



PBX REGRET

6 Dirty Little Secrets
Some Hotel Communication
Providers Do Not
Want Exposed

As hotel communication evolves, some providers have become creative with packaging solutions that may not be what they seem. The result—hoteliers are destined for PBX Regret.

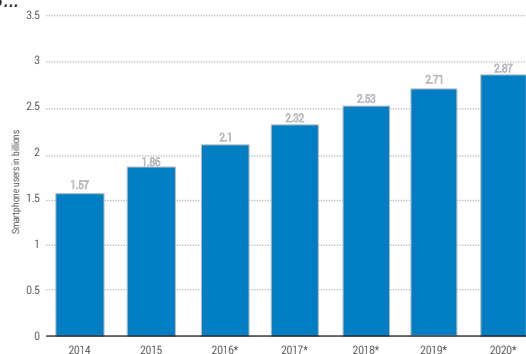
The Times They Are A-Changin'

It wasn't so long ago when the resale of guestroom and conference phone service was a cash cow for hotels; in many cases the second highest profit center after room revenue. The phone charges during a guest's stay could be significant and in many cases almost pure profit. Due to this high telephone revenue and margins, hoteliers could easily justify replacement and updating of their PBX and Call Accounting systems on a regular basis.

And then came the adoption of mobile phones...

For 2017, the number of smartphone users in the United States is estimated to reach 222.9 million, with the number of smartphone users worldwide forecast to exceed 2 billion users by that time.

— Statista.com



As the cost to make calls with mobile phones and devices became less, fewer and fewer guests chose to make calls with guestroom phones. Even when hoteliers slashed prices, guests were still intent on making calls from their cellular devices. It was the end of an era.

In addition, communication became more complex. Initially, people would use their mobile phones only to make a voice call. Now, texting and SMS messaging are surpassing voice with the younger demographic. And there are many more ways to communicate, such as; voice, texting, chat/SMS messaging, audio chat and video calls. Add to this social media with all its variables; Facebook, Snapchat, Twitter, Instagram, LinkedIn, with more being developed. We also now have Unified Communication with voice to text, text to voice, point of presence, group chat, SMS and group messaging, file sharing, video chat and push to talk.

Hoteliers looking to provide more efficient and cost effective communication among staff have begun adopting some of these alternative communication methods. However, since these solutions were not designed for enterprise and commercial use, security remains a big concern. At the same time, many hotel brands have begun providing their own mobile app to allow guests to communicate to the Brand or hotel through email, texting and SMS messaging before, after and during a guest's stay. Despite all this change and complexity, there doesn't currently exist an **open platform** that will allow simple mobile integration for guests, while accommodating a plethora of ever-evolving methods of staff communication, all within an easy to use and secure environment.

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There's Been a Disturbance in the Force

Ten years ago, nobody would have predicted that the leading PBX providers, such as Nortel, Hitachi and Avaya would file Chapter 11 or no longer be in business and other providers such as NEC, Alcatel/Lucent would no longer be major players in hotel communication within the US. Now it appears that proprietary hardware-based PBX providers are experiencing challenges competing in the world of open-architected protocols and software-based solutions. Many hoteliers are pushing back, stating they don't want to be caught stuck with a legacy solution utilizing proprietary-based hardware or software; the more open the platform, the better. To compete, a remnant of the legacy hardware-based PBX providers are slashing their prices in an effort to retain market share and stave off the new breed of software-based hotel communication platforms. In addition, these legacy hardware providers continue to make false statements about the quality, scalability and resiliency of the next generation, open-architected communication platform providers.

Confusion and Regret Sets In

It's easy to understand why hoteliers are experiencing "PBX Regret". In the ever-evolving and dynamic technology of hotel communication, one doesn't want to make a mistake and invest in a legacy platform and find it obsolete within the next five years. Worse yet, is to purchase a proprietary-based PBX system that doesn't work with other less costly and more effective "off the shelf" technology. How to navigate and who to trust long-term can be quite confusing; which leaves hoteliers regretting having to make any decision at all when it comes to purchasing a new PBX.

We've uncovered six (6) dirty little secrets that communication providers could be keeping from you. Read on to know what to look for in your due diligence and avoid becoming a victim of PBX Regret.

