



***WHERE ARE
HOTELS
SPENDING
MONEY?***

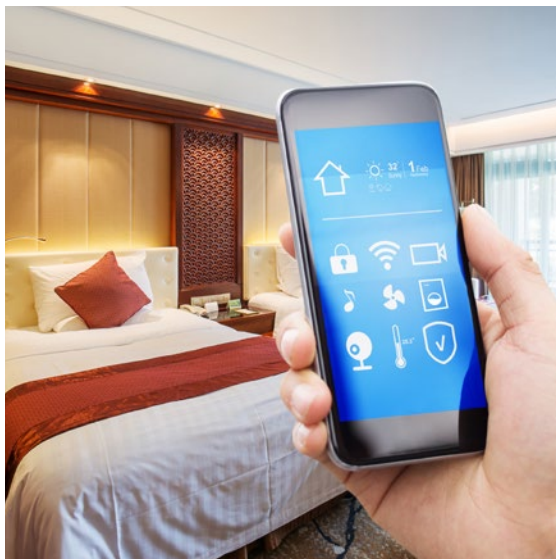
INVESTING IN ELEVATED TECHNOLOGY,
IN-ROOM ENTERTAINMENT & DESIGN
FUELS SUCCESS

**DIRECTV
HOSPITALITY**



Where Are Hotels Spending Money?
Investing in Elevated Technology, In-Room Entertainment & Design Fuels Success

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INTRODUCTION

Rising operational costs – encompassing labor shortages, supply chain disruptions, inflation, and hotel services, to name a few – remain a persistent challenge for today’s hoteliers. As a result, striking a balance between managing operational costs and delivering an exceptional guest experience is increasingly difficult.

Hotels recognize the importance of continuously eyeing ways to elevate operations, improve the guest stay, and achieve profitability without sacrificing quality, but the current inflationary climate raises the question of where to spend money now to achieve these foremost goals. The answer – **allocating money towards improving technology, in-room entertainment, and hotel design delivers tangible pay-offs in strengthened customer and staff loyalty, in addition to the development of an optimized, modern property.**

This White Paper, sponsored by DIRECTV HOSPITALITY, highlights key areas where hotels are earmarking financial resources to remain relevant and move forward on a path towards profitability.

■ Improved technology powers efficient hotel operations while meeting the demands of today’s valued guests and staff members. **With high-quality Wi-Fi, increased use of automation, and integrated platforms, hotels can better position themselves for success now and in the future.**

■ Elevating in-room entertainment, incorporating live TV, streaming capabilities, on-demand and over-the-top (OTT) content, is crucial for creating an appealing “home away from home” environment and achieving high levels of guest satisfaction. **Investing in robust in-room entertainment distinguishes a hotel as a place of choice for leisure and business travelers, digital nomads, and the here-to-stay bleisure market (combining business and leisure).**

■ While lending for new construction is more challenging in today’s economic climate, **hotel owners are embarking on renovations or rebranding to heighten asset value, provide guests with an exceptional experience, and bolster revenue through creative use of spaces.**

ADVANCED TECHNOLOGY POWERS OPERATIONS & SATISFACTION

Technology’s potential to revolutionize the hospitality industry is unquestionable. In the past few years, there has been a distinct shift in guest expectations, in the way people travel, and how hotels operate, and this new normal is compelling properties to re-evaluate their technology offerings. **The power of technology to revamp both front-of-house and back-of-house operations and deliver a superior guest experience has emerged as a major driver of hotelier spend today.**

Gone are the days when hotels could survive on sub-standard technology.

Enter fast, reliable Wi-Fi – one of the foundations to fueling optimized property operations, enhancing the guest experience, and boosting staff productivity. “Travelers have many hotel choices in our very digital world, so excellent Wi-Fi should be table stakes – the minimum a hotel needs to provide in order to stay competitive,”

explained Hannah Greenberg, CEO, Eleven Software. “Inadequate Wi-Fi is a near-guaranteed way to lose coveted customer loyalty in addition to potential new business.”

