2016 In-Room Entertainment Preferences

White Paper

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Contents

1 Introduction

ADB is pleased to present the 2016 In-Room Entertainment Preferences Study. This is a ground-breaking piece of research, for the first time listening to both hoteliers and guests in a structured, rigorous manner using best-in-class research methodologies to hear and understand what is most important to the two core constituencies in the In-Room Entertainment (IRE) arena. ADB commissioned this research project from an independent research firm. ADB is excited by the opportunity to contribute the findings of this research to the hospitality industry.

2 High Level Conclusions

The most important conclusions to draw from the study and the analyses of the results we have conducted include:

- In-Room Entertainment (IRE) in general is **important and of high-value** to guests
    - As chain-scale of the hotels range upscale towards luxury, guest expectations for a superior In-Room Entertainment experience also trend up.
- Guests, particularly Millennials, **really do** want to view their own content on hotel room televisions.
- Hoteliers and guests value different IRE services with **vastly different weights**.
    - Hotel executives tend to weight most services more strongly than guests
    - And are most overweight on IRE staples like Video Checkout and Pay-Per-View movies
- **Millennials are different** from other age groups and they value IRE services more strongly than the others.
- Broadcast TV, Interactive Program Guides (IPG), Hotel & Area Information, Free Video On Demand, Group Messaging, and the ability to Pause Live TV are the most important IRE services to consumers.

Note: The quotes illustrating the images throughout this white paper are all verbatim quotes from actual hotel guests in response to open-ended questions on the consumer survey.

“Choices. In this day and age, people just like to have more choices, because they like to feel like they are in charge and have some sort of control over things like hotel entertainment while they are on vacation.”

3 Research Results

ADB, working with the research team from The Consultancy at Pointer's Ridge, commissioned a three-tiered research program. The first two tiers used qualitative methods (interviews and focus groups) with both hotel executives and consumers. These first two tiers were used to design the third layer, quantitative research, an online survey of over 2100 consumers, 53.5% frequent hotel guests.

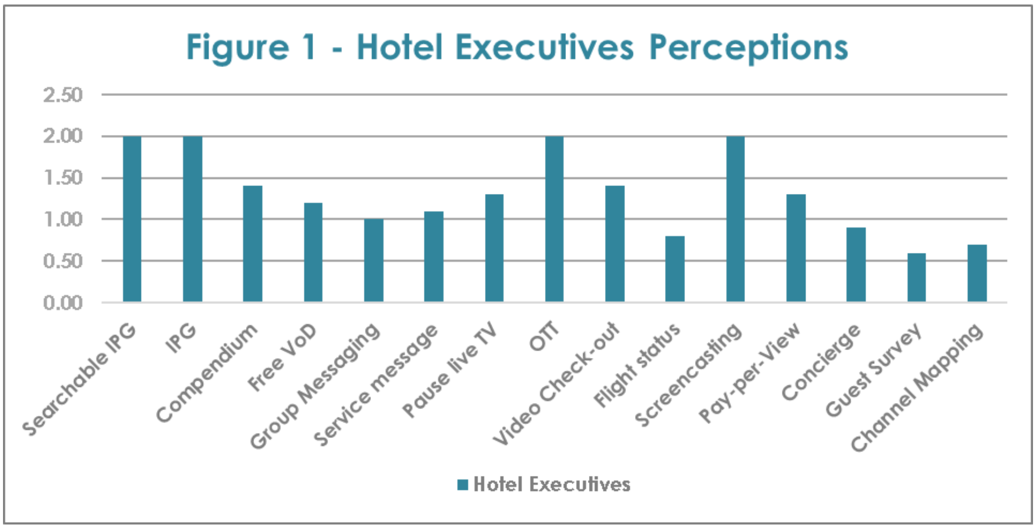
Let's review each tier of research.

3.1 Hotelier Interviews

The researchers conducted in-depth interviews with hotel executives representing brands, properties, independents, and a management company together representing 35 hotel brands across all chain-scales. Among other questions, the interviews explored various features of an In-Room Entertainment offering.

We captured the hoteliers' opinions on a simple 0-2 scale, shown here as:
2 = Very Important   1 = Moderately Important   0 = Not Important

The hoteliers all rated Interactive Program Guides (IPG), a searchable IPG, Over-The-Top (OTT) services (such as Netflix, Amazon Prime Video, and Hulu) and Screencasting (the ability to "cast" these and other services from guests' own devices onto the in-room TV screen) highly. Recognize that these values are averages of a very small sample.



Other strong opinions elicited from the hotel executives included:

- A robust and stable PMS interface is a must-have for many of the services
- A belief that guests want a home-like TV experience in the room
- A strong and accurate opinion that guests really want to stream their own content to hotel room televisions

Another import insight from the hoteliers: They expressed frustration with the five to seven year refresh cycles typically found with In-Room Entertainment services. Hoteliers would like to see two to three year cycles in order to keep up with the rapid pace of change in consumer technology. This preference suggests demand on the hotel side for cloud-based, software-driven applications with no CAPEX required, such as offered by ADB's 4th generation iTV system, now called vuTyme.

vuTyme by adb

Note: Interviews are a qualitative methodology and of necessity a very small sample size, so consider these findings directional and informative rather than definitive and quantitative.

