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Face to Face with Mark Hedley,
Wyndham International
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Interview with Mark Hedley **Sr VP and Chief Technology Officer,** **Wyndham International**

Was there a technology Rat Pack at Sheraton Corp.?

Mark Hedley was part of a group that worked at Sheraton over 10 years ago and today members of that group are all key players in the hotel technology industry. Recently, I had the opportunity to sit down with Mark at his very cool office at the Informart in Dallas. There is a new breed of technologists in the industry and Mark is definitely one of the leaders. He shared many of his thoughts about the industry and about what is going on at Wyndham International, which makes for a great interview. I learned a lot and I think you will too. Enjoy.

Rich: Let's start with the basic stuff. How long have you been at Wyndham Hotels & Resorts?

Mark: *Since May 2000.*

And before Wyndham?

That could be a long story.

(laughing) OK, how about right before Wyndham?

I spent about four months with Sun International.

Isn't that the group that has the Atlantis in the Bahamas?
Correct.

And before Sun?

I was with Caesars World in Las Vegas.

You were there for a while weren't you?

I went to Las Vegas in 1994 when Sheraton was starting up a gaming division.

This was the time when ITT, who owned Sheraton, was purchasing Caesars, correct?
Yes, but after the acquisition and amalgamation of gaming divisions, we kept the Caesars name which was more recognized and accepted in the gaming world.

You were in the gaming side of technology for a while, right?
Yes, from 1994 to 2000.

It is a different beast, isn't it?

It is an incredibly different environment than your generic hotel model. Coming from 10 years with Sheraton, it was a completely different experience for me. I think the most challenging part was being the new hotelier on the block and being accepted by the people that are traditionally in that industry. It's a very difficult industry for someone with just a pure hotel background to break into and be accepted. Particularly in the technology side vs. being one of the people who has grown up in the industry. So, the acceptance level was difficult for the first nine months to a year, but after opening four casinos in that period of time I guess they figured I knew something.

Interesting. The mentality of the gaming technologist and the hotel technologist seems to differ; gaming has always been willing to spend a little bit more money than the hotel industry.

I think when you look at it as a percentage of revenue, the technology spend really isn't all that great in the gaming business. The volume, depending on where you look at the components in system technology, doesn't change all that often. It is somewhat sophisticated as you go beyond slot machine technology; CRM and other technologies that we use in hospitality are the same as in gaming. They have been doing it a little bit better than we have for a while because of what is at stake.

How high are the stakes?

In the case of a casino, their favorite or frequent customers were worth millions to them. If that list got out onto the street or to the casino next door, a casino property could literally be brought to its knees. So, there are very stringent security controls regarding access to the information contained in the systems.

You were with Sheraton before your foray into gaming?

Yes, for 10 years. Actually, I started with Sheraton during the days of John Cahill. He recruited me right out of college.

What did you do at Sheraton?

I started in the field with Sheraton, as a systems analyst in 1985 at the Sheraton Grande, which now I believe is a Marriott in downtown Los Angeles. From California I went to the Meadowlands Sheraton in New Jersey. I was there four years and then went to the Sheraton corporate office in 1989.

There are many people from Sheraton from back then who are still around the industry today.

It is incredible. Larry Hall, Bill Oates, Sean O'Neill, Mark Haley, Steve Bearden, Danny Hudson and I all worked together in the corporate office at Sheraton.

I actually worked at the New York Sheraton a long time ago. That was my first exposure to a computerized front desk with the EECO system.

The Sheraton Hotels in New York City were the first hotels to build a centralized data center to support multiple hotels. We were actually running two hotels on our EECO system at the Sheraton Centre.

Tell me what you are working on at Wyndham today, what are your big projects and

what are you trying to accomplish right now as far as your technology initiatives. *I should probably tell you where we were when I came here and why I was brought here. Wyndham had previously outsourced their IT function and found the business model strategically challenging.*

To whom?

To an organization called the Kinetic Group. It was a partnership formed by Wyndham and Trammel Crow to supply IT services to both companies.

What happened?

Wyndham's growth lead to the demand for a much more focused, hotel-oriented IT team that could provide a vision of the types of technologies that would serve the business and guests.

So, you were brought to Wyndham to in-source IT?

Yes.

That must have been a challenge.

It was. We had a distribution/reservation center called ISIS with MICROS-Fidelio technology. The reservation center had been in existence for a couple of years, but, it also had its challenges.

How so?

The relationship between the Kinetic Group and MICROS-Fidelio was struggling. The technology supporting the company was struggling. There was a lion's den of problems that required sound solutions.

