

Calling For Revenue Generation

As fewer and fewer guests pick up the phone, hotels try to pick up the slack.

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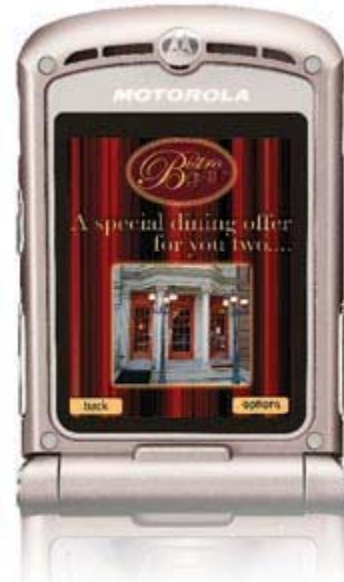
In the face of rapidly dwindling revenue from guestroom telephone use—a study last year by PricewaterhouseCoopers found that U.S. hotel telephone revenue has dropped 16% since 2000, and the story is much the same most everywhere else—hoteliers are scrambling to find new ways to adapt to the dramatically altered telecommunications landscape. At a lot of properties, general managers have simply conceded the lost revenue, viewing guestroom phones as more of a value-added amenity than a hotel moneymaker. Others believe future profits reside in making phones into marketing tools, with electronic display advertising and direct mobile promotions.

Few hotels are dropping the notoriously high connection rates of guestroom phones to compete with the advent of mobile phones, says Don O’Neal, a Dallas-based hotel telecommunications consultant. A typical hotel still charges roughly US\$3.50 per minute just for a local call as hoteliers find that, for most consumers, price point is not the issue. “It does not help a bit to reduce the cost of telephone calls,” O’Neal says. “The amount of revenue that you might recapture from use of the guestroom phone by lowering the price does not overcome what you might make from those people who already make calls, especially international calls.”

Baby Boomers that are tech-averse and work-from-the-room business travelers tend not to be especially price-sensitive, says Bjorn Hanson, a New York City-based lodging consultant for PricewaterhouseCoopers, and there are still enough of those guests that a handful of higher-end hotels are still seeing six-figure monthly telephone revenues—but as the generation that has grown up with mobile phones gets older and mobile technology improves, the trend is quite obvious. “There are some people who are still using guestroom phones for a number of reasons, like a very important call,” Hanson says. “Some Baby Boomers would prefer to place calls on a landline, thinking the quality is better, or if their cell phone is running low on battery and they do not want to waste it.”

The future of guestroom phones—and they are not going anywhere anytime soon, at least not until the ratings publications cease requiring two phones per room for 4- and 5-star or diamond ratings, a practice O’Neal calls “asinine”—appears to rest with the Internet protocol platform, commonly known as IP. Because it shares hardwiring with a hotel’s existing Internet or WiFi network, calls over IP cost pennies on the dollar. For hoteliers who have given up trying to make significant revenue from the phones, that is a savings that could be passed on to guests.

At The London NYC, for example, the hotel offers guests free international calls to the UK as an amenity. The London, which is owned by Blackstone Group, recently installed Mitel Networks’ 5340 IP Console in its 500 rooms as part of a push by Blackstone to adopt converged technologies wherever possible. IP technology is “future-proof,” says David Thor, a senior information technology consultant for Blackstone. “It is seamless to the guest—the guest just sees a phone with an intuitive interface.”



Acuity Mobile technology enables hoteliers to send marketing pitches to guest mobile phones based on their real-time location.

Certain VOIP phones can be programmed to display customized pricing, either in advance of the call's placement or as a running count as the call continues. Mitel's 5550 IP Console, which it unveiled in June, includes this feature. The technology has yet to really catch on. However, Hanson believes the limited number of hotels that have implemented it are doing so as a guest amenity rather than a revenue generator.

Beyond the per-call cost savings of IP phones, many units offer hoteliers the benefit of display marketing, using small, touch-screen animation-capable monitors. With the IP phones' inherent Internet connection, hotel staff can remotely program the monitors to display restaurant specials or entice guests to set a golf tee time, for instance, accompanied by touch-screen buttons that dial directly to the appropriate location. The screen ads are sometimes static, as is the case at The London, or they can be frequently updated and even tailored to specific guests.

