

A Forrester Consulting Thought Leadership Paper Commissioned By Motorola Solutions

Winning Customers' Hearts Starts With A Great Guest Wi-Fi Service

Hotels Can Shift From Low-Price Differentiation By Embracing New Technology Like Sophisticated Guest Wi-Fi

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Executive Summary

As the hotel industry recovers from the global economic slump, a major evolution is starting to happen — not seen since the inception of the hotel industry. The business landscape — characterized by growing commoditization, increased competition, as well as economic, geographic, and demographic shifts — has catalyzed the industry toward embracing technology. This new ingredient will fundamentally change everyday business activities from managing guest experiences to performing back-office activities. Already the empowered, highly mobile, and always connected customer has changed the way rooms are booked and occupied.

Thirty-four percent of business travelers won't stay at a hotel that doesn't offer Wi-Fi in their hotel room.

In April 2013, Forrester hypothesized that the hotel industry could change the way it did business by leveraging Wi-Fi to differentiate itself, strengthen guest relationships, and generate new revenue streams. Technology will redefine the guest experience in terms of how the hotelier and guests connect, how guests manage their on-property experiences, and how hotels can serve up new and ancillary products and services. To investigate this hypothesis and quantitatively assess these findings, Forrester, commissioned by Motorola Solutions, developed and fielded a survey to 500 hotel customers, 75 hotel business decision-makers, and 75 information technology hotel decision-makers to explore some of the following: how customers choose their hotel; what amenities are important; what are the top goals of hotel executive teams; and what types of IT issues challenge hotels.

Forrester found that technology has dramatically changed the way customers interact and choose hotels. However, hotels are only just beginning to think about how to use Wi-Fi to optimize alternative revenue streams and extend the reach of their brand in the pursuit of delivering a more personal and more integrated guest experience.

Key Findings

Forrester's study yielded three key findings:

- **Far and above all other amenities, customers demanded wireless access in the hotel and in their rooms.** Both business customers and recreational travelers indicated that wireless was the No. 1 priority at hotels and in the rooms. Thirty-four percent of business travelers won't stay at hotel without Internet. Almost all respondents wished all hotels had wireless services since most were bringing laptops, smartphones, and tablets into the establishment.
- **Businesses are investing in the wrong areas, because current wireless deployments don't meet user expectations.** Business decision-makers' top priority is meeting customer's expectations, but they indicated their top method of doing this was cutting costs within IT and reducing hotel operational expenses. In a time when cost offers little differentiation between sites, customers would be best served by improving their wireless experience since this is customers' No. 1 amenity.
- **WLAN investments could capture lost revenue opportunities and lay the foundation for new ones.** With guests leveraging multiple wireless devices and technology services to maintain a fabric of connections to their work and personal lives, hotels will see a huge demand for wireless. And much like the drink industry that transformed coffee, water, and soda into a large margin business, hotels can extract large profits by customizing the services within the hotel, leveraging and starting with Wi-Fi.

Customers' Rising Expectations Push Hotels Beyond Price As A Differentiator

The biggest competition among hotels has become price, thanks to online travel agencies that handed the power to consumers to find the cheapest hotel at their location of choice; the Internet has provided tremendous price transparency to consumers. However, price offers little differentiation, and in this economy, the hotel industry is looking to increase its revenue streams: 75% of business decision-makers for hotels are trying to drive growth (e.g., sales, revenues, profits) in this challenging economic environment (see Figure 1). Thus, hospitality organizations are aggressively investigating how they can keep their existing customers and win over new ones by differentiating their property from others.

Today's customers demand more than fluffy pillows or gourmet room service. Mobile devices are now part of customers' everyday life and many travelers are now using the laptop, PC, smartphone, and kiosk as part of the registration activity at hotels, rental car agencies, and airlines. A guest's handheld device is now an integral part of the travel journey, not only from pre-trip planning and booking but also on the actual trip itself. It's not one device per person either. Today 83% of respondents who have stayed at a hotel within the past three months indicated that they are checking in with smartphones and laptops, and even 30% of recreational travelers bring a gaming system with them. Consequently, the hospitality industry is scrambling to get ahead of the technology curve to support the mobile user and win back lost profit margins.

