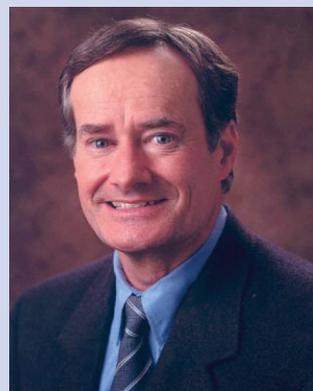## INTERVIEW WITH JOHN NOVAK
SENIOR VP– INFORMATION SYSTEMS/CIO
LA QUINTA INNS, INC.

Note from Rich: Too often we all get enamored with what is going on with the giant hospitality companies. But aren't there a lot more mid-market properties in the world than five-star properties? How La Quinta deals with technology is intriguing. John was candid, honest and didn't hold back. Now if only he could teach me how to play golf I would be home free.

Rich: Let's start with your background. How long have you been at La Quinta?

John: I've been here nearly three years.

And before that?

I was with RCI, which is the timeshare division of Cendant in New Jersey. Before Cendant I was with Marriott in Bethesda, Md. and Disney in Orlando, Fla.

So you have been around the hospitality industry.

Yes, I have. I was actually in IT long before I was ever involved in hospitality. Prior to Disney I was a consultant with PriceWaterhouse.

There are many CIOs whose careers have been only in the hospitality industry but also a great deal who have come from the world of IT.

My career took me from IT to hospitality.

So, how do you like the hotel industry? (Laughing)

Do I have to answer that one? (Smiling) Learning it was tough and earning trust took time – but now I'm a hotel guy first and a technologist second.

Do you consider La Quinta in the mid-market category?

Yes. That is how we look at ourselves. We follow the lead of Star Data and Smith Travel Research and that's where they put us.

Years ago, when my sister worked for La Quinta, 99 percent of their properties were owned and managed by La Quinta. Do you know what the mix is today?

Today, we have about 300 hotels that are owned and managed by us. There are another 70 or so that are franchised. Originally, we were a company that owned and operated all of our properties. We started franchising less than three years ago. Today, we have 70 franchises in a relatively short period of time and we are growing fast.

I read that you are franchising a hotel in New York City. That's a huge milestone.

Yes, that was huge. Clearly we want to get in to markets where we are not in. It has been a challenge to get our name recognized. Our concentration has pretty much been in the South and Southwest. We have signed some large deals and will have more properties in the Northwest and in the Northeast. It is exciting to have our first property in the Big Apple.

Yes, that's a big milestone. When you have a property in New York City…

You have arrived.

Being a New Yorker I always think that!

Of course you would (Smile).

The good and bad of franchising in the hotel industry is the difficulty it creates when implementing technology initiatives. You create a standard that you want to implement for all your properties, but you then have to sell it to franchises. Do you have issues with the franchisees as far as implementing technology changes?

Your question is was it easier before we got into franchising than it has been since. I would say, yes. There are relatively few franchisees that don't have uniqueness and some quirks that we have to work around. This takes time and people away from other things.

How so?

They have their own phone switches. They have their own electronic lock system or they want to keep their own equipment from before. But those are few and far between and we generally work through them. We were 300 company-owned hotels strong until three years ago. We knew the issues that you can have with franchising and technology. We have set our standards and have pretty much stuck to them. The exceptions are relatively few.

Is your central reservations here in Dallas?

Well, actually it's run out of Perot Systems which is in Plano, Texas. Our central reservations call center is shared between San Antonio and an outsourced center in Goliad, Texas.

Who does your outsourcing?

Spherion is the name of the company. This allows us redundancy, multiple centers and flexibility with our system.

Isn't your central reservation system the Hyatt system?

Yes, it was originally called Spirit.

How long have you been using it?

It predates me, but I would guess 12 years or more.

Have you made many changes?

The code base is probably not recognizable anymore; it's pretty much ours. We maintain it and we make all of our own changes to it. It started as the Spirit system maybe five generations ago.

Would you explain your relationship with Perot? What do they do with you?

Let me answer that by saying that my first priority after arriving at La Quinta was to fix the problems we were having with our systems. We had uptime problems and "buggy" software. We had a very low level of confidence from our user community and whether the systems were going to work from one day to the next. We had outages that would last hours, sometimes days.

