

THE CIO SUMMIT IN REVIEW



by Elizabeth Lauer Ivey

By nature or design, the CIO tends to be a more guarded breed of executive. Perhaps their penchant for electronic communication reduces their need for congregation or the demands of their schedule leave little time for peer-to-peer networking. But the reality is that few industry venues outside of HITEC have been produced with the needs of technology leaders in mind.

On a temperate day in September, 21 of the most influential executives in the hospitality industry converged on Wilmington, Del. The time had come for them to meet and discuss the challenges collectively faced as chief information officers (CIOs). Although they were not strangers to one another, it was the first formal gathering of the group, but certainly not the last.

Lodging CEOs, COOs, CFOs and stakeholders have long-standing traditions of exclusive conferences and private retreats where intimate forums address macro-industry concerns. They gain perspective by sharing frustrations and build congenial relations over golf. Invariably, they bond and their associations with one another are considered important for a healthy industry.

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The first annual CIO Summit was envisioned and created by *Hospitality Upgrade* Publisher Richard Siegel. The conference received significant contributions from both KPMG Consulting and Hospitality Financial and Technology Professionals (HFTP). Base camp was set up at the lovely Hotel DuPont. Sally Kelly (KPMG Consulting) skillfully executed the meeting by determining the most relevant content and enlisting dynamic sherpas to deliver it. Microsoft pitched in with sponsorship. But what really gave scale to the Summit was the turnout of the CIOs themselves. Almost every invitee kept the date firmly embedded in their PDAs since the event was announced in early June. By attending, they showed their commitment to better understand the topics testing their organizations and the industry as a whole.

At issue were customer data and privacy laws,

new security legislation, platform evolution, infrastructure, real-time analytics, integration, managed services, industry-specific CRM, shifting market profiles, changes in distribution systems and return on investment. (Potential information overload for most people, but a typical day on the job for today's CIO.) The hefty agenda and diverse group of speakers offered a few common elements: *knowing customers better, safeguarding data and leveraging technology investments.*

Microsoft on Data and Security

Gary Cooke of Microsoft (the Summit's sole sponsor) made the first presentation of the day. Cooke outlined Microsoft's strategy for the hospitality vertical and reiterated their commitment to security. Historically, Microsoft has fostered strong working relationships with developers of hospitality applications. The company is now soliciting direct communication with industry users and has increased the number of its hospitality-focused resources.

Concerns recently voiced to Microsoft confirm that legacy systems remain a huge barrier to integration and Internet compatibility, as well as the ability to make better use of customer and transactional data. Cooke insists that "Web-ified" property-level systems are critical to business intelligence and strategic decision support. Our most successful retail brethren have clearly proven that, "*better data, delivered in real time, illustrates who the best customers are, what they buy, how often they buy and what behavior or marketing effort leads them to buy.*" Whether your objective is to sell more rooms or pamper guests with more personal experiences, good data is the key.

According to Cooke, Microsoft ac-

knowledges its responsibility to create a trustworthy computing environment. Security is viewed as a top priority, but a lengthy journey, given the huge amount of infrastructure that must be replaced. He emphasized that the level of security required for ubiquitous adoption of Internet technology demands commitment of the entire computer industry (vendors of software and hardware, as well as service providers). Cooke primed the audience for the remainder of the Summit, concluding with, "*the Internet will continue to alter previous assumptions—not only for commerce, but community, culture, government, international relations and military confrontations.*"

The format of the Summit was comprised of three panels: Security Legislation, Present Challenges and Future Success. Panelists gave serial presentations, which were followed by interactive discussion. This article summarizes the content of those presentations for the benefit of others responsible for information management in hospitality organizations.

Security Legislation: Implications for the Industry

Former FBI Agent Robert J. Chiaradio (KPMG Consulting) shared his experiences investigating the Sept. 11 hijackers. He captivated the audience with the challenges faced in his south Florida territory, where 8,000 leads were generated within four weeks of the attack. The identities and associations of the hijackers were pieced together through hundreds of transaction records obtained from car rental companies, hotels, airlines and apartment owners. Many in the audience shuddered knowing those data trails had crossed the threshold of their hotels.

