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### Hospitality in the Clouds

George Koroneos, Contributing Editor

In 2002, Mark Pate, assistant controller at Highpointe Hotel Corporation ([www.highpointe.com](http://www.highpointe.com)) was faced with the tough decision of upgrading his accounting system from an archaic DOS-based solution. His options were considerable: stick to the tried and true business offerings from monolith firms, or put faith in a new solution called "cloud computing" and host the applications on the Web.

Pate decided to take a chance on a relatively young technology and signed on with Aptech Computer Systems ([www.aptech-inc.com](http://www.aptech-inc.com)) to use its accounting software, Execuvue, on a subscription basis. Highpointe now manages all of its accounting and payroll needs from a Web interface that runs on any computer, allowing access to reports from the company's 14 hotels or even from remote locations.



"In the hospitality industry we don't work 8 to 5; it's seven days a week, 24-hours a day," Pate says. "That's what these products give us. If our auditor wanted to look at our accounting at 5:30 in the morning, he is free to log on and see it. That is the beauty of the system."

What Aptech and a bevy of other hosted Web-service providers are offering is the ability to avoid thousands of dollars in IT fees by giving up a bit of control to third party hosting and software providers. Rather than spend money to install, manage, and upgrade costly enterprise software, hotels and restaurants can now invest in a solution that can be hosted remotely and accessed from anywhere. The quality of the service is only limited by the amount of Internet bandwidth being piped into the establishment. And in some cases, even speed is negligible.

"Our smaller locations are actually running on 56k modems," explains Monte Fuller, park superintendent at Devil's Den State Park ([www.arkansasstateparks.com](http://www.arkansasstateparks.com)), which runs dozens of resorts and lodges on a single Web-hosted Northwind Maestro PMS ([www.maestropms.com](http://www.maestropms.com)). "But in locations where we are running multiple computers, we've installed high-speed lines. Either way, very seldom do we get bogged down."

#### Benefits of hosted applications

Hosted applications can be installed in one of two places: a locally hosted server system or a data center provided by third-party vendors such as Microsoft ([www.microsoft.com](http://www.microsoft.com)), Amazon or IBM ([www.ibm.com](http://www.ibm.com)). In the hospitality space, many leading POS and PMS vendors are offering hosted solutions. MICROS Systems ([www.micros.com](http://www.micros.com)), for one, offers mymicros.net, a content-rich Internet portal for the restaurant industry that offers hosted applications for POS, back office, data warehousing, business intelligence and more.

The benefits of foreign hosted servers are obvious: money savings. By using someone else's server space, companies save time and costs by not having to install and maintain a server farm.

"I think the whole notion of cloud computing is pretty young and I don't think it's been 100 percent figured out yet," says Jim Lux, CIO of contract-food service company Unidine ([www.unidine.com](http://www.unidine.com)). "But I believe that it doesn't make sense for companies to own their own data centers. I think the big folks out there like IBM and Google are much better at managing data centers than we ever will be and why not leverage the scale that they have for our own use."

Leading tech research firm Gartner, Inc. ([www.gartner.com](http://www.gartner.com)) predicts that by 2013, 20 percent of what we do in IT will be hosted or "in the cloud." Right now, email services and online back up systems are becoming the norm because it's safer, cheaper, and easier to deal with. Non-mission critical applications are moving to the cloud first, but some companies have made the decision to move as many of their systems as possible to a hosted system.

One option, hotelSystemsPro ([www.hotelsystemspro.com](http://www.hotelsystemspro.com)), offers the ability to track the reports of mobile sales reps as they move from hotel to hotel. Meanwhile, the salespeople can share information via one database that is updated in real time. "So, if I have two or three hotels in one area, we might cluster those hotels together where they can share account information that they might be both calling on for different purposes," says Elizabeth Derby, director of sales and marketing at Hotel Equities ([www.hotelequities.com](http://www.hotelequities.com)) an Atlanta-based operator of 30 hotels. Also, if someone leaves the company, it's much easier to lock down their access remotely and instantly. Notes made on the program can send alerts to anyone on the property, including front

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1/9/2009

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desk staff.