And you addressed these problems how?

The decision was made to outsource those things that were not our core competencies. Basically we decided to outsource our infrastructure.

Then what?

We did a search/competitive bid about three years ago and Perot had a great offering. They are also right here in Dallas. Today, they are basically providing the raised floor for all of our centralized systems. We still maintain all our own applications. We do all our own strategizing, planning and testing, but Perot keeps the machines up and running. They do the backups, apply the patches and upgrades and they also manage the wide area network. We have kept in-house everything that happens at the property and support of all our local networks.

You talked about applications. Your properties

don't have food and beverage for the most part, right?

With the exception of a few select properties, they do not. However, we do have a great breakfast. I hope you had your waffle this morning.

(Laughing) I'm not a breakfast eater, but I did see quite a few people making them.
They really are great.

I believe you. OK. What do you do for property systems right now?
All of our properties have the same property management system which we call LISA.

LISA?
La Quinta Information Systems Administration.

How long have you been using LISA?
We have been using it for nearly four years. We installed it in a bit of a hurry because of Y2K.

What is the origin of LISA?
LISA started as the LIBICA system from Hotel Information Systems (HIS).

And do you use it in all of your properties?
Yes. We support it ourselves. Early on we had HIS support and then we decided to take that in-house because we wanted to be more aggressive with the system. Today it's pretty much our own flavor.

Do you do total support of the system?
Yes, we support everything.

Are you enhancing the system?
We've grown it considerably and we have invested a great deal in that system in the last couple of years.

Does it stand alone at the property? Is it tied into your central reservations system?
To say it's a stand alone, yes it's the original architecture of the system which is designed to stand alone at a property. The data that is needed by that property is there and if we lose the network it stays up and runs and we just re-establish that link. But we are getting real-time feeds both ways between the property and the central systems. We have an extremely robust two-way interface with Spirit and all the electronic channels. And that's everything from our frequency program, which we call La Quinta Returns, reservations, rates, inventory and operational and financial data back and forth.

Have you ever looked at an ASP solution for your properties?
Actually we have been looking at it for years. I had looked at it prior to joining La Quinta. It seems like a natural for this business. When you say ASP, I assume by that you mean more of the Web-delivered model as opposed to

somebody outsourcing your applications? There are several different definitions.

I was referring to the Web-delivered model, especially for property management systems.
We've been looking at the different flavors that are out there and the directions that different property management systems have taken and we just haven't found it ready; at least not for us yet. We have done so many things to customize our systems. It would be extremely traumatic to take another system off the shelf and then try to incorporate 10, 15 or 20 years of customizations. In order to do that the reliability/stability of the platform would have to be really solid. Right now we are still at the mercy of the wide area network and that's not a comfortable place to be with ASPs. But we continue to look at it.

But, you are continuously exchanging data between your properties and your corporate office here in Dallas, right?
We have data coming in all the time. We have a daily feed of all the operational and

financial information that we need through our financial systems. We don't have any true financial systems on the property and that fits with the franchise model because franchisees typically bring their own back of the house systems. But we do run all of our financials here centrally.

Being mid-market properties, have you made decisions regarding high-speed Internet access for your properties?
High speed is debated just about every week at our executive committee meeting.

Your type of properties are the industry issue. If you were a Ritz-Carlton you have to offer high speed. But for the mid-market property, it is not black and white.
We've concluded the answer is yes for us. We need to have it, but selectively. In fact we have been putting it in selectively and have probably 20 properties with high speed. We made the decision recently that we are going to put it into all of our inns and suites and we are at a fairly advanced stage of who will be our preferred provider for that rollout.

What about your franchisees?
Most of our franchisees have installed high-speed Internet access on their own. They had already made that decision and interestingly enough their decision to not

charge for the service is the same conclusion we came to. Those hotels that can charge for it, good for them...keep charging as long as you can. That makes our free offer that much more valuable.

Do you think that charging for HSIA isn't a viable option?
I see that going away. I hear the rumors and the announcements like every one else that some of the big guys have made the decision to stop charging for it.

I'm not sure the whole industry would agree with you.
I might be telling this story out of school, but one of our franchisees was switching over from another brand. They already had high speed installed and had a revenue-share model. After switching to La Quinta they paid to have their existing system taken out and then to have a new solution put in just so they could provide it to their guests for free. That's a statement to someone who really knew what the guests were expecting and what was the future. That solidified it for me.

