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Hospitality & Travel:
I.T. Lets Companies Say 'Be Our Guest'

Industry leaders are investing in initiatives to help lure customers and cut costs

By Jennifer Maselli, InformationWeek

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The hospitality and travel industry has seen plenty of hard times during the past year. The slow economy and a steady stream of layoffs have left consumers less likely to travel or dine out than they were a few years ago. That situation got even worse after the Sept. 11 attacks.

But the decline in business didn't stop industry leaders from investing in technology initiatives that will help them lure more customers, cut operating costs, improve efficiencies, and win market share from competitors as the economy improves. "Our industry is a leading indicator of the economy," says Stephen Brown, Carlson Cos. Inc.'s VP and CIO. Carlson is doing better in all of its businesses this year compared with last year--an indication to Brown that the economy is starting to improve.

Carlson and other companies are getting a boost from IT initiatives such as those aimed at building customer loyalty by leveraging data stored within each business unit. Through those efforts, companies hope to thwart some not-so-impressive industry statistics: International air revenue passenger miles fell 12% this past June compared with June 2001, according to the latest industry performance indicators released by the Travel Industry Association. Most sectors, including lodging, also declined against year-to-date and 2001 figures.

Carlson shares data between certain lines of business to help create more targeted marketing campaigns, a strategy known as OneCarlson. Within the next year, it will expand OneCarlson to include all of Carlson's business units. By melding its databases, Carlson can give employees a complete picture of a customer's behavior. For example, Carlson will know when customers travel to any of the company's hotel chains, including Radisson and Regent, eat in its restaurants such as TGI Friday's and PickUp Sticks, sail on one of its Radisson Seven Seas Cruise Ships, and book trips through the Carlson travel group. By combining the information, Carlson will be able to create more-targeted marketing campaigns and offer incentives that might encourage future travel.

Wyndham International Inc. is hoping its knowledge of customer preferences will keep its hotel rooms full. In the next six months, Wyndham will launch a Web site that combines its ByRequest loyalty member site with its generic Wyndham.com site so it can track the preferences of all its guests and recruit more members to its loyalty program. The Web site will include personalization software that managers at every Wyndham hotel will be able to access. Customers can establish preferences for their

hotel rooms such as the type of pillows they like to sleep on, the temperature of the room, and preferred in-room reading materials. Managers will be able to access customers' profiles before they check in to make sure their rooms meet their preferences.

Cendant Corp. is looking to leverage customer data stored within the systems of all 30 of its companies in a similar manner. This year, the \$8.9 billion-a-year company will create a unified loyalty program that will meld the loyalty programs of its hotels, rental-car companies, and restaurants. That way, customers will be able to use their rewards points at different travel venues. Cendant will start delivering the loyalty system to specific brands within the next six months and plans to complete the rollout within the next year.

Other businesses are simply forging new partnerships and marketing programs to retain and build their customer bases. For example, Marriott International Inc. decided to engage in competition to drum up more reservations for its hotels. Marriott entered into a new venture called Travelweb with four other hotel chains--Hilton Hotels, Hyatt, Six Continents Hotels, and Starwood Hotels--to develop a Web site that will provide hotel reservations to customers online. Travelweb will compete with sites such as Expedia and Travelocity.

Wyndham is trying to lure customers back to traveling by offering its ByRequest loyalty members free long-distance calls. "After Sept. 11, occupancy level plummeted to an all-time low, but fortunately our December and November occupancies improved," says Mark Hedley, Wyndham's chief technology officer. Unfortunately, occupancy rates ebbed in the second quarter. The hotel chain noticed it was the frequent travelers who still tended to venture out to the hotels during that period. The free long-distance strategy worked well: Wyndham saw a 14% increase in reservations call volume in the first three days of the promotion. Long-distance costs can add up quickly for frequent travelers but are relatively cheap for the hotel. Hotels typically charge customers \$30 to \$40 for a call that costs them about 80 cents.

Travel and hospitality companies also have turned their attention to their internal operations to improve overall profitability. Cendant CIO Larry Kinder sees much value in leveraging the assets and talent within the companies that Cendant owns. "Cendant makes the whole greater than the sum of the parts," Kinder says. The companies' CIOs also can leverage software contracts held by other companies within the Cendant family to negotiate new deals. For example, if Cendant-owned Avis has a contract with Oracle, another Cendant-owned company such as Galileo could use that Avis contract to negotiate a better deal for itself. In addition, Cendant is able to save money by using technology developed in other areas of the company. For example, one Cendant company developed an intranet site that others were able to adopt without having to rebuild or purchase software.