Figure 1

The Hospitality Industry Is Focused On Improving Customer Expectations And Satisfaction



Base: 75 North American business decision-makers with responsibility for technology decisions at hotels with 25 rooms or more (multiple responses accepted)

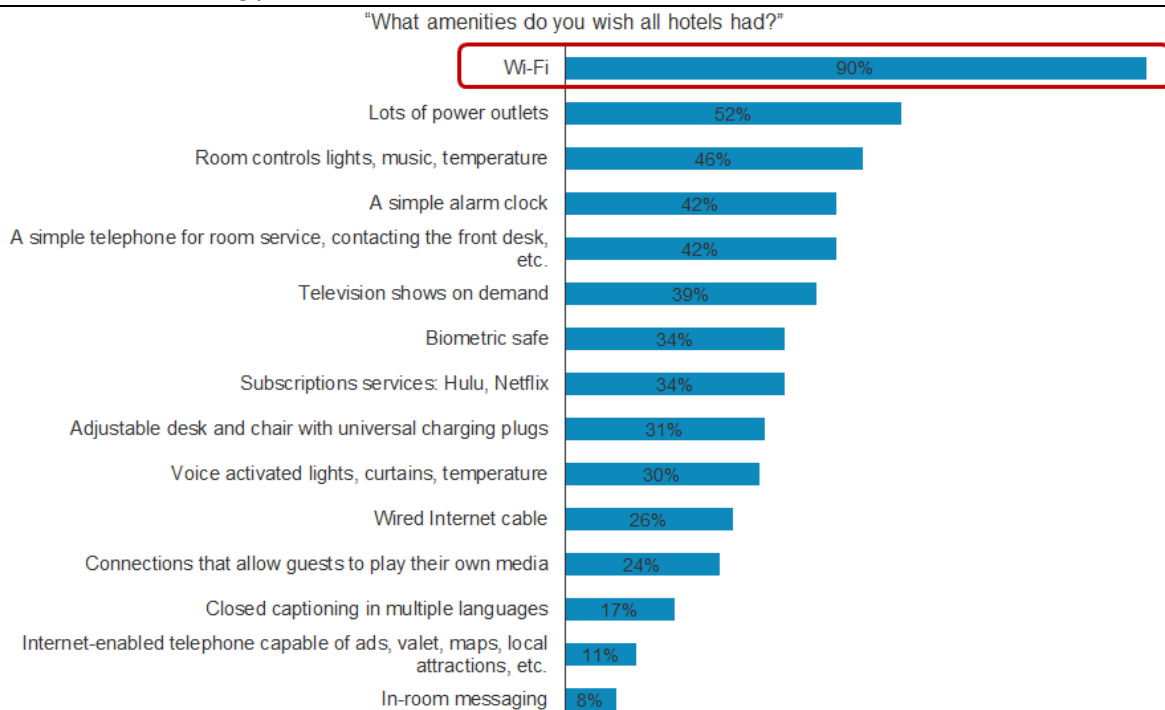
Source: A commissioned study conducted by Forrester Consulting on behalf of Motorola Solutions, April 2013

At the top of their priority list, 80% of hotel business decision-makers are trying to figure out how to address the rising expectations of customers and improve customer satisfaction. The hotel industry is investigating integrating advanced technological amenities into every suite, beyond Internet, cable TV, and in-room comforts. For example, a smart network of intelligent systems — Internet of things (IoT) — can make every aspect of the customers' stay more comfortable, more convenient, and more secure for them and hotel staff. Customers could experience one or more of the following.

- **Distant check-in.** Guests check in before they arrive at the hotel and choose the room that fits their needs and is available. GPS and mapping applications can guide them to their room.
- **Mobile phone room key.** After check-in, the hotel either sends a pin number or leverages the smartphone itself to open the door to the room.
- **Virtual concierge desk.** Instead of guests walking down to a physical desk, guests can use their smartphones or tablets to connect with the concierge using video or instant message.
- **Customized rooms.** The heating, lighting, and sounds within the room are set to guests' preferences before they walk into the room.

Before hotels embark on improving customer experience with new mobile or web applications or deploy cutting-edge services to mobile users, they should first make sure that the basics are there. Offering an Internet connection is pretty common among hotels, but wireless access in the lobby and hotel rooms is less consistent. Guests have become accustomed to an always-on, always-connected lifestyle, and this expectation will only grow. Today, there is one phone per five people on average in the world.¹ In North America, the ratio is closer to 70%. Consequently, hotel guests placed Wi-Fi at the top of their priority list, even over having an in-room telephone. Ninety percent of hotel customers wished that all hotels had wireless in their rooms, and 34% of business travelers won't stay at a hotel if wireless is not in their hotel rooms (see Figure 2 and Figure 3).

