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Does complimentary in-room internet access influence business traveler's decision on hotel selection in Singapore

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**Does complimentary in-room internet access
influence business traveler's decision
on hotel selection in Singapore**

by

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Bachelor of Business Management
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2002

A professional paper in partial fulfillment
of the requirements for the

**Master of Hospitality Administration
Department of Hotel Administration**

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Abstract

This exploratory paper begins by examining the influence of complimentary in-room internet access on hotel selection by business travelers to Singapore. Review of literature includes studies done in Asia Pacific, Europe and United States (U.S.) of America on the business travelers' trends and perceptions of room amenities and the use of internet. The specific objective of this study is, therefore, to assess the importance and benefits of providing complimentary in-room internet access to business travelers in the perspective of the hotels.

In the methodology section, research on hotel websites was conducted to discover how many Singapore hotels are presently offering complimentary internet access to their guests. In addition, personal communications with three industry professionals has helped to align why hotels should offer complimentary internet access as opposed to charging for it. Overall, the findings in this professional paper have identified many positive reasons for hotels to provide complimentary in-room internet access to business travelers.

While this paper only analyzed literature review and three personal communications, it is recommended that more in-depth studies and research to be conducted to affirm the importance and impact of providing complimentary internet access on business travelers. It is also highly recommended that future studies should ideally include interviews with industry professionals to provide a more in-depth view. Surveys on business travelers coming to and leaving Singapore could also provide a good indication of their expectations and needs when they choose a hotel in Singapore.

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PART ONE

Introduction

An island between Malaysia and Indonesia, the Republic of Singapore has a land area of approximately 710 square kilometres. With a general population of slightly above 4.9 million people, this petite country is governed under the parliamentary democracy with an impressive country's Gross Domestic Product (GDP) of S\$257 billion (Maxwell Chambers Pte Ltd, 2009).

A vibrant and distinctive city with an innovative economy and rising business opportunities, Singapore is positioning itself as a Global-Asia business and tourism hub (Singapore Economic Development Board, 2010). In 2009, amid the economic turmoil, the country welcomed 9.7 millions visitors to Singapore exceeding the earlier forecast of between nine million and nine and the half million visitors (Wong, 2010). According to Hospitality Trends Market Research report (2010), business Meetings, Incentives, Conventions and Exhibitions (MICE) are the second largest segment for business travelers to Singapore from 2006 to 2008.

In view of more business travelers jetting to Singapore to conduct work, the use of internet serves as a growing importance for communication and information source to these business travelers. The Internet Data Centre (IDC) had earlier forecasted that the number of internet users around the world is expected to reach 943 million by 2005 (Heung, 2003). The latest statistics from the Internet World Statistics (IWS) revealed that the estimated number of internet users around the world had surpassed 1.8 billion in 2009 (Miniwatts Marketing Group, 2010). Judging from this data information, it is clear that there is a large population of internet users around the world.

Since the needs of business travelers' changes under the influence of technological trends, Singapore hotels are facing a thorny dilemma of whether or not to charge in-room internet access. Bentley (2008) believed if a hotel is position as a business hotel, by not providing free internet access is contemptuous to modern technological context. He went on to comment that internet access should be part of the guestroom essential element for business travelers, thus it should never be charge just like providing hot water, air-conditioning and lightening (Bentley, 2008).

What today's business travelers really want when traveling away from their office is an easy, hassle free and possibly complimentary access to all communication technology (Jeff, 2008). With internet made available and less costly as before, internet access is no longer an added feature in hotels, but rather a must have commodity. For business travelers to Singapore, the internet will allow them to correspond almost instantly to their colleagues and associates. In recent years, Singapore hotels see internet as a primary catalyst that has and will continue to help hotels improve and value add its services offered to business travelers.

Purpose

The purpose of this study is to examine the influence of complimentary in-room internet access on hotel selection by business travelers to Singapore. Through the extensive literature review, this professional paper aims to look at existing literature review on business travelers' trends and perception. At the same time, the literature review also looked at the reasons and effects of offering free internet access, and why hotels were charging internet access to guest.

There has been little, if any, academic research, published journals and articles that examined business travelers' views on the influence of free in-room internet access had on business traveler's decision when choosing hotels in Singapore. This study makes an attempt to fill this gap by examining related

literature review on hotels that offered complimentary in-room internet access as opposed to charging them.

Justification

The key justification for the development of this professional paper related to the fact there has been limited studies and material resources available on the subject that directly assess the needs for Singapore hotels to provide complimentary internet access to its business travelers. For hotel owners that are considering offering complimentary in-room internet access to its guest, this is a significant decision owners have to make in order to justify the loss of potential revenue of not charging internet access.

This professional paper will help validate whether providing complimentary in-room internet access will influence business traveler's decision on hotel selection in Singapore. Through this study, Singapore hotels will have the opportunity to understand the benefits of offering complimentary in-room internet access to its business traveler. Different pricing strategies and rate-tiers on internet charges were also examined in this study. Further, given that the complimentary in-room internet access would be expected to enhance the hotel's branding and increases guest loyalty. Findings from the personal communication with three hotel industry professionals are expected to contribute to the review of literature on the importance of Singapore hotels to offer complimentary in-room internet access to business travelers.

Constraint

There were constraints relating to the study. One of the key constraints include little, if any, academic research, published journals and articles that reflect business travelers' views on free in-room internet access, and whether

complimentary in-room internet access influence business traveler's decision when choosing hotels in Singapore.

Another constraint relating to the study involved hotels bundling internet charges into the room rates. Andaz is one examples of an upscale chained hotel that include internet fee in the room rates (DeLollis, 2010). Unless the internet charge forms part of an accommodation package, if not the bundling will mislead guest's perception. In Andaz's case, guests were made to assume that internet access is offered complimentary to them.

Aside from price bundling issue, the other constraint to this study involved free Wireless Fidelity or better known as WiFi. In Singapore, most of the areas were WiFi hotspot areas. In this instance, it really doesn't matter whether hotel is offering free internet access or charged them as business travelers were able to access WiFi from almost anywhere.

No doubt WiFi is free and bring convenience to business traveler, there were drawbacks too. WiFi connectivity is regarded as unstable and insecure, hence business travelers may refrain from using WiFi as a medium to conduct their business, in fear of losing data and vital information during the transfer of information via WiFi (Al-Alawi, 2006).

Glossary

Bandwidth. A range within a band of frequencies or wavelengths. It is also the amount of data that can be transmitted in a fixed amount of time (Webopedia, 2010).

