each have their place and, in a lot of circumstances, both systems are needed.

A cabled solution involves using either an existing telephone line or dedicated data cable directly run to each room. This obviously provides the best coverage (guaranteeing delivery to every room) and also has the most stable, reliable, and fastest connection.

A wireless solution involves placing wireless access points or repeaters at certain points throughout the building. Wireless that covers a guest's room allows them to sit anywhere to use the Internet, so they are not tethered to a cable from the wall. Wireless also caters for devices which cannot connect via cable, such as iPhones, iPads and iPods. This usually results in much higher usage rates and, obviously, much higher revenue returns. On the down side, wireless is prone to interference and it is often more difficult to ensure 100% coverage, and therefore wireless systems can suffer from poor reliability and speed when not correctly implemented.

Business centres & Internet kiosks: An IT manager in a hotel once said to me, "Nah mate, we've got wireless through the whole building and it gets hammered, so we don't need an Internet kiosk." I told him I disagreed and asked if he would agree to me installing an Internet kiosk on a profit-share basis, which he did. That Internet kiosk went on to earn over \$6000 in the first year.

What some managers fail to see is that while more and more guests are travelling with laptops, there are still a large number who do not have laptops, particularly in some demographics. Even those guests with laptops still need Internet kiosks for things like printing. Plus, even though a lot of families might have one laptop, they certainly don't often have one for each family member.

So on a rainy day with not much else to do, the family on holiday will suddenly have a lot of need for that Internet kiosk – especially with teenagers now frequently spending hours on *Facebook*, *Twitter* and *YouTube*.

Internet kiosks also introduce digital signage advertising opportunities,

allowing you to promote your business and even to build commissions and revenues from advertising other businesses in your area.

The secret to a good business centre or Internet kiosk is in the software installed on that machine. The Internet kiosk should really be fully automated, so that it allows you to receive a purely passive income. It should also be loaded with applications and features and kept up to date with the latest trends. There are some kiosks that guests would prefer to use it over their own laptop.

Choosing an ownership model: When it comes to shopping for a new Internet system, consider your payment and purchasing options. While there are a lot of operators who will only offer you a profit-share scenario (where they take a cut of your revenues), it's important that you know your options.

Leasing and finance: Other than an outright purchase, it is also possible to lease systems over a one or five year term, either directly with the vendor or through a third-party financier. You can also apply for equipment financing with your bank, or utilise your overdraft. However, equipment financing will often only cover the hardware costs (not software or installation), and we have also noticed a significant tightening of the credit lending criteria since the global financial crisis, particularly on IT expenditure, so it has become increasingly difficult to finance new equipment purchases.

Profit share models: Profit-share or "hosted" models can be a fantastic win-win alternative to ownership. Under a typical profit-share scenario, a provider will install all the equipment at their expense and they will also cover the support and maintenance of the system. Typically the provider

will collect the revenues directly themselves and pay the host business a share of the profits each month. The provider benefits from a return on their investment and the hotel benefits from an Internet service being available to attract new guests and to better service their existing guests. Thus it is ideal for sites who simply cannot afford to buy such a system outright or for sites that like a fully managed, fully supported system with zero risk.

But you really have to be careful. A guest staying at your hotel will not distinguish between you (as the hotel) and your provider (as the Internet service). If they have a bad experience they just want it fixed and if they cannot get a tech on the support telephone line then they will be down at reception giving the front desk a verbal blasting. That is why it is so crucially important to choose a reliable and honest provider who offers fantastic end-user support.

You also have to be very careful because different profit-share operators will negotiate different terms. For example, there are a lot of operators who dictate that you must purchase the equipment but who still take a cut of your profits. These providers often claim they are selling the equipment at cost price or that you are only paying for half of the equipment and therefore justify their ongoing cut. I strongly advise against this, as it often ends in a legal dispute. My personal view is that if you have paid for the hardware or system then you deserve to keep the revenues. And similarly, for the honest profit-share providers out there, if the provider pays for the hardware, then they deserve a big cut of the revenue in return for the risk they are taking. ▶

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◀ **Choosing a provider:** Unfortunately the IT industry has a lot of suppliers who have a "one-shoe fits all" mentality, especially in the wireless Internet space. These operators can be easily identified because they have one product that they apply to all buildings, regardless of building size or guest demographics.

For example, I recently conducted a site inspection of a 20-storey resort on the Gold Coast as the manager was sick and tired of receiving complaints from guests about their Internet. He showed me their current provider's installation that consisted of three wireless access points literally lying in the open weather out in the garden on the ground floor. The manager was shocked when I showed him that the signal from those devices was lucky to reach even the second floor. The problem is that the profit-share provider in that case had no experience doing an install on such a large building.

The main advice here is to look for a provider that offers every type of solution – so not just wireless, not just Internet kiosks and not just cabled systems but one who offers every system. Similarly look for a provider who offers both outright purchase and profit share arrangements.

By using a provider who offers all products types, you are far more likely to get a solution that matches your particular building and your exact needs and goals. You can also often reduce costs by using one

supplier for multiple products and services, rather than purchasing individual systems from different suppliers, each with their own profit margin and ongoing fees. Here are three commonsense tips that are often forgotten when choosing any supplier:

Shop by reputation and check references

When you find a provider, call other businesses that have used them, and find out about their experiences. Do they have good user support? Do they pay their commissions or invoices on time? Is their system reliable? Avoid judging them solely on the number of clients or number of sites that they claim to have, as this doesn't mean that those clients are happy.

One of the main areas you want to look at is backup support and end-user support. What is the company like to get on the phone? Do a test call to their support number – does it get answered straight away? One of the biggest complaints I hear in the industry is about providers who set systems up and then disappear.

Do not shop purely on price

Look for value, not price. There is always a reason why one product is worth a tenth the price of another, and you need to understand what that reason is before you make your purchasing decision.

After spending 12 years in IT, I have seen a lot of "discount" operators enter the market and compete solely on price. They always disappear pretty quickly.

Personally, I actually want the man or woman who is selling me a product or service to be making a profit because then I know they are more likely to be interested in helping me use that product and more likely to still be in the market next time I need them. I am always wary when a supplier tells me they are only making a few dollars on something they are selling to me because I wonder how motivated they will be to satisfy me post-purchase when the best they can ever achieve is have me buy something again for another few dollars profit.

Compare apples with apples

Almost every supplier in the Internet industry uses different technology and different products to deliver their solution. Many providers only offer a single solution. So it is important that you ask questions to understand the advantages and disadvantages of different solutions that are being presented to you.

While price isn't always a measure of quality, I definitely do believe that you get what you pay for. Unfortunately there are still many operators in the industry who use inferior residential-grade equipment for public Internet systems. It is so vitally important that you use robust, commercial grade equipment that can handle the high usage rates, and high security requirements of a public Internet access system.

It is human nature to compare something you have been quoted with a seemingly similar quote that a friend or acquaintance has received. In terms of Internet systems, a good provider will tailor a solution exactly to your building, and so the quote you receive would be very different from a quote for another building.

When correctly implemented, an Internet system can increase the competitiveness of your business by increasing customer appeal, your star rating, and your customer loyalty. Acquiring a reliable Internet system that is going to deliver the best returns for your business can be relatively straight forward if you take a common-sense approach and seek professional advice from industry experts. ■

Aaron Birkby - Director of Technology at Arinda Internet