Figure 2
Customers Overwhelmingly Want Wi-Fi Connections And Wish It Was At All Hotels



Base: 500 North American hotel customers
(multiple responses accepted)

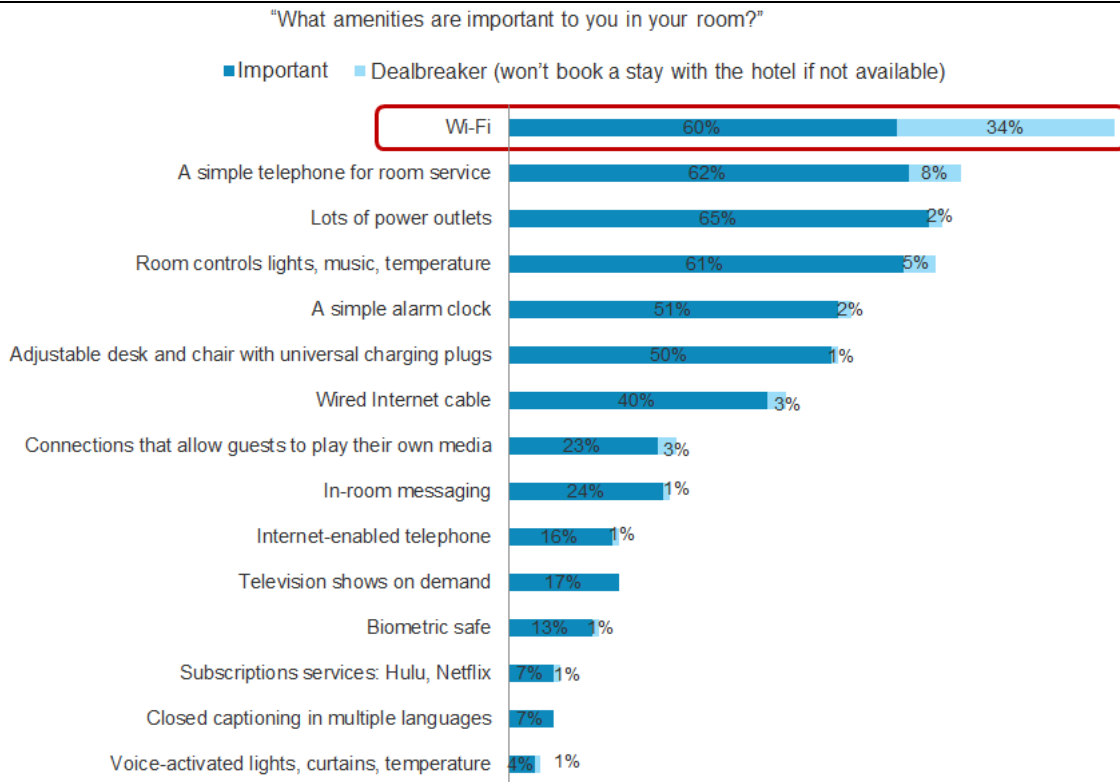
Source: A commissioned study conducted by Forrester Consulting on behalf of Motorola Solutions, April 2013

The Achilles' Heel Of Hotels: Wi-Fi Still After All These Years

What's the No.1 complaint business travelers have about their stays in high-end hotels? It's not the thread count of the sheets or the temperature of the pool; that's for sure. Forrester hears the most complaints from clients about Internet experiences at hotels. More than half of the travelers felt that the process was not easy or intuitive. For service that has been around for half a decade, the current levels of satisfaction are dismal. The current deployments miss the mark with customers, and there doesn't seem to be any change in sight with the current direction the hotel industry is taking with its guest Wi-Fi services. Businesses have:

- Focused too much on cost cutting.** When asked how hotel decision-makers were addressing customers' rising expectations, 45% of the respondents choose to focus on lowering costs over improving customer service or making their products and services easier to use (see Figure 4). Furthermore, hotel business decision-makers' No.1 priority with IT was to have it lower their costs, while creating a comprehensive mobile and tablet strategy for customers or business partners was ranked 12th.