I'm not sure if it's totally there yet. There seems to be a small percentage of travelers still willing to pay. But I think you are correct that charging will eventually go away. What about the issue of wireless?
The other big debate. I talked about this offline at your CIO Summit with some of the other CIOs. There were those who are taking the plunge and going fully wireless. We looked at wireless and to me it's kind of a fence-sitting situation; you are not wrong going either way. What we've decided to do is to go wired in all our rooms because the majority of guests are not going to be wireless equipped. Everyone says by next year or 2005 with Centrino technology and everything else, that everyone is going to be wireless. But if you go wired initially you know you are going to have a supportable, high performance solution. Also once you have that infrastructure in place you can get to wireless easily, and I think it's inevitable that we will have to get there. But, we need to have something in place today. We are going wireless in the common areas of all of our hotels that have high speed.

You seem to be rolling the dice a little.
With every system decision we make these days we are looking at the upcoming generation. We're looking to our sons and daughters and what they are doing because that's the generation we are going to be selling this stuff to. Dr. Lalia Rach, a speaker at the CIO Summit, said something about the biggest mistake we can make is to make decisions from our own frame of reference because we grew up in a different world. We need to recognize that there is a different level of aptitude and a different level of expectations coming along than what we have been used to.

So do you do market research through your 12-year-old son?

Yes, but more so with my 16-year-old daughter. In fact, when I mysteriously show up at places that she is hanging out I can just tell her I'm doing market research.

She must love that. But, you are right.

I advise my son that one of the most important skills he can learn today is typing. His sister is a few years older and her fingers are a blur when she sits at the computer. I'm still hunting and pecking and I'm looking at her thinking that is what we have to be prepared for with the next generation.

Just so our readers understand, when you refer to your inns and suites, those are a little bit more upscale than the original inns as we know from 15 to 20 years ago, right?

Yes. Our first inns and suites property opened about seven years ago when a decision was made to offer suites. It has been a more upscale offering than the traditional inns. They are all new properties and have an interior corridor, suites and more amenities. They all have exercise and meeting facilities and some other things too. I'm not the marketing guy, so please don't quiz me. (Smile)

Being a mid-market chain, you must also deal with distribution issues, merchant models and such, right?

Yes, as a company we spend a great deal of energy on this. This is what I call the e-channels, which is a huge part of our growth and is becoming a huge part of our overall business. One of our biggest challenges is just staying a few steps ahead of the additional traffic we are having to handle now over the network as well as through the reservation system as we are bringing on additional third-party channels.

In the old days the marketing and technology people were not always side by side. Now they must be so strategies can be implemented. Technology allows marketing to succeed today.

That's an interesting observation. One of the things that I remember struggling with a few years ago was the turf battles, especially when it came to the Internet. Marketing is out doing their own thing; they had the first Web sites which they implemented on their own, cutting their own deals. Then IT had to deal with the problems that were created as we weren't involved upfront. Nowadays, and I don't know if it's just us or the whole industry moving in this direction, but not only is it seamless, it's almost confusing because I don't know if my Web director reports to marketing or reports to me. They are just absolutely linked at the hip with everything that they do. When it comes to selling technology initiatives in this space, it's the marketing person and my Web person who are out there promoting

it together. It's a new world. I've certainly been at places where marketing and IT had friction, but somehow we have overcome that. Every business initiative requires technology. I don't care if it's a new marketing program or a new property we are bringing on board; technology is key.

Is technology something you use to attract new franchisees?

Yes. I recently went out and met with a group of franchisees to understand what they were looking for from a franchise organization. They all had experiences with other flags and they gave me a great perspective. One thing they are obviously looking for is delivering reservations, but they want to know how well do we manage our electronic channels. How robust is our site and how quickly can they make changes to rates, descriptions or profiles and how well integrated are we. These are important issues to franchisees.

That's a good point. So, did you develop

your site internally or is it outsourced?

It's all internal, though we had some help. Again, we will outsource and bring in systems when we feel a need to complement what we have internally. As far as our core competencies are concerned, our Web site is one that we certainly selected as a core competency so we have built our own Web support capability and support our own site. We completely re-launched www.laquinta.com early last year (2002) and we have been through many iterations since. So it's a living, eating and growing monster.