Back at Highpointe, Pate explains that the hotel chose to host the system itself, building and managing a server farm at its headquarters. However, he is considering moving the software to Aptech's servers due to fear of data loss. "Unfortunately we are really susceptible to bad weather," Pate says. "This plan would get the data out of our Pensacola location and put it in a data center environment."

#### **A storm in the cloud: top concerns**

The biggest fear of using hosted applications is that one day the service provider will vanish (or go bankrupt) and take all the data down with them. "I think that is always going to be a fear and you are going to see bigger providers come in and provide these services," says Lux. "That's why IBM and EMC have invested money in these services "these companies aren't going to go away. And by the nature of what they do, they have very large data centers that are geographically dispersed and redundant."

Cloud computing has brought some of the biggest names in technology into the fray. Amazon, Google, and Oracle have all launched services that allow vendors of hosted applications to host their wares by renting space on their servers. The hosting fees are then passed down to clients in the form of monthly or annual subscription fees.

"For me, it was a big concern that the data wasn't in my hands per se; that it was going to be on a computer system somewhere where it wasn't controlled by me," Derby says. "That is a risk that you have to take when you go to an off site Web-based program. But the benefits certainly outweighed the fears."

Another worry is downtime. If the Internet goes belly up, so does access to programs. Many operators interviewed for this article said that they did not have a backup system in place and stated that Internet outages are one of the main reasons why they only moved their back office utilities to the cloud and not their front-desk or point-of-sale software.

#### **Where to start**

Companies looking to dive into cloud computing don't have to go crazy, switching out every application at one time. Experts suggest trying more simple programs first to gauge the waters and then upgrading additional programs according to a regular schedule.

One hosted solution that makes a lot of sense is reporting. It's good business to move data from disparate systems into a centralized data warehouse or data monitoring network that is on the Internet. This allows anyone with administrative clearance to view reports from any location with any computer, even those uber-affordable e-PCs.

"Reporting tools are a great place to start with if you want to move an application to the cloud," Lux says. "And by using a pay-per-use solution, a smaller company doesn't have to invest hundreds of thousands of dollars in a system when they would only use 10 percent of its total functions."

Another option is to use a hosted application to manage and create back-ups of all the local data. The information would reside on a secure server and offer piece of mind that the data would be safe from fire or any other disaster. If anything happened to the server, the data would exist redundantly on the local drive, and vice versa.

Mexican eatery Baja Fresh ([www.bajafresh.com](http://www.bajafresh.com)) recently announced a hosted back-up deal with Casdex ([www.casdex.com](http://www.casdex.com)), a digitization and archiving firm that stores all of the company's business records and daily transactions on its servers and allows the food chain to access the data from any of its locations or its headquarters in Cypress, Calif.

"With so many locations nationwide, it became a Herculean task to keep track of all our paper documents," Baja Fresh CEO David Kim said in a press statement. "Implementing Casdex has helped us streamline our document management process without needing to worry about the security of our files."

#### **Big savings potential**

Money-saving opportunities when moving to a hosted application system can vary greatly. Companies hosting their own software save money on individual updates and can do tech assistance remotely, but they have the added cost of building and running a centralized server.

Companies that choose to go with a third-party vendor/host have the added benefit of never having to worry about the software.

"From a time standpoint, the savings were huge," Derby says. "I'm not paid to fix databases or figure out how to transfer one thing to another. When I look at the picture overall, the hosted system is well worth what we are paying to have somebody else host the database for us and handle all the problems. If there is ever an issue, all I have to do is pick up the phone and ask for help."

The pay-per-use model is also much more cost efficient than buying new software every few years. One operator proposed that it could cost upwards of \$70,000 to install a stand-alone solution in a property, depending on the size. In comparison, most hosted application providers charge a one-time installation fee and a monthly subscription cost, depending on the amount of space needed.

"Especially now, our industry is having such a difficult time with rates and occupancies dropping that we are looking for any way that we can cut costs," says InnPlace Hotels ([www.prismhotels.com](http://www.prismhotels.com)) managing member Kyle Green, who oversaw the company-wide installation of a Novexsys ([www.novexsys.com](http://www.novexsys.com)) hosted PMS. "If you can do that by cutting costs on software, by not spending money on capitol, or by spending less on upgrade and maintenance fees, I think a lot of people will choose to use hosted software."

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