Business Traveler. The WordWeb Online (n.d.) defines business traveler as "a traveler whose expenses are paid by the business he works for". While Beioley (1991) sees business travelers as an "overseas or domestic visitor who stays overnight away from home for the purpose of conducting business".

Gazetted Hotel. Gazetted hotels refer to premises declared to be a tourist hotel under the Singapore Tourism Act (Inland Revenue Authority Singapore, 2007).

Hotspot. A hotspot is any location where WiFi network access is made available openly. In technical term, hotspot areas consist of one or several wireless access points installed inside buildings or adjoining outdoor areas (Mitchell, 2010).

Internet. Internet is a global network that connects millions of computers, with more than 100 countries linked to the exchanges of information, data and opinion (Webopedia, 2010)

Nickel and Dime. An expression that has come to describe a grotesque way in which a company charges customers for marginal services that would more appropriately be rendered as free tokens to produce customer satisfaction (Valentine, 2010).

Perception. It is a process by which people translate sensory impressions into a coherent and unified view of the world around them (Business Dictionary, n.d.).

Tangibles. It is possible to touch and is able to be treated as fact; real or concrete (The Free Dictionary, n.d.)

Tier-pricing. Tiered-pricing also known as differential pricing, simply means that different classes of buyers are charged different prices for the same product (Global Alliance for Vaccines and Immunization, n.d.).

WiFi. According to Al-Alawi (2006), WiFi is the term used to represent a class of certified wireless networking products that conformed to an industry standard designated by the Institute of Electrical and Electronics Engineers (IEEE) as “802.11b”. WiFi is a new technology that utilised wireless local area networking.

PART TWO

Introduction

This exploratory study begins by forming a basic understanding of whether charging for in-room internet access will affect business travelers' decision on hotel selection. There has been little academic research into offering complimentary in-room internet access in the Singapore hotel industry. Therefore, this paper extends its review to include studies done in Asia Pacific, Europe and United States (U.S.) of America on the business travelers' trends and perceptions of room amenities and the use of internet. At the same time, the literature review also looks at reasons and effects of hotels offering free in-room internet access and why some hotels are still charging guests internet access. This study will help Singapore hotels validate the benefits of providing complimentary in-room internet access as opposed to charging them.

Literature Review

History and recent development of internet

The history of internet began as early as 1970s. The internet was first owned and funded by the U.S. government. However, back then, the internet was restricted only for government, academic and military use (Al-Alawi, 2006). In 1995, the U.S. decided to stop the administration of the Internet. The internet was subsequently commercialised (Sherman, 2003).

The commercialisation of the internet began in the early 1990s. James Clark, co-founder and chairman of Netscape Communication once said the invention of internet "is the biggest thing that has happened in telecommunications since the

telephone” (Business Times, 1996). According to him, with internet connection, companies have gained access to more business opportunities.

Since the commercialised use of internet, this technological medium had spread like wild fire across nations. Businesses understand the importance of internet, and individuals appreciate the availability of information. The commercialisation of the internet made waves and economical sense in the commerce marketplaces. The Interactive Advertising Bureau (IAB) has reported that in the first half of 2009, the U.S. internet advertising revenue was at 10.9 billion dollars (Interactive Advertising Bureau, 2009).

Use of internet in Singapore

While the use of internet had spread widely in U.S., however, in Asia, the use of internet in business engagement is a more recent occurrence. The internet was first introduced in Singapore in October 1991. At that time, it merely served the research and academic communities (Soh, Mah, Gan, Chew, & Reid, 1997). It was only in July 1994 that internet made its progress. Backed by the strong support of the Singapore government, Singapore Telecommunications Ltd launched the country’s first commercial Internet Service Providers (ISPs), Singnet (Soh et al., 1997). For a small nation like Singapore, the government viewed the use of internet as an infrastructure or platform for businesses to remain competitive in the global market.

Today, the use of the internet has become part of a person’s daily routine. Companies use the internet to advertise, sell and buy products. While companies used the internet in business transactions, individuals used the internet as a platform for communication, entertainment and information sharing services.

Understanding business travelers' trends

Over the last 20 years, luxury hotels were dominant in major cities like Hong Kong, Bangkok and Singapore. Luxury hotels were forming a larger percentage of the sector (Pine, Chan, & Leung, 1998). However, that trend has begun to change. Due to marketplace volatility, a new paradigm has emerged. There is significant increase in demand for the non-luxury hotels (Verma, Victorino, Plaschka, & Dev, 2005). The flexibility of the non-luxury hotels offering more room amenities at reduced room rates has made them a preferred choice for business.

With Singapore positioning itself as a Global-Asia business and tourism hub, recent trends have indicated an increase in the number of business travelers to Singapore (Singapore Economic Development Board, 2010). These business travelers represent a key market segment within the hospitality industry and Knutson (1988) sees the growing number of business travelers as the main income generator for many hotels.

The business travelers jetting into Singapore were found to be more demanding with higher expectations for food, facilities and services (Pine et al., 1998). Thus, it is important for hotels targeting this market sector to comprehend their needs and wants. The needs and expectations of these business travelers are relatively straightforward. They would expect quality service, reliable and hassle-free environment, and confidence that the hotel they chose will be able to provide their needed requirements (Lim, Bennett, & Dagger, 2008). Internet technology is one of the top needs for these business travelers. These business travelers are driven by internet technology and demand higher levels of internet services as a mode of communication as well as entertainment channels during their hotel stay.

Internet as a communication and entertainment channel.

For business travelers, hotels today are their traveling offices instead of just a stopover from home. The global society has acknowledged the need for internet in hotels as a means of communication and entertainment. (Karadag & Dumanoglu, 2009). Schonland & Williams (1996) in their internet research have found many used the internet as to gather information as it provided round the clock global services. Also, internet connection will also allow business travelers to stay connected with their family through the use of Skype, Facebook and other communication mediums.

Min, Chung and Min (2002), described business travelers as people who have an acute sense of time; thus, the importance and convenience of a working desk with in-room internet access is imperative to them. A survey conducted in Brisbane Marriott hotel found that the use of internet was higher than television (Lee, Barker, & Kandampully, 2003).

Strong need for internet access.

Business travelers today are using internet for various reasons. The presence of the internet has provided easy access for business travelers to gain timely, detailed and important business information and newspaper reports. For example, business travelers who wish to access online newspaper's report can easily read the newspaper's content from the Wall Street Journal interactive edition (Bitner, 2001). Access to any piece of information from the newspaper has never been easier for business travelers.