1 Your Hotel Communication Provider May Not Be Who You Think They Are



Be sure to understand who is providing your service and support. How long has the manufacturer offered their solution to the hospitality industry? Do they truly understand the hotel market? This not only applies to the manufacturer, but also to the VAR/integrator who will be installing and providing Tier 1 Support. Regarding technology, does the provider specialize in hotel communication or is it just part of their overall "Triple Play" marketing strategy? Regarding sales and service, how many companies or entities are being leveraged in order to sell, deploy and service their solution? This is also referred to as "Margin Stacking". In many cases, the total number can be up to 3-5 different entities; (1) Sales Agent/General Contractor, (2) Communication Integrator, (3) Subcontractor (local installers), (4) Cloud Software Reseller, (5) Cloud Software Manufacturer. In order to ensure best pricing and a more hands-on, quality installation, the hotelier should know who the actual provider is and look for no more than two entities to be involved: the reseller/integrator and the software manufacturer.

2 The Big Hand-Off- Onsite Deployment and Support



It may be surprising to learn that many of the national hospitality technology integrators leverage small independent subcontractors to install and service their customer base. It is important to fully understand who will be onsite ensuring the quality and thoroughness of the installation. There are numerous horror stories of delayed hotel openings and extended guest disruptions, costing the hotelier thousands of dollars, due to the integrator's inability to leverage subcontractors as their onsite technicians. In addition, the timeliness of the service and support response, especially during off-hours and weekends, are also known to be problematic and

2 | The Big Hand-Off- Onsite Deployment and Support (cont...)

unreliable with this type of service model. Hoteliers should ask for the opportunity to review a detailed **Deployment Project Plan** for their hotel and know who exactly will be providing the onsite services; inquiring about the depth of experience each of the onsite techs have to perform both in networking and traditional telephony skillsets. Both will be needed. Confirm whether the integrators will be using their employees or a subcontractor, who can only provide “Smart Hands” support. If they are using subcontractors, how do they plan to mitigate risk? Similar questions should be raised for ongoing service support. What are the SLA's? Who is providing the service support; both at the call center and onsite? Keep in mind, many vendors in this space outsource their call centers too.



3 | On-Premise vs Cloud Gets a Little “Cloudy”



vs



For years, the PBX has been deployed on-premise within hospitality. Offering the PBX as a cloud-based deployment has only occurred within the last ten years. Initially, it was not very stable and the voice quality (MOS scores) not consistently good. However, with better architecture of the solution, more effective QoS tools and access to low-cost, highly-reliable bandwidth, cloud-based PBX solutions have emerged as a viable solution both in corporate America and within full-service and luxury hotels. It is only recently that there are cloud-based PBX providers available, who are capable of offering an affordable and resilient solution, not only for full-service and luxury, but also the select/limited services hotels. This has caused a disruption within the marketplace with the traditional on-premise providers scrambling to develop a “cloud-like” solution from their legacy platforms.

It is important to note that hoteliers should not feel obligated to “Move their PBX to the Cloud” in order to leverage the latest and greatest functionality within a hotel communication platform. The good news is there are manufacturers who offer both on-premise and cloud solutions with both platforms providing the same functionality.

Lastly, all cloud-based PBX platforms are not architected the same. Some offered by the legacy hardware providers are really hybrid in their deployment. They are “cloud-like”, where some of the critical telephony processing has to be performed on-premise, while other processing occurs in the cloud. If a hotelier is truly looking for all critical aspects of the call processing, mailbox service, call accounting, wake-up calls and such to be in one system above property, they will need to look for a true cloud solution rather than adopt one of these, “cloud-like” solutions.

4 | Licensing- Are You Getting What You Paid For?



Not all solutions are licensed the same way. Some vendors, particularly within the cloud space, charge a licensing fee for every phone line. They also charge differently for each license depending on the type of phone line and feature set the hotelier is purchasing; guestroom, common area and three types of admin lines are most commonly seen. This can be a very confusing task for the hotelier. In this model, the number of admin phones and feature sets required, along with the total number of common area phone lines, all greatly impact the cost of the upfront and ongoing monthly licensing fees over and above the cost of guestroom phone lines alone. This is why the cost per room and total cost per hotel to implement their cloud solution can vary greatly between a 200-room select hotel, a 200-room full-service and a 200-room luxury/boutique hotel. It is important to ask yourself why and rationalize at what extent does the hotel in question really benefit from the “enhanced admin services” attributed to these extra licensing fees.