It has been said that the war on terrorism will be fought with information, so what are the implications for the hospitality industry? Chiaradio explained that the new Department of Homeland Security will rely on the private sector like no other government agency has previously. Roughly 80 percent of the key infrastructure (networks and databases) critical to domestic counter-terrorism is owned by private industry. The government's ability to receive useful data is dependent on their own technology initiatives and adoption rate. He stressed that we are in uncharted territory with newly enacted laws and little precedence, but in-



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dustry cooperation will be paramount.

Building Trust with Customers. Paula Puleo (Peppers and Rogers Group) provided an elegantly simple formula for effective customer relationship management. To have successful customer relations, hotels and hospitality companies must identify customers consistently and differentiate them according to their value or their needs. In order to meet those needs, it must be understood why a customer is a customer. Customer knowledge obtained through two-way communication is subsequently leveraged to customize their experience relevantly and profitably.

Customer-centricity and outstanding CRM may build loyalty but also necessitates a customer-focused approach to privacy. Building trust requires an organization-wide philosophy that is sensitive to customer concerns about privacy along with the technical and organizational means to guarantee data security. A privacy policy

is critical and must be prominently displayed with clear and simple language. Puleo also stated that human error far exceeds hacker-breaches of data security, indicating that training and employee procedures are as important as technical solutions.

Safe Harbor. Ron Plesser (Piper Rudnick) discussed the European Commission's Directive on Data Protection, which prohibits the transfer of personal data to non-European Union nations that do not meet the European adequacy standard for privacy protection. There are significant implications for hotel reservations, loyalty programs and customer relationship management when customers or affiliates are located in Europe.

After briefly reviewing the ideological differences between U.S. and EU privacy laws, he discussed the importance of safe harbor—a way for U.S. companies to avoid business interruptions, prosecution and bad publicity. Certifying

CIO Summit Attendees

Front row (L to R). **Mark F. Hedley**, Senior Vice President/Chief Technology Officer, **Wyndham International**; **Pamela Angelucci**, Vice President, Information Services, **The Ritz-Carlton Hotel Company, LLC**; **Jane Durment**, Chief Information Officer, **The Marcus Corporation**

Second row (L to R). **Mike Kistner**, VP/CIO Information Services, **Best Western International, Inc.**; **John Novak**, Senior Vice President-Information Systems/Chief Information Officer, **La Quinta Inns, Inc.**; **Gary R. Thomson**, Sr Vice President/Chief Information Officer, **Choice Hotels International**

Third row (L to R). **Bill Oates**, Senior Vice President/Chief Information Officer, **Starwood Hotels & Resorts Worldwide**; **Carol Campbell Beggs**, Vice President, Technology, **Sonesta International Hotels Corporation**; **Timothy J. Aubrey**, Vice President Technology, **Fairmont Hotels & Resorts**

Fourth row (L to R). **Michael Hwu**, Vice President Information Services, **Four Seasons Hotels and Resorts**; **Robert G. Conover**, Senior Vice President/CIO, **Park Place Entertainment**; **John J. Cahill**, Chief Information Officer, **Manhattan East Suite Hotels**

Fifth row (L to R). **Robert D. Fields**, Executive Director Information Technology, **Loews Corporation**; **Paul Dietzler**, Senior Vice President Finance and Technology, **Omni Hotels**; (front of Paul) **Tim Harvey**, Senior Vice President/Chief Information Officer, **Hilton Hotels Corporation**; **Glenn Bonner**, Chief Information Officer/Corporation Vice President, **MGM Mirage Management Information Systems**

Sixth row (L to R). **Nick Price**, Director of Technology, **Mandarin Oriental Hotel Group**; **Thomas H. Murphy**, Chief Information Officer, **Royal Caribbean Cruises Ltd.**

Seventh row (L to R). **Jules A Sieburgh**, Senior Vice President and Chief Technology Officer, **Host Marriott Corporation**; **Scott Heintzeman**, Chief Information Officer, **Carlson Hotels Worldwide**

Not pictured. **Tom O'Toole**, Sr Vice President, Mktg & Information Technology, **Hyatt Hotels Corporation**

THE CIO SUMMIT

September 4-5, 2002 | Wilmington, Delaware

to the Department of Commerce Safe Harbor standard assures EU organizations that a company provides adequate privacy protection, as defined by the Directive. For more information see www.export.gov/safeharbor.