Do you think business is better today?

Yes, I do. I think we are doing a great number of things right and I get the sense that the industry overall is bouncing back.

Do you have a customer loyalty program?

Yes, it is called La Quinta Returns.

How long have you had La Quinta Returns?

We've had Returns for a long time. Last year we had a complete overhaul of the program. It used to be you stayed a number of times and you get a free stay. Now you earn points which opens up more options to use those points for other things besides additional hotel stays. When we designed the new program

we said we wanted this to be the absolute best in the industry so we designed it that way. This was certainly true day one, but staying on top of it and making sure it stays there is an ongoing challenge; these things change so much and so fast.

The points issue is big. I'm not sure if travelers want hotel rooms anymore. Is Returns maintained automatically? What is the premise?

You sign up to be a Returns member and you earn points with every stay. If you stay at La Quinta often then you earn points faster not just because you stay with us more but because you earn a premium. We have premium levels such as silver, gold and elite.

Do you maintain that information here or is it outsourced? Is it automated?

Yes, it's all automated. We use a company called FMI and they maintain all of that information. We have it all integrated with our systems.

I've learned over the last few years that more people are outsourcing. There are many situations today where it is less expensive to have something outsourced.

I agree. Plus, with FMI this is their core competency. They are good at establishing relationships with partners you can exchange your points for. They are a great fulfillment house, getting all the collateral out when it needs to get out and making sure people know exactly where they stand. They track this and it is integrated with our Web site so when you check your Returns account status, it's actually querying right into FMI's database.

That's great. People want to check their points. The airlines can do it and the hotels should be doing it.

I agree.

What's your spin on CRM?

CRM is something we have been looking at seriously for some time. There are many system implications. The whole idea is to provide the experience to the guest that they are looking for when they are looking for it. That means some people want to get promotional materials and know what the best deals are and others don't. The trick is knowing who wants it and who doesn't. There is legislation regarding opting in and opting out. To us, CRM also means knowing enough about what our most valued guests need so that we can align each guest with the best and most relevant that La Quinta has to offer. We have a whole separate data warehouse where we are keeping information about what people are looking for, what complaints they have and what their travel preferences are. We use this information to deliver what we believe they want responsibly. We figure loyalty is king. We

run the risk of a hotel room becoming just another commodity. You want to look at ways to differentiate yourself and look at ways to establish a relationship and loyalty.

But, how are you actually doing this? What about the technology?

One thing we're doing with our CRM approach is it's not a technology project. In fact, technology is almost an after thought. To us CRM is having people who are trained and recognize the importance of making sure that a guest gets what he is expecting and hopefully we meet his expectations. It starts with training and the delivery of service and ultimately it comes down to being sure that our workforce has the information they need at every point of contact to be fully responsive to whatever the guest wants. If the guest is inquiring about a reservation they made through the electronic channels and they happen to be calling our call center or talking to someone at the front desk, we should have the ability to be fully responsive to them. It's all about delivering the service and then technology becomes the enabler somewhere after that.

Well said. You have quite an operation here in Dallas. How many people do you have in information systems here?

In IS we have approximately 50 people.

What do they do?

The largest group is providing support to our properties which includes our help desk and our field installers and support. We also have a number of people responsible for keeping applications running, making changes, enhancements and so forth. We have some fairly senior talent there and we rely heavily on a couple of key external partners to whom we outsource many of our applications. We already talked about Perot and the infrastructure support. We have a telecommunications group that involves keeping the network up and dealing with voice issues.

Do you outsource telecom?

Telecom we don't; we have that internally. We have identified a few core competencies we need to do well ourselves. That would include the Internet area and also what I call our whole data warehouse area, which is knowing our data, keeping our warehouse, being able to get the reports out and managing information to people who need it when they need it. The other thing we must be very good at is developing partnerships with vendors and managing vendors. We are already good at managing projects. Also, we need to be good at setting strategic technology direction and making sure we are in alignment with our

business on how we are spending our money and what initiatives we are and are not pursuing. These are the things we know we need to do well.

When you say applications what are you actually talking about?

When I'm talking about applications I'm talking about property management systems, sales support automation, reservations, call accounting and data warehouse.

What do you do for sales force automation?

We are just now implementing a new sales force automation system from a company called Saleslogix.