Figure 3
More Than 90% Want Wi-Fi In Their Hotel Room



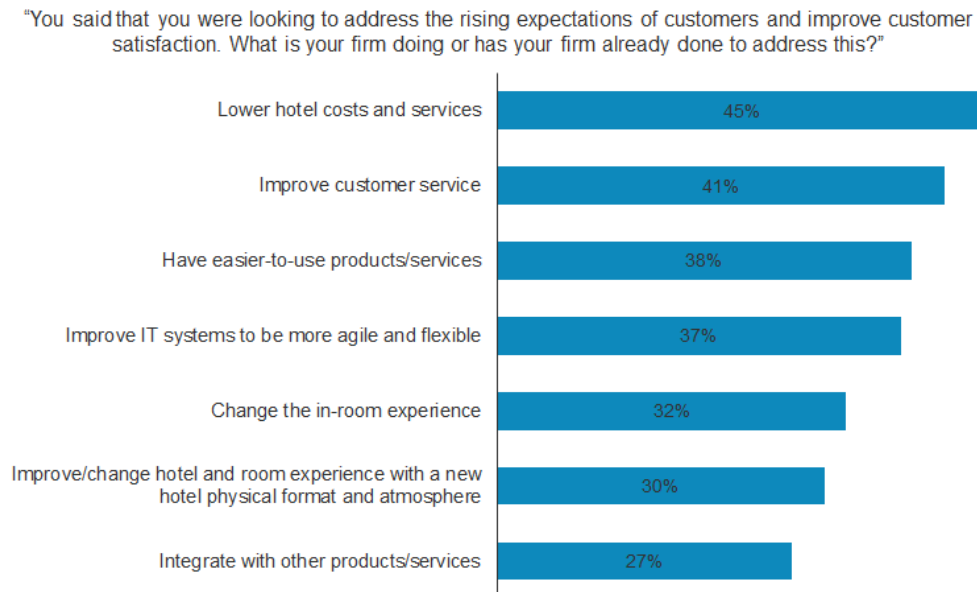
Base: 146 North American hotel customers who primarily stay for business
(multiple responses accepted)

Source: A commissioned study conducted by Forrester Consulting on behalf of Motorola Solutions, April 2013

- Missed what customers want and therefore revenue streams.** Business travelers value location, hotel brand, and loyalty program criteria ahead of price and amenities. The latter two only had a few percentage points' difference

in priority. With price offering little differentiation, hotelier teams miss the opportunity to enhance wireless services in this new mobile world, which customers say is the most important amenity: 94% feel wireless is important and even a deal breaker.

Figure 4
Hotels Focus On Cutting Costs



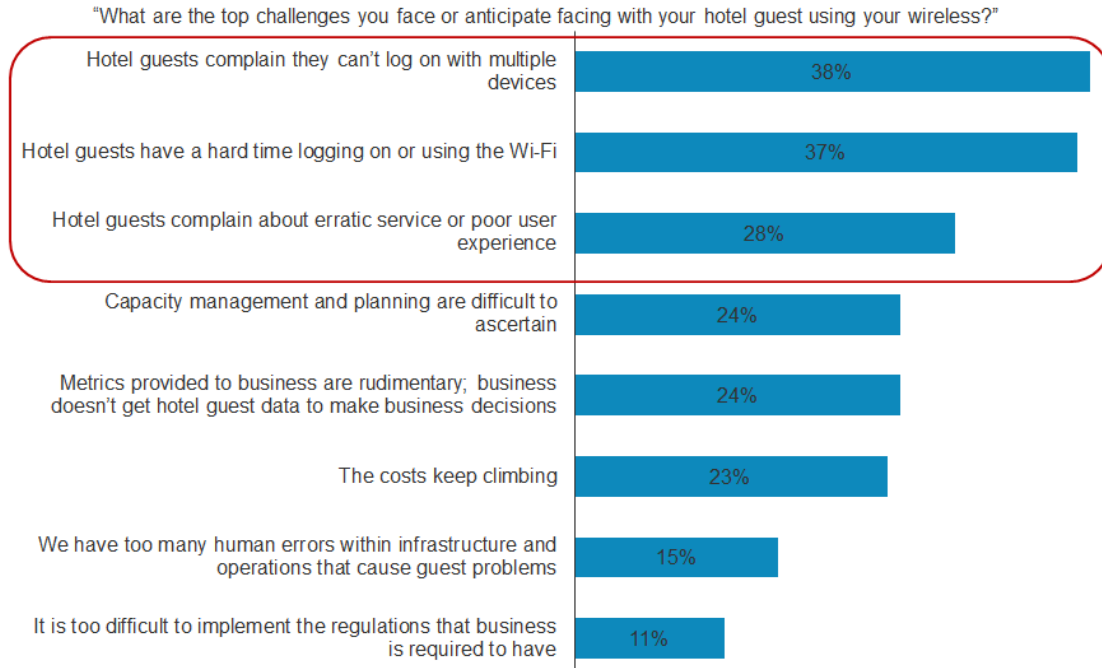
Base: 73 North American business decision-makers with responsibility for technology decisions at hotels with 25 rooms or more who reported they were looking to address the rising expectations of customers
(multiple responses accepted)