3.2 Consumer Focus Groups

The second tier in the research program was a series of three on-line focus groups drawn from distinct hotel guest populations:

- Full-service hotel guests aged 34 or older, balanced for income, gender and profession
- Limited-service hotel guests aged 34 or older, also balanced for key demographics
- Millennial hotel guests, aged 22 to 33, demographically balanced who stayed across chain-scales

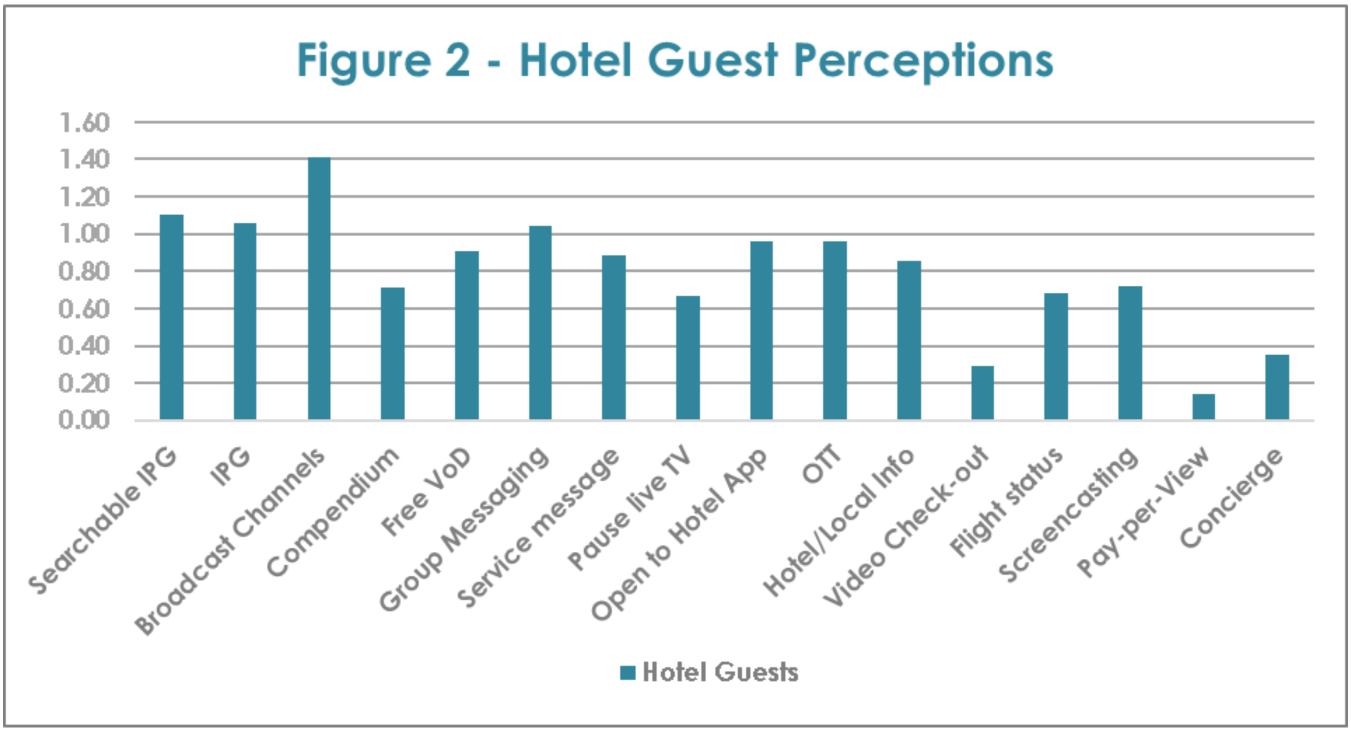
As we discuss these findings further, be sure to recall that the guests in the full-service and limited-service focus groups are all Gen X and Boomers: Millennials were excluded by the age screen.

The key finding is that all categories of guests feel the in-room television experience is important to them, but probably not so important as to drive the choice of hotel by itself. The research team did discover one service not available from any provider that did drive selection preference which will be discussed in a subsequent white paper.

“More hotels should allow you to connect your own personal media device to the TV for viewing.”