Do you have sales people at the properties or is it more a regional concept?

We have a small number of sales people representing some of our individual properties specifically, but then we also have a regional sales force that's out in the field responsible for the sales efforts of all the properties in their region, as well as a national

group who call on key corporate customers and special segments.

A new La Quinta property is being built. How long is the process of implementing your technology?

Usually we have a fair amount of lead time so over the course of weeks or months we are getting everything ready. The actual cutover, which includes the training, installation and making sure data is current, is completed over the course of less than a week.

Do you have issues where people have an existing property that they are converting over to you and they want to keep their existing technology?

Yes.

Do you allow this?

No.

Why not?

Certainly that is everyone's preference. But we put in the technology we know is needed. We image it ourselves, we know what the hardware is and we have the relationship to support everything we have. It's an easier discussion with the franchisees because the technology we put in has no markup whatsoever. For example, Dell is our major supplier of PCs and all the savings from our enterprise agreement with Dell gets passed along

to our franchisees. We try to take away the excuses for them to want to do something different. If they have something already in place it generally is going to be older and it's probably not going to have the specs that we are going to need for our system. It will create support concerns down the road. So far we have been successful in sticking to our guns.

Good for you. I used to install and then sold property management systems (PMS). Hotels would convert to a new flag and always want to keep their old technology, especially their PMS.

As I said earlier, we have learned our lessons about some of the difficult issues you can have when you don't standardize in a franchise operation. Ultimately if someone stays at a La Quinta they shouldn't know if it's a franchised property or not.

Which is exactly what you want. Is there anything other than the PMS that's mandatory when someone comes into the La Quinta family?

From a system standpoint?

Yes.

The PMS encompasses a lot, but I would say no. As far as phone switches, key lock systems, energy management or other systems they may have, we have spent a great deal of time making sure we have good interfaces to most offerings out there. These systems they can usually keep.

I'm sure that is appreciated. Is there any technology that you will help them with that is not a PMS?

High-speed Internet is a good example. We will have specs for them because you want to be sure that someone does not put in a low-cost solution which doesn't have support. We want to avoid a situation where the guest has difficulty with it and all the front desk can say is, "Hey, it is free. What do you expect?" We want the assurance that you will have someone to call 24/7 if you have a problem. We can't expect our front desk staff to be trained Internet engineers.

(Laughing) I love that…hey, it's free—why are you complaining? It is kind of like getting a free ticket on the airline and the airline never gives you a seat on a flight you want.

(Laughing) So what if you can never use it when you want to use it; it's free. That's not the way we're approaching it.

Do you have any initiatives going on right now as far as technology goes?

Yes. In fact it is a major challenge meeting all the demands from our internal customers.

For example?

We've got a new payroll system going in which is going to touch every property and

all of our corporate people, around 7,000 employees everywhere. That's going in in less than a month. We have been working on this since earlier in the year.

What are you using?
It's a solution from PeopleSoft.

What did you do before that?
We had a system which combined solutions from Cyborg and ADP. Now we are going with PeopleSoft and Kronos. Kronos is doing the time and attendance tracking.

What else?
I mentioned our data warehouse project earlier. Our sales force automation system is in the process of being implemented. We have all kinds of Web enhancements and the emphasis there is integration with all the other e-channels. We are doing this as efficiently as possible. I talked earlier about high-speed Internet. We have an e-learning initiative we are looking at which is wrapped around the whole CRM and how we do a better job with training our people. We deal with high turnover in this industry and you want to be sure training gets consistently delivered.

Explain e-learning and how you are using it.
E-learning will be at all of our properties either through the Internet or through some type of CBT model to deliver interactive training. It allows people to learn how to use the front desk system, for housekeeping on how to make up a room or how to do preventive maintenance. It's for everything. It's also delivering corporate messages, promotions or marketing campaigns to make sure everybody is on the same page. We traditionally have trained a fleet of trainers so this should help us be more consistent and efficient.

That's interesting.
I think e-learning could be a huge help, especially getting everyone on the same page and really impacting the culture of the organization.

I imagine you use e-learning and the Internet to help with internal policies.
Yes, we have our manual online. One of the things we hope to leverage with PeopleSoft is its great Web portal. And as soon as we get payroll up and running we are hoping to exploit that portal to do a better job of delivering information through the Internet. Right now it's out there and accessible on a shared drive with many documents and our standard operating procedures and training materials. We are headed toward having information delivered via a solid, robust intranet that is keyword searchable.

