INTERVIEW WITH DAN GARROW
SENIOR VP OF IS
AND CIO
MOHEGAN SUN

Note from Rich: Over the years for the Face To Face interview I have met with CIOs from just about every major hotel and management company, including the leading gaming companies. But never before have I met with the CIO of a hotel/casino property that is operated by a Native American tribe. Almost 1,200 rooms, two casinos and nearly 4 million square feet, this is quite an operation. I know you will find this to be an enjoyable and informative read.

Rich: How long have you been at Mohegan Sun?
Dan: I've been here just over five years.

So you were here before the hotel was built?

Yes. I came in January 1998. The Casino of the Earth had already been open about a year and a half. I was here just six months when they announced they were going to do a major expansion.

Who was going to manage the hotel?

Initially, Sun International was involved with the opening of the original casino so it would have been natural for some hotel management expertise to be provided through them. But, when the management contract with Sun was bought out by the Mohegans it was always planned that we would manage the hotel ourselves.

Let's talk about what you did before Mohegan Sun.

I worked for the Oneida Indian Nation as their director of IS. I was there for five and a half years from 1992 to 1998.

What is your background?

I am a Native American from the St. Regis Mohawk Tribe in upstate New York on the Canadian border. I received a degree in computer science from The State University of New York at Potsdam in 1971 and worked in the Syracuse area for a couple of years. I also worked in North Carolina for four years in the textile industry and then I went back to New York state working for an aluminum company.

Perfect background for the hotel and gaming industry. (smile)

(laughing) I actually ended up in Oswego, N.Y. for almost 20 years.

The snow belt!
Absolutely.

OK, so right before you came to Mohegan Sun you were with the Oneida Indian Nation. Didn't they open the Turning Stone Casino?

When I started with them all they had was high stakes bingo. I was doing tribal systems. Back then, the tribe was just getting themselves organized. They had been successfully running high stakes bingo for a couple of years and were making money at it. Then they diverted into the gaming machines.

New York is somewhat unique with their slots, correct?

In New York state you can't have slot machines. The machines they had I called an electronic version of a pull tab.

What are pull tabs?

A pull tab is a game played with a card that has tabs on it. You pull the tabs and if you get three symbols or characters in a row you win. New York State has an electronic version; you put your coins in and press a button to play and a whole screen opens up. If you get three symbols or characters in a row you win.

Is that still the case today?

Yes. They've enhanced those games so they are more elaborate than just the simple pull-tab functionally. But back then with about 75 machines in the lobby area of the bingo hall, those machines generated enough revenue that they were able to buy additional property where Turning Stone is currently located. But back in 1992 my focus was really only tribal systems.

What do you mean by tribal systems?

Well, think of a tribe as a city — a governmental entity that has their own police department, housing department, education department and more. The systems we supported consisted of the financial back-of-house types of systems such as general ledger, accounts payable, human resource and payroll systems. I helped them find and implement those systems.

How did you end up with the director of IS position with the Oneida Indian Nation?

I am a Native American—a Mohawk Indian. The Mohawks are a part of the Iroquois Confederacy of which the Oneidas are too. I saw their ad in the paper that they were looking for a director of IS and I was wondering what Indian tribes were going to do with a director of IS. I called for an interview so I could see what they were planning.

So then what happened?

I went there, almost on a whim, and was completely surprised. After asking a number of questions about their plans and where information systems would fit within those plans, I realized I needed to come back for a second interview – but the next time, I'd have to be better prepared as this was a serious opportunity.

Were you better prepared the second time?

(laughing) Yes. I went in more prepared and more serious about it this time. I ended up with the position. Working there was like going home. I would often bump into relatives. My immediate supervisor, who was Oneida, called me into her office one day and said, "I want you to meet this guy. He's from the Bureau of Indian Affairs in Washington, D.C. and I'm pretty sure he is one of your cousins." After talking to him for a few minutes, I determined his last name was in my family tree, and that somewhere along the line we are related.

What was it like on the reservation?

Living and working on a reservation

in many ways is like living and working anywhere. There were, however, some unique things we did. With some of the funding they received from the federal government, they developed a lunch program for the Elders. They bought a couple of vans and they would go around the community and pick up the elder Natives in the area. You didn't have to be Oneida. You could be Onondaga, Mohawk, Seneca or whatever. They would bring them over to the reservation's cook house for lunch and invite all the Native employees to come eat lunch with them.

This is great…keep going.

