

Wireless Internet is the Next “Must-Have” Amenity: Will WiMAX/Wi-Fi Work for Your Property?

by Bryan Levenson

Imagine this scenario. A new resident moves into an apartment. Before unpacking, he or she opens their laptop, logs on to the wireless network, goes to the property’s online welcome page. They enter a credit card number and select high-speed wireless Internet, digital telephone and digital satellite television. As soon as they click “GO” they connect to the Internet instantly; and within two days, they receive a digital telephone and a DVR for their satellite television. Each month their credit card is automatically billed for all services.

This revolutionary provisioning process enables residents to subscribe instantly to all of their telecommunication services with several clicks on their iPod or laptop; never waiting for the “cable guy” again.

This is the expectation of the next generation of renters. Currently, there are 1000s of hotspots in cafes, airports and public spaces throughout the US – and widespread adoption of portable laptops/iPhones and other like devices (enabled with WiMAX/Wi-Fi cards) continues to fuel consumer demand for instant, high-quality Internet access anywhere.

Apartment owners are quietly transforming their properties and revenue models with wireless networks that offer fast, reliable, instant Internet services.

There are many benefits to you, the apartment owner. A wireless Internet network:

- Provides numerous additional revenue streams; most cable and telephone companies do not revenue share (especially with the smaller apartment owner)
- Increases resident retention and satisfaction
- Enhances your property brand
- Gives you new ways to reduce vacancies with promotions and exemplary service

Building a wireless network on your property involves careful consideration and strategic planning. Most (if not all) wireless Internet service providers (WISPs) require five year service contracts. Before engaging a service provider, make sure the WISP has a proven track record of providing full property coverage, as well as offering a full suite of value-added services. Always check references: many providers offer limited services, overlook the installation’s aesthetic impact on the property, or fail on customer service.

Once you have identified a reputable vendor, what do you need to know to make an informed decision? First, a working knowledge of the technology is necessary to sort through the various options. Second, defining your property objectives will enable you to determine appropriate pricing/service plans. Finally, a realistic assessment of your onsite human resources will inform your decision whether to engage a “turn key” or “full service” provider to mitigate impact on property management staff. Let’s take a look at each of these in turn.

802.11 WiMAX/Wi-Fi Technology

The most prevalent technology for connecting residents to the Internet wirelessly is known as Wi-Fi, or 802.11. Different technologies are optimized for providing a certain speed of service for a given number of users throughout a coverage area.

Wi-Fi is ideal for creating local, high-bandwidth networks within a high user-density area. Complementing Wi-Fi and providing service over larger distances with low user-density are two other protocols, WiMAX (802.16) and 3G. For a general overview of wireless technology standards, visit <http://standards.ieee.org> or www.hdn.net for a useful glossary of Wi-Fi terminology.

Property deployments are fairly straight forward: radio transmitters (called access points or APs) are installed throughout the property (often invisibly, thus preserving aesthetic value). In turn, the APs connect wirelessly to central bandwidth hubs, which are fast, dedicated “100megabyte plus pipes” to the Internet. The Internet speed and connection quality your residents achieve depends on two things. First, there must be an adequate number of APs distributed throughout the community to ensure that the number of users per AP is low enough to alleviate slower connection speeds and signal drops. Second, there must be sufficient bandwidth at the central bandwidth hubs and secondary routing stations coming into the property. For example, HDN deploys one AP per 15 units, which connects to 100megabyte “pipes” so that residents can expect speeds over five Mbps upstream and downstream without dropped connections.

A properly installed Wi-Fi network broadcasts across an entire property. Currently, property managers offer incoming residents instant access to high-speed wireless Internet. Soon, properties will be able to offer digital telephone, digital satellite and eventually, fixed Wi-Fi to cellular roaming over the same network.

