



Market Research

2022 Connected Hospitality Experience Study: The Digital Evolution

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May 2022

INTRODUCTION

Why did we do this research?

The pandemic significantly impacted the hotel industry; occupancy fell to 44% in 2020 and is only now steadily rising back up to pre-pandemic levels of around 66%. Like other consumer industries, hotels also underwent significant digital acceleration over the last 24 months, with contactless/touchless experiences and operations becoming the norm. Incisiv and Verizon wanted to look across hotel segments to understand:



How have changes in guest expectations impacted technology investment plans?



How have technology priorities changed based on changes in operational and labor-related issues?



Are hotel operators considering the infrastructure requirements of adding new technology to their properties?

CORE DRIVERS OF DIGITAL EVOLUTION

Guests prefer a digital-first experience.

86%

of guests prefer a touchless/contactless check-in experience

Guests increasingly prefer and expect digital technologies to be a part of their hotel experience, and touchless experiences (check-in, payment, room service, etc.) are increasingly becoming table stakes. Guests are also looking for ways to incorporate their personal devices and content choices into their room experience.

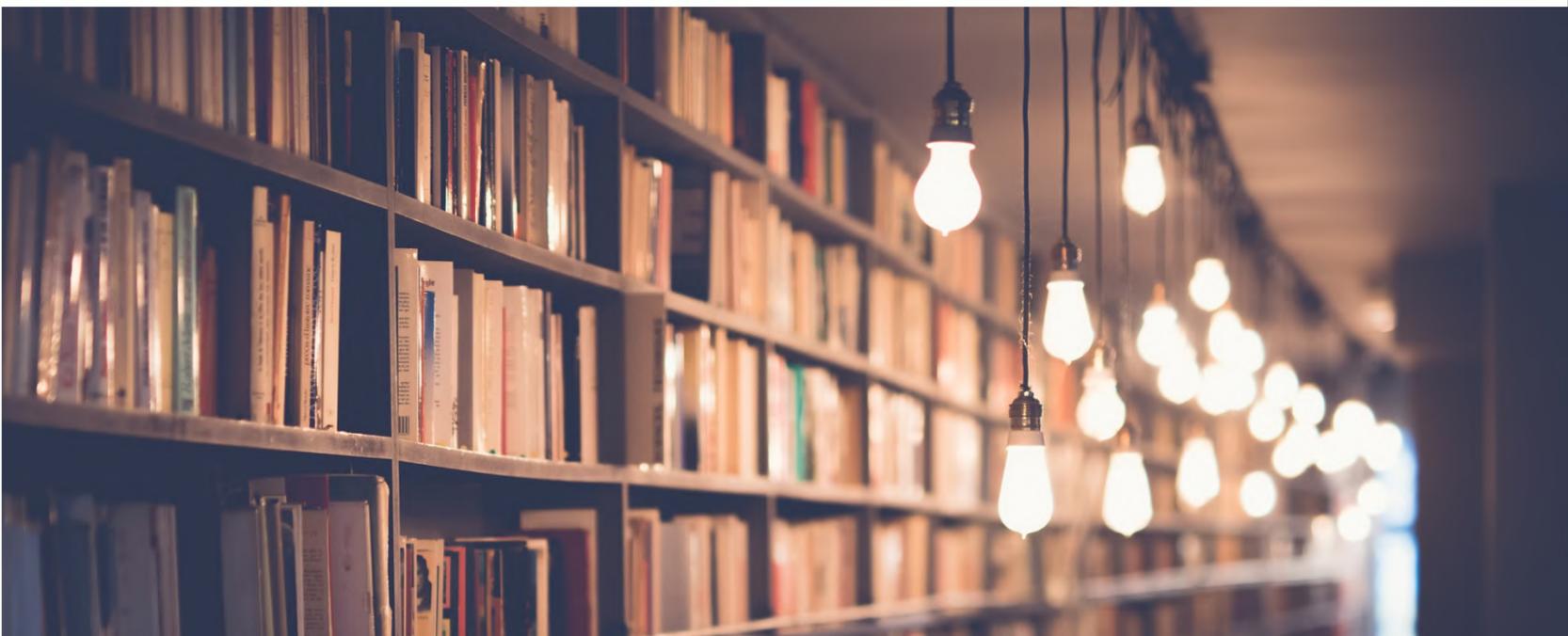
Attracting talent will become harder.