One day I sat next to an elderly gentleman and I told him my name and he said, "I know who you are. I knew your parents." He told me this story about the 1950s when we were living in the Syracuse area near the Onondaga Reservation and I was only four or five years old. He said my family rented one of the houses he owned on the reservation. So, for me it was really quite fun to work there.

Tell us more about being a director of IS and about the systems.

Like I said, we ran systems for all of the typical things a small city municipal government would have. In 1993-1994, they also started a 25-unit housing project. When they did, we ran fiber optic to each home, and even though we didn't have any content that we were going to run over that wire at the time, we wanted to have the foundation in place for the future. If we wanted to communicate with the tribal members via some computerized network in the future, we would have the infrastructure in place.

That was ahead of the curve. There were many typical suburban residential subdivisions being built back then that didn't do that.

Exactly. The Tribe's health department was down the road about a half-mile, what at the time was called the Territory. This was the last 32 acres of land the Oneidas had before getting into gaming and being able to buy land back. We ran fiber optics to the health department and education departments in anticipation of somebody sitting at home in this housing development wanting to communicate with the tribal officers/departments. If they had a network in there and a PC in their home they would be able to communicate with Tribal offices.

Let's talk about Mohegan Sun. How big is your hotel and how long has it been open?

The hotel officially opened June 25, 2002. There are 1,176 rooms, with a mixture of suites and typical rooms.

This is my first time interviewing someone from a resort/hotel/casino on an Indian reservation. Does the tribe here own the land? Did you buy the land? Gaming generates a great deal of revenue for both the tribe and the state, right? Is this all tribal land that we are on?

Yes, this is the only land the Mohegans have. Most of the tribal members here live in various towns and villages in the area. It was an interesting experience for me when I came here. I started working on a Monday and came in the night before to meet my apartment landlord. He asked who I was working for. He said the Mohegans are just wonderful people and we are so glad they are here in our community. Coming from another reservation, that wasn't always the case. My reservation at St. Regis is much bigger — probably 10 square miles — in the '50s-'60s when I was growing up on the reservation, we still faced a certain amount of discrimination because we were Native American, even though I went to a centralized

school. So coming to a community that welcomed the tribe I thought, wow, this is great. The tribal members here have always maintained the attitude of working very closely with the community and being a good neighbor to the community. It was a pleasure helping them expand their operation.

Today, the tribe actually owns everything?
Yes.

When it came to building the casino, and eventually the hotel and the other facilities, was it done as a typical business venture? Did you borrow money to get it financed through sources that other hotel and/or gaming companies use?

Absolutely. Mohegan Sun partnered with Sun International who had formed a partnership with a local hotel developer, the Waterford Hotel Group. The joint venture that they created is called Trading Coves Associates (TCA). Sun International supplied the funding to help them get the place started and there was a payback period as is typical in many business contracts. Part of the arrangement included the management agreement of the casino by TCA. So, Sun International was key to the development of this property and getting it started. They were the money behind it and they were also in

charge of developing and hiring the management team.

When did the casino open?
October 1996.

So you went six years before the actual hotel opened?
Yes.

People might be interested to know that Foxwoods has been opened longer.
They opened in 1992. They had a four-year head start.

Foxwoods is beautiful, but this place is unbelievable.
Thank you.

I knew Mohegan Sun was big, but I did not realize this is about as palatial as any upscale Las Vegas property.

This is the typical response that we get even when we go out looking for entertainment. Thankfully many of the entertainers are getting the word on what kind of facility we have. All of the entertainers that come in are just blown away with the arena, all the facilities and the hotel. Cher was here for the opening of the hotel and she came back; her second appearance was Sunday of Memorial Day weekend. We've had Tim McGraw and he is coming back. We've done boxing matches and arena football. Now we also have our own women's professional basketball team, the Connecticut Sun.

So, the Mohegans own the women's basketball team?
Yes. They bought the organization and moved it up here from Florida. We are setting a precedence–not only in Indian country but also in the gaming world as well. We are the first casino organization that owns a professional athletic team.

That's amazing. What is the relationship between a property like yours and a typical Nevada/Atlantic City hotel/casino? Do they snub their noses at you or do they think you have a big advantage?

I don't believe they snub their noses at us, but I don't want to speak for them. My experience in dealing with properties in Las Vegas is that they know who we are and they know we post some very impressive numbers as measured by the casino industry.

For example?
One way of measuring the success of the casino is by a statistic called daily win per slot machine. The daily win per slot machine here, before we expanded, was typically in the $400 per day per machine

range and some months we hit $500 per day per machine.