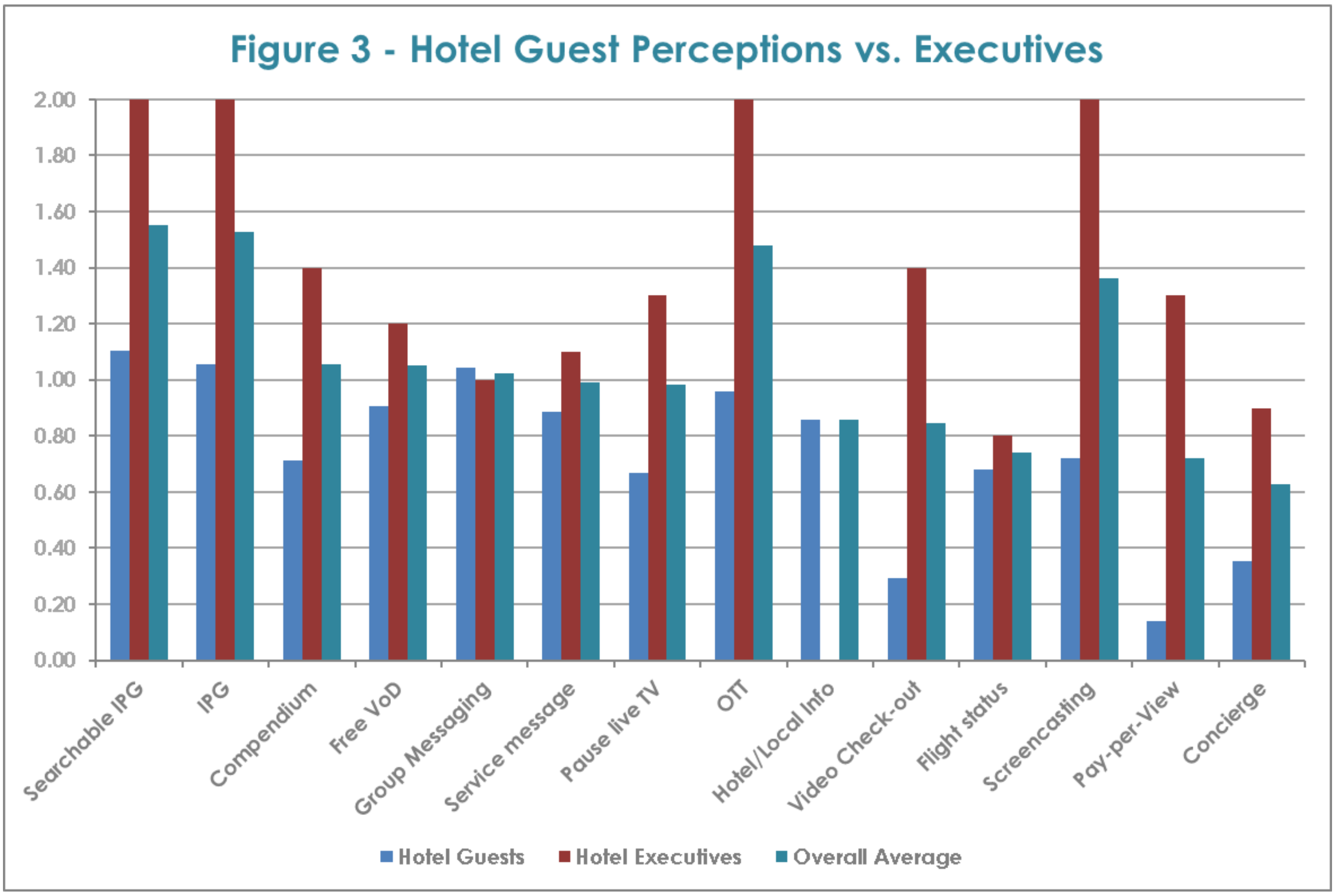
When exploring a similar set of IRE services as the hoteliers were asked about, hotel guests also rated IPG services highly, and consider Broadcast TV services the most important offering with a large selection of channels being a key factor.

Note that Video Checkout (VCO) and Pay-Per-View (PPV) are not highly valued, but guests see Group Messaging and Free Video On Demand more positively.



When we combine the findings from the hotel guests and hotel executives, we get some very interesting points of difference and points of convergence. First, note that the hoteliers generally felt more strongly about any given service than the guests did. While both groups put the highest value on IPG, searchable or otherwise, OTT, and Screencasting, hoteliers place a much higher value on these services and on Video Checkout and PPV than the guest does.

Note that guests place a relatively high value on Hotel & Area Information channels, a service that came up in the hotelier interviews only as a compendium replacement, with an associated cost savings.



"Most hotels don't have any good channels or any way to know what channel is what."

As noted on the previous page, the hotel executives articulated a belief in the interviews that guests wanted an at-home, or residential experience for In-Room Entertainment. This was partially correct, in that guests themselves tell us that they expect the in-room experience to be as good, or better, than at home. Specific features that guests define as providing a better-than-residential experience include:

- Picture clarity
- More channels
- Premium content better than what they have at home

Guests clearly still expect the hotel experience to be "something special." The hoteliers strongly believe that the ability to show the guest's own content on the in-room television, whether via OTT, Screencasting, or some combination of the two, is a high-priority item for them to deliver. Guests also rate them positively, but put value Group Messaging (when the guest is part of a group or a meeting), Free VOD and Service Messaging higher than either. This may be, in part, due to the fact that almost half of the guests indicating they wanted to view OTT services were still preferring to do it on their own devices rather than the TV.

One of the things we learned in the hotel guest focus groups was that Millennials really are different from the other age cohorts. Recall that the full-service and limited-service hotel consumer focus groups were limited to age 34 and older, so these participants by definition represent Boomers and Gen X. We are comparing Millennials vs older age groups, as well as looking at chain-scale segmentation.