81%

of hotel operators believe attracting employees will become more difficult

Hotel operators find themselves grappling with a widening labor shortage, rising wages, and high attrition rates. Operators have to empower their associates with the right technology and embrace automation to deliver against rising guest expectations while executing efficiently.

Source: Incisiv Research (2021 Consumer and Retailer Studies)



Hotels operators are satisfied with their overall property experience, but are dissatisfied with their operations and associate productivity.

Hotel operators overwhelmingly believe that their brand is compelling, and they do a great job meeting their guest experience. About 9 in 10 operators believe their property experience meets their guests' expectations and that their associates effectively engage with their guests.

However, business operations are performing below par when faced with changes in business processes and sparse labor availability. More than half of operators are dissatisfied with their efficiency and associate productivity. Doing more with less, or limited resources, will be a significant factor for brands in the future, which will create an impetus for new technologies like associate task automation and robotics.



93%

are **satisfied** with their **property guest experience**



46%

are **satisfied** with the productivity of their associates



89%

are **satisfied** with their **associate effectiveness in engaging guests**



47%

are **satisfied** with their **hotel operations**

HOTEL SEGMENT COMPARISON

Luxury brands are more satisfied with their guest experience and operational efficiency than non-luxury brands.

The overall satisfaction trend across hotel characteristics between luxury and non-luxury hotel segments is consistent. However, the overall satisfaction of non-luxury hotel owners is relatively lower than luxury hotel owners.

Luxury hotel operators are more satisfied across all aspects that we studied. The most significant gap between them and the non-luxury segment is in the areas where associates play a part – guest engagement and associate productivity.



Reading this chart:

This chart represents the percentage of operators satisfied with their performance

Hotel Operator Satisfaction





95%

believe guest-facing mobile devices demanding on-premise connectivity will increase by 2025



67%

believe the amount of technology deployed in the hotel will increase by 2025



66%

believe the use of robotic technology will increase by 2025



The amount of technology deployed by hotel operators will increase significantly, demanding more from their network performance.

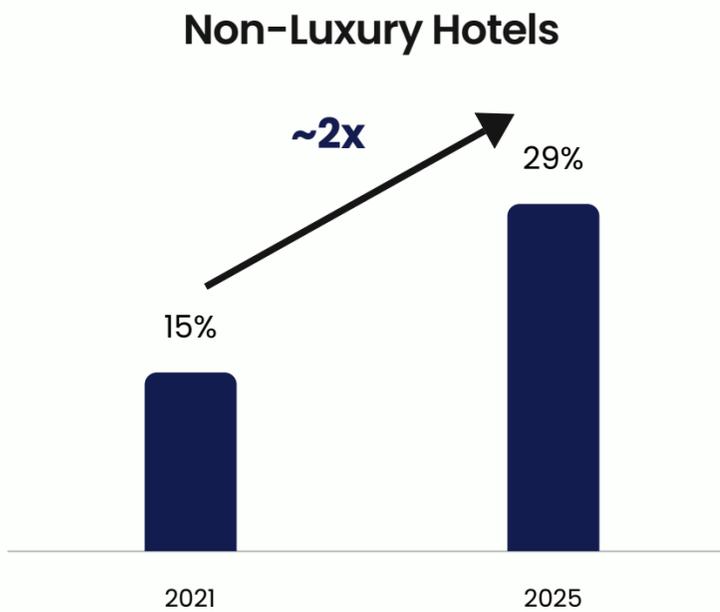
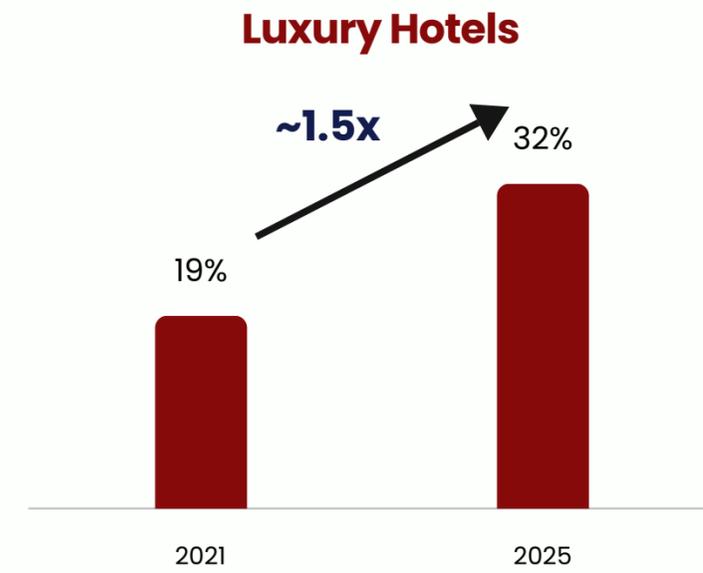
Hotel operators foresee a significant increase in technology deployment across the enterprise, and 67% believe that the amount of technology deployed in the hotel will increase.