Does that mean you are not returning enough money to the players?

No. That is an indication of the volume of people that move through the property. Most casinos will hold an average of 8 percent of the money that goes into the slot machine. That's a generality. Different denomination machines hold a little more or a little less. So if you go to Las Vegas, Atlantic City or any other gaming venue you are generally going to see, across all assumptions, an 8 percent hold. But, win per machine is a function of how many dollars are going into that machine. So we hit $400 on average and on occasion hit $500. Then you can also measure the size or success of a casino by the number of slot machines per property.

How many slots do you have here?
We have around 6,100 slot machines.

I have been to Vegas and maybe it is due to the competitive nature of the city, but you see signs in front of the casinos advertising a 97 percent return which means 3 percent as compared to the 8 percent you are talking about.

Yes, that's true. But those hold percentages are probably on the higher denomination machines and limited to a smaller number of slots.

Maybe, but I think since the Mohegan Sun is a place where there are not 50 casinos next door it is probably at an advantage.

As in the hotel business, we believe it's all about location, location, location.

Do you pay taxes?
Connecticut has agreements with both tribes where we pay them 25 percent of the slot revenue. I remind you that I am not talking about "net," but "gross" revenue.

That seems like a lot.
It is. But, it was the cost of doing business here in Connecticut. The tribes have to negotiate with each state for the right to open up a casino and some form of revenue sharing is typically included in those compacts with the states.

Are there any other tribes in Connecticut?
There are a couple of newly recognized tribes. But in order for them to start a casino they have to negotiate a gaming compact with the state. The minute the state says it's going to open up negotiations for a third tribe, they have to re-negotiate the contract with us. I can't speak for the tribe, but I've heard them say that they would never deny another tribe the right to build a casino. And I, as a Native American, would sustain that philosophy/policy. We are very fortunate that there are only two casinos right

now in Connecticut. There's nothing in Massachusetts or Rhode Island. Even the New York casinos are far enough away that we believe they don't negatively affect our business.

Today, the hotel/casino is owned by the tribe but who is it managed by?
It is also managed by the tribe.

There are no outside people running the hotel or running the casino?
No. We did not contract that out. Mohegan Tribal Gaming Authority (MTGA) is my employer and MTGA manages the casino/ hotel. MTGA is owned by the Mohegan Tribe. So the Mohegan tribal counsel sits as the board of directors equivalent in a typical corporation. They have other enterprises that they run as well.

But, you aren't a typical corporation.
Because Indian tribes have sovereignty, certain regulations apply to us and certain regulations do not. The Mohegans, in their good neighbor policy, have in many

cases simply adopted state/federal regulations regarding running a corporation.

Could you give an example?
Our employment practices are all in compliance with state/federal regulations. That's by choice. We believe that makes us competitive in the market place.

I remember when I was in New York at the Turning Stone Hotel and Casino, they sold cigarettes at an unbelievably lower price than local businesses because they did not pay the same tax. Do you do things like that?
Typically no. We are using things like the gas station and cigarettes as comps or services. Our point system is our customer loyalty program. It's a way of saying "thanks" for your business. We allow the customers to buy things with their points, but they have to come here in order to spend them.

How large is Mohegan Sun?
I'm going to guess we have close to 4 million square feet under our roof.

How many shops do you have here?
We have 35 tenant shops. And tenant is just what it implies; we lease space and they own their own store and run their own businesses.

Does that include the restaurants and bars?
There are five tenant restaurants and the rest we own and operate.

How many is that?
We run five retail outlets and if you count each of the fast food outlets separately we have another 15 to 20 restaurants that we run ourselves. Five of them are high-end restaurants. Rain is down by the convention center. The one behind the waterfall at the base of the lobby of the hotel is called Tuscany's. And there are three over in Earth casino that we operate, which serve Chinese, Italian and American cuisine.

How is the Michael Jordan restaurant doing?
I think they are doing extremely well. I don't see their sales numbers, but my impression from eating there myself is it's a wonderful place.

All the restaurants must have a good crowd to draw from.
We are averaging around 30,000 people a day. All of the tenant operations here are top of the line. Some of the chains like the Discovery Store, Old Farmers Almanac and Brookstone occasionally receive "flagship" status — the highest revenue-generating store in their respective chains. We do tremendous volumes here.

Having built a second casino and then a luxury hotel so recently, how did you address the technology needs?
I took a top down approach. I took the major business functions that would be added to the casino and sorted out the ones that would be new to the property, like the hotel. We had a casino and were going to add another casino. We already knew what to do there. Things like the hotel, the arena, all the tenant shops and the convention center were new to us.