What was the time frame?

This was May 2000. We dissolved the Kinetic Group partnership shortly after I came to Wyndham.

So at that point, you were using MICROS-Fidelio for reservations?

Yes. But, we did not have a two-way interface, we had a one-and-a-half-way interface that had been underway for quite some time. We didn't have centralized yield management or a really strong yield management program out in the field.

How many properties did you have at this point?

We had roughly 250 hotels. The portfolio today is about 220 hotels; 167 owned properties, the rest managed and franchised. We have about 160 or so branded properties and the remaining non-branded. We actually own quite a few Marriott, Radisson, Doubletree, Hilton and Sheraton properties.

Along with Wyndhams?

Yes, the properties were acquired through mergers or acquisitions during our REIT structure.

How many Wyndhams do you have today?

We have approximately 160 branded properties. We really focus on three different brand products today: Wyndham Hotels & Resorts, Wyndham Luxury Resorts and our all-suite product, Summerfield Suites by Wyndham.

Now do all of those different types of properties come under your responsibility?
Yes. In fact, even the hotels that are managed by Performance Hospitality Group, Wyndham's third-party management division comes under our responsibility. We support the technology in those properties to the extent that we can.

For example?

Back-office technologies that relate to Wyndham business reporting, e-mail connects to the communications network, etc. We support them, but they need less attention than our Wyndham-branded properties due to the proprietary non-Wyndham systems already in place.

OK. Let's put the non-Wyndhams aside for a moment. When you need to address the technology needs of high-end luxury resorts to limited-service/extended-stay, how do you do it? The needs with these different types of hotels must vary.

I guess the challenge for us was finding the technology that fits the products across all brand products. We're standardized on MICROS-Fidelio's Opera solution, I think the amount of functionality included is very robust and operates our hotels, resorts, luxury resorts and extended-stay properties very well.

Tell us about Summerfield Suites.

Our Summerfield Suites had a proprietary PMS that was acquired through an acquisition. Because Wyndham ByRequest, central reservations, and other integration activities were so important to us and that we couldn't get support for the proprietary PMS it made sense to transition our system into the Summerfield Suites properties. We migrated them to Opera using our own ASP platform. Right now we are hosting 20 properties out of our central data center right here in Dallas and we will continue doing that for all of our hotels as we move forward.

How long have you been doing this centralized operation?

We started last year and now have 20 properties online. We recently brought on six in January and February.

Give me the scenario of what type of hardware you would have at a Summerfield Suites. I have stayed there and it seems like a relatively small operation.

In essence there are a couple of PCs at the front desk, a couple of PCs in the back office, for a total of 10 to 12 PCs onsite.

And, everything goes through the server here in Dallas?

We have two IBM S-85's here in Dallas that are running Oracle parallel server and IBM HACMP which is IBM's High Availability technology supporting the Opera PMS. PCs onsite connect to a switch, which connects to a router, which connects onto our Wyndham wide area network (WAN) and from there the WAN connects into the central system here. So basically they are online all the time. The system is fault tolerant in the event that any aspect of any component on the main system fails there is an immediate fail-over to a second system.

How would that differ from ASP solutions that others out there are trying to create?

I guess it's comparable with a few exceptions. The concept is identical except we don't charge the property a per-transaction fee. We initially give the properties the opportunity to look at both centralized solutions and non-centralized, particularly for third-party owners.

Could you explain?

We give them the opportunity to buy their own hardware and install it onsite in a decentralized fashion. But then we also explain the benefits of coming online to the central solution for the same cost and give them the opportunity to do so. So in essence, whatever an owner would pay to put a system in place from a capital perspective, we would allow them to come online to the central solution. One of the benefits is that they could pay us monthly over a three-year period of time vs. making an upfront capital investment. We are not charging based on clicks or transactions but a monthly fee that allows that owner to partake in a centralized ASP environment. The software is licensed by MICROS-Fidelio. We don't re-license software.

You think this is the way to go?

I think the benefit is that we are not relying on a third-party technology company to provide the ASP environment. We are not worried that a third-party technology company is going to fold as some of the dot-coms did in the last few years.

So what you are saying is...?

I think it gives our hotel owners and our hotel management teams at our own properties comfort knowing we are not going away anytime soon. We're going to be here to answer the phone and we are going to be here to take care of their technology concerns.

Are you concerned about security with your network?