Bitner (2001) sees the growth of the internet as one big service. In the past, business travelers used hotel's internet service to check and respond to email and information search. However, that trend is now passé. According to Nick Price, Director of Technology for the Mandarin Oriental hotel group, guests are staying

much longer on internet for other purposes, business and entertainment reasons included, such as downloading of videos, music and social media communication on Facebook (Caterersearch, 2007).

In a recent survey of over 1,400 hotel guests, the result suggest that among key factors that influence guests' decision on which hotel they stay when traveling are a strong need for in-room internet services, and the availability of the internet access (Hotel Internet Services, 2009). From the survey's finding, 92% of these guests have indicated the importance of having in-room internet access at the hotel. When asked whether in-room internet access influences their decision on a hotel stay, 71% of the respondents replied positively. Overall, the survey result clearly suggests the strong demand for in-room internet access, and the internet services do influence the guest's decision on the accommodation of their choice. (Hotel Internet Services, 2009).

Ways to reduce traveling cost.

The most recent economic turmoil has changed travelers' behaviour with regards to hotel selection. Business travelers are looking for value and possible ways to reduce their traveling costs. As a result of cost cutting measures, business travelers are expecting hotels to offer complimentary breakfast and internet access (HotelMarketing.com, 2009).

In recent years, more corporations are turning to electronic hotel booking for their employee's business trips. By doing so, these corporations hope to reduce the indirect cost related to employee's travel (Heung, 2003). Through the electronic hotel booking, corporations are able to negotiate better rates that are available from other reservation channels (Connolly, Olsen, & Moore, 1998).

An article in USA today also mentioned that hotels realise that business travelers and their companies are unwilling to pay more for internet access

(DeLollis, 2010). A travel industry analyst at Forrester research, Henry Harteveltdt, commented that hotels would now need to waive internet charges to further reduce traveling costs. (DeLollis, 2010). Hernandez (2009) believed just as cable television is provided free, hotels should also provide free internet access. It was also noted that the cost of installing wireless routers in the guestrooms would commensurate with the cost of providing free internet access at hotel lobbies (Hernandez, 2009).

Multiple studies have concluded that internet access is no longer a luxury, but more a necessity. It is required to conduct work for business travelers and an opportunity for hotel to create a competitive advantage. At the same time, it helps to reduce business travelers' expenses by offering complimentary in-room internet access during their stay (DeLollis, 2010; Hernandez, 2009; Karadag & Dumanoglu, 2009).

Business travelers' perception of hotel services

With the increase in business travelers coming to Singapore to conduct business, it is imperative for Singapore hotels to understand the business travelers' needs and wants of the hotel services. A study conducted by Saloman (1994), revealed that hotels "which failed to understand and meet its customers' service expectation and standards, would be out of business in seven to nine years" (p.3). The business travelers today are highly critical when assessing the standards of service provided by hotels. Zeithaml (2000) mentioned that research has affirmed that for hotels to gain a larger profit, they would need to win the approval of the customers through their services.

Research conducted by Callan and Kyndt's (2001), revealed that business travelers placed greater emphasis on bedroom amenities and good service, as opposed to their leisure counterparts who were more concerned with value for

money. In view of the importance of understanding the business travelers' perception of the hotel services, other literature reviews were examined.

Business travelers' perception on room amenities.

In order for hotels to accede to business travelers' needs and expectations, hotels must first learn to understand the cultural differences that will eventually affect the perceptions of these business travelers. In Mattila's (1999) research, it was discovered that Western travelers were more concerned with the price quality measure regardless of who their hotel bills are charged to. In contrast, the Asian travelers were more contented with mid-range or moderately priced hotels with complimentary amenities and facilities (Choi & Chu, 2000).

Further study was conducted by Callan (1996) on business traveler's perception of services offered in hotels. From data gathered through literature review and in-depth interviews with industry professionals and guests, 166 hotel attributes were identified. Results from the findings indicate that business travelers had greater concern with the in-room tangibles as opposed to the leisure counterparts who perceived high value for money as an important consideration when choosing a hotel (Callan, 1996).

An interesting survey was conducted by American Express Company. Over 1,000 frequent business travelers from ten countries around the world were interviewed to find out their preferred hotel services and amenities. Findings from the survey revealed that business travelers from America, Mexico, China and Japan indicated greater interest in in-room internet access than complimentary breakfast (Business Travel World, 2005). A study done by Verma et al. (2005) also supported that business travelers were greatly influenced by the offering of in-room internet access when they choose a hotel.

Technological demand.

With internet innovations serving as a new communication and entertainment medium, hotels were experiencing an increasing demand for high quality technological products (Susskind & Stefanone, 2010). The influence of these new mediums has made business travelers increasingly driven by technology. A survey on business travelers' demands for hotel rooms' technological amenities was conducted online by Debbie Muller, Lodging Marketing Manager for Kimberly-Clark Corporation. The survey findings revealed that business travelers' top priority was to have in-room internet access, and computer and printer accessibility. In a similar survey, 68% of the female business travelers also rated in-room amenities as their most preferred choice (Hotel Online, 1999). From the survey findings, it was clear that in-room technology outweighed comfort and price for business travelers.

Two other studies were conducted by the American Hotel and Lodging Association on technological amenities in hotel rooms. The first survey involved more than 10,000 U.S. hospitality properties. The surveyed result showed that 91% of the respondents saw the importance of wireless internet access, signalling a 35% increase from the last survey done four years ago (American Hotel and Lodging Association, 2008). The second survey was conducted to find out the importance of in-room technologies. In this survey, 1,000 hotel guests were interviewed and the results clearly indicated that wireless internet access scored high marks in the degree of importance by the respondents (Moncure, 2009). Figure 1 provides an illustration of the business travelers' internet preference which will impact their hotel choice.