Investing in robust Wi-Fi provides hotels with a tremendous opportunity to leverage the revenue potential from the growing bleisure market and digital nomads. “Today, technology makes it possible for a hotel room to act as an apartment, headquarters and home



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base all in the same space, effectively encouraging them to stay on-site,” said Greenberg. “This is a win for hotels because the more time a guest stays on property, the more money they spend on property, which further evidences the revenue possibilities from bolstering technology spend.”

Claude Brock, Senior Vice President & Chief Financial Officer, KSL Resorts, agrees with the value of installing quality Wi-Fi. “Providing reliable, high-speed Wi-Fi is an essential amenity for hotel guests. Hotels are upgrading their network infrastructure for a seamless Internet experience for both leisure and business travelers who demand uninterrupted connectivity for entertainment, communication and work.”

Having the property management system (PMS), booking engine, revenue management tools, and all other platforms working 24 hours a day is critical to hotel functionality, but technology inefficiencies prevent a hotel from keeping up with demand. **For a more strategic approach to operations, hotels are increasingly spending on automation and integrated technologies as they are critical to boosting hotel performance. Through technology automation and integration, hotels can eliminate task repetition, streamline efficiencies, raise staff satisfaction, and more effectively manage shifting labors levels.** “A key pain point for staff, the heartbeat of a hotel, is the lack of automation and integrated technology,”

“PROVIDING RELIABLE, HIGH-SPEED WI-FI IS AN ESSENTIAL AMENITY FOR HOTEL GUESTS. HOTELS ARE UPGRADING THEIR NETWORK INFRASTRUCTURE FOR A SEAMLESS INTERNET EXPERIENCE FOR BOTH LEISURE AND BUSINESS TRAVELERS WHO DEMAND UNINTERRUPTED CONNECTIVITY FOR ENTERTAINMENT, COMMUNICATION AND WORK.”

Claude Brock, Senior Vice President & Chief Financial Officer, KSL Resorts



noted Greenberg. “The more time staff can focus on delivery of the guest experience, the more satisfied the customers, and ultimately, the more satisfied the team members because executing flawless service delivery, the essence of true hospitality, is more rewarding for them.”

Noted Brock, “Integrated technologies help collect and analyze data, providing insights into areas of improvement, such as guest preferences, peak hours, inventory management and energy consumption. This information empowers hotel staff to make informed decisions and prioritize tasks more effectively.”

Spending on the right advanced technology also propels guest engagement in meaningful ways. “To address increasing labor, operational costs and generational expectations, hotels must optimize every consumer and guest touch point to drive satisfaction, maximize incremental revenue capture, grow first-party data, optimize marketing investments, and improve guest lifetime value,” shared Kristie Goshaw, Chief Commercial Officer, KSL Resorts. “Investments in predictive analytics, AI chatbots, SMS-based messaging platforms and simplified commerce engines are necessary to meet consumer expectations around speed of response, quality of engagement, and overall ease of doing business necessary for loyalty.”

Strategic-minded hoteliers are viewing technology through a business lens and creating a modernized technology network now because the investment reaps long-term rewards. “Automated and integrated technologies not only streamline operations, but they make hotels more profitable,” said Greenberg. “Driving the average daily rate, cultivating loyalty, and capturing new market share are what make hotels successful. If technology

can move the needle on any of these things, then the hotel needs to do it. If there’s a way to reduce costs with technology, it can free up cash to re-invest back into the hotel, and that’s a good thing.”

While keeping up with ever-changing technology may be perceived as challenging, it is imperative to shift away from the “if it isn’t broke, don’t fix it” mindset. “Technology is not a roadblock; it’s a highway,” remarked Greenberg. “Instead of looking to modernize technology as a cost, I’d flip it and ask ‘how can I monetize the technology?’ Hotel technology is directly correlated to hotel success, from financial to customer satisfaction and brand perception. Hoteliers should be asking themselves how to leverage technology to gain more customers, which leads to making more money.”