Source: A commissioned study conducted by Forrester Consulting on behalf of Motorola Solutions, April 2013

The cost cutting wouldn't be an issue if the hotel industry was meeting its clients' needs. IT decision-makers in the survey responded that guest issues with wireless hold the top three spots. Customers ran into issues most of the time when they tried to log on to the wireless with multiple devices. Typically most hotels are set up to authenticate one MAC address per room. As the ratio of devices to people increases and accelerates, complaints will only get worse. Another area that will cause a rise in complaints is the erratic service. As more and more users leverage their mobile devices for entertainment, stream movies, or make video phone calls, the connections will only become more clogged. More complaints means more costs associated with answering them and lower customer satisfaction with the hotel stay.

Even internal wireless deployments aren't meeting their business needs. About 30% of the respondents feel that their operating costs are going up and the efficiency of the business and infrastructure is going down. Basic guest wireless is keeping organizations from using wireless in more progressive ways like lighting, HVAC, etc., to enhance customer experiences and cut costs.

Figure 5
Guest Services Challenge I&O Teams



Base: 75 North American business decision-makers with responsibility for technology decisions at hotels with 25 rooms or more
(multiple responses accepted)

Source: A commissioned study conducted by Forrester Consulting on behalf of Motorola Solutions, April 2013

Figure 6**Internal Wireless Deployments Drive Up Wireless Operating Costs**

"What are the top challenges you face or anticipate facing with your internal wireless infrastructure?"



Base: 75 North American IT decision-makers with responsibility for WLAN/Wi-Fi decisions at hotels with 25 rooms or more (multiple responses accepted)

Source: A commissioned study conducted by Forrester Consulting on behalf of Motorola Solutions, April 2013

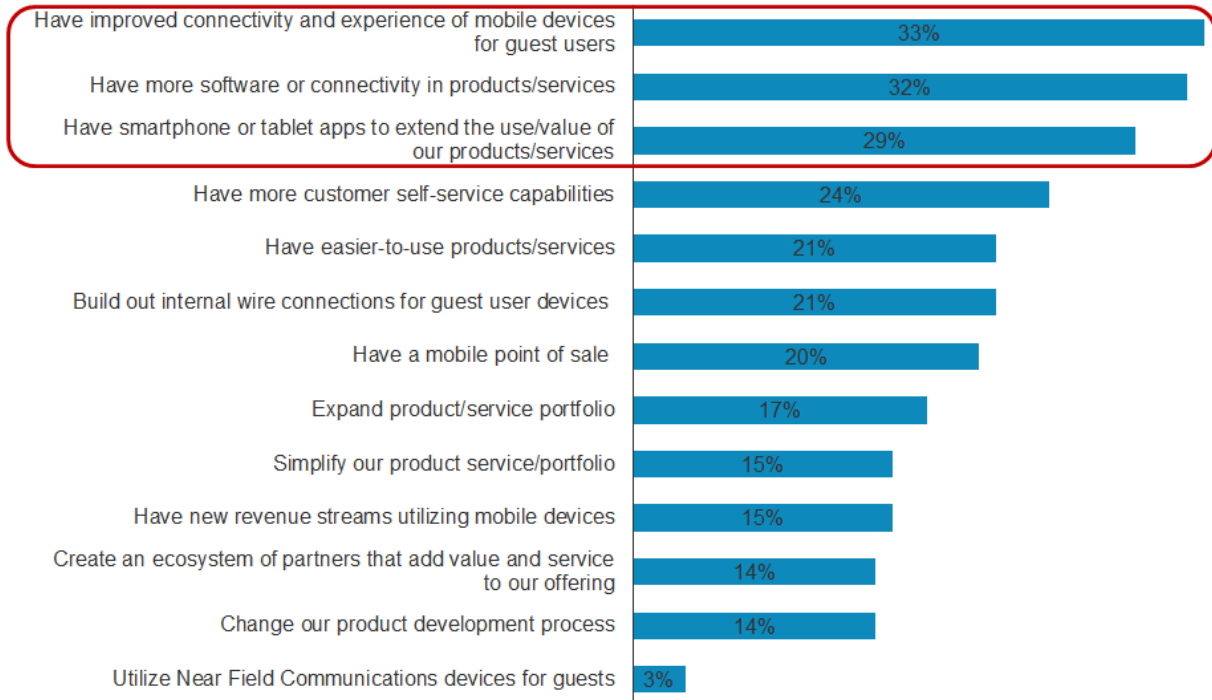
Double Down On Delivering A Great Wi-Fi Experience

Despite the initial appearances, the real cost to the hotel of not investing in intuitive and revenue-generating Wi-Fi can be steep. The business is already spending an immense amount of money on providing broadband Internet to hundreds of rooms, networking and security equipment throughout the hotel, and qualified staff to keep it all working reliably. In addition, guests are bypassing the hotel's premium entertainment services in favor of online social media and streaming video from online services and thus cutting off a traditional source of revenue. Consequently, hotels should not focus on cutting IT costs but investing in wireless and developing a long-term wireless strategy that includes a revenue-generating service.