We will see the most significant increase in the use of the guest's mobile devices to interact with their overall hotel experience. Almost all hotel operators believe that the number of guest devices they need to support will increase over the next two years. As a result, hotel networks will need to upgrade their ability to support more concurrent devices and reduce the latency of performing critical tasks.

Furthermore, robotics and associate task automation will increase as operators renew their focus on improving their overall efficiency and associate productivity.

Associate Task Automation

% of store associate tasks that are automated



HOTEL SEGMENT COMPARISON

There will be a significant push towards increasing automation of associate tasks across hotel segments.

The tight labor market will drive hotels to implement new technologies to improve associate productivity by automating repetitive tasks.

Automating associate tasks is a clear opportunity; as the overall cost of technology (hardware, software, and connectivity) goes down and the importance of having a seamless digital process goes up, operators will transition their manual processes to mobile-driven processes. Examples of tasks that can be automated with technology include kiosks or mobile apps for guests to check-in and check-out, mobile housekeeping schedules to replace pen and paper, or robots for concierge and room service.

Luxury hotel operators project a 1.5x increase in task automation while non-luxury hotel owners expect a 2x growth by 2025. However, the overall level of automation will remain limited as only a third of associate tasks will be automated by 2025.



Network Performance Report Card

Network Performance	Hotelier Satisfaction %
Manage peak network traffic	25%
Mobile security	28%
Network and IT security	29%
Availability of network bandwidth	32%
Payment security	33%
Application response time	33%
Ease of maintaining network	33%
Network downtime	41%



Hotel Operators are dissatisfied with their network's ability to handle current and future bandwidth demands.

Current networks are not meeting hotel requirements as they cannot keep pace with the increased level of digitization. Only about a third of hotel operators are satisfied with the performance of their network. The two lowest-performing parameters are the ability to manage peak traffic and network security. While both luxury and non-luxury hotel operators are not satisfied with their network performance, luxury hotels are slightly more satisfied (see page 8). This may be due to non-luxury hotels investing less in their network.

With the amount of technology that will be deployed in hotels poised to increase significantly, operators will need to increase their investment in network connectivity. As hotel operators look to upgrade their networks, they will need to consider their current and future network demands and the key performance requirements that are necessary to ensure guest and associate satisfaction.



Peak Traffic

% of hotel operators **satisfied** with their **network's ability to manage peak traffic**



27%
Luxury

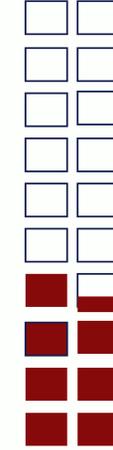


24%
Non-luxury

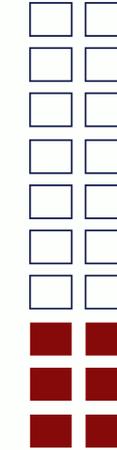


Response Time

% of hotel operators **satisfied** with **application response time**



37%
Luxury

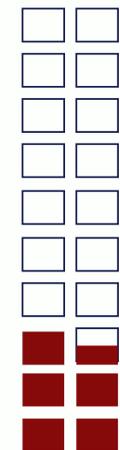


30%
Non-luxury

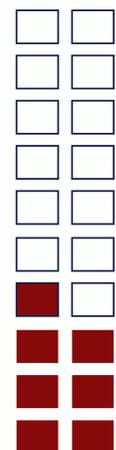


Network Bandwidth

% of hotel operators **satisfied** with the **availability of network bandwidth**



27%
Luxury



35%
Non-luxury



Network Downtime

% of hotel operators **satisfied** with **network downtime**



43%
Luxury



39%
Non-luxury

The increase in guests using their mobile devices in hotels is the top driver of 5G adoption.

Guests will increasingly use their mobile devices to improve their hotel experience. The hotel's ability to support the guest's expectations across multiple dimensions (check-in, room service, entertainment, etc.) will be table stakes. Network speed, reliability (low down-time), and increased ability to manage peak traffic are top network connectivity priorities for hoteliers, making a strong case for 5G adoption.