I would think so.
I am fortunate at Mohegan to have a management team that supports technology initiatives the way they do.

Do you include yourself in upper management?
Yes, I am a senior vice president. We have a general manager, two executive vice presidents and five senior vice presidents. The eight of us sit on one committee that oversees the IS operation. Right from the very beginning I was included and attended all of the design and brainstorming sessions. The hotel actually started out much bigger. It was

going to be 2,500 rooms.

Really?

Yes. We went back and forth with the architects, looked at cost estimates and came up with a different solution than what was originally suggested. I focused on the functionality of it all; what they were expecting and what they wanted to do.

Such as?

What do you want to do in the hotel rooms that would be technology or services related? By posing those kinds of questions you get them thinking about things such as, are you ever going to run a convention on the arena floor where people have booths and are going to bring their computers? If that is what you want to do then we need to have a certain kind of infrastructure in place. Will you ever run an event in the arena where you think you are going to want to broadcast what is going on into the convention center because of overflow? Or maybe you will want to broadcast to one of the hotel rooms where you are doing something special with a group of customers. We started pulling together all of these high-level concepts.

This must have been an eye opener.

It was. Remember this was all announced in February 1999 so I was here only a year before I began hearing we were going to double the size of this place and build a 1,200-room hotel.

Tell me what happened next.

In September 1999 I took my key staff and vendors and we went to Raleigh, N.C. to speak with IBM at their network research center. IBM led us through a excellent process of defining requirements, looking at latest technological advances in networking and options for implementation that would provide flexibility while staying within budgetary constraints.

So did this whole process age you dramatically?

(laughing) No, but it should have. Obviously because things are working out, we took the right approach, but we had to know what the business was doing first.

So, what did you do in North Carolina? Did you become a partner with IBM?

In a sense, yes. We wanted someone to help us design the network and also take a look at the current network. We needed to know how to transition from where we were to where we needed to be. We put out an RFP and had a number of companies bid on it. We liked the IBM proposal.

In the gaming part of your operation that was in existence for many years before the hotel and new casino was built, did you use IBM's AS/400?

We use AS/400 now, but at first we used the IBM RS/6000.

For player tracking?

Yes. Player tracking was through the IGT system, which was RS/6000-based. As part of the Sky Casino expansion we converted the gaming system from IGT to ACSC.

So you converted the gaming operation from RS/6000 over to an AS/400 and from IGT to ACSC?

Yes.

Why?

We wanted to have systems that are highly integrated. At the same time we wanted to solve a business problem we were having. Back then, the IGT system only had the player tracking, or what we call the casino management system.

Which is?

It's the player tracking, the marketing piece and the player database piece. From the slot machine side there were some vendors who had just the slot machine or slot management systems. The casino originally went with a different vendor, Casino Data Systems (CDS), which has since been bought by Aristocrat. We had CDS managing the slot machines and IGT managing the player database.

People forget that the slot machines are the real money makers of the gaming world.

That's exactly right, it ranges between 65 to 75 percent of our revenue. While players were playing all these slot machines (we had 3,000-3,500 then) on a busy Saturday night a "gateway" connected the CDS slot system to the IGT player tracking database. So when the player finishes playing the slot machine and pulls the card out, the extraction of the card sets off a program that generates the information about that customer's play on the slot machine. In essence it says, "OK, Richard has been here for two hours. He has been playing this fast. He won X number of dollars or he lost X number of dollars"… and so on. All this detail has accumulated inside the slot machine. You pull your card out and it sends a summary over to IGT via this PC gateway

system that the two companies developed. Because there are so many machines being played all at the same time, occasionally a lag would develop between the time you pulled your card out and when you can see your points on your account.

How bad was the lagging?

On one Saturday night it hit eight hours.

As a technology guy I know exactly what you are taking about.

And so I'm getting hit internally to get the vendors to fix this problem because our patrons are out on the floor complaining that they spent X number of dollars and should have X number of points and should be able to use their points, but the points aren't there.

That is a valid argument on your customer's side.

I agree. We worked with the two vendors and we tried different things. When we knew we were building our new Sky casino and were going to have 6,000 slots, we wanted to get rid of this gateway. We didn't want vendors pointing fingers at each other. We wanted a single vendor that could do both the slot machine and the casino management sides. With ACSC that's what we found. As part of the expansion project we converted our system and we went from IGT and CDS to a single ACSC system and we don't have the lags anymore.