All of the focus groups had high penetration rates for Smartphones, Laptops and Tablets. But 73% of Millennials in the focus groups consider TV as "Very Important" compared to 42% of the older travelers. Millennials are more enthusiastic about screencasting than the other age groups, but on a par with older guests for OTT, noting that both services are really means to achieve the same end, viewing one's own content.

Full service guests were big fans of the ability to Pause Live TV, and Millennials even more so. Millennials were somewhat open to using an engaging hotel smartphone app, while full-service guests (older) wouldn't even consider it.

We found these differences by age groups interesting, so we built the quantitative consumer study to test and measure these differences in a statistically rigorous and practically useful way. As with the hotelier interviews, focus groups are a qualitative methodology. Therefore, these findings should be considered directional in nature and of greatest value to inform the construction of the quantitative survey.

4 Quantitative Consumer Survey

> I don't like what they offer now, maybe by the time it's 2021, it will be all VERY high tech.

In this third tier of the research program, the researchers built on what was learned before. The survey design captured stay frequency, typical chain scale when staying in a hotel and age. The survey garnered 2100 demographically balanced hotel stayers, representing guests at all scales of hotels. The questions probed their current and future preferences.

These guests are technophiles, carrying an average of 1.71 smartphones and 1.49 laptops in the traveling party. But the Millennials age group carry more, an average of 2.48 smartphones and 2.22 laptops per travel party, pulling up the averages. They carry more tablets, too.

When asked "Which, if any, of these devices do you connect to/watch over your hotel room TV? [Choose all that apply.]" the surprising finding was that 57.4% of guests are attempting to connect their own devices to the in-room TV (via a cable or streaming device).

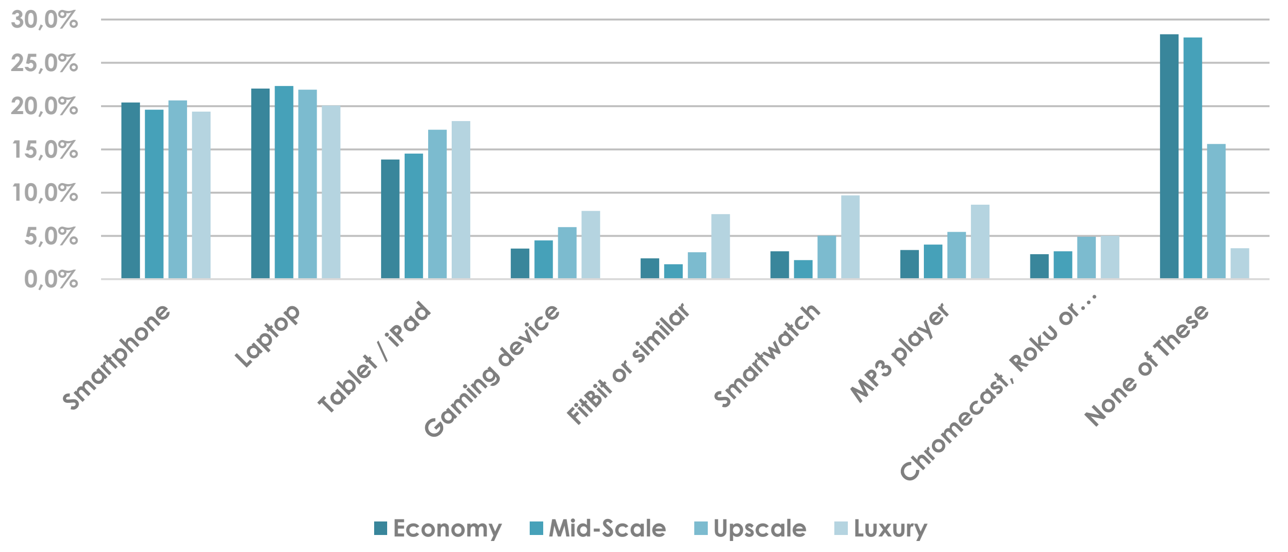
In the response summary below, note that 42.6% of guests use NONE OF THESE to connect to/watch over your hotel room TV; 100%-42.6% = 57.4% of all guests are connecting to guestroom televisions…And 75% of Millennials!

Table 1

Which, if any, of these devices do you connect to / watch over your hotel room TV? [Choose all that apply.]	What is your age?				
Answer Options	Millennials	Gen X	Boomers	Response Percent	Response Count
Smartphone	58.0%	43.9%	14.8%	39.1%	808
Laptop	59.0%	46.0%	23.2%	42.8%	884
Tablet / iPad	42.4%	35.1%	13.1%	30.5%	630
Gaming device	17.1%	10.8%	2.1%	10.0%	206
FitBit or similar	9.5%	5.5%	1.1%	5.3%	110
Smartwatch	14.5%	7.7%	0.9%	7.6%	157
MP3 player	18.1%	9.4%	0.6%	9.2%	191
Chromecast, Roku or similar	12.1%	8.9%	1.6%	7.6%	157
NONE OF THESE	25.1%	35.9%	68.0%	42.6%	880
				answered question	2067
				skipped question	37

Looking at the same question by segment of hotel chosen, we see universally high penetration for smartphones and laptops, with increasing penetration of other mobile devices as the chain scale ranges upwards.