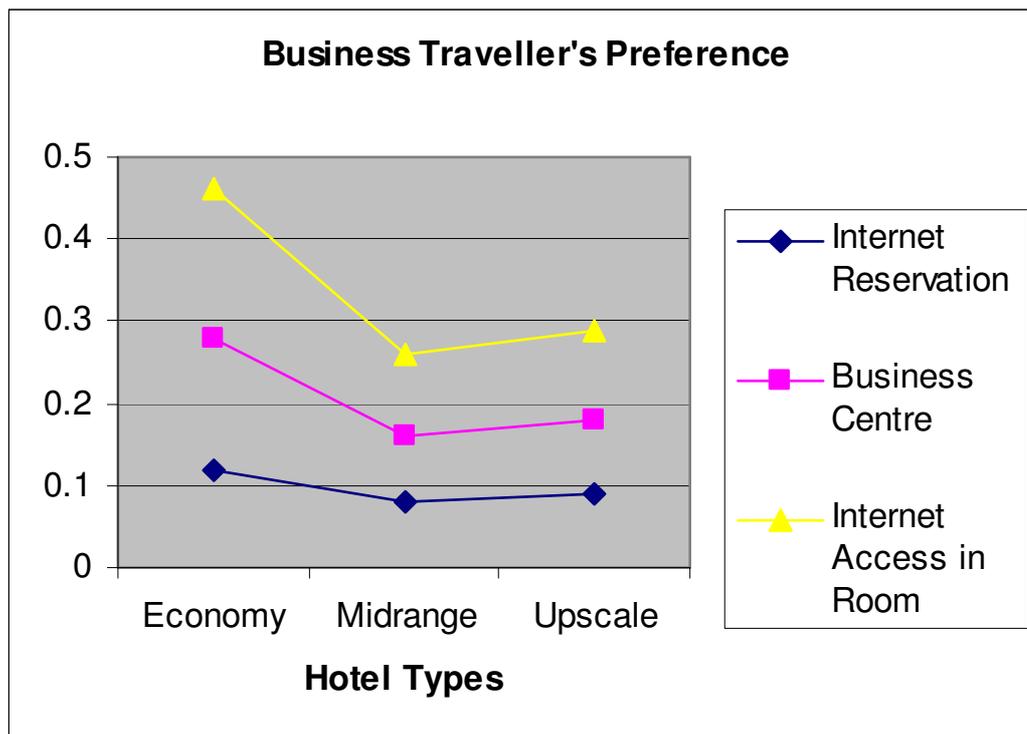


Figure 1. Technology offering which affect business travelers' hotel choice

Source. Adapted from "Service innovation and customer choices in the hospitality industry" by Verma et al., 2005. *Managing Service Quality*.

Reasons for hotels offering complimentary in-room internet access

For a hotel to remain competitive, it would need to be aware of the market trends. Recently, a new business trend has emerged. More hotels are charging for breakfast and giving away complimentary in-room wireless internet access. A report from MSNBC.com (2008) showed that only 15% of the hotels were charging for internet access in 2008, a 3% drop from 2006.

There are various reasons highlighted in the literature on why hotels were offering complimentary in-room internet access as opposed to charging their guests. Reasons mentioned in the literature review include rapid growth of online transactions, hotels' strategy and approach during the financial crisis, and the availability of different tier-pricing (Yelkur & DaCosta, 2001).

Recent economic downturn.

In 2008, the world was shaken by a devastating financial crisis. The economic downturn which started in late 2008 had continued through to 2009. Smith Travel Research (STR), who had been tracking the performance of the hotel industry since 1989, was quick to single out 2009 hotel performance as the worst year of the two decades (DeLollis, 2010). The first quarter of 2010 looks a little promising for the U.S. lodging business. According to STR, U.S. lodging demand in the first quarter of 2010 saw an increase of about 5% over the first quarter of 2009 (HotelMarketing .com, 2010).

Many industries were badly hit by the economic turmoil especially the hospitality sector (Gowealthy.com, n.d.). As spending on tourism and hospitality businesses were closely related to the economic cycle, the tourism industry was further affected by reduced business demand and travel is one of the first areas that the corporate sector axed during the economy slump (QFinance, 2009).

During the financial crisis, many business strategies were adopted by hotels. Survival was the key objective of many hotels during this difficult period. According to Ernst and Young (1996) in the last two economic slumps, hotels were discounting room rates in an attempt to improve market share. However that strategy had backfired, as hotels went into serious issues of long-term profitability and negative impact on the hotel medium. The luxury hotels were suffering more by simply slashing the room rates (Ernst and Young, 1996).

According to Jan Freitag, an executive with STR, hotels that failed to offer free internet access as a stop-gap measure to hold further slide of the room rate had suffered during the economic crisis (DeLollis, 2010). However there were some hotels that adopted a strategic approach by offering value-added services e.g. free internet to its business travelers during the economic slump. The strategy has

brought great returns for the hotels. Not only did hotels enjoy increased revenue, it also helps hotels to differentiate itself over its competitors (Kandampully & Suhartanto, 2003).

Rapid growth of online transaction.

As more transactions are done online now, charging in-room internet access may seem short-sighted in the perspective of the business travelers. A survey conducted by TripAdvisor involving 2,100 international travelers shown that 30% of the business travelers regard high speed internet access as necessity for their work (Duhn, 2006).

The rapid growth of online sales in the hospitality industry has lead to competitive prices in tourism products. Most business travelers do not have time to walk into multiple shops to search for lowest prices before considering a purchase. Therefore, the quickest solution to the problem is to search online. Searching for best available prices and products on the internet is convenient, quick and almost costless (Kung, Monroe, & Cox, 2002).

With the continuous growth of online transactions, hotel owners have to look beyond providing in-house online services to business travelers. Active collaborations between hotels and distribution partners are necessary. There are many collaboration benefits. One of the benefits is to increase customers' database. Secondly, the collaboration will help increase competitive advantage by incorporating one-stop services for customers. Lastly the collaboration initiatives will allow hotels and distribution partners to share the cost of installation and maintaining the interactive online channel (Pine et al., 1998). At the end of the day, business travelers stand to gain from this collaboration. The business travelers can now shop and work simultaneously by simply clicking on the internet for information and purchases.

Differential pricing strategies on internet access.

Back in the 1950s, marketers discovered that sales increases if customers were given what they were wanted (Yelkur & DaCosta, 2001). However in today's hotel context, giving away everything will lose its exclusivity especially for frequent guests. Thus, hotels have to identify which market segmentation is the hotel's key account. Hotels have to impose different internet pricing strategies for different market segmentations depending on the demand and usage of the guest segmentation. In doing so, hotels are actually using tier-pricing to build a competitive advantage through enhancing guest's satisfaction and loyalty. At the same time, tier-pricing will help improve the hotel's bottom line (Yelkur & DaCosta, 2001).

There are different tiers of internet pricing strategies. Marriott is offering all its elite members of Marriott's Reward program complimentary internet access when they stay at Marriott expensive properties in Canada and the United States except Hawaii (Winship, 2010). However the silver members of the program would need to pay for internet access.

In a survey conducted in United Kingdom, results showed 30% of the business travelers' sees high-speed internet as a necessity and would expect the hotel to provide it (Silver, 2006). As a result of this demand, United Kingdom hotels have decided to offer its guests two-tiers of internet rates. The standard speed of 128K was offered complimentary to guest who primarily used it for email access and basic web-browsing. Nevertheless if the guest needs faster download speed, the better quality broadband access will be charged (Chetwynd, 2007).

