

Multi-Hospitality Unit (MHU) marketplace summary

Solutions marketing

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Executive summary

Connectivity is key and time is money—these two concepts are powering the growing demand for high-speed Internet access. The desire for fast connections is no longer confined to the workplace; demand is beginning in both the residential and public markets. Business travelers have become accustomed to the convenience of high-speed access at work, and are becoming increasingly sensitive to time delays using dial-up connections. These travelers have a perceived reduction of productivity when they are on the road connected at traditional modem speeds. The hospitality industry is beginning to jump on the broadband wagon as a service differentiator to help them retain customers and attract new ones.

There are 4 million hotel rooms in the U.S.¹ The multi-hospitality unit (MHU) market for broadband equipment and services is currently \$38 million, but is expected to grow to over \$600 million by 2004.²

Definitions

On-site service provider (OSP)

An OSP is a company that provides information content only to subscribers of their service and does not make it generally available to regular web surfers. In addition to providing information

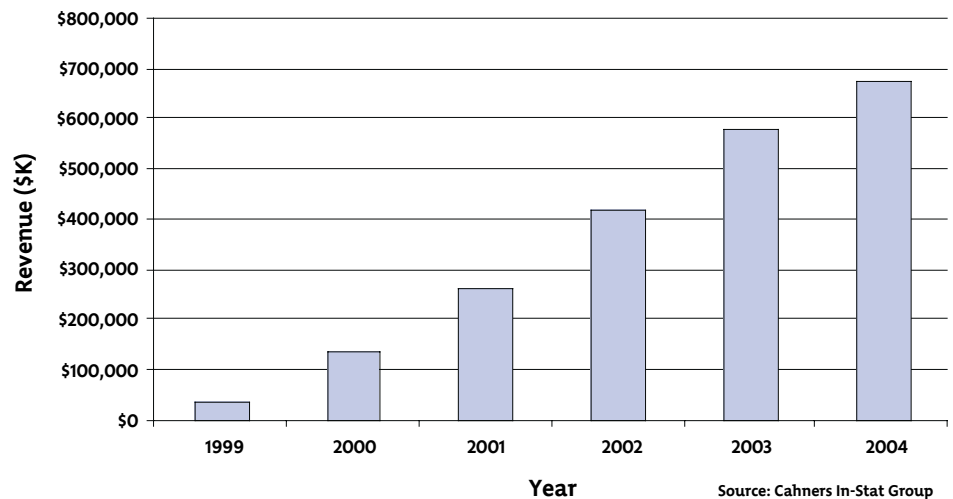


Figure 1. Hardware and service sales, U.S. (\$K)²

content, the OSP typically will own or lease all infrastructure equipment within the specific building, set of buildings, or community to provide some combination of data, voice, and video services.

Multi-hospitality unit (MHU)

An MHU is characterized by a transient population that stays an average of three days or less. Proprietors offer a range of telecommunications and entertainment services at no charge or for a fee.

Introduction

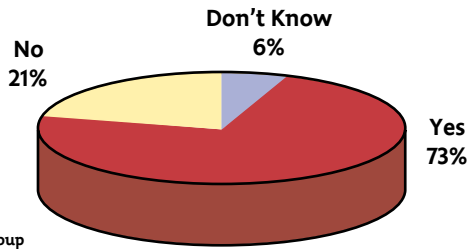
One of the new arenas in the broadband market is the hospitality industry. MHUs represent a large market that demands

broadband service deployment to guest rooms, which service providers and hardware vendors are rushing to supply.

This market is a source of new revenue for equipment manufacturers, service providers, and property owners. Service providers are considering solutions specifically for the hospitality industry to differentiate themselves from other Internet service providers (ISPs). In addition, these service providers are also considering delivery of enhanced services, such as voice video and applications. Many are also offering cable installation services and on-site network management as part of the package to attract property owners.

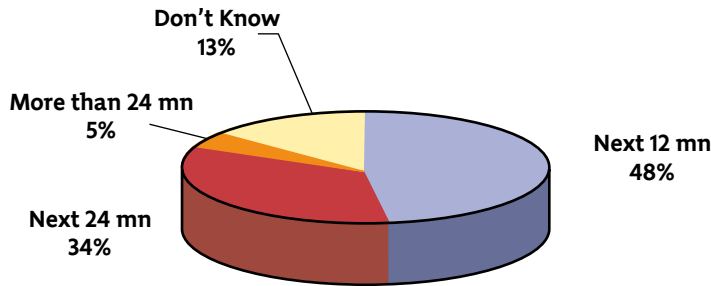
¹ American Hotel & Motel Association, <http://www.ahma.com>.

² Cahners, June 2000, *The Wired Room*, pp 1, 4, 6-7, and 10.



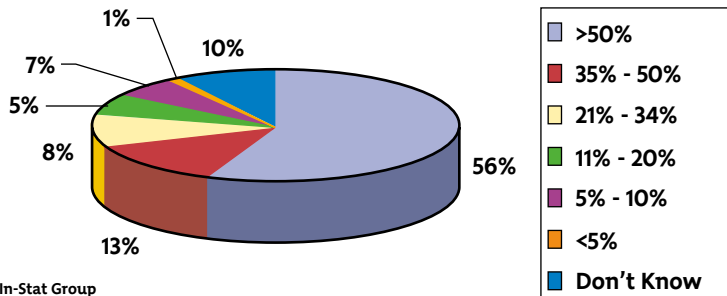
Source: Cahners In-Stat Group

Figure 2. Percentage of MHUs considering broadband deployment³



Source: Cahners In-Stat Group

Figure 3. MHU broadband deployment time frames³



Source: Cahners In-Stat Group

Figure 4. Percentage of rooms targeted for broadband³

Market research

The market research presented in this paper is based on a survey conducted by the Cahners In-Stat Group.