Figure 4 - Devices Connected at Hotel



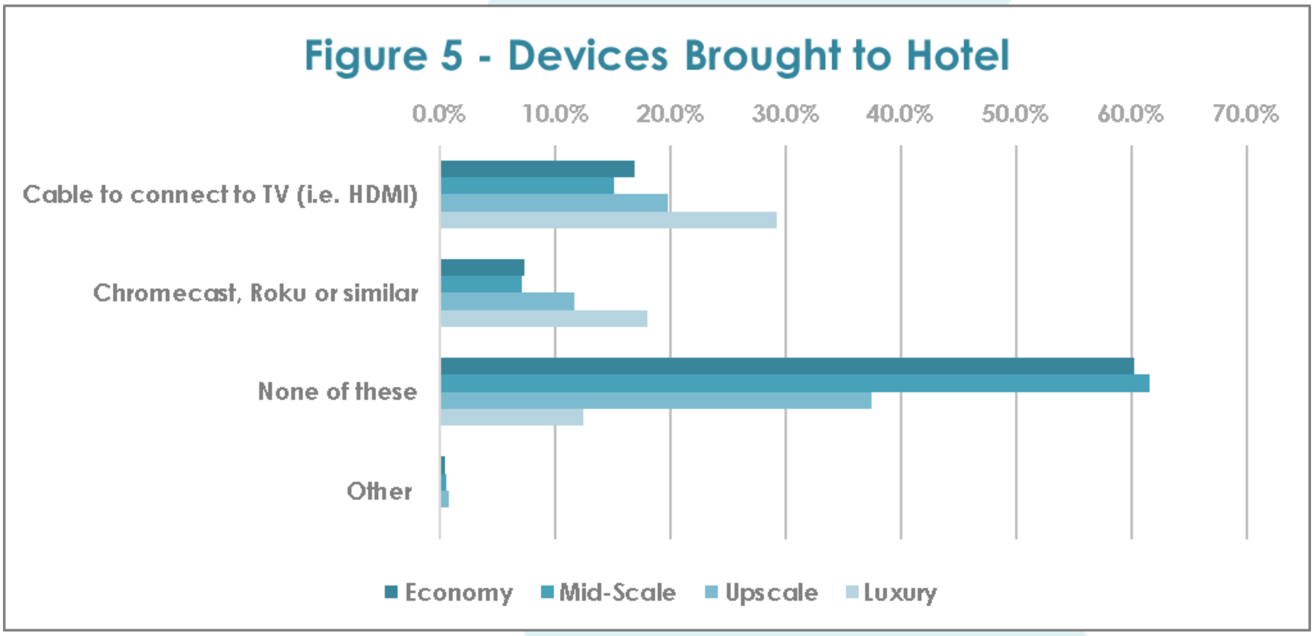
> “I would like to order room services via TV rather than phone.”

Most of them, across all age groups, are watching Netflix, YouTube, Amazon Prime, and Hulu.

Table 2

Which, if any, of the following streaming media do you have an account with? [Choose all that apply.]	What is your age?				
Answer Options	Millennials	Gen X	Boomers	Response Percent	Response Count
Netflix	83.2%	66.2%	30.4%	60.2%	1244
Amazon Prime	53.2%	41.4%	19.6%	38.2%	788
Hulu Plus	35.7%	25.4%	6.5%	22.6%	467
VuDu	8.8%	4.9%	1.3%	4.9%	102
YouTube	63.5%	49.8%	16.1%	43.5%	898
Other	2.3%	1.6%	0.3%	1.4%	29
DON'T HAVE ANY STREAMING MEDIA ACCOUNTS	3.7%	13.5%	52.2%	22.5%	465
Other (please specify)	0.3%	1.1%	1.9%	1.1%	23
				answered question	2065
				skipped question	39

And they bring their own connectivity options with them, especially in Luxury:



When the guests are watching streaming media, 44.4% are doing so on their own device, with Millennials doing so far more than others.

Table 3

How, if at all, do you currently watch your streaming media during a hotel stay? [Choose all that apply.]					
	What is your age?				
Answer Options	Millennials	Gen X	Boomers	Response Percent	Response Count
On my own device	62.1%	52.2%	17.2%	44.4%	917
On the hotel room TV by entering my passcode into the TV set	27.4%	19.5%	4.4%	17.2%	355
On the hotel room TV using Chromecast, Roku or similar	20.9%	14.4%	1.4%	12.3%	255
On the hotel room TV connecting by a cable (i.e. HDMI)	23.9%	15.0%	5.2%	14.6%	302
On the hotel room TV connecting wirelessly	17.3%	11.1%	4.3%	10.8%	223
I don't watch my streaming media during my hotel stays	15.6%	29.2%	73.8%	39.0%	805
Other	0.0%	0.4%	0.5%	0.3%	6
Other (please specify)					4
				answered question	2065
				skipped question	39

But the above table only tells part of the guest story! When asked how they would **prefer** to watch streaming media, "On my own device" dropped sharply across all age groups, and all of the alternatives showed substantial "lift":