We have firewall technologies which eliminates people's ability to harm us and our properties. We are very comfortable with what we are doing not only from a fail-over perspective on the centralized hardware but also from a protection standpoint against viruses and security-related attacks. Ironically enough there's been a lot of question within the company every time a virus hits and why we aren't affected by them. Part of the reason is because of the technologies we have in place that prevent viruses from getting into our systems.

Could a smaller company use the same technology that you're using or is there a breaking point where you need to have "x" amount of properties to make it viable financially?

Yes, there is. And I guess it depends on how far you want to take it from an availability standpoint. The redundancies are the portions of the centralized system that will increase the cost. If you want a centralized server for 20 hotels and if you don't add any redundancy or fail-over to it, certainly the options would be less expensive. We sized our systems to handle 80 properties based on our portfolio of owned sites. I think our breakeven point was somewhere around 50 properties.

If I had a little hotel company with 25 budget properties, what would you recommend if I wanted to maintain better control of these properties?

I certainly would implement a centralized application for a couple of reasons. Normally in that size hotel you're not going to have onsite IT staff. The amount of technology that you need to put into a hotel when you are in a centralized environment is certainly less than if you are in a de-centralized environment. If you centralize all your server, networking and application technologies you can have a core set of technology people managing it vs. having people in remote locations. When implementing application upgrades, hotels that are online receive a new version of code literally overnight vs. sending somebody out to every single site to

install something physically. Training is conducted online. In fact, all of the Summerfield Suites conversions were conducted online. We actually don't have anyone onsite the day of cutover. We are removing a proprietary PMS while installing a new PMS. In the traditional model, which you know Rich from your years working for PMS companies, you have always had to have a team there and a training room set-up. You always had to have people covering the front desk and reservations... none of that exists for us anymore. All of the training is conducted online via our online learning tools and all of the support is provided online.

That is interesting. You don't need anybody onsite?

I do need to correct myself. There is usually one person that goes to the site to physically connect interfaces to the network switch. All of the interface traffic comes back through the network.

So you have a call accounting system that would be sitting here in Dallas?
Right now our call accounting system is in the hotel, but we are migrating to a centralized call accounting system.

What are you using?

We are using SDD's JAZZ system.

There is a lot of new technology coming into the market today with CRM getting lots of buzz. How do you look at and evaluate possible new solutions for your company?
CRM is people, process and technology. A lot of people went out and rushed into CRM solutions from many of the major companies and installed it quickly and then couldn't understand why the system failed. I'm not sure if the technology failed; I think the businesses that implemented them really failed to identify what problem they were trying to solve and what business processes were going to change in order to make the most use of the technology. We look at what business issues exist, what people and processes pertain to that business issue, what those people do, and what the technology would solve. Technology won't solve by itself — other components have to also be part of the overall solution. I think that we are taking a different approach.

I believe you are the first hotel company to be using Opera in a centralized environment. How would you evaluate this experience being what we would call a guinea pig?

I think when you look at the relationship we have with MICROS-Fidelio, we are one of the largest customers that they have. We are certainly the largest customer on the central reservation system that they have. I think that our relationship is more of a partnership than anything else. There are certain things that they are really good at and there are certain things that they are challenged with. On the other hand there are certain things we are very good at and certain things we are very challenged with. I think we complement each other very well where those shortcomings are and we work very well together as a team to get a new product out into the market. We occasionally take a hit for participating as a beta partner, but we are also benefiting from it at the same time.

As both an ex-vendor and hotelier, when it comes to implementing new technology, a vendor needs a partner. They need someone willing to step up to the plate and say OK, we understand there are going to be some hiccups along the way. We know it's not going to go flawlessly but working together for a common goal will benefit both

parties.

We have experienced a few hiccups along the way, but you are correct that the benefits can most definitely be realized with any vendor if you both have common goals.

OK, let's switch gears. What about at the property level? There are many things going on with the guestroom. There are things like high-speed Internet access (HSIA) and how we are using the television to general telecom issues. Tell me a few things that you are doing, have done or would like to do.

We've had a very exciting project underway that began in 2000 and continued partway into last year; unfortunately, due to the economy we had to postpone the project.

What was the project?

We had literally redefined the hotel experience for a customer through the use of technology. Everything from no front desk and a complete wireless-based check-in environment whether through a handheld device or other means. We were going to use wireless technology to open guestrooms. The room itself was going to be an entirely different experience.

You were going to use technology to change the room? It would still include a bed and bathroom, right?

The room itself was a completely different layout than what you have seen in a traditional hotel. If you walk into a standard hotel room you have a bed in one location, and a bathroom, a dresser unit with the television and your mini-bar and desk. This was to be a completely different environment.