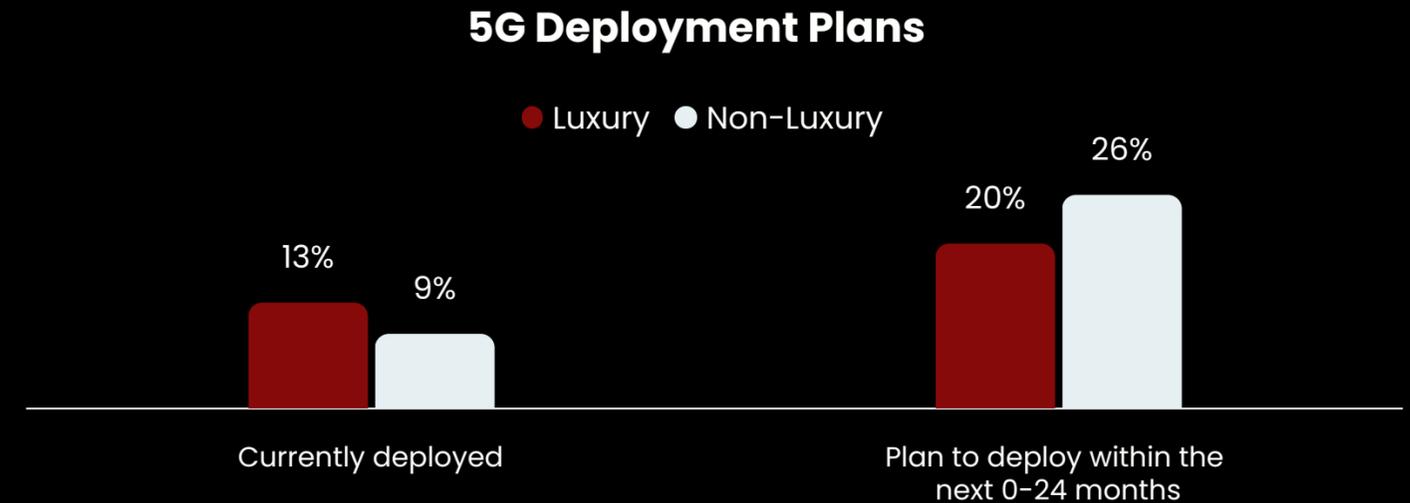
The increased adoption of associate mobile devices is also an important driver of network connectivity upgrades. As more associate tasks get automated with mobile apps, hotel operators need to ensure their networks aren't a bottleneck that impedes the performance of the apps and associate productivity.

5G Adoption: Top Business Drivers

Network Area	Rank
Increase in guest mobile devices in hotels	#1
Increase in associate mobile devices	#2
Increase in IoT/connected devices	#3

Source: Incisiv - Verizon | 2022 Connected Hospitality Experiences Study

5G deployments are expected to double in next two years.



Hotel operators can solve most of their network connectivity challenges using 5G. However, according to our survey results, the planned adoption or upgrade to 5G will be slow. Surprisingly, non-luxury hotel operators foresee a faster and higher adoption of 5G in the next 2-3 years than luxury operators. While hotel operators understand the importance of network performance and its role in their future business, they currently don't have a sense of urgency around upgrading their current network to 5G.