RE-ENERGIZED IN-ROOM ENTERTAINMENT MEETS GUEST DEMANDS

Return on investment is crucial when determining where to allocate financial resources. **Putting money into differentiating in-room entertainment from the competition offers a tremendous opportunity for hotels to customize the entertainment experience, leverage the full capabilities of guest entertainment technology, enhance property reputation, and strengthen customer loyalty.**

Investing in elevated in-room entertainment speaks to the expectations of business and leisure travelers as hotel rooms have advanced from just a place to sleep at night to both a “home away from home” and an office. **As guests are rebuilding their confidence in travel, they are returning to hotel spaces with different priorities and resources than they had several years ago, and hoteliers need to meet customers where they are today, and for tomorrow.**

“DRIVING THE AVERAGE DAILY RATE, CULTIVATING LOYALTY, AND CAPTURING NEW MARKET SHARE ARE WHAT MAKE HOTELS SUCCESSFUL. IF TECHNOLOGY CAN MOVE THE NEEDLE ON ANY OF THESE THINGS, THEN THE HOTEL NEEDS TO DO IT. IF THERE’S A WAY TO REDUCE COSTS WITH TECHNOLOGY, IT CAN FREE UP CASH TO RE-INVEST BACK INTO THE HOTEL, AND THAT’S A GOOD THING.”

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“From an in-room entertainment perspective, guest expectations continue to evolve to match their ‘at-home’ experience,” said Kim Twiggs, Associate Vice President of Market Development, DIRECTV. “Guests crave the choice of either watching live TV or having the option to stream app-based, on-demand content because this personalized, choice-driven approach allows them to conduct their stay on their terms. Bleisure travelers and digital nomads, in particular, rely heavily on time-shifted content, so bringing streaming apps, on-demand, OTT content, and casting into the in-room entertainment experience is imperative for these travelers.”

“DIRECTV gives hoteliers the option of creating their own customized guest experience with our Advanced Entertainment Platform (AEP), blending the latest content and cloud technologies and giving the hotelier control of their guests’ unique in-room entertainment,” Twiggs continued. “We’ve been working hard to aggregate content onto AEP with apps such as SHOWTIME®, Hallmark TV, Music Choice® and Netflix, with more apps and catalogs of content on the way, including free ad supported tv (FAST) content. Aggregation of these types of apps with capable search and discovery functionality alleviates pain points for guests and

makes it easy for them to enjoy their stay without having to access multiple systems or learn new processes.”

Brock also sees the substantial value of hotels progressively spending more on their in-room entertainment to boost customization. “Hotels are integrating streaming platforms such as Netflix, Hulu, and Amazon Prime Video, via subscriptions or partnerships, into their in-room entertainment allowing guests to access their favorite content on-demand, which creates a more personalized and engaging experience. As a result, larger and smarter televisions with 4K resolution are becoming increasingly common upgrades to the guest experience.”

Recent DIRECTV independent research reveals important insights into guests’ viewing habits and preferences when traveling, which speaks volumes about the value of investing in upgrading in-room entertainment. Nearly nine out of 10 guests (89%) report watching live TV in the hotel room†. Additionally, live TV is still the most common in-room media use – significantly higher than streaming; 89% of hotel guests report watching live TV during their hotel stay with 73% watching streaming†.

These statistics dispel the myths that no one turns on the hotel room TV or that guests only watch streaming.



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Not only is demand for bolstered in-room entertainment evident, but it has also emerged as an important determining factor in hotel choice.