Keep going...

Flat-panel 45" televisions on the wall; we actually had an acronym for it called the WECC, the Wyndham Experience Control Console. Envision there not being a telephone in the room and everything was managed through this one device. You could have telephone conversations via the device, add a video conference to it if you wanted it, full access to the Internet, full access to digital movies, satellite television, digital music, full surround sound in the guestroom like you were in your home. Depending on how you booked your reservation and whether or not you were a Wyndham ByRequest member would have different effects for you in this environment.

This sounds pretty wild.

We were basically taking the experience for the customer to an entirely new level. I guess if personalization is a word that you could use it was taking personalization to a new level with every single customer that you could have that experience with.

Sounds pretty aggressive ... and expensive.

We weren't unaware of the costs associated with the technology. We knew that we were going to have to pilot this. We had a hotel that was going through renovation that was in a market that would be conducive to using these types of technology based on the kinds of customers that stay there. And in the event that this pilot hotel did what we thought it was going to do, then we would start rolling that concept out into other Wyndham properties.

Which hotel was it?

It was the Pickwick Hotel in San Francisco. It was going through this process as part of the major renovation of the entire site.

Taking on a project like this must have had many challenges.
I think the biggest challenge that we had was the control many of the vendors in the industry have over us these days and the limits they place on us from doing those types of things. Actually we've done it to ourselves over the years with exclusive partnering arrangements. Often for a vendor to survive in the industry, they had to have an exclusive with a large chain because they were the ones investing the upfront capital that it would then recoup later on through a long-term relationship.

And today?

Now I think we are seeing that even though we postponed that project, there were enough business partners involved with us that have had more time now to digest the potential business opportunities associated with it and have now looked even further into the process with even newer technologies.

You are saying it was tabled because of the downturn in the economy.
It would be difficult to justify to our various audiences the amount of money we would end up spending on this concept hotel based on the economic downturn we were experiencing.

What are you doing with wireless technology?

Wyndham was a very early adopter of this technology. As you know we enabled our guest loyalty program, Wyndham ByRequest, through wireless access and also we were the first to do wireless reservation via 240 different devices.

You have mentioned Wyndham ByRequest often today. Could you explain what this program actually is?

Wyndham ByRequest is our CRM or guest recognition program. We are not a point-based program although we do offer airline points for staying in our hotels. You don't earn 2,000 points so you can stay in another hotel when the last thing you want to do is travel and be away from your family. We invite members into the program and we ask them to provide us with information about themselves. There are currently about 500 different profile preferences in our database that a guest can choose from. Once we have this information, we provide them with a customer experience unlike anything else they've experienced at an upscale hotel. For example, if, in fact, you say that you like chocolate chip cookies, a certain brand of Merlot or if you like to read Sports Illustrated, our on-property ByRequest managers ensure that your room is customized to these preferences.

Can anybody join this?

There is no cost to join. Anybody can join and the more often you stay the more amenities we will provide you when you come and stay in our hotels—and the more often we will refresh those amenities during your stay. The information is centrally located and it's real time. As I said, we have ByRequest managers at each property who are responsible for the execution of this program. Each night this proprietary software identifies for the managers which Wyndham ByRequest members are checking into the hotel for the upcoming day and report their profile preferences. The managers also have the ability to go online at any time so they can address preferences for the people who have had made reservations the same day or any of those normal things that occur in our industry.

How would technology be used for the ByRequest manager at the properties to know who is coming in the next day and that this person likes *Sports Illustrated*, or a certain type of wine?

We run the Wyndham ByRequest program on a Sun E-10K which is a pretty big Unix box. We run BEA Web Logic technologies for application and personalization profiling system. It's all browser-based so the individual attached to Wyndham's wide area network can see all that profile information for you online from the central database. All of the code was custom developed by Wyndham.

Was this program in place when you started here?

When I first came here they told me about ByRequest and the vision for the program. At that time we had about 25,000 members in the program, and they also told me where they wanted to be with the program and in what period of time. I looked at the technology supporting it, which was literally three PCs sitting in a computer room and I almost died.

(Laughing) Then what?

At the time for 25,000 members in a grass roots type of environment this was probably OK, but for a branded program that we were really going to use to differentiate ourselves, there was no way this technology was where it needed to be.

What was your next move?

I went to the Board and basically indicated to them that what we had and where we needed to be was about as far apart as you can get. I also told them what we would monetarily need to cover the gap.

Did they laugh first before throwing you out?