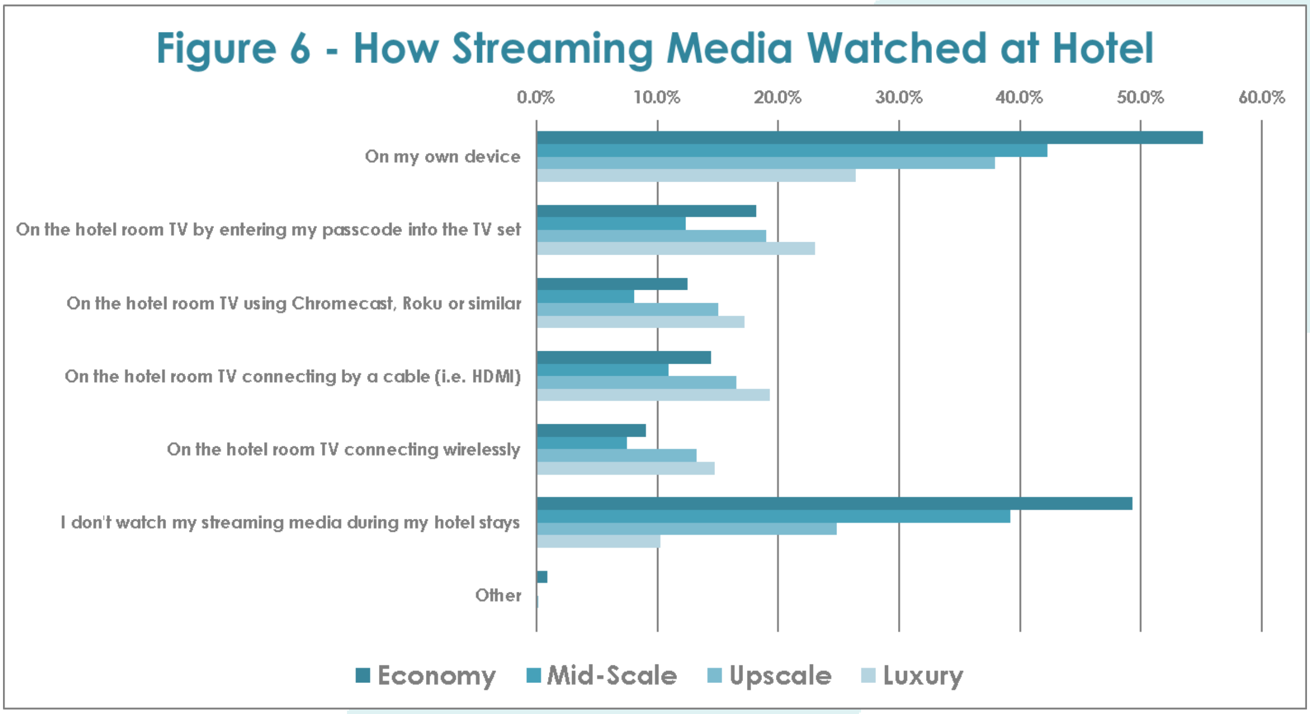
Table 4

How would you PREFER to watch your streaming media during a hotel stay? [Choose all that apply.]					
	What is your age?				
Answer Options	Millennials	Gen X	Boomers	Response Percent	Response Count
On my own device	45.8%	38.9%	14.8%	33.6%	693
On the hotel room TV by entering my passcode into the TV set	37.0%	29.6%	10.9%	26.1%	538
On the hotel room TV using Chromecast, Roku or similar	23.9%	15.0%	2.7%	13.8%	286
On the hotel room TV connecting by a cable (i.e. HDMI)	26.2%	15.3%	5.2%	15.4%	318
On the hotel room TV connecting wirelessly	27.6%	18.8%	7.3%	17.8%	368
I don't watch my streaming media during my hotel stays	8.6%	22.3%	65.5%	31.6%	652
Other	0.2%	0.4%	0.6%	0.4%	8
Other (please specify)					6
				answered question	2065
				skipped question	39