Questions to Ask a Wireless Provider

- Do you provision multiple APs throughout the property?
- Do you provision the entire community or just “hotspots” in common areas?
- Are you experts in MDU deployments, and do you know how to diminish aesthetic impact?
- Do you control the quality of service of your network?
- Are you able to offer different categories of high-speed wireless Internet and provide other premium services such as digital telephone, digital satellite and eventually Wi-Fi to cellular roaming?
- Who is your hardware vendor/technology partner?

Defining Property Objectives

Once you are comfortable with the WISP’s technological expertise and references, it’s time to focus on your property’s financial and marketing objectives to determine if a wireless network can help you increase net operating income (NOI). This will depend on three factors: your degree of financial risk, the pricing your residents receive, and enhancing your property’s brand and community.

With a direct billing model, the WISP sets prices and is responsible for acquiring and billing its own customers. There should be little or no up-front cost to the property, no ongoing payments, and no financial exposure. The owner may negotiate a one-time fee per new customer or an ongoing revenue share. Direct billing mirrors existing cable and telephone models where the service provider has a direct relationship with your resident (except with WISP's you actually receive revenue share); it is the most "hands off" option and affords the least financial risk.

If the property is in a competitive market and experiencing downward pricing pressure on rents or difficulty attracting new residents, wholesale or "bulk rate" services may be more advantageous. With a wholesale model, the property owner pays a fee per door for all units regardless of adoption rates, and the property management retains control of pricing and promotions. For example, to attract new residents, a property can offer the first three months of high-speed wireless Internet free; this is much cheaper than rent concessions and does not drastically affect your NOI. Instead of lowering rents, the property may offer free high-speed wireless Internet to justify a premium rent schedule and still retain the opportunity to charge residents for additional or premium services.

Another important consideration is how wireless services will enhance the property's brand. Regardless of whether you select a bulk or direct-billing pricing model, most service providers offer varying degrees of promotional opportunities including property specific co-branding, customized marketing materials and onsite signage that incorporate your property's logos and information. Aggressively promoting instant high-speed wireless Internet will put your property at the top of the selection list.

Questions to Ask a Wireless Service Provider

- Do you offer bulk rate or wholesale pricing?
- What pricing model is best to meet my acquisition, retention, and revenue objectives?
- What kind of marketing and promotional support can I expect?

Customer Service: The Key to Success

The final step in evaluating a wireless strategy for your property is a realistic assessment of your onsite human resources. Since adoption rates are highest amongst new residents, active and committed property managers are key to successful introduction of new services. Your property manager may also be involved in customer service, billing, and trouble-shooting, which would require additional training. Some providers offer "turn key" operations in which they install the service and turn over the billing and customer service to your existing staff; other service providers offer "cradle-to-grave" services from installation, launch to ongoing marketing support and customer service.

If your community directors are already burdened with a heavy workload, a "turn key" operation could be disastrous: instead look for a "full service" provider that will minimize additional workload for property management staff. A "full service" provider offers 800 numbers and email for customer support; and some, like HDN, even provide onsite help desks for residents. Back-office functionality, like billing, reporting and revenue sharing, should be fully defined to understand the impact, if any, on the property's existing staff. Most importantly, a "full service"

provider provisions new accounts online: new customers simply log on to the wireless Internet and enter either their property activation code or credit card number.

Questions to ask a Wireless Service Provider

- What is the scope of customer service you provide to my residents?
- What will be the impact on my property managers?
- Is there a cost to me for the customer service you provide?

Conclusion

By following the steps outlined in this article, you will be able to make an informed decision about the benefits of a wireless network on your property and take steps to identify a reputable wireless Internet service provider. HDN has demonstrated conclusively that wireless networks enhance residents' lifestyles, provide a compelling marketing differentiator and enable property owners to realize additional revenue streams. Will your property be leading the way or catching up?

Bryan Levenson is the President of High Density Networks, Inc. Since 2003, HDN has been building wireless communities that enhance residents' lifestyles and enable property owners, management companies and REITs to reduce vacancies and increase average revenue per unit. For more information, please call (888) 436-9434 or email sales@hdn.net.