Wireless or free wireless is important to more than 80% of all travelers. Furthermore, more than half the business travelers said that they would pay \$1 to \$10 for 24 hours of great wireless access. Hotels could adopt a hybrid approach: free basic Wi-Fi for everyone and tiered pricing for users who want a faster connection. This approach could satisfy basic users with no-cost access to email and Facebook and who are unwilling today to pay for wireless. On the other hand, vacationers with kids who want to stream movies for their families could be offered higher-quality service. In addition, with more than 65% of business travelers staying more than once a month at a hotel and using unified communication applications (voice over IP or video service), hotels can offer them faster connections too. In both instances, hotels could recoup their costs of losing on demand services.

Figure 7**Business Leaders Who Are Focused On Innovation Put Wireless Investments At The Top Of Their List**

"You said that your company's ability to innovate was a top priority. What is your company doing or has your company already done to address this?"



Base: 66 North American business decision-makers with responsibility for technology decisions at hotels with 25 rooms or more who said that their company's ability to innovate was a top priority (multiple responses accepted)

Source: A commissioned study conducted by Forrester Consulting on behalf of Motorola Solutions, April 2013

The current wireless solutions at the hotel were built for this individualist consumer. Providing wireless to support the individual guest life cycle isn't as simple as throwing up more access points (APs) or ordering a larger Internet pipe. More than half of business decision-makers understand that there are multiple facets to guest wireless and the complexity of the service. More than 60% respondents indicated seven priorities were pretty close in top wireless priorities:

- Support more Internet-connected smartphones and tablet devices.
- Provide more mobile support for guest users.
- Allow users to connect laptops, tablets, and games systems to in-room resources like TVs or speakers.
- Deploy more ubiquitous coverage.
- Deploy wireless guest solution; deploy more wireless bandwidth.
- Bring guest Wi-Fi back under company control instead of outsourcing.
- Hire IT personnel with mobile application development/deployment and support skills.

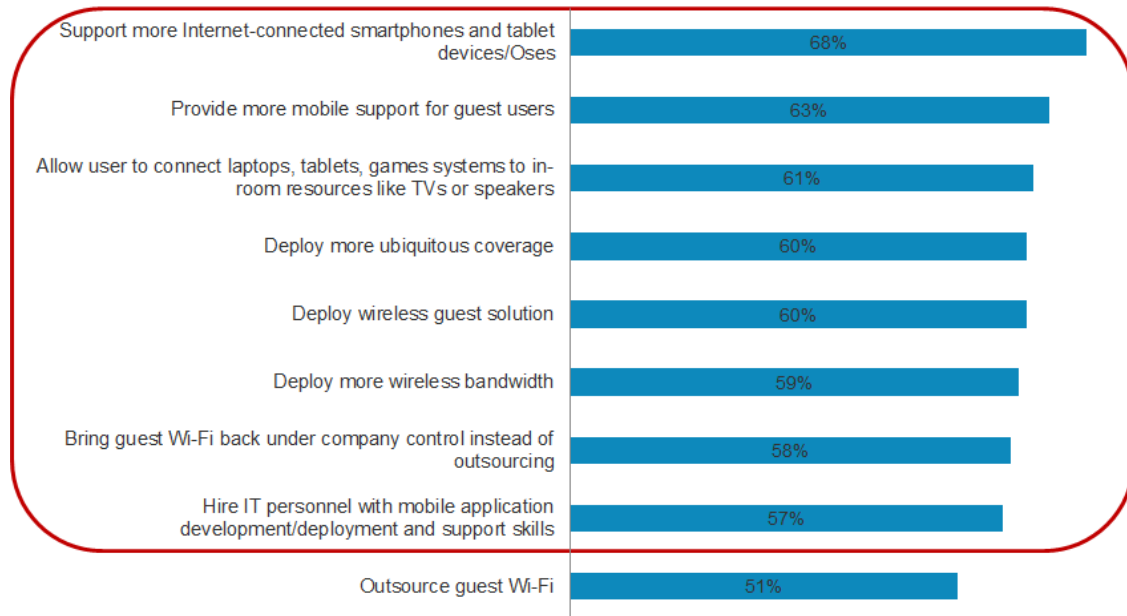
By shifting from just giving Internet access to deploying a solution that can address multiple device connections, bandwidth needs, service-level capabilities, security, and ubiquitous coverage, the hotel business could generate new

revenue streams. Sixty-five percent of guests who consider themselves business travelers stay in hotels more than once a month, and 90% of travelers say that Wi-Fi is an important feature and put it at the top of their list for amenities in a room. The hospitality industry should focus on developing a mobile friendly business.