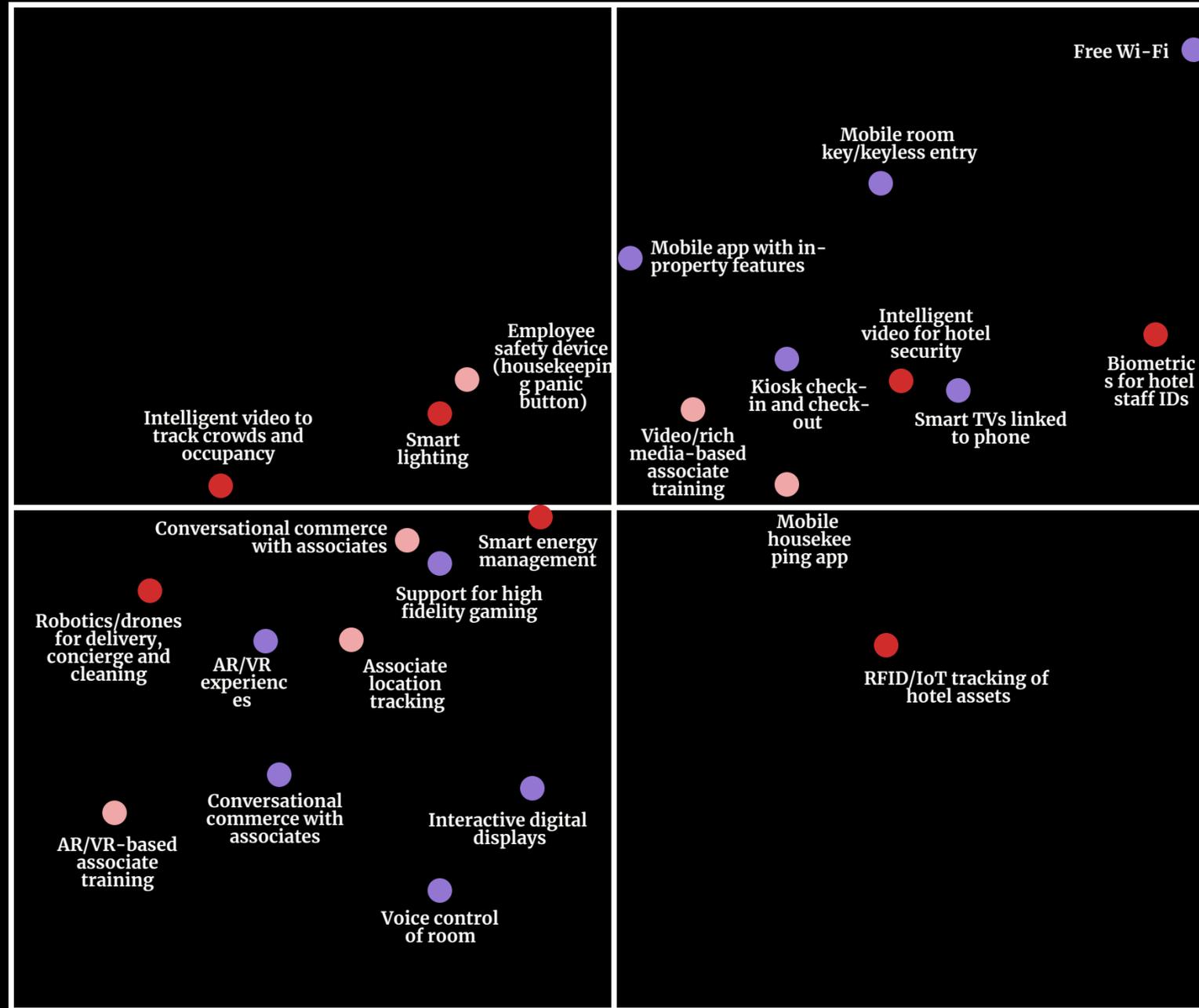
There are two main impediments to the anticipated slow adoption. The first is cost, especially as they look at a chain-wide deployment. The second, and arguably the more difficult one to surmount, is that operators perceive no difference between 5G and their current networks. The second impediment points to a lack of understanding of what (use-cases) 5G can enable and why it will be better than the status quo.

Technology Tearout: Technology Importance vs. Technology Deployment

Importance of technology capabilities

High

Low



Low

High

Deployment Status

- Guest experience
- Operational efficiency
- Associate effectiveness

This chart compares the importance of technology capabilities across guest experience, operational efficiency, and associate effectiveness to their deployment status (current or planned in the next two years). High importance indicates this capability is important to improve the guest experience, operational efficiency or associate effectiveness. High deployment indicates relatively higher current or planned adoption.

For example, Free Wi-Fi is a high-importance technology capability to enhance operational efficiency and its high deployment status tells us it has high current and planned adoption relative to other capabilities.

- Free Wi-Fi, mobile room key/ keyless entry, mobile apps with in-property features, kiosks for check-in and check-out, and smart TVs linked to phones are important customer experience capabilities. They also score high on deployment status indicating high current and future deployment.
- RFID/IoT devices will witness high deployment even though they are not ranked high in importance to improve operations. While RFID / IoT may not have ranked high on the importance scale, it must have a high perceived value to warrant high deployment adoption.
- Employee safety devices, smart lighting and intelligent video to track crowds on occupancy are high on importance, however, they are low on current and future deployment.