■ According to recent DIRECTV data, 84% of business travelers, 76% of loyalty program members, and 83% of leisure travelers under the age of 50 would *choose a hotel* if it offered easy access to local, live, and streaming TV/video service(s)[†]

■ 68% of business travelers, 54% of loyalty program members, and 63% of leisure travelers under the age of 50 said *they'd pay more* for these services[†]

Elevated in-room entertainment also plays a key role in supporting pandemic-inspired contactless interactions. “Our latest research shows that nine out of 10 guests believe the in-room TV is suited to at least one contactless experience[†],” said Twiggs. “DIRECTV’s AEP is well-suited to not only help deliver the entertainment guests want, but to help enable an additional contactless experience for guests. For example, AEP’s Property Information App allows hoteliers to share compendium information with guests such as the location of exercise facilities or other property amenity information.”

“DIRECTV’S AEP IS WELL-SUITED TO NOT ONLY HELP DELIVER THE ENTERTAINMENT GUESTS WANT, BUT TO HELP ENABLE AN ADDITIONAL CONTACTLESS EXPERIENCE FOR GUESTS. FOR EXAMPLE, AEP’S PROPERTY INFORMATION APP ALLOWS HOTELIERS TO SHARE COMPENDIUM INFORMATION WITH GUESTS SUCH AS THE LOCATION OF EXERCISE FACILITIES OR OTHER PROPERTY AMENITY INFORMATION.”

Kim Twiggs, Associate Vice President of Market Development, DIRECTV



Connectivity is at the foundation of meeting these important guest needs, whether for entertainment consumption or other purposes. In-room entertainment and Wi-Fi connectivity go hand-in-hand, so it is crucial to fortify these capabilities in order to positively impact the guest experience. “It’s easy to put off making upgrades because of other challenges surrounding us, whether that be supply chain, inflation, or other reasons, but we can’t always wait for issues to resolve themselves; we must lead and be the change,” commented Twiggs. “DIRECTV has a history of supporting our hotel customers in difficult economic times, and now is no different. Equipment prices shouldn’t be a barrier to delivering a premium experience, so DIRECTV helps offsets costs with offers that help subsidize DIRECTV equipment at no additional cost. This investment in driving guest satisfaction is ultimately an investment in a hotel’s longevity.”

RENOVATIONS & REBRANDING STRENGTHEN ASSET VALUE

Keeping a hotel product fresh and inspiring is essential to driving high levels of guest satisfaction and strengthening an asset’s real estate value, but the current economic situation is dictating the direction of that development.

Due to the escalating costs of labor and construction materials, hefty construction loans, and high interest rates, hotel owners and investors are spending money on renovations or changing brand flags versus new-builds as these options are typically less expensive, have a shorter timeline for completion, and still allow for customization of the product. And, as lending is progressively difficult and the capital needed to build has increased, it may be easier to acquire funding for renovations or rebranding.

To maximize design integrity while minimizing the cost of a renovation or rebrand, hotels can align with companies skilled in exploring less expensive materials and pre-fabricated components, buy from the local community instead of incurring exorbitant shipping costs, and emphasize timeless elements instead of trends that haven’t proven their shelf-life. **Whether hotels are investing in renovations to refreshen or meet a brand’s property improvement plan (PIP) requirements or they are re-flagging a property to gain more market share, they are recognizing the strategic value of being intentional with their design functionality.**

From spaces to materials, how is hotel design being shaped to deliver the greatest impact? According to Nile Tuzun, President & Chief Creative Storyteller, Nilebrand,



“The areas renovated depend on the property, but typically it starts with the lobbies, restaurants and public space because they are seen first by guests, in addition to upgraded fitness equipment and amenity spaces, which provide an important level of comfort for customers.”

Tuzun is also seeing an emphasis on design that accentuates a blending of indoor and outdoor elements, particularly post-pandemic. “Use of natural light, the additions of rooftop gardens and gathering spaces, and bringing typically-outdoor materials, such as limestone, travertine, untreated wood, and glass, into inside spaces helps foster this connection.”

Goshow concurs about the greater emphasis on public and outdoor areas. “Since guests expect to live, work and play while at a property, every square foot must be commercialized, and renovations should be sensitive to the multiple ‘needs’ of a space.”