Does that all run on the same platform?

It all runs on the AS/400, even on the slot side. They have other devices that are closer to the slot machine that act as concentrators of the data, but it all feeds into the AS/400 system.

How many AS/400s do you have?

We just bought a new one so we now have six. We have two production machines for business continuity, which I call disaster recovery. To keep the businesses up we spread our major AS/400 systems across the two machines and have a product we use called Mimix between the two boxes. The idea is if there is hard failure on one of the AS/400s we can switch over those applications to the other AS/400 because Mimix has been updating it. We can be back up and running again in a short period of time. Behind this are two smaller AS/400s that are used as a test environment. So before we move things to production we can test both the Mimix, the applications and all the interfaces. Then we have two development boxes; one is relatively small, it's an AS/400 170, and the other box is an AS/400 model 820. It has enough horsepower to develop and test changes that ACSC gives to us before we put it into a test environment. Again, as an IS person I feel that I've died and gone to heaven in terms

of the support that I get from management. When I say not only do I need these two AS/400s, I need a development system as well, management is willing to ante-up and let us do those things.

But you were setting me up to question your numbers.

You are really fortunate. Even with the hotel industry doing better today than it has been, technology initiatives can be shot down immediately even though the owners know they need them.

I am very cognizant of that. Thankfully, I can go to my boss, our CFO, and he understands technology. I can go to him and explain concepts like Mimix and why we need to do what we need to do. He is very supportive of IS initiatives.

But you spend money wisely, right?

They are willing to give me the funds to do these things, but I still need to demonstrate the benefit they are getting as a result. So I spend a great deal of time making sure they hear about the benefits; they hear what we are doing; they hear the accomplishments; and they also hear the things that are wrong. I make sure they hear the other side of the argument as well — we are having problems with this and that and we are working on it. We are able to provide some return on the investment they have given us.

Which should be expected with technology.

Have you seen any of the statistics that are out there about the percentage of revenue spent on IT in the hospitality industry?

They can vary.

Well, I typically see that the hospitality industry is somewhere in the range of 3 percent to 5 percent of revenue spent on technology. My percent of technology spent as compared to revenue is 0.9 percent.

But, you have so much revenue. (laughing)

You are exactly right. There is a higher revenue number and so 0.9 percent is still a big number, but I use that argument when I go into the budget process. What I can't find is a standard industry code (SIC) in the Department of Labor's publication for the gaming industry. So we tend to get lumped into either the hotel industry or in the entertainment industry like Disney and theme parks. So as close as that can be I take a look at that. Your reaction to my statement about our percentage is typical.

But you were setting me up to question your numbers.

I am beginning to believe that revenue is not the best number to use as a comparison because of the type of business we are in. So perhaps I am going to start looking at the ratios of IT spending as compared to all other spending in the organization. Maybe, then, I can get a better indication of where we are in comparison to other companies.

What is the hot item in the gaming world for you right now?

The latest hot item is what's called electronic funds transfer or automated funds transfer. What that simply means is a player comes to the casino, establishes an account with the casino and deposits initial funds; it's almost like front money. Then the player can go to the slot machine and with a key pad, a card and PIN number he can download from his account to the slot machine a certain amount of money. When he is finished

playing, assuming he still has a balance, he can upload the balance from the slot machine back to his account.

This doesn't reach their checking account, I hope.

No, this is not access to your checking or savings accounts. The player must come to the cashier and put money into a casino account.

I can see the benefits here.

There are. For example, a high roller is playing the $10 slots and hits a jackpot for $2,000. Under today's environment the slot machine has to lock up because an attendant must come over and fill out the appropriate IRS forms and the slot machine may not have $2,000 in coins in it to do the pay out. So an attendant comes over and takes care of the appropriate paperwork and all that time there is a $10 player who can't play that machine. This problem is eliminated with electronic funds transfer because payout activities won't occur until the funds are withdrawn from the account. The slot machine doesn't lock up when a jackpot is hit nor does the player have to wait for an attendant. Plus, the casino has fewer coins to deal with.

It would go right to their account? What about the potential IRS paperwork?

When it comes time to cash out, you go to the cage like you would if you had a bucket of coins. When you check out we notice you have X number of jackpots and you must fill out these IRS forms for us. Then we pay out.

So the player can't get the actual money until he signs, right?

Exactly. We still have regulations we must follow.