The MHU market for services and hardware is expected to grow dramatically from 2000 through 2004. The market for equipment and services is expected to grow to almost \$700 million in that time period (see Figure 1).

Almost three-quarters of the MHUs surveyed are considering broadband connectivity in guest rooms. The reasons most often cited are generating additional service revenue, attracting new customers, and retaining current customers.

Of those MHUs considering broadband, over 80 percent plan to deploy within the next 24 months. Only 13 percent have no time frame in which they plan to implement.

MHUs who would consider implementation plan to wire at least half of their guest rooms. The next level is in the 8 to 13 percent range.

If the MHU was not faced with the prospect of new wiring, the “no” category drops from 21 percent to only 3 percent. However, the “don’t know” category increases from 6 percent to 19 percent. This shift suggests that proposing a strong business case using

³ Cahners, June 2000, *The Wired Room*, pp 1, 4, 6-7, and 10.

existing infrastructure (mostly copper, see following chart) or a wireless infrastructure could win a significant share of the “don’t know” category.

In-Stat’s wiring forecast for the MHU market shows copper as the leading infrastructure from 2000 through 2004. During the period, fiber will gain ground, but wireless is expected to increase the most.

Global view

The data gathered as of the writing of this draft is for the U.S. only. However, we expect to find similar drivers for broadband in Europe, the Middle East, and Africa (EMEA), the Caribbean and Latin America (CALA), and the Asia Pacific region.

Business approach and alliances

The MHU owner can be a real estate investment trust (REIT), corporation, partnership, or individual. There may also be management companies involved in the operation of a property or properties. The most efficient approach is to win those entities that own or control a large number of properties.

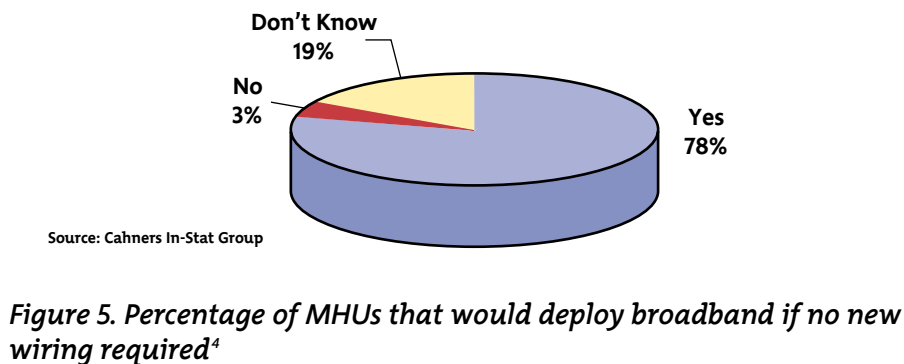


Figure 5. Percentage of MHUs that would deploy broadband if no new wiring required⁴

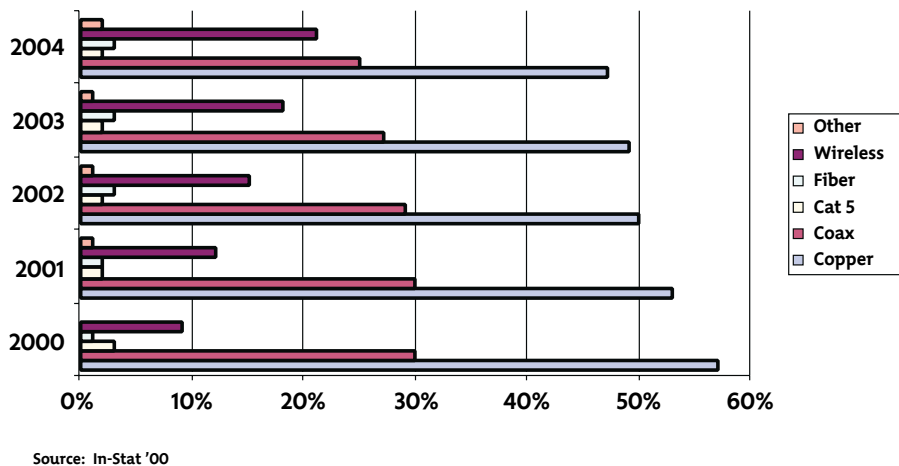


Figure 6. MHU wiring forecast⁵

Some players in the market are competitors as well as potential customers. Some of the providers manufacture their own equipment for part of the solution, and purchase the rest from other equipment vendors.

Potential solutions

The MHU target market consists of hotels that cater to business travelers and have from 100 to 500 rooms.

Wiring is most often Category 3 (CAT3) performance standard in existing struc-

⁴ Cahners, June 2000, *The Wired Room*, pp 1, 4, 6-7, and 10.

⁵ Cahners, May 2000, *Network Neighborhood*, p 48.

tures, and CAT5 for new or greenfield opportunities.

Proposed solutions will be as follows:

Architecture	Wiring
DSL	CAT3, CAT5
Ethernet	Fiber, CAT5
Cable modem	Coax
Wireless	Wireless transport

Conclusions

The MHU market will grow to almost \$800 million by 2004. More than half of MHUs plan to deploy broadband within the next 24 months. This is a three-way win for the MHU, the service provider, and the equipment manufacturer.

The target market for the service provider should be large hotel chains and REITs that own large blocks of properties. The sweet spot is single-building hotels with five floors or more. The next best market is garden-style hotels. In all cases, the target should be hotels that cater to business travelers.



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