Another trend in renovations and rebranding is the growth of design inspired by a hotel’s geographic location and materials specific to a destination. “Design should be consistent with the hotel narrative,” shared Tuzun. “Telling a property’s story through the neighborhood reflects those distinctive elements that set it apart from the competition.”

Thoughtfully-conceived renovations provide a chance for hotels to be flexible and creative with their spaces, adapting to the needs of multiple traveler markets and creating opportunities for driving revenue. Common areas should have pockets of space for privacy as well as remain functional as they go from day to night. Lobbies are being re-imagined as dual places for relaxation and working like never before, appealing to bleisure travelers and digital nomads. Incorporating cafés and retail shops into public spaces affords important earning potential. Not

to be forgotten is reliable Wi-Fi in every corner of a hotel and updated technology in meeting spaces.

“Hotels must ask how can a space like a lobby become a public square where guests and locals can convene at their leisure 24/7, with merchandising and retail moments seamlessly suggested through creative programming and carefully embedded technology where the space can truly breathe in organic ways,” explained Goshow, noting good examples are holographic assistants, interactive walls, and frictionless retail such as Amazon Go.

An eco-conscious mindset also comes into play with renovating and repositioning hotels. **Renovations and rebranding with an eye toward being green can be viewed as a differentiator among the competition, while also making a meaningful difference in the environment.**

Boutique properties and large brands have been incorporating the use of recycled and sustainable materials the last several years to both bring the green inside and be more conscious of their environmental footprint. Technologies and processes to reduce energy consumption, reduce food and beverage waste, and improve water conservation all contribute to a greener property and lowered costs.

The strategy of design plays a key role in a successful property revamp. “Smart design serves a purpose beyond looking pretty,” remarked Tuzun. “Be intentional with design, so every element in the space has a function. And, be mindful that design is the backdrop to service. Everything is better when service is exceptional; when service is bad, nothing reflects positively and the design won’t be remembered.”

Goshow believes consumers are increasingly seeking inspiring spaces that are relevant and a reflection of their

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Nile Tuzun, President & Chief Creative Storyteller, Nilebrand



ideals, needs and personality. “Fresh air has never been so popular, presenting opportunities for outside programming. The hotel room as one-part office, one-part home and one-part play is driving changes to furniture design, like the return of Murphy beds, new amenities, and in-room entertainment that truly lives up to its name. Uninterrupted connectivity and smart room experiences further enhance the well-being of each guest through personalized and automated services.”

CONCLUSION

The question isn't “to spend or not to spend,” but *where* to spend financial resources in order for hotels to strengthen their property's foundation and long-term value.

■ **Investing in high-quality Wi-Fi, technology to bolster task automation, and more integrated platforms can powerfully transform hotel operations with game-changing results – an optimized property that raises staff productivity, boosts service delivery, and amplifies guest**

satisfaction. A hotel with strong technology bones can swiftly adapt to the emergence of new customer segments while also delivering an exceptional experience to loyal guests.

■ **Hotels are spending money on personalizing in-room entertainment in order to meet guest expectations.**

Whether for live TV, streaming, on-demand content and more, in-room entertainment is increasingly important to hotel travelers – across property types and sizes because it creates a choice-driven, home-like environment that appeals to leisure and business travelers, the bleisure market, and digital nomads.

■ **As hotels get tired, they require revitalization. In today's economic climate where interest rates are high, hoteliers are spending on renovations and rebranding instead of new construction.** Part of any re-fit or re-flag, elevated hotel design keeps a product fresh, engages customers, provides a distinct competitive edge, and raises asset value.



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Claim based on offering of exclusive premiums, Nat'l Sport channels and Regional Sports Networks with the DIRECTV XTRA package. Availability of RSNs varies by ZIP code. Premiums are offered at an additional cost.

†HUB ENTERTAINMENT RESEARCH Survey conducted April 2022 with 1,200 U.S. consumers who stay three or more nights per year in a hotel