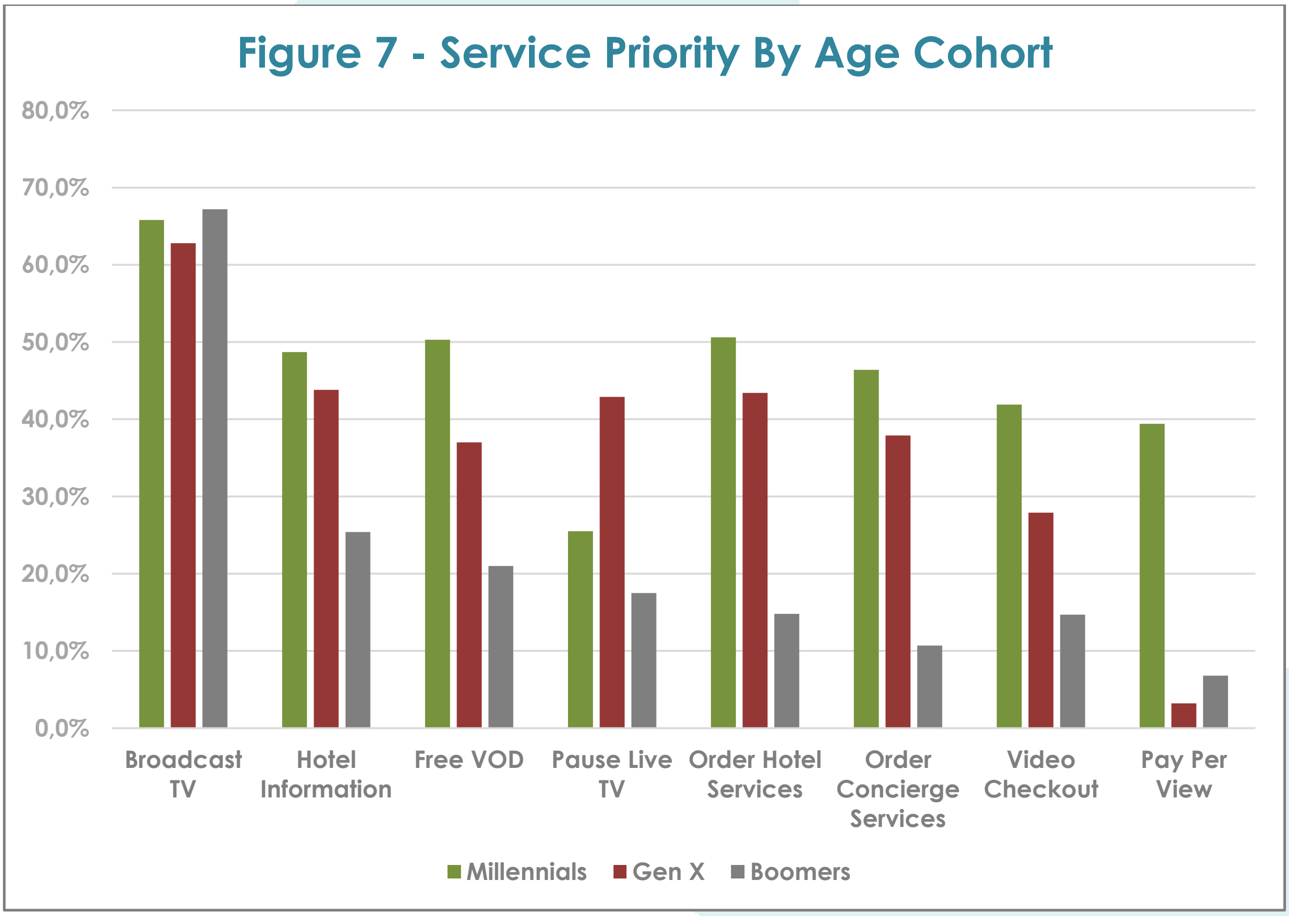
These two sets of responses clearly indicate a guest preference for leveraging the hotel room TV to watch their own content. The caveat for the hotel industry, elicited in the focus groups, is that it needs to be easy, and some consumers find entering their login credentials laborious and/or to bear some amount of risk.

> They need to be updated to reflect the changing tastes in TV (500 + channels as well as digital media receivers like Roku and Chromecast).

Looking at streaming behavior by chain-scale, we see that as scale moves up, the preference for watching on the guest's own device goes down, and the preference for watching on the hotel room television goes up.



The chart below looks at how the different age groups identify a given service as "Extremely Important" or "Very Important."



Note that, in general, Millennials assign a higher priority to almost all services compared to the other groups, with Boomers showing a pretty steep drop in preference compared to their younger fellow travelers. A clear implication of these findings is that a hotel built to service the Millennial traveler needs a robust and feature-rich In-Room Entertainment offering. Further, other research we have seen suggest two related memes:

- The idea that many older travelers are as device-dependent as Millennials, and exhibit a "Millennial Mindset," with priorities and desires somewhat indistinguishable from their children, thus further elevating the importance of robust In-Room Entertainment solutions.

- Anecdotally, there is evidence that Millennials travelling with their families view the TV as an electronic babysitter, and therefore very important to them.

"You guys/gals, should add an option to connect our Roku smartphones to the TV sets by placing a Roku connected small USB port to the back of the sets; that way we can easily connect our devices and sync our accounts to fully access it; so long as you place a non-removable memo noting the actual "Roku stick" personal ID, that way we can just sync our smartphones. That would be awesome."

Right now, Guest Messaging is a "hot" and emerging technology in the ever-competitive hotel market. The survey explored Guest perceptions about two aspects of Guest Messaging, feedback on service requests and Group Messaging, the ability for a meeting planner to send targeted messages to their group members only.

Table 5

How would you prefer your hotel communicate with you about issues such letting you know your housekeeping or other service request has been fulfilled, etc? [Choose all that apply]					
	What is your age?				
Answer Options	**Millennials**	**Gen X**	**Boomers**	**Response Percent**	**Response Count**
Display on my hotel room TV	46.3%	38.5%	33.6%	40.1%	812
Text me	37.9%	29.7%	18.1%	29.2%	590
Both display on my hotel room TV and text me	56.1%	51.6%	39.3%	50.2%	1016
Don't contact me at all	4.5%	5.1%	11.0%	6.9%	139
Other (please specify)	1.7%	3.4%	10.9%	5.3%	107
				answered question	**2024**
				skipped question	**80**

Survey respondents overwhelmingly want to be contacted, as only 6.9% said "Don't contact me at all." And the preferred contact medium, especially for Millennials, was both via TV and text message. We expect that in international markets messaging applications other than text (WeChat, WhatsApp, etc.) would show as preferences as well.