No. They granted me the funds to fix the program and within 90 days we had the existing hardware platform completely replaced with a three-tier Web architecture using the Sun E-10K and in another subsequent 90 days we had all of the software rewritten and recoded. Today we can support well over a million members with the technology we have in place. That was truly working together with the marketing team like I've never seen work before.

The hotel business, when all is said and done, is really about getting people into hotels. How we are doing it today differs from how we did it 10 years ago. I recently attended a very interactive session at the Lodging Conference regarding Internet reservations. It was amazing how naive so many were about how to truly utilize the Web. How does Wyndham approach this? Some hotel companies say you have no choice but to be on sites like Expedia and Travelocity, but your real goal is to get them to book via your own site so you can avoid the fees associated with these other sites. What is your approach?

We actually have two different groups that work those channels. One is our main distribution group, our ISIS call center, and second we have an e-business group whose primary focus is identifying opportunities for selling our inventory via the Internet. Their strategies are discussed and obviously we work with both of them to enable the distribution channel technologies to sell our product.

What kind of volume are you talking about via the Web?

It is difficult to get a true and accurate percentage of actual bookings via the Web. In most cases, we do not get exclusive Web reports today from the GDSs that break

out a Web- based GDS booking vs.a travel agent GDS booking. Today, the percentage of our business that we can track via Wyndham.com and several non-GDS-based channels is over 5 percent of our total business. If you add in the GDS online channels that we can track, it is closer to 8 percent.

I find that amazing.

It's actually up, because when I first came here we were around 3 percent. In a matter of a year it has increased by several percentage points.

What does that equate to on a monthly basis?

It is from \$4 million to \$6 million worth of business.

If you are booking online, you are often going through the GDS too, aren't you?

Yes, Priceline for example is booked through Worldspan and we know many of our corporate customers are booking online with GetThere, which comes through Sabre, but we do not have the breakout of those booking from the online tool vs.calling the in-house travel department. GetThere will tell you that the adoption of online bookings continues to grow significantly.

What if I go through Travelocity or Expedia?

Expedia bookings are non-GDS bookings due to their acquisition of Travelscape. And a good percentage of our Travelocity bookings are non-GDS as well based on their relationship with HRN.

Don't you want your numbers to be much higher for bookings through Wyndham.com?

If, in fact, you are reducing fees by eliminating use of the GDS that could be a positive thing, but remember there is a cost of supporting different environments. Are the costs of our e-business group and what they are producing as I grow reservations and opportunities through that distribution channel going to increase? Have I just transferred business from one channel to another channel vs. creating new opportunities for business?

Good point. But, I believe most people would say if I can get them away from using a GDS-powered Web site and onto a hotel's own booking site, there will be a pretty sizable cost savings for the hotel company.

Well, let's look at that. If I own my booking engine, which we do, then yes there's no transaction fee for me to do that. But now let's look at the Web site. You come to my Web site for a reason. There is something that I have to offer you to come to my Web site and to keep you coming back. If I could just say, "Rich, here's my booking engine, use it" and not put anything around it, that would save me a lot of money. But what we get caught up with is I've got to provide you with more appealing eye candy content every single time that you come to our site. In order for me to keep you coming back to our site, I have to make that sales process interesting, appealing and sticky, and that costs a significant amount of money. There are tradeoffs, and everybody feels that they have to have a Web site and if you have one today you are going to become displeased with it at some time and have to enhance it and that can become very expensive.

I agree there is a belief that every two years you need to re-do your Web site.

We are going through the process now of re-architecting our Web site. It was to launch in November of this past year, but we had an unfortunate incident with one of

our business partners closing its doors after Sept. 11.

What did you do?

We quickly prepared an RFP and went back out to the market. The company we had selected the first time, completed volumes of documentation on the architecture and design, which made it easy for us to pick up and move quickly. We went to an off-shore company. Between on-shore and off-shore development teams running 24-hours a day, we were able to bring it in within the original budget and complete development in 16 weeks.

Lucky you. Let's switch gears now. Our feature article this issue focuses on food and beverage technology. Is there anything creatively you're doing in that arena?

Not today. We have outlined our strategies, which include getting our distribution systems enhanced and the integration points that we need for our ByRequest program. We are also attacking global sales force automation and property-based sales technologies. Food and beverage technologies are down the line for us.

Why is that?

Mainly because it's a small percentage of our revenue as a company and we have good technology in place. The resources we would put into enhancing the technology vs. the incremental revenue it would bring into the company would not make it a sound decision at this time.

But even if it is not a high priority, shouldn't you at least look?

