

Cloud Communciations

What Does it Mean for the Hotelier?

Major hotel brands are embracing the move to cloud communications. The shift is led by Marriott, one of Broadsoft's leading customers, and an industry innovator. **Bob Galovic, Vice President, Marriott was interviewed by Ron Tarro, Vice President, Hospitality, BroadSoft, Inc. on 15 March 2015.** Bob's team supports global network and telecommunications standards and architecture. Bob, in this interview, shares his perspective on the emergence of cloud communications within hotels. He also shares what Broadsoft-based service providers should understand in serving Marriott and the global hospitality industry.

Ron: Bob thanks for sharing your perspectives on cloud communications with the BroadSoft team and its global BroadWorks® and BroadCloud® service provider partners.

Bob: My pleasure and my thanks for the services you have provided Marriott over the years.

Ron: Let's start by discussing the scope and nature of voice services at Marriott.

Bob: Sure. There are approximately 3,900 Marriott branded hotel owners in over 70 countries around the world. Further, we have 1,200 hotels in the development pipeline. Our hotels operate under about 18 hotel brands beginning with the signature Marriott brands, and under luxury brands like Ritz Carlton and Bulgari, to under select service brands like Courtyard, Fairfield Inn, and Residence Inn. In aggregate Marriott branded properties support almost one million voice endpoints.

Ron: What's the voice technology at a hotel premise today?

Bob: A standard hotel today operates with a premise PBX and a constellation of specialized premise systems that provide hotel specific voice features. The hotel industry invested heavily in PBX technology refreshes in the early 2000's. Those investments today are rapidly reaching useful end of life. A wave of technology refreshes are building globally. Also, the hotel room phone for years was a source of significant revenue for the hotel owner. Today, guest phone revenue is diminished while it remains a component of an overall guest services strategy.

Ron: Marriott owners and managers have operated premise based PBX technologies for

decades. Yet recently you announced to Marriott technology vendors a shift in strategy to the cloud communications. What's changed for Marriott?

Bob: Much is made regarding the economics around premise versus cloud right now. But in reality consumer technology has changed and we must align with that change. Marriott hotel operations can benefit and guest experiences can be improved by integrating with consumer technologies. Cloud communications let us think about this sort of innovation above the property at a hotel brand level. It's hard to unify communications in a world where consumer mobile technologies interacting with diverse local hotel premise technologies.

But also, it just seems clear that distribution of hardware and software features and their attendant local support service requirements is out of step with the idea of a unified guest experience, productivity, flexibility, and unified brand.

Ron: What took so long? It seems as if the hospitality industry has been slow to embrace the communications cloud?

Bob: Actually our specialized hospitality industry feature sets have been one barrier. Hotels operate with a set of specialized PBX features that have always prevented a generic PBX offering from serving a hotel. Further those features required integration to our property management systems. BroadSoft's acquisition of SDD's JAZZ Fusion hospitality cloud middleware platform has really cleared these issues away and in my mind presented BroadSoft-based service providers with the foundation for a complete solution.

Ron: Does Cloud PBX change how a Marriott hotel

acquires voice services? Who's your communications solution vendor in five years?

Bob: Marriott hotels have long purchased voice as a technology product. Hotel owners would hire a systems integrator for assembling and supporting the solution components at the premise. Marriott corporate would have precertified best of breed technologies around PBX, voicemail, and call accounting to support their decisions.

Now cloud communications technologies have shifted our focus to buying voice features as a communications service. Our attention has now turned toward service providers and their ability to deliver high availability total solution services.

Ron: So technology is less important?

Bob: Actually no. Technology is extremely important. But, the right technology platform within a communications service expresses itself as a committed high service availability and high-managed service quality.

We have looked at numerous early entrants into cloud PBX. They have not met a Marriott service standard. When you look carefully, the troubles trace back to core technology architectures. Only recently in our work with BroadSoft-based service providers and related systems integrators have we found a solid technology platform with service organizations willing to commit to very high standards.

These organizations are ultimately telecommunications service providers and systems integrators who already operate at high standards based on strong core technology.

Ron: And therefore BroadSoft Service Providers are a strategic focus?

Bob: Yes. We have an interest in cloud PBX service provider partnerships for every country to which Marriott does business. We believe that voice technology must be wrapped with the skills to deploy and support the service at the premise in each country or region. Organizations able to do this at high service levels are an important interest to Marriott. Our early belief is that the established communications services companies are well positioned to deliver such services.

Ron: So the way to impress Marriott is delivering on a high SLA?

Bob: Indeed. The way to win Marriott's confidence is agreeing to a high SLA with penalties for failure. This to me is a proxy for the sophistication of the service provider in both technology and operational processes. It's also a proxy for commitment and financial stability. We understand that the BroadSoft Hospitality platform is capable here but a service provider must deliver the whole service package with confidence.

Ron: What should BroadSoft service providers know about presenting cloud PBX services to hotels?

Bob: They should first understand how to establish a business relationship with a Marriott hotel. Marriott corporate IT has a critical interest in unified guest services and service quality. As such the Marriott corporate team pre-certifies solutions for consideration by hotel owners.

But then hotel owners and managers make the buying decisions under our corporate team's guidance. The hotel owner becomes the service provider's customer.

BroadSoft based service providers have an important advantage because a critical part of certification is regarding the hospitality features and hotel systems integrations. BroadSoft's acquisition of SDD's Marriott certified technology greatly simplifies integration and feature confirmation.

Bob (continued): Also, service providers should better understand hospitality enterprise pricing. Our greatest struggle has been working with service providers to find price points appropriate to the global hospitality industry. Features and usage patterns of phones are fundamentally different in a hotel. Pricing must reflect the nature of the hotel business.