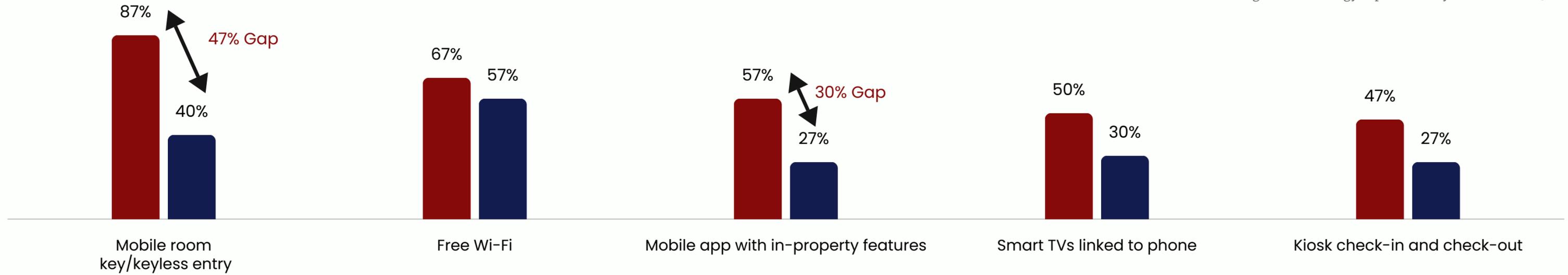
Hotel Segment Comparison: Top 5 guest experience capabilities and their deployment (deployed or planned by the end of 2023)

Luxury

● Importance ● Deployment Status

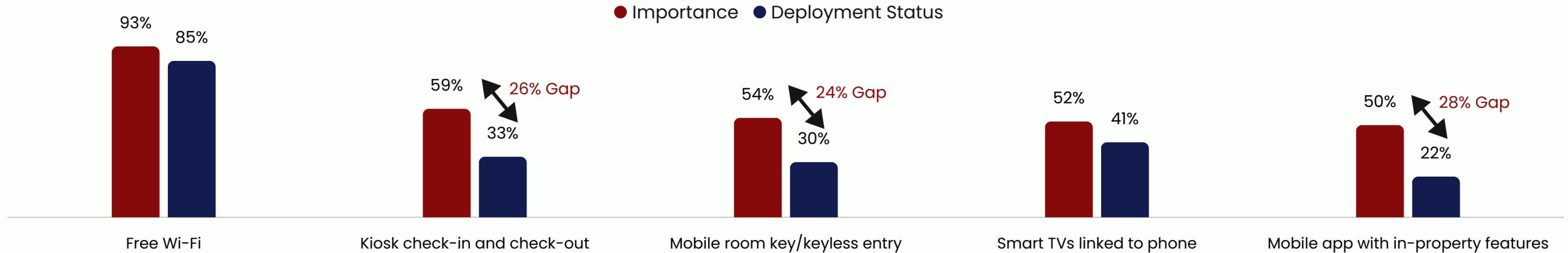
Reading this chart:

This chart represents the percentage of respondents indicating the capability is important for the top 5 important technology capabilities and the percentage of respondents who have deployed or plan to deploy the given technology capabilities by the end of 2023.



Non-Luxury

● Importance ● Deployment Status



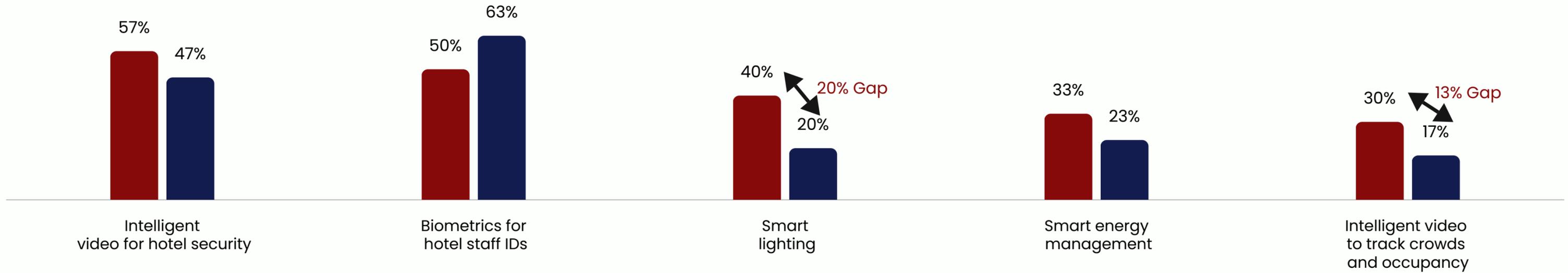
Hotel Segment Comparison: Top 5 operational efficiency capabilities and their deployment (deployed or planned by the end of 2023)