Actually, we have been looking at new food and beverage technology for our hotels because we do have many hotels with aging systems that will require replacement in the next few years. If we were to move into a direction of changing the technology, certainly it would be an online Web-based technology with a centralized server, menu engineering, with brand-wide revenue and labor reporting — all the types of things that Michael Kasavana taught me when I was in hotel school.

Let's talk about sales technology. What do you use at the property level?

We use Newmarket and have been using them for a long time.

How many of your properties are using the system?

Nearly 50.

You have a different philosophy than most when it comes to sales people at the hotel, don't you?

Let me say this...I believe it is important for our property sales staff to book business company-wide rather than focusing on individual on-property bookings.

But, you also have national sales people, right?

Yes, but it seems to me that we ought to centralize our technology and create an inventory database the same way we control inventory for our guestrooms. We should allow sales people at the property to sell not just their own, but all hotel inventory, rooms and function space from that central inventory and manage it accordingly. I believe as an industry we have done a poor job at that.

What do you do today when a property has a lead for another property?

We have a lead generation system called Wyndleads, that generates a large amount of revenue for us. One hotel sales agent can automatically transfer a lead to another

hotel and will populate the receiving property's Newmarket software.

But...?

I think it would be better to have a single and more holistic view of a customer and sell from that central inventory.

What is your ultimate goal?

I want to be able to see that a company has booked 50,000 room nights in my brand nationwide and treat that company as a customer that books 50,000 room nights. Instead we might have 10 different national sales people going after 10 different account reps in that company. I think one national salesperson that knows everything about an account and having it all in one system makes more sense.

It makes sense to me. What about customers booking an event?

Depending on the type of function, the customer could always book certain functions direct through the Internet into this centralized system that's connected to a yield management system and only allows certain things to be booked at certain times. We actually had MICROS-Fidelio and Newmarket build technology to interface those two systems together so we can, in effect, run yield management algorithms against every potential piece of business that came into the Delphi system at the property level, which was very exciting for us.

You have brought up interfacing a few times. Years ago it was a big issue.

It's a piece of cake now.

A piece of cake?

Let's just say that provided your partners are willing, the technologies used to do integration between systems is much easier to deal with than what it had been or seemed to be in the past.

This might work for Wyndham, but there are many old systems out there. I talk to vendors who tell me about systems that have been installed 12,15 and even 18 years ago.

That's crazy.

I agree. It absolutely amazes me.

But, I don't think we can afford to throw out our technology every two, three or five years in some cases.

I think five to seven years is the magic number. When I sold property management systems, I told people if you installed a system and it worked well for five to seven years, you made a great investment. But, technology does change quickly and more so today than it did back in the '80s.

The PBX technology is about the only thing I see system-wide where people are still pushing seven to 10 years in some cases. Even that has changed dramatically.

Many say that the hotel industry is light years behind other industries like banking and manufacturing when it comes to investing in technology. But others say nobody endorsed the Web faster and more creatively than the travel industry. Do you think, as an industry, there are things we do well?

Yes. When you evaluate a company's investment in technology, first of all let's differentiate the hospitality industry in relation to Ford, GM and the banking industry

and others. Product-centric, manufacturing-centric type companies are most often investing in new technology to produce a product that they end up selling to a customer. At the end of the day all of the technology they put in is to manufacture, sell and market a product throughout its lifecycle. In our case we sell an experience. And everything that we do with technology has to add value to that experience. Once you sell that experience it can never be taken back. It can't be returned. The experience (product) is what it is at the time it was delivered. So I think we do a good job enhancing what an experience can be for a customer. We do it in the sales process because we are always trying to make the sales process easier through technology—by making it easier for the customer to do business with us whether it's providing a Web site to book a reservation or it's using Lanyon's RFP assist product for meeting planners to get RFPs into us and our responses returned to them in hours or days compared to months.

Have you been a long-time user of Lanyon?

Yes.

Could you explain how RFP assist works?

I don't know if I can explain it as well as some of our sales associates can, but it's an online environment for meeting planners to enter their requirements and ship them to us electronically. We then respond electronically in a standard format. Whether we receive the RFP through a convention visitor's bureau or through Newmarket's NetExchange or something else, our ability to communicate with these meeting planners electronically and respond with our inventory availability electronically is, in essence, the process. What was happening before included a document getting sent to a hotel or a national sales person who would look at all these forms that would have to be filled out manually. Usually the forms were distributed to all of the different hotels that had the meeting space and the rooms, then all of it had to then be sent back and consolidated into a single proposal that was then sent back to the meeting planner. The meeting planner had to take all of the proposals from all the different hotel companies and usually re-enter them into their evaluation program. It's now all done electronically and online.