You have so many corporate employees out in the field, you must use an intranet for support issues.
Yes, we do that with our support organization also. We provide self-help tools and FAQs. We track metrics every month to not only make sure we are able to respond and deal with all the problems but also to decrease the number of calls to our help desk. We are having great success with this initiative.

With so many people booking over the Internet, aren't call centers shrinking?
Yes, directionally you're right. It's not theory anymore, it definitely is happening. But many of our reservations are still taken through one of our call centers.

Do you believe this will always be the case?
I don't know, but the percentages are certainly shrinking. When you look at the growth in the electronic channels including the GDS as well as the Web channels and how that's increasing, it appears to be exponential.

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The increase is more each year. Whether that's going to plateau or it's going to be a healthy balance between the Internet and our call centers, you can't be sure. I think you are going to see the easy reservations are going to be made online. Today there is a great deal of shopping around online, but booking is still done over the phone or in person for those people who are uncomfortable pushing that final button that reads "submit." They do their price shopping, get all their information and then they call the 800 number to book the room.

You are right about being at that last step to purchase an airline ticket or book a room that is non-refundable. There is hesitation.
It's true. So we are internally referring to our call centers as contact centers, which is the latest trend because the tough calls are now coming to the call centers. Everything else is going to be weeded out, so you are going to wind up with call time no longer your objective because you know you are going to have tougher issues to deal with and perhaps longer calls. This makes it imperative to have more relevant information about your guests.

We did an article recently about driving people away from the call center and to the Web.

One thing a call center has over the Internet is that you can sell a room. You can't sell somebody on the Web. They have to make their own decision. If you have them on the phone it is often easier to get them to book a room.
The whole dynamic is changing. You have to lead with your best price on the Web because it's right there. There's not a lot of negotiating happening. You have one shot at someone when you are on the Web. The whole dynamic of selling on the Web is really fascinating for our industry.

PMS is the biggest thing you have at the property. How often do you update it with new technology?
We invest heavily in our PMS every year. Early on we had three major releases per year. With a more stabilized system today, we are down to one or two major releases a year.

That is normal.
I agree.

Is there new technology you think might become more mainstream that will impact the hotel industry?
I'm curious to see what's going to happen with kiosks. People are getting very used to using them when they fly. In our segment I don't think we will be the leaders. Full-service and large convention-type operations might embrace this technology first, but we are certainly keeping an eye on what's happening with kiosk technology.

I agree with you there, it should be watched. With airlines you can check in and print a boarding pass from your home.
Yes.

Can we do that at hotels?
No, that I haven't heard of yet.

If you are thinking of creative uses of kiosks, we should be thinking that if a guest lands at the airport and can't go straight to the hotel it would be great to be able to check in to the hotel at the airport. It's just one less thing you have to worry about.
Yes, for the frequent traveler that would be great. Although if I had to look at where I would invest my time and energy I would say first I'm going to make the check-in process as quick, seamless and easy as possible at the front desk.

Why?
Because that's where you are going to get your smiles and get your questions answered. That's where you are going to get reminded what time breakfast is and order your wakeup call. Remember, we are still a high-touch industry. If technology doesn't work it can ruin the guest experience. But even

with that said, we definitely have to look into remote check in. We also want to avoid the check-out process all together.

In our summer 2003 issue of *Hospitality Upgrade*, Dan Garrow of Mohegan Sun shared with us how you can check out from your room and have your bill e-mailed to you.

We offer something similar; guests just have to tell us that they want this service when they check in and we will e-mail their receipt to them.

I hesitate to ask this, but do you have any comments on our recent CIO Summit?

There are only two or three events I set aside time every year to go to. There are hundreds of events I can attend and the CIO Summit is only one. Since your first CIO Summit last year I definitely had that marked on my calendar and in my budget. It was unquestionably something we all need to attend. The program was perfect and the speakers were great. If anything I was a little frustrated there weren't more answers.

From that crowd?

Yes. The whole security session, the Patriot Act and such—what's right for the hotel industry and what isn't, what's in the law, what's going to be in the law and what isn't—it created many questions that we were all left to ponder on our own.