Plesser emphasized that in most cases of privacy law violation (domestic or international) there was little evidence of training, or no anticipation of risk that arises when an inexperienced person handles sensitive data. Companies must be able to demonstrate procedures in place designed to protect such data. Failure to do so can result in staggering administrative fines and punitive damage awards.

Patriot Act. Adam Hoffinger (Piper Rudnick) sounded the alarm on Patriot Act compliance. Passed into law shortly after Sept. 11, it reminds all that "extreme times give rise to extreme measures." In addition to expanding police powers, its premise is to route out terrorism through the forms in which it raises money, hides money and harbors conspirators.

The Patriot Act also expands the definition of financial institutions to include casinos, hotels, car rental companies, travel agencies, companies involved in real estate closings and settlements and almost any other business "whose cash transactions have a high degree of relevance." It requires such institutions to have anti-money laundering programs, along with internal policies such as employee awareness programs. Hospitality companies should seek legal counsel to fully understand all implications. A list of organizations and persons with whom U.S. companies are prohibited from doing business is provided at www.treasury.gov/terrorism.html.

OTA. An update on the Open Travel Alliance was provided by Mike Kistner, president of OTA and CIO of Best Western International. Work continues on XML specifications to support the transition from vertical-specific messages to messages that more fully describe the traveler's journey. There are currently 110 members of the OTA and

more are welcome. See www.opentravel.org for more details.

The Present : Looking at the Things that Keep Us Up at Night

Systems Integration. There is a new movement taking on the age-old problem of complex data consolidation and marginal interfacing capability. Jon Inge took the podium to discuss the growing awareness of the value of integration and the philosophy of Hotel Technology – Next Generation (www.htng.org). He described the all too familiar problems resulting from poor integration and highlighted the benefits of next generation systems, as well as the beauty of improved vendor cooperation at a technical and business level.

Fragmentation and too many vendors have taken a toll on the property's IT environment. Tedious sales cycles and wildly fluctuating sales revenue have made hospitality a tough business for vendors to be in. The HTNG group insists that the burden for better integration does not belong to the vendors alone. The industry needs to drive improvements in the technology budgeting and purchasing process, including better accounting for total cost of ownership. HTNG is asking buyers, as well as suppliers for their support. An informative white paper can be downloaded from the HTNG Web site and all feedback on the concept (positive or negative) is welcome.

Managed Services. Donald Gallagher (KPMG Consulting) expanded on the concept of managed services, as a means to providing core application technology to the owner and franchisee without requiring the brand management company carry large technology investments. Additional challenges

presented in an era of capital constraints include protecting owners against rising technology costs and keeping applications current.

Other industries have successfully adopted service provider models to reduce costs, improve service, provide for better use of resources and prevent staff build-up of hard to find, higher cost technical resources. Not to be confused with outsourcing or the ASP model of the dot-com era, the biggest difference offered by managed services is in the deployment, not the technology. How the technology is deployed and how change is managed in the organization, may be more important for competitive advantage than the technology itself.

Industry-Specific CRM. Jim Dunham (Siebel Systems) explained why the hospitality industry remains an attractive market to tier one vendors. Having delivered robust CRM solutions specific to 20 industries, Siebel sees enormous potential for hospitality companies to take their place in the e-business lifecycle and differentiate their level of service. Siebel finds the greatest opportunity for impact in fragmented markets with large customers facing requirements, where disjointed solutions prevail and no dominant supplier exists. Companies with complex integration requirements that are moving from process-centric operations to customer centricity are the most likely ones to benefit from enterprise-wide CRM systems offering embedded best practices.

The Future: How Can We Prepare for Success?

Who Will Be Our Customers?
A Tale of Two Markets. Scott Anderson (High Country Hospitality) offered insight on the purchasing mentality of the two most significant marketing forces of the future: Generation Y and the Baby Boomers. Both will rely on the Internet for purchasing decisions and transactions, yet each has distinct needs and buying behaviors. Capturing



CIO Summit attendees during the informative Privacy and Security presentation. All sessions took place in the Delaware Suite at the Hotel DuPont.



Attendees found the CIO Summit sessions, orchestrated by KPMG Consulting, informative and insightful into a CIO's everyday problems.

ing fair share of both markets will be the challenge of early 21st century marketers and information managers.