I know in Vegas some casinos are using ticket in/ticket out where instead of going through the cash out process, the machine prints a voucher that you take to the casino cage. Have you looked at that option?

We look at AFT (automatic funds transfer) as a jump over the ticket in/ticket out solution. We want to eliminate the paper and all of the associated problems of ticket readers and ticket printers – like when they jam. We would rather do it all electronically.

Is anybody else doing this now?

I'm not sure but, AFT/EFT has been around for a long time.

In the gaming world?

Yes, but it has never caught on. Bally Gaming Systems and IGT will tell you they

have had EFT technology for many years, but nobody wanted it.

You mean nobody wanted it as far as the players?

Neither the operators nor the players wanted it.

Why do you think this is?

It's like anything new – it takes a certain amount of time for some new ideas to become mainstream. There is also a thought out there about the psychological affect of hearing the chink of the coins hitting the tray and everybody cheering.

This is good for the casino, right?

It is. That is why today the machines are being set up with speakers and while the money is transferring electronically you'll still hear the chink.

But when people win a jackpot there is something fun about the siren going off and everybody coming over and looking. You don't want to lose that either.

Right. So our implementation of this new technology as in any new technology is we are going to give it a try. We are going to try it in a section of the casino and see how it goes. If it's popular we will move it to other areas of the casino.

Everybody in the hotel industry is always trying to track the customers and CRM is a big initiative today. You have regular customers who come all the time, how do you track them?

We are very experienced at that. I view CRM not as a product but as a process; CRM is ongoing. There are a number of different products out there that can help you with different aspects of CRM. We have about 2 million customers in our database at this point. I would guess there are close to 400,000 who are consistent repeat customers. We know who they are demographically and statistically and that's how we market.

You have opened an arena and a convention center which is big for any hotel company. Plus, you are in a remote location. Are you happy with the results as far as meetings and convention bookings?

The arena has been a success. The bookings have been strong and we have done everything from bull riding to Bocelli.

What are you doing to handle the group business from a technology standpoint?

We use Newmarket's Delphi product, which integrates very closely with our point-of-sale, food and beverage and inventory systems.

What about for hotel systems?

We use the Lodging Management System (LMS) from Inter-American Data. One of the reasons for selecting them was the fact that they have such a good working relationship with ACSC. When a customer wants to pay for their room with their points, they can. LMS had to work with ACSC so when a person checks out, LMS can go over to ACSC and check to see if there are enough points, then deduct those points. They were able to build that interface for us.

What about point of sale?
MICROS.

How many workstations do you have?

We have around 250 MICROS workstations and we are in the process of upgrading to their version 9700 product by the end of June.

What inspired this upgrade?

Under the 8700 version of the software we have currently, there is no way the food and beverage management can view what's going on in the restaurants in real time. They can only see the results of yesterday. With the MICROS 9700 version they have online real-time visibility down to the check level at a table. They can watch somebody be seated at a table because they can see the check. They can see that the drinks have been served because it appears on the check. Management knows if the diners have received their entrees, if they are getting dessert or if they have checked out.

What is the benefit?

They can see how busy each outlet is so if one outlet is slow and there are only two or three tables, they can reallocate some of the human resources to areas that are swamped. What I am really trying to push for in terms of technology is giving the management groups in each of the respective business units real-time information about what's going on. One of the other things we are researching and trying to find is a means of accurate personal identification.

Meaning?

You were asking me earlier about players and do we know who these players are. We have our high rollers.

And?

We have this vision or this idea; somebody is coming down our main road or

driveway into the property and when they hit a certain point there is technology that recognizes Richard Siegel is on his way in. By the time you get to the portico of the hotel the guy that opens the door already knows it's you. He can say good afternoon Mr. Siegel, we are glad to see you back. If you had a reservation we know what it is you are looking for so we have certain things ready for you when you get here. The other piece of technology that is identification-related or communications-related is people will come here early to check into the hotel. Some arrive 9:00 a.m. to 10:00 a.m. on a Saturday ready to check in, but check in is not until 2:00 p.m. to 3:00 p.m. Many times the rooms won't be ready. So with a property this big with some 4 million square feet, how can I better serve you as a customer if you come early? I am not going to tell you to go away. I am going to check you in and store your bags and tell you that your room is not ready yet. But how do I communicate with you when your room is ready when you are out on property? Somebody might say use a pager or a paging system, but I think that is too impersonal and paging systems have range limitations.

So what do you want?

