

# LODGING

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## I Want My HDTV

Bringing the hotel world into high-definition presents challenges.

High-definition (HD) televisions seem to be everywhere these days. They can be found in bars, restaurants and other public spaces and, increasingly, in homes. Some consumers may be upgrading their televisions in anticipation of the transition to over-the-air digital TV signals in February, but the truth is this mandated conversion doesn't affect cable and satellite connections—only those who still use antennas to get reception. Still, prices for TVs continue to drop, and cable and satellite companies are constantly boasting about how much HD content they offer. So outfitting a hotel with HDTV should be easy, right? Hardly.



There are several challenges to getting HDTVs and actual high-definition content into a property. Some viable solutions are out there and becoming more affordable, but even those who sell these systems often advise properties to wait for prices to come down and new equipment to become available. The problem is that guests expect HD in rooms, especially in upscale properties.

"There used to be a day when you went to a hotel and the entertainment system was superior to what you had at home," says Philip Taylor, director of marketing for Swisscom. "In the past few years, with the advent of HDTV, it's easier for one person to change a television set than for a hotel to change 150 to 500 rooms. However, hotels are starting to feel the pressure as guests check in and [are disappointed to] find a square TV in the room."

Converting to HDTV is difficult for a few reasons. The first is cost. Hotels generally don't want to buy the cheapest HD sets available to consumers. And even if they did, it's still a significant investment when you multiply the cost of one set by hundreds of rooms. The other major issue is getting content to those sets. Many networks encrypt their HD content through digital rights management (DRM) systems such as Pro:Idiom to avoid piracy, so hotels need TVs and other equipment that can distribute and decrypt these signals.

### Televisions

The first part of the investment is the TVs themselves. While consumer models sell for less than \$1,000 for a 40-inch LCD, hotels need to purchase commercial-grade sets for their durability and additional features. These cost about \$1,200 to \$1,400 each. In addition to being able to handle the wear and tear of guest use (and abuse), commercial sets allow properties to restrict guests from certain controls and menus. Perhaps most important, they also support the encryption technology.

"Hotels cannot use consumer sets," says Gustaaf Schrijs, vice president, Global Technology

Americas of InterContinental Hotels Group. "The sets must be commercial to lock down the menus and sound systems. There is also a need for the sets to have encryption, such as Pro:Idiom, in order to receive HD broadcasts, especially from content suppliers such as HBO, Starz, the Golf Channel, ESPN HD and Disney."

### **Content**

When it comes to content, opinions vary on what's the best way to get it to hotel TVs. Swisscom's Taylor says the major issue is that most providers don't offer many channels in true HD (1080 resolution), and they often compress the signals, which degrades the picture quality.

"The content providers I've been talking to, cable and satellite, the problem is the content," he says. "All the old shows are shot on square screens. So you can blow them up or you can stretch them, but that just makes people look funny. Most people, even on their home HDTVs, just press the zoom button and chop off everyone's hair, which looks terrible."

Swisscom subscribes to some true HD content that it delivers through IPTV, including documentaries and concerts. "So at least the hotelier can say if we're going to advertise HD, at least there's content we know is high-quality HD," he says. "But if you're looking at your typical channel lineup, it's sketchy."

Tom Conley, vice president of Bulk TV & Internet, which sells systems that use DirecTV and Dish Network, believes the providers offer a good selection of HD content. The encryption, he says, is what creates the challenge for hotels. "We have to put in equipment in each hotel that may have cost \$400 a channel [as a one-time cost] for standard definition. When it first came out for HD it was upwards of \$4,000 a channel. Now it's come down to about \$2,500."

He says new equipment is on the way that, combined with increased demand, should bring this cost down even further. "Any cable company or DirecTV or Dish Network can deliver HD signal with a set-top box in the room. But not many hotels want to do that."

Some properties jumped on the HD trend early, spending hundreds of thousands of dollars on consumer-grade TVs, only to have to add set-top boxes or other equipment to get HD content to them. Conley says there are several reasons hotels generally avoid set-top boxes. "They're worried about theft," he explains. "Also, cosmetically, they're going from a big clunky armoire to a nice flat-screen, and they don't want to deal with this box." It's also difficult to get the boxes to interface with pay-per-view and video on demand systems.

To reduce costs, Bulk TV will often put an antenna up that can bring in local networks in HD over the air without the need for decryption. Then it will set up a few channels in HD. "The more popular stations are ESPN and if you have a premium movie channel," Conley says. "So we'll recommend a six-channel HD system for \$12,000 for that portion of it and use standard definition for the rest of the content. That's how I see some of our competitors doing it. I've yet to stay at a hotel that has a complete HD solution in it, but it's coming as the prices come down."

### **Justifying the cost**

Especially in a difficult economy, hotels need to justify the cost of upgrading to HDTV. But ultimately, it's become a guest expectation more than a direct revenue stream. "In the current, former or future economy, a property must justify the expense of HDTV just as it does for having a comfortable bed, an efficient shower head, a coffee maker, an iron and ironing board," says Schriels. "It's a cost of being in business and competitive parity. We are at the same crossroads faced when hotels could no longer offer black-and-white TVs."

Taylor notes a couple other ways properties can justify the cost. One is simply keeping guests

on the premises. "If I walk in and there's a square television—or worse, a glass square TV—I'm not going to spend a lot of time in my room," he says.

He also has heard of hotels that have added DirecTV's NFL Sunday Ticket, offering every NFL game. "They saw a big increase in the number of check-ins on Sunday," Taylor says, "because people can come and watch their home team in their hotel room."

Taylor also says hotels that install LCD sets will see "a fairly dramatic power savings" over older TVs. So hotels can save money and also promote this as a "green" feature. Schribs, however, isn't sure the savings is significant. "We cannot, at this time, determine if the power consumption has decreased between CRT and HDTV sets," he says.

Hoteliers and providers may have different ideas about HDTV, but they agree it's becoming a guest expectation at high-end properties—and soon after at less expensive properties.

"I do believe the technology's going to come slamming through in 2009 and 2010," says Conley, "starting with the four- and five-star hotels and trickling down." ■