Luxury

● Importance ● Deployment Status

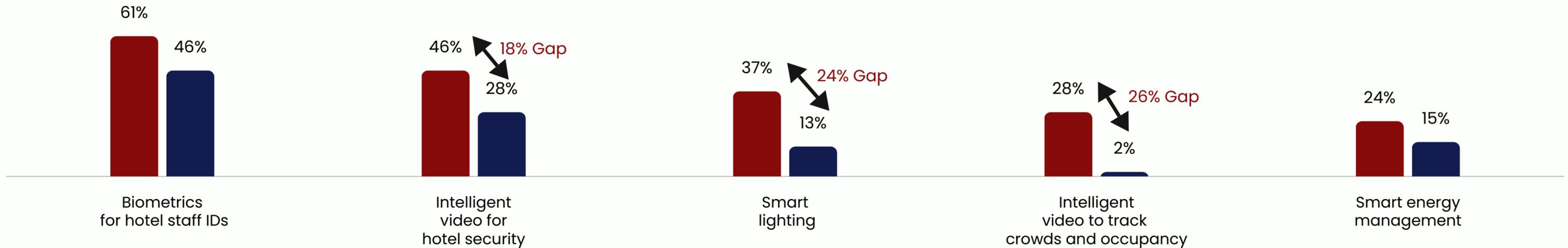
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Non-Luxury

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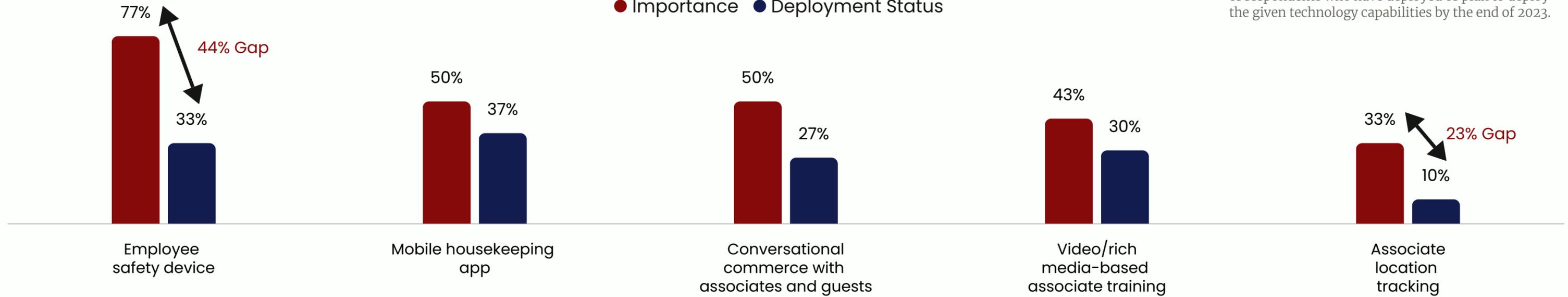
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Luxury

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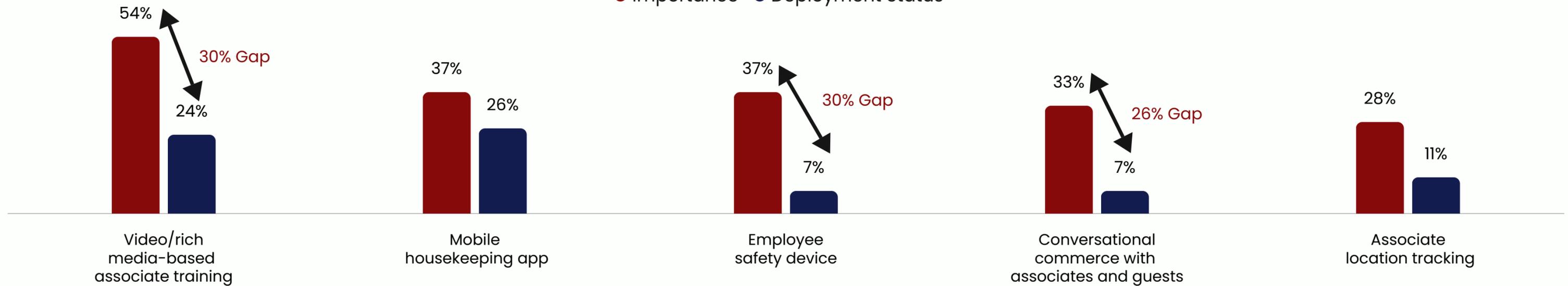
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Non-Luxury

● Importance ● Deployment Status



KEY TAKEAWAYS

Hotel operators are investing aggressively in technology to improve their digital experience and operations. Upgrading networks will be imperative for hotels to successfully support more network dependent apps.

