

# Hotel guests not turning on in-room entertainment

By Jane L. Levere, New York Times

Len Markidan, a 26-year-old marketing consultant based in San Francisco, is the type of business traveler who forced LodgeNet, the hotel guest-room entertainment provider, to file recently for Chapter 11 bankruptcy protection.

Markidan, who spends 40 percent of his time traveling on business and is an elite participant in the Hilton and Hyatt loyalty programs, takes his MacBook Pro and iPad with him on the road and watches all television programs by streaming them on his laptop, using a portable router to extend the Wi-Fi signal in his hotel room.

“For a lot of people my age and a lot of people in general, the way we consume entertainment at home is changing,” he said. “I no longer have a cable subscription – the way I watch entertainment at home is the same way I watch it on the road. I have a Hulu subscription, Amazon Prime and Netflix.”

Guest-room entertainment “is not an amenity that will drive my decision to stay at a hotel,” he said, adding, “I’m a lot more concerned with loyalty program perks.”

James Lingle of Highlands Ranch, Colo., a consultant to hotel companies and guest-room entertainment service providers like LodgeNet’s competitor iBahn, observed: “If you look back, typically the first thing a guest would do when they walked into the door of a hotel room would be to turn on the TV. Now people bring their entertainment with them, tablet-based devices like an iPad, accounts and memberships like Netflix, Amazon Prime and Hulu Plus, and they want to be able to use them.”

LodgeNet's decline directly reflects these changes. According to its bankruptcy filing, the number of hotel rooms it served globally dropped to 1.5 million in 2011 from 2 million in 2009. It provided guest-room entertainment services to most major hotel chains, usually by installing and maintaining free televisions and offering video-on-demand entertainment, for which it and the hotels received fees. LodgeNet's sales in 2011 were \$421.3 million, a 21 percent drop from a high of \$533.9 million in 2008.

Colony Capital, a real estate and hotel investment firm in Los Angeles, led a group that invested \$70 million in a controlling interest in LodgeNet, based in Sioux Falls, S.D., and brought in a management team of former Starwood, Fairmont and Hilton executives. LodgeNet, which emerged from bankruptcy in late March, also signed an agreement with DirecTV to jointly offer entertainment to hotels and hospitals.

The revamped LodgeNet faces strong competition from companies including Swisscom Hospitality Services, based in Geneva; iBahn, based in Salt Lake City; Guest-Tek, of Calgary, Alberta; and Roomlinx, based in Broomfield, Colo. All are developing systems that let travelers consume entertainment the way Markidan does – via the Internet, frequently through subscriptions they already have and use at home, either through Wi-Fi or a direct cable connection between their laptop or tablet and the guest-room television set.

Different types of hotels have different policies regarding Internet access. Many less expensive hotels offer it free, while more expensive ones often charge for it. What's expected to happen next, speaking broadly, is that using the Internet for e-mail will be free, while many hotels will charge for uses requiring a lot of bandwidth, like downloading or streaming videos, with the cost tied to the amount of bandwidth required.

"We will give customers more short-form content at very

attractive prices, affinity packages of sports channels, just-missed TV, video games, as well as movies currently in theaters,” said Michael Ribero, LodgeNet’s new chief executive. “We want to give them the opportunity to watch what they want, even if it’s through Netflix and Amazon Prime.” He said LodgeNet will no longer provide television equipment in hotel guest rooms in exchange for video-on-demand fees. Instead, DirecTV will offer hotel owners lease financing for TVs, freeing capital that LodgeNet can invest in product and service improvements.

C. Scott Hansen, director of guest technology for Marriott International, said his company’s objective over the next several years was to connect every guest-room TV to the Internet. Marriott International also plans to limit the number of TV channels its brands offer to a targeted, all-high-definition lineup and to augment these with Internet-based, streaming content, via services like Netflix and YouTube.

Bandwidth capacity at many Marriott International hotels will need to be increased to support these services, an expense Mr. Hansen said would be offset by guests’ purchases of Internet access, commissions paid by services like Netflix for signing up new members and advertising revenue from companies that could use the TV or guest’s laptop or tablet screen for messages.

Josh Weiss, vice president of brand and guest technology for Hilton Worldwide, said his company offered a broad range of short, low-price TV programs, similar to those available from Netflix or iTunes, in many hotels, provided by LodgeNet and others. This content costs \$2 to \$5, far less than a full-length movie. Hilton Worldwide also offers a free, DirecTV service similar to DirecTV’s residential service at over 150 hotels across most of its brands and plans to expand this service this year.

Mike Blake, chief information officer of Commune Hotels and Resorts, said the company was considering keeping track of guests' channel preferences, which would automatically come up whenever a guest turned on the TV in the hotel room. He said this service, which guests could opt in for, should be available by the fourth quarter of this year. Other new services under consideration include the ability to customize music playlists for guests and to stream personal photos on guest room TVs.

Apple TV in hotel rooms at the Aloft Cupertino, a Starwood hotel, lets guests play video and music and display photos from any Apple device on their television set. Starwood is evaluating offering this system and additional entertainment options at other Aloft and Starwood hotels.

CitizenM, a Dutch chain of what it calls "affordable luxury" hotels – now all in Europe, with two slated to open in Manhattan this year and next – provides a Samsung tablet in each guest room, with technology from Swisscom that provides a music library and free video-on-demand TV and also controls the blinds, lighting and temperature.

The 85-year-old Peninsula Hong Kong this month will finish installation of a guest-room entertainment system that Ingvar Herland, Peninsula Hotels' general manager of research and technology, said costs \$10,000 to \$25,000 a room. This proprietary system features fully customizable bedside and desk tablets preset in a choice of five languages, with six more to follow this year. The tablet allows the guest to order room, concierge and housekeeping services, and to control lighting, curtains, the temperature and privacy options. It also provides – via a flat-screen, Blu-ray, LED television – terrestrial programming, 90 international television channels, 450 Internet radio stations, free HD and 3-D movies, as well as free international voice-over-Internet protocol telephone calls.

Herland said the new system would be offered at the Peninsula Paris, opening next year, and would eventually replace existing systems at other Peninsula hotels.

Travelers should not expect a proliferation of new services like the Peninsula's, said Bjorn Hanson, divisional dean of the Preston Robert Tisch Center for Hospitality, Tourism and Sports Management at New York University.

He said that although hotels in the United States this year were expected to spend a record percentage of profits on capital expenditures – like entertainment systems – profits per room also were expected to remain well below their 2006 peak. Companies offering new systems “that are expensive for hotel owners are doing so at a challenging time,” he said, adding that many hotel owners would consider premium cable service as an alternative.

One vanishing option is sex-related entertainment. Omni banned such programs in 1999, citing its support of “pro-family issues,” while Marriott International stopped offering it last year. “If you want it, you can access it online on your own,” said Hansen of Marriott.