In a case study involving Crowne Plaza Marlow's internet tier-pricing showed that the hotel used to experience enormous problems with its internet access. In order to solve the internet complications, the hotel decided to collaborate with the

external distributor, Quadriga to help solve the hotel's problem. The purpose of the collaboration was to offer its guests a tiered price options bandwidth service. Hotel guests who wish to access the internet in the hotel is offered four different price-tiers and bandwidth packages to choose from. These range from a free 30 minute internet access limited to 256Kb or to 24 hour online usage with the maximum bandwidth of 1Mb for £14.99 (Quadriga, n.d.). The usage choice is entirely up to the guests. They can choose the speed and quality of the connection depending on what they want. Thus, the tier-pricing actually allowed guests to decide whether or not to pay for internet access.

Effects of offering free in-room internet access

Through the offering of free in-room internet access, hotels aim to increase its business travelers' satisfaction and retain them as the hotel regular guests. Gilbert, Powell and Widjoso (1999) believed that it will cost hotels between five to ten times more to look for new customers than retaining existing customers.

According to Lagrosen (2005), the benefit of offering internet will help hotels create a long-term relationship with its customers. In view of Lagrosen's (2005) study, for hotels to succeed in this highly competitive market, it would need to offer complimentary in-room internet access to its business travelers (HotelierMiddleEast.com, 2010). By doing so, hotels not only win guests' loyalty, but at the same time, it helps increase hotels' marketing visibility and builds a strong competitive advantage.

Increases business travelers' loyalty.

As hotels today face stiff competition, it is imperative for hotels to acquire loyal guests to support their business. Jones and Sasser (1995) described customer loyalty as a key contributor that will influence the hotel's financial performance. Providing support for Jones and Sasser (1995) study, Reichheld and Sasser (1990)

found that with a 5% increase in customer loyalty, hotels will enjoy an incremental return profit of 25% to 80%.

In 2009, the Hotel Association of Canada conducted a travel survey to find out travelers' perceptions of reward and loyalty programs. From the finding, 54% of the respondent regards the availability of reward and loyalty programs as a very important consideration when they choose travel services. Interestingly, the 2009 survey result indicated a 32% increase in demand for reward and loyalty program as compared to the year before. This positive result clearly indicates the importance of reward and loyalty programs to the respondents (HotelMarketing.com, 2010).

The case study from Crowne Plaza Marlow's was an excellent example on how free internet and tier-pricing had improved the hotel's business and guest's loyalty. The hotel was once faced with complaints from guests their internet access. But with the introduction of internet tier-pricing, internet complaints are a story of the past. Moving on, the hotel is now receiving repeat businesses from loyal guests who know they have to pay more if they want a better internet bandwidth. According to Reicheld and Schefter (2000), guest's loyalty is not just an economic measure, but also a competitive necessity for hotel to remain competitive. Figure 2 presents the impacts of customer loyalty on the use of in-room technology.

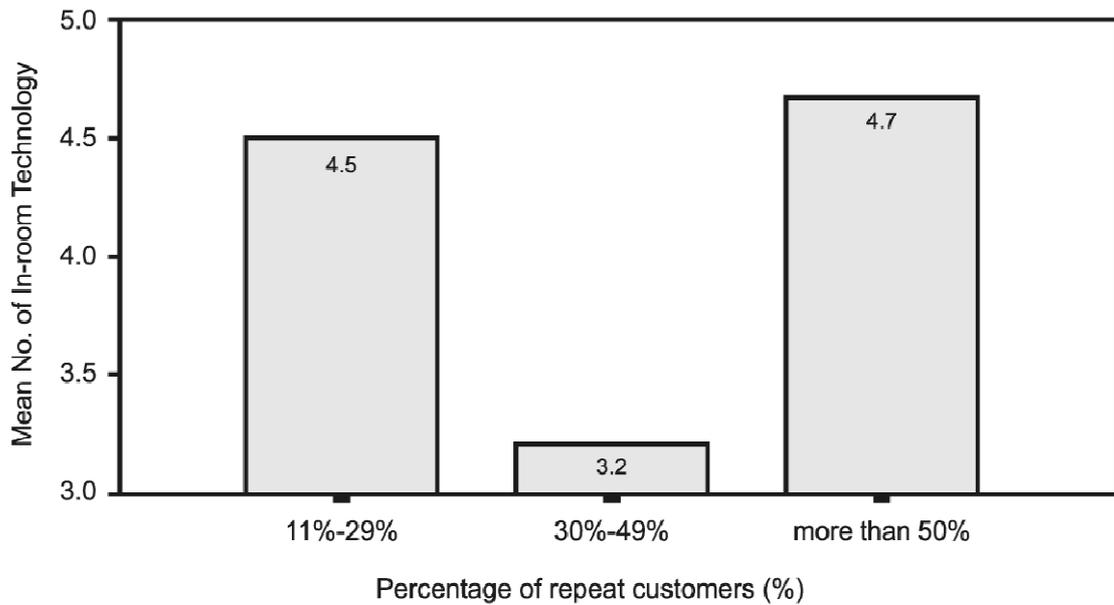


Figure 2. Impacts of customer loyalty on technology

Source. Adapted from “Technology, service quality, and customer loyalty in hotels: Australian managerial perspectives” by Lee et al., 2003. *Managing Service Quality*.

Competitive advantage for hotels.

The advent of internet has elevated the competitive advantage for the hotel industry. According to Lee et al. (2003), internet technology will further enhance hotels ability to offer superior service like free internet access which in turn helps hotels build competitive advantage over its competitors. Further study by Yelkur and DaCosta (2001) also revealed the importance for hotels to exceed to business travelers’ satisfaction if they yearned to remain competitive. In fact there are numerous marketing opportunities which will help hotels build a competitive advantage which include positive word-of-mouth, guest retention and repeat business.

In 1997, Marriott management extended its reward program to its entire brands in the bid to build a strong competitive advantage. Part of Marriott’s reward or loyalty program allows elite guests to use internet for free. The objective of Marriott’s marketing strategy was to lure travelers to its properties. The reward

program turned out to be a significant success for Marriott. The competitive advantage Marriott enjoyed had made them a preferred brand as opposed to their competitors (Yelkur & DaCosta, 2001).

Reasons for hotels charging business travelers internet access

There were many reasons why hotels had to charge guests for internet access. One of the key reasons is the rising cost of utilising the internet. In order to help hotel's offset the rising expenses of using internet, hotels have to charge guests in order to cover the investment and maintenance costs (Soh et al., 1997).