The Loaner Route

Barefoot Beach Resort in Indian Shores, Florida, in August became the first property to latch on to Xium Wireless' new Concierge Phone Service. When guests arrive on property, they are given the option of renting a mobile phone for US\$2 per day (plus a US\$50 deposit), and are able to receive and make international calls for US\$1 per minute—far less than a typical guestroom phone would cost, and in most instances less than the guest's own mobile plan. Xium's service does have some aspects of a concierge, too, as the name suggests— phone numbers for local restaurants, entertainment options and other typical concierge fare are preprogrammed.

There is no cost to the hotel to participate, as the phones are owned and provided to the hotel by Xium. The hotel does get a cut of 30% of the revenue, though, and phone usage is tracked by the hotel property management system, with expenses then tacked on to the guests' folio as they would be with a regular room phone. Since Barefoot Beach gets a significant chunk of its business from European travelers, the Xium program makes perfect sense as both a guest amenity and a revenue generator, says Bill Priakos, president of Barefoot Beach Vacation Rentals, which manages the condo-hotel resort. "It is easy to manage, and it is easy for our guests, and we are able to add some additional dollars. We see only positives," Priakos says.

Terre Resort & Spa in Marrakech, the flagship property of Octogone Hotels, provides guests complimentary cell phones with free local calls. Numbers for resort services are preprogrammed into speed dial, as are translation services, in case guests go off property. International calls, however, are still charged at standard rates.

Telecommunications Vendors

(This is not a complete list of vendors.)

Acuity Mobile www.acuitymobile.com

Avaya www.avaya.com

BAXL Technologies www.baxl.net

Bittel USA www.bittelusa.com

Cisco Systems www.cisco.com

Digital Alchemy www.data2gold.com

Golden Telecom www.goldentelecom.com

Guest-Tek www.guest-tek.com

iBahn www.ibahn.com

Innovation Technologies

www.innovationtw.com

Locatel www.locatel.fr

Lorica Solutions www.loricasolutions.com

Matrix Networks www.matrixnetworks.com

Mitel www.mitel.com

NEC www.nec.com

NewCom International www.newcom-intl.com

Nevotek www.nevotek.com

PhoneSuite www.phonesuite.com

Pinnacle Communications

www.pinnaclecommunications.com

Polycom www.polycom.com

RedSky IT www.redskyit.com

Siemens www.siemens.com

Swisscom www.swisscom.com

TechSpa www.techspa.net

Teledex www.teledex.com

TeleMatrix www.telematrixusa.com

XETA Technologies www.xeta.com

Xium Wireless www.xiuminc.com

Marketing To Mobiles

Indeed, most industry observers agree that the bulk of future hotel telecommunications revenues will be gained from mobile technology. A couple of well known hospitality e-marketing firms have launched technologies this year to draw the use of personal cell phones and PDAs to a hotel's benefit.

Acuity Mobile has introduced the Spot Relevance application for hotels, which upgrades its existing Embedded Mobile Advertising Platform to target marketing specials to guests based on their real-time location. Using contact information gathered via opt-in hotel loyalty programs, Acuity uses global-positioning system technology to send text and graphic messages to the phones of club members in a predetermined geographic area. That area can be as wide as a city or as small as the hotel restaurant.

"Philosophically, people do not want advertising on something so personal as a cell phone, so the basic premise is that they have to trust the loyalty group to start with, and they have to opt in," says Acuity CEO Gregg Smith. "You have to let them know that they are going to get some pretty cool offers." An offer might be for discounted tickets to a show in the hotel's theater, accompanied by a phone number for the box office and a discount code.

About 10 properties, including a few Las Vegas and Atlantic City resorts, have already begun deploying the Acuity technology. However, none have agreed to be named publicly, citing the desire to maintain a competitive advantage. Participating properties are thus far seeing a staggering rate of about 20% of offer recipients acting on them, Smith says.

Digital Alchemy in June launched a mobile marketing tool, Claire, which acts as a virtual concierge for the phone. Claire adapts to a mobile device's browser and provides localized transportation information and relevant property detail. A guest arriving for a conference could receive a meeting schedule with maps. And, of course, hotels are able to provide up-sell opportunities and automated check-in/check-out. Claire debuted at HITEC and is in the process of being implemented at several resort properties.