I agree.

And I would think we could get more mileage by talking about that more and working toward common solutions or, at least, common policies. I don't think the response to these issues are particularly strategic to any one individual business. Nonetheless, we are all left to go back and figure this out on our own. But, I will add that the interaction at the Summit and getting a sense of what other people are doing, what's important to them and what isn't, is great. To get that firsthand over the course of a couple of days is very valuable.

Thanks for the comments. Having a background that includes time outside the hospitality industry, do you have thoughts on the industry's direction?

As an industry I think it's great that the focus is on the guest first and not technology. As the technology that is available in other industries becomes more important to the guest, I think the hotel industry responds. Could we be more high-tech? Could we do more with technology? We could, but I think as an industry we are probably at a good place. We don't want to be the pioneers in most areas. Hotel companies seem to be getting their competitive advantage with their frequency programs, the use of the Internet and gathering market intelligence. Overall, I think the industry does a fairly decent job.

The hotel industry has been notorious for needing a payback when investing in technology. This attitude often hurts efficiencies. Do you agree?

With all of our projects we put together a business case so we know what the benefits are. We are emphatic about making sure that they are measurable. What is the benefit, how are we going to see it and how is it going to manifest itself. We compare benefits against the total cost, not just the implementation cost. It's the cost of internal people, the opportunity costs, the ongoing expenses, etc.

And then?

That does not say that if something has a negative return we don't do it. Just because we can't come up with a quantifiable, tangible benefit if we know that it's there because it's a competitive response or because the guest expects it, we'll do it anyway. The important thing is to have all the information in front of us so we can make those decisions. I know at La Quinta we are doing a better job investing in technology. Recognizing when

something needs to be done even if it doesn't have the necessary return but it's the right thing to do: We are taking that leap of faith. Perhaps more so now than we have in the past. I'll tell you that in tough times it's tougher to do that. Over the last couple of years it has been less likely that we will take something that didn't have a return in favor of something that did have a return.

Good point.

An industry characteristic is that the people leading the industry have come out of hotels. It's all about relationships; it's all about people; and it's not about technology. So the people running hotel companies were often slower to understand and appreciate the importance of high-speed Internet, for example, or the importance of having a good Web site. The internal sale was often tougher. Today you can't ignore it and we have a new generation moving into management so I think there is more of an appreciation for technology. As I have said, everything now involves technology. You can't name a business initiative that doesn't have a huge technology delivery component to it.

OK, it is time to wrap up. You have been here three years now. When you came here you had a set of goals. Are you comfortable where you are today and where you are going? Are there missteps along the way that you wish you hadn't taken?

Any missteps? I'm sure there have been, but overall I'm wildly excited about what we have done in the last few years. In fact one of my biggest challenges is keeping the momentum going. We had a great number of challenges when I got here and we got through them. Most of them had to do with reliability of systems and confidence in the system's organization. Now we have a tight partnership with our business constituents starting at the very top, at the executive committee level, and down to our project and departmental teams. We have systems that are running multiple nines in terms of availability so that's not an issue anymore. We are getting high marks on satisfaction ratings. What that has allowed us to do is to start thinking strategically, whereas in the past we had to be tactically focused. I often say that no one is going to listen to you about the next generation of technology if there is a line at the front desk. So first things first. We have all of the blocking and tackling taken care of and now we are able to think about what my 16-year-old daughter is going to need when she becomes our guest. Today we look at how we can leverage technology to do some truly innovative, value-contributing types of things and not focus on just making sure the network stays running. So La Quinta has come a long way and I think information systems is really contributing to the company. It makes everyone's life easier and the job more fun.

Any closing words of wisdom from a technology guy?

For years I think we as technologists were trying to get others in our company to think like technologists and become more aware of the system challenges, what needed to be done, what their role was and so forth. But in the hotel industry, our customers are all relationship-oriented. So we as technologists need to become more relationship-oriented. We have to learn to relate to them and their business issues rather than trying to bring them into our world. I think that is when things tend to work. It's all about relationships in our company like it is within our industry. And where things work well is where we have good, strong, personal relationships first and then work closely together on the technology.

Those were pretty good words of wisdom. John, thank you for taking the time to meet with me and the kind words regarding the CIO Summit.

You're welcome. They were all deserved. Keep up the good work.

We will try!