Most, if not all, hotels do value their preferred guests highly; thus, it is imperative for hotels to provide product and service distinction. By offering free internet to every hotel guest, it is as good as giving no exclusivity to the preferred guests.

Rising cost of utilising the internet.

When internet was first introduced to hotels, the high installation and utilisation costs were unbearable. The costs associated with the utilisation of internet include subscription fees, design and wiring expenses, and maintenance cost. In a survey conducted by Soh et al. (1997), 48% of respondents viewed the rising costs as a huge disadvantage which offset the potential benefits of internet for businesses. Thus in order to recoup the costs of using the internet, hotels had no other option but to charge guests who use the internet.

With business travelers expecting high speed internet access and greater bandwidth, the investment cost to install more bandwidth, up-to-date equipment and new core software has become too expensive for hotels to absorb the cost (Bentley, 2008). Instead, hotels have to deploy new charging model such as tier-pricing to help offset the high operating costs of high speed internet access.

Issues of nickel and dime.

There are rising issues on nickel and dime which involve hotels bundling internet charges into the room rates. Andaz is one example of an upscale chain hotel that has included the internet fee in their room rates (DeLollis, 2010). Unless the internet charge form part of an accommodation package, the price bundling will mislead the guests as they will assume internet access is complimentary.

Lately in Asia, new lines of hotels namely the Ibis, Hotel 81 and Tune hotels are coping up with the nickel and dime or pay for use options of getting guests to pay for an extra towel, extra pillow and of course the use of internet only if they decide to use it. These add-ons or nickel and dime on the final room bill will cause great unhappiness to some hotel guests who preferred one common price on their final bill (Elliott, 2010).

For guest staying in Luxor hotel in Las Vegas, the hotel charges guests \$12.95 per room per night resort fee as incidental charges to cover the cost of unlimited local, toll free and domestic long distance calls, in-room internet access, daily newspaper, daily bottled water delivery and daily admission to the fitness centre (LasVegas.com, 2010). For guests who are unaware of the resort fee, it will appear that these amenities are offered complimentary. In this instance, guest may or may not be aware that they are being nickel-and-dimed.

Maintaining privileges of the preferred business travelers.

Hotels do value their preferred guests very much, thus by simply giving everything to every other hotel guests, then it is as good as giving nothing to anyone. Take for example the expensive Marriott properties in Canada and United States. Elite members of the Marriott's Reward program enjoy the complimentary internet access while the silver and other members of the program would need to pay for internet access (Winship, 2010).

The Marriott's Reward program was specially designed with the aim to provide exclusivity and high privileges for its repeated guests. At the same time, the program also provides an opportunity for Marriott to impress upon other members of the reward program to join the elite status and enjoy this exclusivity and privileges. Other properties that offer similar privileges to their preferred guests will include the Hilton, IC Hotels, Starwood properties just to name a few (Meinert, 2009).

Summary of the literature review

In this part of the professional paper, the existing literature involving the understanding of business travelers' trends, perception on hotel services was reviewed. From the literature review, it was clear that business travelers' perception varies, thus there is no one size fits all approach to serve these business travelers' needs and wants. However, there are clear indications from the literature and website articles to suggest the strong demand for internet by business travelers. Gone are the days when internet was used merely to check emails. Business travelers today are using the internet as a mode of communication, entertainment and most importantly a channel to conduct their businesses away from work.

From the review of the literature, it appears that hotels will enjoy greater benefits by providing complimentary in-room internet access to the business travelers. Hotels with a good understanding of the business travelers' traveling needs and expectation will gain their loyalty and ultimately contribute to better financial performance by way of increased repeat and new businesses (Reichheld & Sasser, 1990). Aside from the loyalty perk, the presence of excellent in-room amenities does help increase hotel's competitive advantage and improve room occupancy (Hanson, Mattila, O'Neill & Kim, 2009).

On contrary there are valid reasons as to why hotels need to charge internet access. The rising cost of utilising the internet has left hotels with no other option

but to charge the guest. As most, if not all, hotels value their preferred guests very much, by simply giving everything to every hotel guests, for example free internet usage, is as good as giving nothing to anyone. In this instance, the hotel's preferred guests can no longer enjoy special privilege and exclusivity by being an important guest.

In summary, based on the review of the literature and website articles, it is lucid to imply that in-room internet access is importance to business travelers. By providing internet complimentary to them, it will certainly influence their decision on the hotel selection.

PART THREE

Introduction

Multiple studies from the literature review have suggested that business travelers do need internet access while they travel. By providing complimentary in-room internet access, hotels can help influence a business traveler's hotel selection, increase their satisfaction and loyalty towards the hotel and brand which ultimately will improve the hotel's financial performance.

Using the literature findings, this section aims to discover how many Singapore hotels are presently offering complimentary internet access to their guests. In addition, personal communications with three industry professionals will help to align findings with the literature review. Specifically, a few related questions will be asked during the personal communications to understand why hotels should offer complimentary internet access as opposed to charging for it.

This section of the paper will look at the influence of free internet access on business travelers' hotel selection decision, the research hypotheses and methodology, findings, discussion, limitations, conclusion and recommendations.

Influence of free internet access on business travelers' decision

Despite terrorist attacks, wars and economic uncertainty, it was reported that global business travel expenditure is on the rise and reaching USD489 billion (Bray, 2002). With rising travel expenditure, business travel has become the second largest corporate cost, and organisations are starting to feel the pinch (Sigala, 2007). The recent economic turmoil has added more pressure on business travelers to control and reduce their travel expenses.

The increase in the use of the internet has also drastically changed business travelers' needs. The internet has provided effective distribution channels for

consumers and businesses (Wen, 2009). Online transactions are fast becoming a popular purchasing mode for time sensitive business travelers (Kung, Monroe, & Cox, 2002). In order to allow business travelers to purchase online, they will need internet access to do so. Combining the two important facts, that is, business travelers' strong need to access the internet, and the fact that companies are unwilling to pay extra for internet access (DeLollis, 2010), it is clear to suggest that complimentary internet access will influence business travelers' decisions on hotel selection.

Summary of the research question

The research question is focused on reviewing the impact of providing complimentary internet access on the business travelers' hotel selection. Findings from the literature review suggest that providing complimentary internet access can influence a business traveler's selection preferences and has great impact on a hotel's financial performance. The availability of free internet access can improve business travelers' satisfaction and loyalty. A loyal business traveler is less likely to defect to other hotels. They are more likely to provide positive word-of-mouth recommendations to others which will result in the hotel enjoying higher room occupancy (Reicheld & Schefter, 2000). This correlation is especially important for the hotel industry.