According to Anderson, Generation Y (people born between 1977 and 1995) is brand conscious, but not brand loyal. They do not trust media, traditional advertising or mass marketing, but will respond to endorsement by someone they trust or admire. This generation seeks instant gratification (expects immediate response to inquiries), is unforgiving when expectations are not met and will tell their story without hesitation. Web site experience is critical (ease of navigation, speed, intuitiveness, content relevance, accuracy, detailed and concise) to successful transactions.

If that sounds like a tough market to appease, consider that 55 percent of all disposable income is in the hands of those over the age of 55. In contrast to their youngest offspring, the Baby Boomer is brand loyal to a fault. Value and deals are important to this group and they have the time to search for them. Boomers have only a marginal trust of technology and are more likely to use dial up than high-speed connections, so graphic-intensive design can be an obstacle. Also, they are less likely to download anything. Security and privacy are of utmost importance to Boomers, while convenience is the most important Web site attribute for Generation Y.

The Future of Distribution. John Burns (Hospitality Technology Consulting) shared his enchantment with the future of distribution. He predicts that in the near term (two to five years), "pervasive personal recognition" will differentiate distribution and support the ability to determine total lifetime value of a guest. High-definition channel management will apportion inventory on an hourly basis to maximize revenue, flying in the face of current attempts to obtain single-image inventory. It will take an unprecedented level of technology to ease this level of micromanagement.

Electronic bookings will continue to soar, as the vast majority of reservations are still direct. We

will see the proliferation of new distribution business models – hybrids of retail and wholesale systems. The meeting and convention market will become electronically bookable. Tour operators and wholesalers will fully embrace e-commerce and dynamic packaging will include all aspects of the travel experience. We must increase our awareness of technology outside of the hotel industry by looking closely at cruise, auto rental, gaming and travel innovators. Finally, we can count on dominance by lodging companies that make superior use of distribution technology.

Investing in Technology.

Paul Brown (McKinsey & Company) offered advice on getting more out of technology investment, a topic that is relevant to all. A recent McKinsey study illustrated that between 1995 and 1999, hospitality technology spending increased by 15 percent, while productivity (total inflation adjusted room revenue/total labor hours worked to generate room revenue) increased by only 0.3 percent. In contrast, the retail sector improved productivity by 3.1 percent. It's no wonder executives are asking, "What did we get for our money?"

Potential steps to minimize investment include managing the IT investment process as well as the property improvement process, partnering wherever possible, striking the right balance between standardization and customization and adequately anticipating competitor response. To identify potential additional returns on yesterday's technology investment, Brown suggested technology usage audits and cited the primary reason for misuse or non-use is lack of adequate training—particularly in high turnover functions. If you must buy or build new systems, capitalize on opportunities to improve operational processes. For any implementation

project, commit adequate resources to training and incorporate performance milestones.

The wrap-up of this final presentation was fitting for the Summit itself. Brown reminded the audience that technology is only a means to an end, not an end itself. The *key component* of maximizing investment is linking ownership of returns with ownership of investment. Therefore, companies should not view technology investment as IT projects, but rather business solutions with a clear business sponsor responsible for achieving results.

As the day drew to a close, it dawned on me that just about everybody at the Summit seemed glad to be there. While all conferences are valued for their networking opportunities, networking can be tough for technologists with an aversion to small-talk. To observe the conversational pairings that result from a low-pressure setting, to hear snippets of dialogue and high notes of intense debate, and to feel the "we're all on the same slippery slope" camaraderie made the whole of this conference greater than the sum of the parts. As the CIOs dashed to catch planes and trains, it was obvious they all wished they could have lingered just a little longer.

In closing, I invoke the words of another great chief, Sitting Bull, who said, "Strategic thinking requires a willingness for parties to come together, to consider all alternatives, to share the information needed to develop them and to commit to following through on a plan of action that best serves the long-term interests of the whole community." Many thanks go out to the speakers, the organizers and the attendees for acting in the best interest of the hospitality technology community.

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(L to R) Mike Kistner, Michael Hwu and John Novak enjoyed networking at the barbecue held at the beautiful DuPont Country Club.



(L to R) Tom Murphy, Tom O'Toole, Bill Oates, Scott Heintzeman and Mark Armstrong (Microsoft) discuss industry issues at the barbecue.