That's a great example of using technology to take a tedious, labor intensive process and quicken and simplify it. What about for your guests?

I look at every aspect of what we are trying to do to enhance that experience with the customer. And again, much of it depends on who the customer is and we all have different types of customers. I look at e-folio for IBM, which is a perfect example of using technology to enhance a relationship.

I thought e-folio for IBM was the coolest thing when it first came out.

Rich, we were the first company to be able to provide e-folio in a centralized feed to IBM while other hotels' local PMS systems called up IBM and transferred files individually. Our existing technology was already extracting folio consumption data from every hotel at night and storing it into a centralized data warehouse. We were literally able to look at IBM's requirements and provided e-folio in 30 days. All we needed was the ability to consistently identify which folios belonged to IBM. They provided us with a file that facilitated matching against our database and every day we could send a file out to IBM. It's one feed for all of the IBM clients who stayed in our hotels.

So for people that don't know, explain what happens.

IBM processes that file for expense report purposes. In fact, if you're an IBM employee that travels, IBM requires participation in this program for expense reimbursement.

I think every traveler should be able to use the Internet to access a hotel's Web site to get a copy of a folio or receipt.

With us you can. If you are a Wyndham ByRequest member you can go to the ByRequest members-only area, put in your member number and select the menu option that has folio details. Every hotel you have stayed at since you became a member will be in there and you may print or view your folio at any time.

What a perfect example of ...

Technology that enhances the experience.

Let's talk about telecom in the hotel industry today.

If you consider where telecom has been in our industry, it used to be one of the top revenue generating "other" departments in a hotel. Look at what it is today. We are seeing a declining revenue stream and in some cases an increased cost stream. We, as hoteliers, have always figured we had to have a PBX and a telephone in the guestroom, because guests must have a phone.

Of course this has changed dramatically.

Ted Teng, our president, made an interesting analogy to me while we were talking about this subject. He related it to gas stations back in the '70s. When you drove up you had a piece of real estate that had a gas station, an attendant, a couple of service bays and gas pumps. The gas station attendant would pump your gas for you and if you needed an oil change or your tires fixed or your engine worked on, you drove into a little stall and he took care of it. They found that station owners could not make money as well on that as time went on so what did the gas station owners do? They ripped out the service bays and put in low cost, high profit margin mini-marts and self-serve pumps that you stick your credit card into. Telecom is going to have to go through that type of transformation.

What do you believe your guest really needs?

A customer needs the ability to communicate while in a guestroom. Does a guest have to communicate via a telephone? Well that is one device. A soft phone on the laptop virtually would do the same thing. By charging high phone rates, the hotel industry has conditioned customers not to make phone calls from the guestroom, particularly for international calls. Guests now use their cell phone and we don't get a piece of that revenue.

Do you think you have an idea to generate phone revenue again for hotels?

Think of this. Today we're providing high-speed Internet access and we're providing some form of dial tone. I see a combination of those two coming into a single communication service that is provided by the hotel. Now whether that's a digital phone that has an Internet jack on it or a jack on the wall that just is a communications outlet. The customer plugs into that communications outlet and from that outlet they can get voice connectivity, Internet connectivity, video conferencing connectivity, and anything digital that they want that is IP-based.

You are truly thinking outside the box.

Instead of PBXs, we provide IP switching technology in our hotels that allow people

to get out onto the Net.

What about costs?

Let's look at the costs. I'm a chain of 220 hotels throughout the country. If you look at our national carriers and cost-per-minute usage rates for voice dial-up services, the cost per minute is coming down, but it's all volume-based. If there is one way for me to reduce my cost it is to carry communications on a private network, bypassing toll charges where possible.

How about an example.

I have a hotel in Boston and a hotel in Los Angeles. Let's say you're in Boston but you want to call somebody in Los Angeles. By using my communications outlet I can take your telephone call through my private network to my hotel in Los Angeles and then send that call out onto the public switched network from Los Angeles where it becomes a local call.

Interesting.

Now my cost to transfer that call is literally pennies compared to what it is today on a measured rate basis. With voice-over IP technologies we're going to be able to do that, but large hotel owners will be able to do that more cost effectively than individuals can.

Do you think this will really happen?