Collaboration helps Cendant improve its business processes, CIO Kinder says.

Every two months, the CIOs from each of Cendant's companies gather for a three-day meeting to discuss technical and business issues. "The problem in IT is never really the technology. It's getting people to do the right things and spend the right amount of money in the right places," Kinder says. By creating a collaborative atmosphere, the CIOs can hash out ideas and help solve each other's problems in the most strategic and economical manner.

Part of that collaboration centers on improving business processes throughout the company. "The business processes that guided you to where you are today very often aren't the business processes that will carry you into the future," Kinder says.

Carlson also sees the value of reengineering business processes. That's why it has established its Great Works program, under which managers regularly evaluate their processes using the Six Sigma methodology of business-process improvement, which relies on an understanding of customer requirements and the elimination of defects from existing processes, products, services, and plants.

For example, Carlson is deploying human-resources software from PeopleSoft Inc. that it hopes will help improve the way it manages people. "We've looked from top to bottom at all the processes in managing human capital--everything from the employee, back--and evaluated what our current processes are and how we can change those processes to exploit the technology," says Joe Dehler, senior director of Six Sigma Quality at Carlson. The company deploys a microcosm of employees, from managers to HR professionals to staffers, to evaluate the changes that should be made.

Improving the quality of the work experience is also a priority for Cendant. Employees can reap the benefits of the company's communal atmosphere and further their technical skills and business knowledge by working on diverse projects. "There might be a talented individual whose skills could be used on a project that another one of our companies is undertaking," Kinder says. "We can leverage those skills." The strategy not only helps foster collaboration and save money, it also encourages a more-satisfying work environment. For instance, Cendant is deploying collaboration software within some of its companies to let technology professionals discuss technical issues with one another and collaborate on common trouble spots.

Cutting costs has also been a major priority for the hotel industry. Wyndham is deploying a business-hosted accounting system that will also keep track of the free long-distance calls it's offering frequent travelers. By hosting applications for its hotels, Wyndham doesn't have to keep an IT staff in each one, Hedley says. Last month, it rolled out a dynamic billing system that's integrated with the company's PBX phone system and its loyalty-program software. "The system can recognize if you're a loyalty member and if you're supposed to get the free long-distance calls and then automatically deducts those charges from the bill," Hedley says.

The industry hopes a boost in business and leisure travel is on the way. One indicator suggests an improvement: Restaurants' receipts in June were up 5.6% year over year. They hope the menus left customers hungry for more.

Photo of Larry Kinder by Seth Kushner

INDUSTRY LEADERS

Rank	Company	Revenue in millions	Income (loss) in millions	IT employees
5	Carlson Cos. Inc.	\$19,900	—	1,300
55	Cendant Corp.	\$8,950	\$385	3,850
68	MGM Mirage	\$4,010	\$170	220
112	Hilton Hotels Corp.	\$3,050	\$166	475
252	Darden Restaurants Inc.	\$4,369	\$238	164

266	Marriott International Inc.	\$20,000	\$236	1,500
279	Wyndham International Inc.	\$2,105	(\$139)	95
330	Sodexo	\$5,000	\$63	251
341	Royal Caribbean Cruises Ltd.	\$3,145	\$255	271
348	Lane Hospitality	—	—	730
411	Aramark Corp.	\$7,789	\$176	435
413	Harrah's Entertainment Inc.	\$3,709	\$209	470
423	Flying J Inc.	\$4,200	--	110
427	Delaware North Co.	\$1,600	--	75
442	Cracker Barrel Old Country Store Inc.	\$1,964	\$49	110
451	ClubCorp	--	--	160
492	Clark Retail Enterprises Inc.	\$2,500	--	19

Financial data is from public sources and company supplied.
Revenue is for latest fiscal year.
Employee data is from *InformationWeek* 500 qualifying survey.

IN A NUTSHELL

INSIDE COMPANIES

Average portion of revenue spent on IT	3%
Companies providing customized solutions to customers	43%
Companies seeking IT patents, trademarks, or copyrights	24%

HOW COMPANIES DIVIDE THEIR I.T. BUDGETS

Hardware purchases	14%
Services or outsourcing	10%
Research and development	5%
Salaries and benefits	37%
Applications	23%

Everything else 11%

INDUSTRY FINANCIALS

Average year-over-year revenue change -97.5%

Average year-over-year net income change -14.2%

DATA: *InformationWeek* research
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