I would prefer some sort of one-on-one communication with you. Mr. Siegel your room is not ready, but when it is I want to be able to communicate that to you. I don't want you waiting in a line to get into a restaurant when I already promised you I was going to have a table for you at a certain time. You can go do whatever you want as long as I have some way to communicate with you that your table is going to be ready in five minutes, your room is ready or your car has been pulled up.

That makes sense to me.

I don't know if there are solutions out there or if we have to find someone to help us build a solution. I've never been to Asia, but from reading about cell phone technology and its use in Japan, people are walking up to devices like a vending machine with their cell phone and are able to make a financial transaction to purchase a soda. Because cell phone technology is becoming so popular maybe there is a way to have a sensor out on the driveway. When you arrive on property there is something that recognizes your cell phone and alerts us that you are here. The signal enters our internal systems and we have your room ready, we know that you want to eat at a particular restaurant at a specific time and we know you have a meeting and we can page the other party and let them know you are here.

Dan, I like your forward thinking.

To demonstrate the value of what we did in 1999, here is a story. We spent a week in North Carolina and got all these great ideas. We saw the latest concepts in network technology, wiring and network segregation. When we opened up the convention center we had a customer who wanted a training room for 30 laptops. They were bringing in their sales force, but they wanted 30 different dial-up connections because they were going to train their sales people to hook up when they are on the road. Who could have imagined we would need 30 phone connections in any one meeting room in the convention center? But because of the technology we used my department was able to meet the requirement and we didn't have to turn that business away. My department took this as a challenge and figured out a way of doing it without having to re-route one wire. The infrastructure was there and we were able to meet customer demand.

That leads me to something that is real popular in the hotel industry. You talked about

the need for wiring up laptops. How about in your rooms? I noticed that you offer free high-speed Internet access.

Again, we had designed that as part of the infrastructure. We ran two CAT-5 cables to every room. Some people are wondering why we didn't run fiber optic to each room. Through the discussions with IBM, we believed that the networking technology coming along with high-speed access was capable over copper and we didn't need to go to the expense of fiber. We did run fiber in our tower, but from there we branch out with just CAT-5.

Have you ever thought about charging for high-speed access in the room?

Well, I still believe the take-rate on high-speed Internet access for our hotel rooms is low. But, you pay for it one way or another right?

Exactly, but it's still a very hot issue in the hotel industry.

Yes, it is. And we believe that future business will demand that amenity.

Speaking of rooms, you offer a pretty cool way to check out of the room.

One of my vendors was so excited recently. He was in his room and was

connected to the Internet via his laptop and was also on the phone at the same time while checking out through our LodgeNet TV system.

So?

LodgeNet has a TV check-out system that asks you if you want your folio e-mailed to you. The vendor said yes and since he was on the Internet at the time he heard the new e-mail notification sound in a few seconds. It was his folio. It worked beautifully and he was very pleased with it.

That's efficient technology.

I want to go back to your question about high-speed Internet access in the room. Because we are a gaming and resort destination and in spite of the fact that we are going after convention business, most of the people who stay in the hotel are not coming here to stay in the rooms and work on laptops. They are here for a place to sleep and they want to come down and play and see one of the events or shows. So we expect the take rate to be very low.

But if you are going after three to four-day conventions there will be many who typically go in their room and have a great deal of work to do.

You are right.

Also, the gaming establishment mentality has historically been that you don't want guests to stay in the room either, right?

We've had debates about that. We run Keno over our closed-circuit television; you play and then watch it on the Keno channel in your room. We are also talking about running our racebook up to our hotel rooms so people can wager on horse races. We haven't done that yet, but we are looking into it.

Who did you use for high-speed access in the rooms?

We built it ourselves.

What about wireless technology?

We are doing a small amount of wireless in some of the food and beverage locations, such as the Cabaret and Wolf Den. Also, we are talking about going wireless in the arena.

Are you using kiosks here?

Not yet, but we are looking at them.

You have a very nice Web site where people can book rooms. Is there an incentive to get people to book online rather than call reservations? Are you getting the results you wanted?

I think we are getting the results we hoped for out of the Web site.

A big issue in the industry is distribution

and third-party sites like Expedia, Travelocity and hotels.com. Have you embraced this?

We aren't quite there yet. The whole issue surrounding room rates is still an intriguing one. I don't know what is typical in the industry, but our average occupancy rate is around 75 percent. We are 100 percent on Friday, Saturday and Sunday, but Monday through Thursday you can often walk in off the street and easily get a room.

Do you use revenue management?