While a service provider can provide high SLA to hotels, I worry that they can innovate. I believe that BroadSoft's acquisition of JAZZ Fusion middleware technology could be positive for Marriott because it provides a hospitality innovation engine that service providers can leverage. Current PBX features simply moving to the cloud cannot be the end of the story.

Ron: Is your price point comment really just a premise-to-cloud price war?

Bob: Not so simple. Marriott hotel owners are practical people. They will make economically rational decisions about voice services. But there's a strategic risk for our hoteliers. I really view cloud communications decisions as buying future innovation around guest services and staff productivity. Premise PBX's pricing can fall through the floor and look attractive to hotel owners. But such low cost premise based decisions will have confined voice to the premise for another generation while the communications industry rapidly transforms. The net effect is to constrain the hotelier regarding new ways to work with guests.

So cloud communications needs to be price competitively versus premise technologies while hotel owners also assess the value of future innovation.

Ron: You see some hoteliers talking about total cost of ownership calculations over 8 or 10 years on their next PBX purchases. How does a cloud service compete with the ability to pay down an asset in that extended time frame?

Bob: Hoteliers have had the luxury of extending the life of their PBX's to such long ranges because property voice services for the last decade have been largely unchanging. Hoteliers in my opinion won't get away with that sort of calculation again. The entire consumer electronics industry is moving far too quickly to imagine the sustainability of such long term technology investments. Their static investments will be at the expense of guest service innovation. My bet is that changes in unified communications will create hidden costs and interim reinvestment far before that end of life period.

Also, there's one other consideration. It's a very basic one. A Marriott hotel manager team is focused on providing great guest experiences. They are not technologists nor should they be. There's an inherent good sense to managing less technology at the premise while still providing tools to the hotel staff.

Ron: Regarding management at the premise. Security is a huge focus in the industry at the moment. There have been some highly visible security failures recently around premise voice services (not at Marriott). How does security apply to your guest communications strategy?

Bob: Security warrants a lot of attention. We

worry about our guest's privacy. Our hotel owner's distributed technologies are much harder to secure and keep secure. Those recent failures, as I understand them, have typically been operational, configuration, and management failures. But this is exacerbated by the emergence of low cost premise based voice platforms based on open source. Even with strong processes at each hotel, security takes significant ongoing engineering of the products from the vendor side. It's a worry to me that emerging PBX platforms are sufficiently hardened and that their security is monitorable.

It's difficult for an individual hotel owner to assess technology regarding this matter yet alone applying management practices around this matter. In the case of BroadSoft, this is yet another area where service provider leadership is important to Marriott. I would consider security to be an opportunity for BroadSoft service providers in that these telecommunications service providers have solved these sorts of issues many times over.

Ron: Your early cloud PBX hotels are based on BroadSoft technologies. Why?

Bob: Marriott is a global company with thousands of hotels around the world. As such we require services in diverse locations and we need technology partners in these regions. Even a cursory look at BroadSoft service provider partners makes it clear that they are key providers in major global markets. BroadSoft lets us think in terms of global unified telecommunication platforms and scale. But not as an aspiration because your platforms are already out there.

Bob: I would add one other thing. BroadSoft's early deployments have been rock solid. They have worked immediately and they have kept on working. This is not to be underestimated importance. Change can be viewed as a risk by hoteliers. A proven ability to execute is critical. Especially given the low service level achievements of the early solutions in the marketplace.

Ron: Thanks for the compliment. Credit on those hotels installs goes equally if not more to the BroadWorks service providers and the systems integrators involved. What are you looking for in BroadSoft-based service providers?

Bob: A couple of things. First is a commitment to the hospitality industry. Having a product and industry

team that understands the hospitality industry and the challenges of hoteliers is a big advantage. I think that your BroadSoft Hospitality team is an excellent resource to service providers. However industry ownership within the service provider organization itself is critical.

The second focus is ability to deliver to the hotel premise. While the BroadSoft platform is clearly established as a core technology preference for Marriott, network engineering is required at the premise. We look for service providers with systems integrations skills or strong partners in this area.

Ron: How has the voice solution bundle change with cloud services? What's the right bundle of services?

Bob: As I mentioned, voice was always a technology purchase. Systems integrators acted as resellers and support partners. This world was always CapEx heavy and built around tech centric refresh cycles. But now we are seeing some welcome innovation. We are seeing software service packages that may include the bandwidth, that include carried minutes, and various hardware components. In practice each Marriott hotel owner has a different financial priority based on the maturity of their property and their financial strategies. So CapEx and OpEx interests vary. I would simply advise service providers to stay flexible and to stay focused on simplicity for owner and manager.

Ron: One last question. What's the service provider's motivation for serving hospitality? Why should they bother?

Bob: I think that the global hospitality industry, after years of slumber around voice services, is about to embark up a long string of innovations around guest interaction and unified communications. It all starts with the foundation we are discussing today.

Ron: Bob thanks for sharing your perspectives with our BroadSoft service providers. There will certainly be global interest from the BroadSoft ecosystem. Do you have interest in conversations with service providers?

Bob: My pleasure and yes. It is in Marriott's interest to have a global group of world class telecommunications partners that can support Marriott. Given the centrality of BroadSoft Hospitality technology, I see the BroadSoft Hospitality team as a

useful gathering point for channeling partners to us.

However, Marriott is selective about business partners. First and foremost, a BroadSoft service provider needs to have a clear commitment to the hospitality industry or a compelling determination to access this industry.

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