Of even greater interest, these hotel guests indicate a willingness to spend additional money for these kinds of services:

Table 6

Answer Options	What is your age? Millennials	Gen X	Boomers	Rating Average	Response Count
Service Message: After you've received service from maintenance or housekeeping, receiving a message on your room TV to let you know it's been fulfilled and asking you to let them know if they can be of further assistance					
UNIMPORTANT	16.6%	20.1%	40.7%		
NICE TO HAVE, BUT WOULDN'T PAY EXTRA	54.2%	57.7%	54.4%		
VERY IMPORTANT, WOULD PAY EXTRA	29.0%	23.1%	4.7%		
	2.12	2.05	1.64	1.94	2021
Conference Attendee Messages: Special messages for group/conference attendees, schedules or video that could be sent to your TV if you were part of a conference group					
UNIMPORTANT	19.3%	17.5%	25.4%		
NICE TO HAVE, BUT WOULDN'T PAY EXTRA	47.1%	41.1%	49.8%		
VERY IMPORTANT, WOULD PAY EXTRA	33.6%	22.6%	25.2%		

“I enjoy having TV in-room cable programming and movies with a large variety of options.”

5 Research Methodology Notes

The research program was designed to use three distinct methodologies, each building on the one before. The first two methodologies employed were primarily qualitative; the third quantitative.

The first tier, Hotel Executive Interviews consisted of six in-depth interviews from hotel company executives each with a meaningful amount of responsibility for In-Room Entertainment in their organizations. Three major chains were represented in the sample, marketing brands ranging from Economy to Luxury. Two property level leaders were also interviewed, one from a major brand and one independent. The sixth interview was with a management company that runs three upper-upscale properties. Functional disciplines represented included Rooms, Information Technology, Purchasing and Top Management. The findings, preferences and opinions elicited in the structured interviews were used to inform the design of the next tier, consumer focus groups.

The consumer focus groups were recruited using a brief survey of purchased sample. Three demographically distinct groups were constructed:

- Consumers that identified themselves as usually using full-service hotels, age 34 and older (7 participants)
- Consumers that self-identified as limited-service hotel customers, also age 34 and up (13 participants)
- Millennials, across chain-scale segments, aged 22-33 (n = 11)

All groups were balanced for income, gender and professions. The online focus groups each lasted for 60 minutes. The focus group technology supported polling and recording to allow for more usable data to be collected with some quantitative value as well.

The learnings from both qualitative methods drove the construction of the third tier, a quantitative online survey.

The consumer survey attracted 2,100 responses, demographically balanced and representing consumers of luxury, upscale, midscale and economy hotel products. We asked questions about how they use hotel In-Room Entertainment services today, and what they want and foresee in the future. They were asked to rate the appeal of various current and proposed IRE features. The size, scale, demographic spread and hotel choice behavior of the sample:

- Assures that the results are statistically significant and can be projected to the universe of domestic North American hotel guests
- Enables data analysis by hotel chain-scale and age cohort, without losing statistical significance

6 About ADB

ADB's Business TV solutions are built on 20 years of continuous development and innovation, delivering advanced TV solutions for businesses across cable, satellite, IPTV and now over-the-top (OTT) services. We provide solutions that meet today's complex hospitality TV demands, marrying global TV, interactive media, and IP connectivity to enable a better in-room customer experience,

ADB's hospitality solution is one of the top five most deployed hospitality interactive TV solutions globally and the second most deployed platform in the US. Our technologies power TV content and services delivery in over 200,000 US guestrooms, across the industry's leading brands.

ADB is Connecting Lives and Connecting Worlds with innovative software solutions and managed services for business TV, personal TV, broadband and the Internet of Things (IoT). We understand how multimedia convergence is changing consumer consumption and driving demand for powerful, flexible and cost-effective connectivity and services.

Headquartered in Geneva, Switzerland, with offices throughout Europe, Asia and North America, ADB has deployed more than 100 million devices worldwide. We have a passionate and dedicated team of over 550 people, including a 350-strong engineering team.

7 About The Consultancy at Pointers Ridge

The Consultancy at Pointers Ridge, of Sioux Falls, SD, USA is a boutique firm dedicated to supporting the efforts of hospitality technology providers to fine-tune their product strategies and market penetration tactics to optimize the outcomes for the users of their products.

The Consultancy at Pointer's Ridge, LLC

Thank You

The ADB team hopes you have enjoyed learning more about the preferences of hotel executives and guests. This research was conducted by an independent, professional research team commissioned by ADB for the benefit of the hospitality industry, and conducted with methodological rigor. The size and balance of the survey sample and the methodologies employed ensure statistical significance and projectability to the universe of hotel guests.

If you would like to learn more about the research program and findings, about ADB, or our 4th Generation iTV product vuTyme, please call or click:

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vuTyme is installed in over 200,000 hotel rooms in North America today!