From the literature findings, three theories relating to the research question on the impact of complimentary internet access on the business travelers' hotel selection are proposed. In summary, these theories are:

- H₁: Business travelers need to use the internet access when they stay in a hotel.
- H₂: Business travelers need to control and reduce their travel expenses.

- H₃: Business travelers do consider complimentary internet access when choosing a hotel.

Research methodology

Research methodology is a master plan underlining the methods and procedures for collecting and analysing samples to attain the much needed information (Zikmund, 2003). In this paper, two methodologies have been chosen. The first is to browse selected hotel websites to look for information on internet charges. The second method is by means of personal communication. The purpose of the interviews is to elicit comments from three industry professionals on their views of the research question.

Secondary data from websites

The extensive literature review has revealed little historical data and information on Singapore hotels offering complimentary in-room internet access to guests. Thus in order to identify hotels that are offering free in-room internet access, an extensive online search was conducted on selected Singapore hotels' home pages.

In Singapore, hotels are categorized into gazetted and non-gazetted, and tier system. This rating system is developed and used by the Singapore Tourism Board (STB) to classify the different tier hotels based on a combination of factors that include product characteristics, average room rates, and location (Singapore Tourism Board, 2010). For the purpose of this study, two main tiers, luxury and economy tiers were chosen. The luxury tier will include hotels in the luxury segment and are predominantly found in prime locations and/or in historical buildings, while the economy tier covers hotels in the budget segment and are generally located in outlying areas (Singapore Tourism Board, 2010).

There are a total of 100 gazetted hotels found in Singapore (TTG Mice, 2008). The 100 gazetted hotels were further sub-divided into different tiers which include; luxury, upscale, mid-tier and economy hotels. In this study, only 20 of the luxury and economy category of hotels were examined. The 20 hotels were selected from two locations namely Orchard and Marina areas. These two locations were selected largely due to the geographical location which is highly concentrated with hotels.

Personal communication

For each of the personal communications, different profiles of industry professionals from different hotel categories were selected. Similar questions were asked throughout the interviews to maintain question consistency and validity. These professionals' comments and views of the discussion topic were recorded and presented in the findings section of this paper. Their responses were carefully examined to determine any significant similarities or differences in opinion.

Findings

Selected Singapore luxury and economy hotels that offer free internet access

Using hotel websites as the data source, 20 hotels from two different categories were selected. The hotels were selected from two areas within Singapore's city centre. The results collated from the hotel websites will provide an indication as to how many luxury and economy hotels in Singapore are presently offering complimentary in-room internet access to guests.

Luxury hotels.

From Table 1 and 2, it can be seen that 80% of the luxury hotels in the two areas are offering complimentary internet access. Only two hotels namely The St Regis Singapore and Conrad Centennial Singapore are charging their guests for

internet access. This is an interesting finding, in contrast to the comment made by Hernandez (2009) that most U.S. luxury hotels charge for internet access, while their counterparts in the economy category offer internet access for free. It appears that in Singapore, more luxury hotels are providing free internet access.

The data collected through the luxury hotel websites are tabulated as follows:

Table 1

Luxury Hotels in Orchard Area – Offering Internet Access

List of Hotels	Free Internet Access	Remarks
Four Seasons Hotel Singapore	Yes	Part of room package
Grand Hyatt Singapore	Yes	-
Royal Plaza on Scotts	Yes	-
The St Regis Singapore	No	SGD\$20++ per day
Singapore Marriott Hotel	Yes	-

Note. ++ = to include Goods & Services Tax - GST & service charge. Adapted from Four Seasons Singapore, n.d., Grand Hyatt Singapore, n.d., Royal Plaza on Scotts, n.d., Singapore Marriott Hotel, n.d., St Regis, n.d.

Table 2

Luxury Hotels in Marina Area – Offering Internet Access

List of Hotels	Free Internet Access	Remarks
The Ritz Carlton, Millennia	Yes	-
Mandarin Oriental, Singapore	Yes	Business Plus package
Conrad Centennial Singapore	No	Rate not available
Fairmont Singapore	Yes	-
Raffles Singapore	Yes	Raffles Business

Note. Adapted from Conrad Hotels & Resorts, n.d., Fairmont Singapore, n.d., Mandarin Oriental, n.d., Raffles Singapore, n.d., The Ritz Carlton, Millennia Singapore, n.d.

Economy hotels.

Data reflected in Table 3 and 4 illustrate a similar result as their luxury counterparts. Seventy percent of the economy hotels in the two selected areas are also offering complimentary internet access. Orchard Hotel Singapore, Orchard Parade Hotel and Concorde Hotel Singapore are the three economy hotels that charge their guests for internet access.

The data collected through the economy hotel websites are tabulated as follows:

Table 3

Economy Hotels in Orchard Area – Offering Internet Access

List of Hotels	Free Internet Access	Remarks
Orchard Hotel Singapore	No	Club & above free
Orchard Parade Hotel	No	Executive & above free
York Hotel Singapore	Yes	-
The Quincy hotel	Yes	-
Concorde Hotel Singapore	No	Rates not available

Note. Adapted from Concorde Hotel Singapore, n.d., Orchard Hotel Singapore, n.d., Orchard Parade Hotel, n.d., Quincy, 2009, York Hotel Singapore, n.d.

Table 4

Economy Hotels in Marina Area – Offering Internet Access

List of Hotels	Free Internet Access	Remarks
Landmark Village Hotel	Yes	Business Village
Hotel Royal @ Queens	Yes	-
Hotel Bencoolen	Yes	-
Carlton Hotel Singapore	Yes	-
Peninsula Excelsior Hotel	Yes	-

Note. Adapted from Carlton Hotel Singapore, n.d., Hotel Bencoolen, 2008, Hotel Royal @ Queens, n.d., Landmark Village Hotel, 2010, Peninsula Excelsior Hotel, n.d.

Personal communications with industry professionals

The researcher spoke with three industry professionals to understand if complimentary internet access will influence a guest's decision on hotel selection. Their positions were Director of Revenue, Director of Sales and Front Office Manager from the luxury and economy category of hotels. Using the findings from the literature review, related questions were asked during the interviews, and important and pertinent information was collected.