The unknown factor is if metered rates come down so low that the technology cost associated with putting that in may not make sense for somebody that's an individual unit vs. the multi-chain unit. I think there is going to be solutions for both. If you went out and bought bandwidth from a national carrier, IP bandwidth, you would pay a lot less for it in volume than what you would pay for measured rate service. That's a fact. So even though the individual hotel owner who wants to do this on their own may not have 500 hotels worldwide, they can still take advantage of the lowered metered cost. Hoteliers that have the real estate across the United States, have the volume to bring down the costs associated with installing private networks into hotel portfolios.

Anybody that could figure out a way to get a guest to pick up the telephone again and generate revenue for the hotel would be a genius.

That's thinking about it from a marketing standpoint. Since my costs are so low from a bandwidth perspective, I offer the ability to come online and make as many phone calls as you want, stay on the Internet as much as you want, available bandwidth on demand for either a flat fee or free.

So why aren't you offering this option today so I can call my nephew in Los Angeles?

Today we don't have the technology to transfer that call cost effectively. We could have tie lines between all our hotels, but the cost of the tie lines is prohibitive. Once we can transfer your call in an IP environment it becomes very cost effective to do that.

Voice-over IP is really is a hot topic. We did it a Point/Counterpoint regarding this technology in our fall 2001 issue that generated much flak. When do you think this will happen?

I think in 2002 we are still on the up ramp of early adoption. 2003 will be in the top of the bell curve. In 2004 people will have it. And by 2005, if you haven't done it

you're in the dust.

You truly are a believer that this is going to happen, aren't you?

In our case the technology to do what we talked about is here. We found partners to write PMS interfaces if we need them. We have call accounting partners that can measure IP for billing if we want to charge for it. The PBX providers have IP-based cards that they can put into their PBXs if you don't want to replace all of the switching technology that is there. There's IP switches from Cisco. There are ways to do it. We've even gone to the extent of investigating the legal ramifications of doing it.

Legal?

Since we're not providing a telecommunications service but combining things through a single path that once in the path it's all ones and zeros certain regulations don't apply. So, what we're talking about is definitely possible within this year, and I think Wyndham will look at partial IP installs. We can't get the full advantage of transferring things from state-to-state between hotels until we get different stages of the technology deployed. But certainly the capabilities of the interfaces exist, technology exists, and how we deploy it to make the guest experience better and make money at it through increasing market share all exist. I often wonder if Wingate Hotels could determine how much market share they have gained by giving high-speed Internet access away for free.

Wingate, from day one, has been marketing to the technology-savvy traveler. I wonder how much business they were able to take away from other hotels and measure that as a result of giving it away for free. If you had the opportunity to go into a Wyndham hotel and you know that no matter what Wyndham hotel you went to that you were going to be able to plug in and communicate and there wasn't going to be any barrier and any price sensitivity to communicate then we have enabled communications for you. If you had your own device, then great, plug it in. If you don't have a device, then use this one, and there's no harm or foul for doing so. Right now, guests have been conditioned to feel that there is harm and foul every time they pick up a phone provided in hotels today.

Mark, I knew you were a visionary, but this interview proves it. Before we wrap this up, let me ask you this question. If you look down the road, do you see things that we should be doing, but are not doing? Or are there things we are doing, but we are not quite there yet?

There's so many places we can go from a technology standpoint, but let me say this. We should not automate something for the sake of automating it. Go back to what I was saying earlier. If you are doing something with technology that enhances the experience for the customers then that's what we should be doing. If we evaluate our implementation of technology in that way, and evaluate the people, process and technology combined that supports that, then our imaginations are the only things that limit our possibilities. Do I want to tell you where I think that could be? I could tell you a number of things, but, obviously, I'd be divulging some of my secrets.

(laughing) That was my goal, to try and get your secrets out of you!

I know where we as a company need to focus, some of which we already talked about. I don't think it is any different for a lot of other hotel companies. We are all struggling with different aspects of problems related to technology. Whether it is who supports it out in the field or where am I going to get money to do XYZ program. We

are never short on the amount of people that solicit us with great technology to implement. We are usually short of time and resources. What does the customer want at the end of the day? We can sit up here and dream up all of these wonderful technologies that we are going to put in our properties. We need to ask ourselves if the customer wants it and if the customer benefits from it? When we look at it from the perspective of what we think vs. what they think, hoteliers and hotel technologists might not have done some of the things they have done in the past.

Very well said ... and honest. Thank you so much for allowing me to meet with you here in Dallas.

Well, you know what they say, you really haven't made it as a technologist in this industry until you have been interviewed by Rich Siegel.

(Laughing) You are too kind. HU