Figure 8

Infrastructure And Operations Acknowledge That Wireless Investment Is A Multipronged Approach

"In regard to your guest wireless, what are your firm's wireless priorities for hotel guests during the next 12 months?"



Base: 150 North American technology decision-makers with responsibility for technology decisions at hotels with 25 rooms or more (multiple responses accepted)

Source: A commissioned study conducted by Forrester Consulting on behalf of Motorola Solutions, April 2013

By investing in technology and starting with guest wireless, hotels could move away from focusing on offering low-cost services. Other industries — manufacturing, retail, and healthcare — have deployed network technologies, like wireless, and have seen efficiencies increase, operating costs decrease, and even revenue increase with higher availability of real-time information. After getting the foundation piece set, further build of wireless technologies on the internal side could help the hospitality industry with housekeeping, concierge services, check-in, and room automation, improving efficiencies while creating new services. Business travelers would probably pay extra to have the lighting, heating, and music or television shows set to their preference before they walked in the door. Already business travelers rent larger cars than they need for business.

KEY RECOMMENDATIONS

Wireless services will also be central to supporting one of the major trends in the lodging industry — a shift from management of the room to development of the total guest experience. Such a shift will enable hoteliers to capture guests' total revenue potential, not just room revenue. Technology will also be key to better managing operations and maximizing overall performance, enhancing sales and marketing approaches, increasing efficiency, and reducing costs. To start down this path, hotel management teams need to deliver what customers want now. Furthermore, it will be a good starting point to harness the power of technology. Hotel business professionals should:

- **Consider guest Wi-Fi to be a customer amenity, not an extension of IT.** Too often technology offerings are designed, deployed, and managed by technologists who don't have the same perspective as a business owner selling services to the customer. Hotels should create goals and metrics around guest Wi-Fi and then contract it out to the best team like they would with any business service. Some businesses might find their internal resources make the best fit, but others might choose an outside company to service it. Ultimately they should be meeting business goals.
- **Be the providers of Internet access by offering a great experience.** Just as the leading coffee shop has created a distinct atmosphere within their business, hotels should develop and ensure every facility has the best Internet connection. Suboptimal mobile services can be frustrating to users, and it's typically the experience users have with their cellular providers. By creating a known value, customers will leverage the service, which opens the door to hotels capturing more customer information or offering new services instead of handing the keys over to cellular companies. Don't let them take your revenue stream or customer data.
- **Understand that all Wi-Fi isn't the same.** Some hotels package Wi-Fi connections differently in the conference areas, compared with the rooms. New revenue could be generating by further segmenting Wi-Fi in the lobby where small business meetings are now being held more frequently due to the location of the hotel and the layout. Unlike coffee shops, there is more room, and the location is quieter.
- **Look for sophisticated WLAN solutions.** Meeting customers' expectations today and in the future requires an infrastructure that can differentiate services and meld multiple technologies together. Even though it might start off with providing guest connections, those connections need to be serviced by the degree of importance. Even the degree that Wi-Fi solutions interact with RFID, cell, satellite, or RF will become important on the customer side and business side of the network.