Digital Adoption



Hotel operators recognize that guests want a digital-enabled experience that augments their stay and will increasingly use their mobile devices to interact with the brand.

95%

believe guest-facing mobile devices demanding on-premise connectivity will increase

Technology Transformation

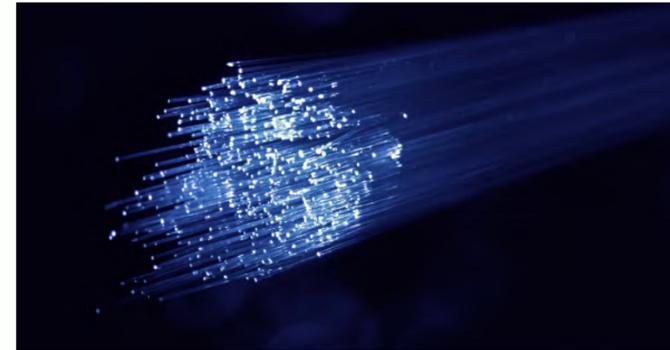


The investment in hotel technology will increase significantly over the next 24 months. The immediate focus is on improving efficiency and automating associate tasks.

30%

of associate tasks will be automated by 2025

Poor Network Performance



Hotel networks are increasingly under strain due to the increased bandwidth demand of new devices (customer and associates) and software. Most hotel operators are dissatisfied with their network performance.

25%

are satisfied with their ability to manage peak network traffic

Justifying Investment in 5G



Many hotels are due for a network upgrade to meet current and future guest and associate technology demands. As hotel operators evaluate an upgrade to 5G, identifying the use cases that enhance the guest experiences and improve associate productivity are essential to justify the ROI.

#1

challenge in upgrading to 5G is justifying the ROI



Executive Perspective



Katie Riddle

Global Retail Strategist



As guests increasingly prefer and expect digital technologies to be a part of their hotel experience, hotel operators are expanding the capabilities of their mobile apps and other technology at their properties. In addition to guest experience, hoteliers are leveraging technology and automation to improve the productivity of their staff, as it is increasingly more difficult to attract and retain employees.

This increased focus on enhancing guest experience and improving employee productivity is significantly increasing the amount of technology deployed in hotels and will continue to place greater demands on the hotel network. According to the study, 95% of hotel operators expect guest-facing mobile devices that demand on-premise connectivity will increase in the next three years and 67% believe the amount of technology in the hotel will increase in the same time period.

To address accelerated hotel connectivity needs, 5G mobile technology has begun rolling out across the globe, offering users upgraded speed, greater bandwidth, lower latency, and real-time connectivity. Some hotel operators are leveraging 5G wireless to provide internet service as an alternative to cable connections, commonly referred to as fixed wireless access.

With increased network speed, more bandwidth and lower latency, hotels can offer guests and associates expanded capabilities like property wayfinding, app-based in-room controls, robotics or real-time energy usage. The realization of these enhanced business use cases will accelerate the adoption of 5G across the hotel industry.

In a 5G connected world, hoteliers can also tap massive amounts of data about industry trends, guest preferences and associate behaviors that can be aggregated and analyzed in the cloud to provide near real-time insights to guide important business decisions.

5G heralds a dynamic acceleration in our world of connectivity, offering guest experiences and operational synergies unlike anything the hotel industry has experienced before.

Research Overview:

Verizon commissioned Incisiv to understand the digital evolution of the hotel's guest experiences, operational efficiencies, and associate effectiveness capabilities, and their impact on core infrastructure and connectivity. The analysis was conducted from November to December 2021.

76

Total number of hotel operator respondents

82%

Respondents were director and above

47% VP level & above

34% Director level

39%

Respondents represent companies with over \$1 billion in revenue



ABOUT INCISIV

Incisiv is a peer-to-peer executive network and industry insights firm for consumer industry executives navigating digital disruption.

Incisiv offers curated executive learning, digital maturity benchmarks, and prescriptive transformation insights to clients across the consumer and technology industry spectrum.

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