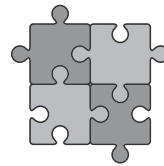
It is also worth mentioning that in order to remain competitive and reduce their total cost of licensing fees using the above licensing model, some cloud solution integrators have chosen **not** to purchase a license for the guestroom and common area phone lines from their cloud-based manufacturer. They instead leverage basic SIP trunking and add voicemail to the lines to simulate guestroom and common area phone-line licensing, while only purchasing admin-line licensing, circumventing the need to purchase guestroom and common area phone line licenses from the cloud software manufacturer.



This now puts the hotelier at risk without a valid license from the manufacturer and defeats the purpose of using a cloud-based provider in the first place. How is this truly cloud-based, when in essence the only calls being processed in the cloud are admin, while the guestroom and common area are still being processed onsite? Sounds “cloud-like”, doesn’t it? Be aware. If the hotelier is unsure about their cloud PBX purchase over the past few years, they should ask their vendor whether they have purchased software licensing access from the cloud software manufacturer for all the lines within their hotel; including all guestroom, common area and admin phone lines. Also, those hoteliers seeking a true cloud, “above-property” solution should verify where the call processing actually takes place for all the calls placed from and to the hotel; is it in the cloud or is there a portion of the calls processed on premise?



5 Purchase and Deployment Options May be in Their Best Interest--Not the Customer's



Not every hotel can or should choose cloud deployment. Owners, ownership groups and hotel management companies vary differently on how they evaluate CAPEX versus OPEX purchases within their hotel portfolio. This is why hotel communication vendors should offer a variety of options on both the types of deployment and the purchase options offered to the hotelier. At the same time the hotelier needs to establish their go-forward communication strategy for a particular hotel or across their hotel portfolio. Decide if it is more strategic to manage the communication technology on-property themselves or allow others who specialize in hotel communication to manage it for them at a flat-rate price. If the hotelier believes hotel communication is dramatically changing over the next few years, do they really want to own the technology? Decide which of the purchase and deployment options mentioned within this article will provide your hotel or hotel group the lowest Total Cost of Ownership (TCO) over the next five to ten years, while ensuring the hotel communication platform selected stays relevant and maintains a strategic advantage over your competition?

Other things to consider... What is included in the vendor's managed services offering? Does it include any type of hardware and software replacement or upgrades? Does any of the hardware they provide come with a full upgrade or replacement, for the life of your agreement; meaning you will never have to purchase a PBX again? Does it include a flat rate for SIP trunking for all local and long distance calls throughout North America? What type of support and SLA does it include? Is it truly a full turnkey solution? Does it include wiring, networking gear to integrate into your existing network along with a compatible PMS interface? Is the Call Accounting system included or does it require additional licensing and servers to manage and more annual support fees? Who manages the replacement of phones and third-party networking equipment? Is it single-sourced and managed by one provider? Be sure all of these options are in your best interest and align with your hotel's communication strategy.

6 | Their Hotel Communication Strategy May be the Quick Win



In this complex and ever-changing world of hotel technology, you want to partner with companies who are developing their platforms for the future and specifically for hospitality. Knowing whether your provider is in it for the long-haul and how they truly value hospitality is critical. Are they new to this industry and just looking to leverage an existing platform because they think they can gain a quick win? We have all seen a number of the big players come into the hospitality industry after purchasing a company to leverage their entrance, only to become disillusioned and exit after 5-10 years.

What is your solution provider's roadmap for developing a fully-integrated hotel communication platform, is a key question to ask. Do they have a vision specifically for hospitality? How are they planning to make communication more strategic within hospitality? What are they doing to demonstrate their commitment to be a change-agent for hotel communication?

CONCLUSION



It is important not to overreact to the loss of revenue previously made from guestroom calls. Guests are still communicating - more than ever, in fact - but they need to do so **differently**. Staff also need to communicate more, but they need to do so more **effectively** and **securely** with more **transparency** to their managers. What is the overall best platform that allows you, as the hotelier, to strategically and easily provide enhanced communication services for both your guests and staff? Will you have a number of deployment options, at a reasonable return, while remaining open-architected to quickly and easily adopt next-gen, "off the shelf" technology?

Armed with the information and thoughts above, there's no reason why you should ever become a victim of PBX Regret.

To find out more ways to avoid PBX Regret or further discuss thoughts contained within this article, feel free to contact Keith Konicki at kkonicki@phonesuite.com.

In addition to acting as the VP of Marketing and Business Development at Phonesuite, Mr. Konicki currently is the Co-Chair of the HTNG Cloud Communication Workgroup, where he has served over the past three years.