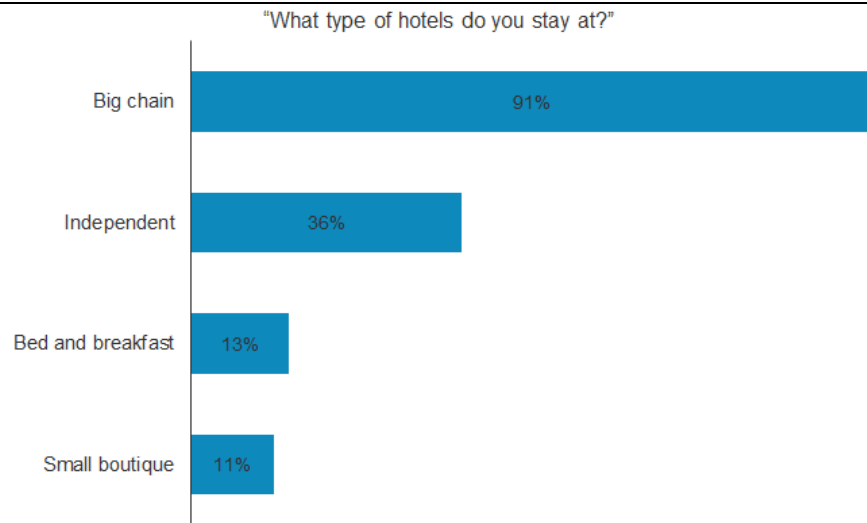
Appendix A: Methodology

In this study, Forrester conducted two online surveys. The first was of 500 North American hotel guests, and the second was of 150 North American technology decision-makers in the hotel industry to evaluate WLAN priorities in the hotel industry and from the consumer perspective. The study began and ended in April 2013.

Appendix B: Demographics/Data

Figure 9

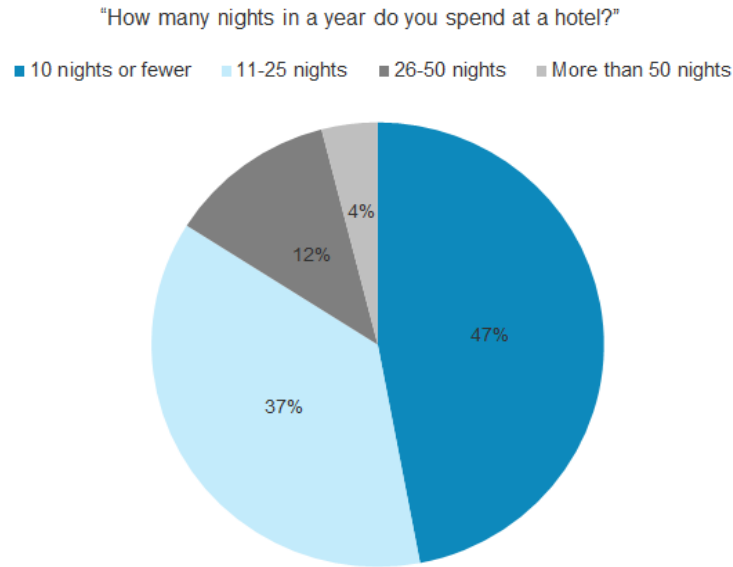
Types Of Hotels Where Respondents Stay



Base: 500 North American hotel customers
(multiple responses accepted)

Source: A commissioned study conducted by Forrester Consulting on behalf of Motorola Solutions, April 2013

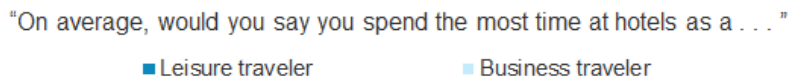
Figure 10
Number Of Nights Per Year Respondents Stay In Hotels



Base: 500 North American hotel customers

Source: A commissioned study conducted by Forrester Consulting on behalf of Motorola Solutions, April 2013

Figure 11
Business Vs Leisure Travelers



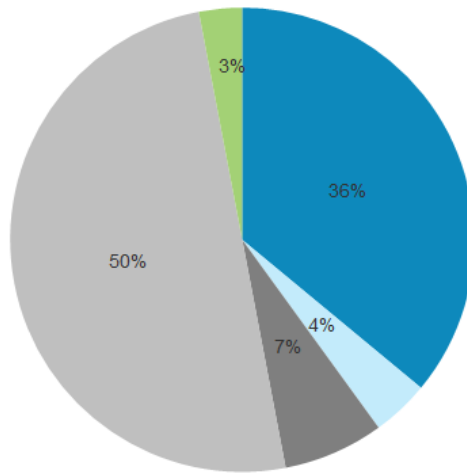
Base: 500 North American hotel customers

Source: A commissioned study conducted by Forrester Consulting on behalf of Motorola Solutions, April 2013

Figure 12
Functional Group Of Hotel Industry Respondents

"Which department or group best describes where you currently work? If you work for multiple groups, please choose the one you work in most frequently."

- Executive management, board, or executive office
- Regional, product line or division head
- Property management
- IT/technology
- Strategy/corporate



Base: 150 North American decision-makers with responsibility for technology decisions at hotels with 25 rooms or more
Source: A commissioned study conducted by Forrester Consulting on behalf of Motorola Solutions, April 2013

Appendix C: Endnotes

¹ Source: Allied Business Intelligence (<http://www.abiresearch.com/research/service/mobile-devices/>).