From the information collected through the conversations with the industry professionals, all three professionals agreed that the availability of internet service in a hotel room is already an expected amenity and is very important to business travelers. According to M. Mannarlingam, Director of Revenue of Pan Pacific Singapore (personal communication, June 29, 2010), the requests that the hotel receives from business travelers for internet usage is clear that internet access is a crucial amenity for them. For S. Lee, Corporate Sales Manager of Marina Mandarin Singapore (personal communication, July 2, 2010), the availability of complimentary in-room internet access is a determining factor for the hotel's business clientele when choosing a hotel. With business travelers constituting 80% for both Pan Pacific and Marina Mandarin's business, it is no wonder that these two hotels are offering complimentary use of internet access to its business clientele (M. Mannarlingam, personal communication, June 29, 2010; S. Lee, personal communication, July 2, 2010). In Park Hotel Clark Quay, business travelers will have to pay S\$25 exclusive of taxes, for a day of internet usage (B. Ang, personal communication, June 24, 2010). However, for the hotel's high-end corporate guests, internet access is offered free as the corporate rate includes internet access.

Moving on to the issue of bundling internet charges into the room rate, all three professionals offer similar comments. Due to economic uncertainty and the hotel industry's competitive nature, factoring internet charges into the room rates is a common practice for hotels in Singapore. All three properties were practicing price bundling (B. Ang, personal communication, June 24, 2010; M. Mannarlingam, personal communication, June 29, 2010; S. Lee, personal communication, July 2, 2010). M. Mannarlingam (personal communication, June 29, 2010) mentioned that his hotel guests were more willing to pay a one-off rate which includes internet access instead of itemising internet charges into the final bill.

Discussion

This paper analyses the impact of providing complimentary internet access on the business travelers' hotel selection. More specifically, findings from literature review and personal communications have hypothesized that providing complimentary in-room internet access will influence business travelers' hotel selection.

However the findings from these conversations are limited because there were (only three industry professionals' opinions from the economy and luxury hotels) and may not be representative or generalisable to the Singapore hotel industry as a whole.

Impact of offering free internet access on business travelers

Travelers are getting increasingly savvy and spoiled for choices with all kinds of value-added services extended by hotels, not to mention the emergence of business hotels which targets this specific market. Given that their time in each city is limited due to a heavy work schedule, convenience and comfort will be important to a business traveler. A convenient location, ease of check-in, comfortable work area, reliable and fast internet connectivity are important aspects that business travelers have come to expect.

With hotels offering free internet access to business travelers, it will not only increase the business traveler's loyalty to the hotel and brand, at the same time it also improves the hotel's competitive advantage (Hanson, Mattila, O'Neill & Kim, 2009). From the perspective of the business traveler, complimentary internet access helps to reduce their indirect traveling costs. In a discussion with M. Mannarlingam (personal communication, June 29, 2010) on the impact of offering free internet access to Pan Pacific Singapore's financial returns, he revealed that the hotel was

marginally affected and was able to maintain its room occupancy and rates during the recent economic turmoil. Pan Pacific Singapore success was achieved through meticulous planning and implementation of yield management. The hotel did not decrease room rates. Instead they offered additional complimentary amenities which include high speed internet access to retain regular guests and attract new guests. Drawing from the results gathered through the review of literature and personal communications, it appears that providing complimentary in-room internet access does influence business travelers' decision on their hotel selection.

Contribution to existing literature

Overall, the findings from the personal communications do provide support to existing literature that it is important for hotels to offer complimentary in-room internet access to guests.

The key basics from the personal communication findings clearly indicate the importance for hotels to provide complimentary in-room internet access to business travelers, and the provision of free internet access will influence business travelers' decision on hotel selection. The personal communication findings also provides support to existing literature that indicates that the offering of complimentary internet access can increase business travelers' satisfaction and loyalty towards the hotel or brand, and at the same time increases the hotel's competitive advantage which ultimately will improve the hotel's financial performance.

Limitations

As in the case with any studies, this professional paper has several limitations. Although personal communications represent important findings on the impact of providing complimentary internet access on business travelers' hotel selection in Singapore, but the findings may be limited by the sample size and may not be representative or generalisable to the Singapore hotel industry as a whole.

Another constraint of this study is related to the fact that some of the Singapore luxury hotels are bundling their internet charges into their room rates. As such, simply by using the hotel's website information to find out which Singapore hotel is offering complimentary in-room internet access may not represent a clear indication whether internet access is actually free or chargeable.

In addition, this paper also does not thoroughly investigate the impact of other extraneous issues such as changes to the Singapore hospitality environment with the opening of the two integrated resorts, and the recent cost-cutting strategies adopted by hotels during the global economic crisis in order to stay in business. These external issues could have influenced hotels to offer complimentary internet access to stay competitive.

Conclusion and recommendations

Overall, this professional paper has identified the importance for hotels to provide complimentary in-room internet access to business travelers. Today's business travelers are very concerned with room amenities (example high speed internet access) related to conducting their work. The findings from this paper have indicated positive effects for hotels which provide complimentary internet access to its business travelers. The literature review suggests that offering free internet access to business travelers contributes to a positive increase in their loyalty and

satisfaction. This paper also found that offering free internet access has enhanced the hotel's competitive advantage which also helps to improve the hotel's financial performance.

Review of the literature also suggests that business travelers have different perceptions when choosing a hotel. In terms of room amenities, business travelers are more concerned with the basic needs to conduct their work, such as a comfortable working table and internet access. In order to cater to this target market, hotels have to provide a more conducive room environment that includes high speed internet access. With the current economic uncertainty, business travelers are constantly looking for avenues to reduce their traveling costs. Thus it is wise for hotels to offer complimentary internet access as opposed to charging for it. For hotels that need to charge business travelers for internet access to cover high operating costs, it is recommended that those hotels explore price bundling instead of trying to nickel and dime these business travelers.

Last but not least, given that this professional paper only used literature review and personal communications to find out the influence of complimentary in-room internet access on hotel selection by business travelers to Singapore, it is recommended that more in-depth studies and research to be conducted to affirm the importance and impact of providing complimentary internet access on business travelers' loyalty and satisfaction, as well as the hotel's financial performance. It is also highly recommended that future studies should ideally include more industry professionals to provide a more in-depth view. Surveys on business travelers coming to and leaving Singapore could also provide a good indication of their expectations and needs when they choose a hotel in Singapore.

Aside from looking at these pertinent matters, it is also important to investigate the extraneous factors that may have influenced the business travelers'

decision on hotel selection. Examples of such factors include the recovery of the global economy, the opening of the two new integrated resorts in Singapore, and the political decision of positioning Singapore as the Global-Asia business and tourism hub (Singapore Economic Development Board, 2010).

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