We are starting to use it. I believe we are still in a phase of understanding all of our systems, how they integrate with each other and how best to use them. Today, we have hotels right next door that beat us on room rates, often by more than $50 on a weeknight, and yet we won't lower our room rates below a certain level. I have talked both internally and externally to people about that. And even externally I've heard people say, being the type of place you are and the type of customer you attract, you should not compromise your rates. We try to market to the person who doesn't mind paying our minimum room rate during mid-week because of the type of property we are and the amenities we offer.

Valid argument. *So,* what about future technology initiatives for you?

In my position as CIO I need to look forward a couple of years. What do I present to this company as a technological direction? What should I be doing now that will get me ready for the next three to four years? What business functions are we going to be doing that we are not doing now? Other hot issues for me are less technology-oriented and more management-oriented. Now that I am in the board room, I need to be thinking of those kinds of things. I gave up my programming skills long ago and am now more focused on leadership issues and how to develop staff to interact better with customers. When they go to the marketing or hotel meetings, I want them to ask the right questions about business functions and system efficiencies. I want them to ask if they are using the computerized systems to their fullest. What new business functions are they looking at that we need to incorporate?

You were saying that part of your role as CIO is actually looking three, four or five years down the road. What issues do you see?

Security is No. 1. Second is personal identification. Third is how to communicate with our customers more effectively. There are a number of things around personal identification. Are you old enough to go on the casino floor, for example? We are having a

problem with that. And once you are here do I already know something about you to make your experience here much more comfortable and efficient for you and for us? How can I communicate with you in a more effective way?

Security is definitely an issue today.

There is a fine line between security being a good thing and when you start annoying people. In this industry there are people who come here that don't want to be recognized or want it known that they are here.

Isn't that why you aren't allowed to take pictures in a casino?

Yes, but we've changed our policy. You can take pictures here.

Really?

You can take them as long as you aren't taking a picture directly of a game. But if you want your picture in front of the table where someone is playing we might be able

to accommodate that specific request. People are taking pictures in front of the waterfall all the time. So that's why we changed our policy.

What about cell phones?

Cell phones were another one. Most casinos don't allow cell phones at a table game or on the casino floor because they are afraid of somebody being somewhere else in the casino and telling the player what a competitor is doing in a game.

That's good point.

We allow cell phones here as long as you're not sitting there the whole time talking.

If I'm at a blackjack table and somebody is on a cell phone, I am going to slap them over the head.

Exactly. You're going to get a certain amount of peer pressure, but if someone happens to call you or you need to make a call then we will not prohibit that.

You have so many systems. Are you comfortable on how they connect? Is the connectivity issue a burden?

It is a burden and that really is our fourth long-term initiative. How can I get these vendors to interface better in a more

standardized way so that I am not constantly customizing every interface? Every time I want to do something it's another customized interface. Why can't there be a standard, especially in the hotel industry, where those types of transactions are fairly common, whether it's the TV system interface, the telephone system interface or the mini-bar system interface? Why can't those interfaces be standardized? This would save the properties lots of money in terms of customizing. But again, I have 75 to 80 different applications. The big ones run on the AS/400s, and those vendors tend to know each other and work well with each other. But all the other ancillary systems are the issue. I have a system that takes care of uniforms and it should interface to our inventory system, but it doesn't. And it should interface to the purchasing system, which it does but not nicely. They become headaches.

You are not alone. There are initiatives underway that might someday address this problem. We need to wrap this up. Do you think you will be here forever?

(laughing) That is a good question. I think it takes a certain personality to survive the casino environment. It's like being a landlord. Some people aren't meant to be landlords, but others aren't bothered by taking complaints all the time and putting up with the hassles of owning rental income. Because I carry a cell phone and a pager, I am on call 24 hours a day. Some people can't stand that and don't like it. And if you don't have the right family behind you it would be tough.

Good point. Technology around the clock, especially in the gaming market, can be stressful.

Yes it can. So, will I be here forever? I don't know. I was describing to you my experience at the Oneida tribe when I first got there and meeting family members that I had never met before. I have a real passion for working with the tribes. And I guess because I am Native American and grew up on a reservation, I know what it's like and I know what they are going through. I know what they are trying to do by establishing casinos and if a great opportunity came up for me where I could influence and help tribes in general, I might jump at that. But for now I really enjoy what I am doing and who I am doing it with.

Dan, well put. This has been great. We have met with CIOs before from gaming companies, but never from a Native American operation. I've enjoyed it.

You are quite welcome. I look forward to seeing you at HITEC and at your CIO Summit in September. •