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Inside story: La Quinta brand council meeting

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Texas-based brand allows media to sit in on a meeting, and here's the blow-by-blow report of what happened.

By **Jeff Higley**
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IRVING, Texas—Executives of the La Quinta brand invited members of the media to sit in on its quarterly Brand Council meeting on 7 January 2010. Following is a look at how the meeting transpired.

Company attendees (in no particular order):

- **Wayne Goldberg**, president & CEO of LQ Management LLC
- **Rajiv Trivedi**, executive VP of franchising and chief development officer, LQ Management
- **Lee Dushoff** of Dushoff Associates
- **Robyn Fuller**, VP and assistant general counsel of LQ Management
- **Feliz Jarvis**, executive VP Sales of LQ Management
- **Murry Cathlina**, executive VP design & construction of LQ Management
- **Angelo Lombardi**, EVP and chief operations officer of LQ Management
- **Jeff Pallais**, franchise operation VP of LQ Management
- **Mike Case**, VP marketing, LQ Management
- **Rodger Forni**, owner of two La Quinta Inn & Suites properties in Oregon and Oklahoma
- **Deepesh Kholwadwala**, director of hotel management for Sun Capital LLC, owner of two La Quinta Inn & Suites properties in New Mexico
- **Sonny Patel** of Crossroads Hospitality, owner of three La Quinta Inn & Suites properties in Maryland
- **Julie Cary**, executive VP and chief marketing officer, LQ Management
- **Bimal Patel** of Rolling Hills Hospitality, owner of two La Quinta Inn & Suites properties in Kentucky
- **Lisa Hossack**, operations executive VP west of LQ Management
- **Mark Workman**, operations executive VP east of LQ Management
- **Oliver Evancho**, franchise administration VP of LQ Management
- **Christina Cernuch**, VP operations services of LQ Management
- **Matt Griffiths**, owner of a La Quinta Inn & Suites property in Florida
- **James Mulloy**, of Hospitality Associates, owner of 21 La Quinta Inn & Suites properties in Oregon, Washington, Montana, Idaho and Nevada
- **Mike Patel** of Newcrest Management LLC, owner of six La Quinta Inn & Suites properties in Texas.

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La Quinta brand executives converged on Irving, Texas, for the group's quarterly Brand Council meeting. (Click image to enlarge.)

Goldberg welcomes everyone and explains that the Brand Council "is one more step in the process we started five years ago. It takes silos down in our company."

"We're a brand, a corporation, a franchisee, a

franchisor, an owner, an operator, a development company," Goldberg said. "Take all those areas and leverage those skill sets and make sure we're together for a common cause."

8:34—Goldberg stresses that it doesn't matter how well the company does something today, there's a better way tomorrow. He said transparency is important for the company.

8:35—Goldberg said there were some real successes in 2009, included improving guest-satisfaction scores beyond the company's goal, investing nearly US\$60 million at the property level, reducing operating costs at properties and at the corporate office, remaining cash-flow positive, and opening 80 franchised hotels and one corporate-owned property.

"We say what we're going to do, then we do what we say," Goldberg said.

8:40—Trivedi said the Brand Council is the forum where the direction of the brand is determined.

8:42—"It is not always a pleasant conversation, but it is always a productive conversation," Trivedi said.

8:45—As the brand is closing in on 900 hotels, Trivedi said 49 percent of the brand's properties are company-owned.

"We compare our programs with other brands," Trivedi said. "Many times we adopt good practices. Many times we are ahead of competitors."

8:48—OK, so what's said now is the theme of the day: "We don't take ourselves very seriously, but take what we do very seriously," Trivedi said. The sentiment is echoed by every executive in the room.

8:55—Dushoff talks about issues La Quinta faces. "Any organization that has people in it has the same problems," he said.

8:58—Fuller said there are no major changes to the bylaws, and points the press to the council's mission statement, which essentially is to enhance revenue, profits and the perception of the brand for all properties. "The collective council came up with the mission statement," Fuller said. "It tells a lot about us. It was a very collaborative effort."

8:59—Trivedi reminds all council members to make sure they are present at all brand-related events and that they are communicating with the constituents in their region.

9:02—"We have to make sure we share the mission statement and overall premise with the larger group, not just this small group," Goldberg said. "Let's share it with everyone. Scream it from the rooftops. Everyone should know there's another group to go to with ideas."

Gone green

9:04—Cathlina explains the purpose of La Quinta's Green Team initiative is to provide sustainable solutions to all owners, and talks about how it is different than the brand's energy-management council that has existed for the past 18 years. The conversation turns to money-saving applications such as outsourcing things at



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individual properties.

9:07—Goldberg: “There’s an awful lot of opportunity to reduce consumption and better manage costs.”

9:08—Cathlina reveals that a property in Cordova, Tennessee, will be the brand’s first Leadership in Energy and Environmental Design-certified hotel when it opens in March.

9:10—“We’ve adopted a green prototype,” Cathlina said. “It’s not LEED certified ... that has to be up to the individual hotel.”

9:11—Goldberg talks about the irrigation testing going on at Dallas properties. “It looks like it is saving us 40 percent in consumption,” he said. “Once that test is complete we’ll share that info with franchisees.”

Financing

9:13: Kholwadwala turns the conversation to financing. He said that through the economic stimulus package at the beginning of this year if you can prove you have certain energy management and sustainable design elements, Small Business Administration loans can go to US\$4 million from US\$2 million.

Wilner said there’s a bill going through the Senate now that that would take an SBA loan to US\$7 million.

9:15—Forni said that to qualify for the US\$4-million loan, the property must be LEED-certified.

There’s plenty of talk about the importance of the government’s Energy Star program and how important it is for hotel owners to be on board with that.

9:17—“The (return on investment) angle with that is that with the current administration, a lot of the government (requests for proposals) will put Energy Star as a requirement,” Kholwadwala said.

Open to experimentation

9:21—Cathlina said La Quinta is working with carpet suppliers, notably Shaw Carpets, on carpet recycling programs.

9:22—Cathlina also said other initiatives the brand is pursuing include a solar exterior illuminated signage program. The beta testing is being conducted at the company’s Dallas North property.

9:26— Kholwadwala said he is interesting in hearing more about the cost differential for such a program.

9:27—“For every good idea there are nine ideas that don’t work,” Lombardi said.

9:28—“The ROI depends on the location of the sign,” Cathlina said. “One of the advantages of the solar signs is you don’t have to run underground cable.”

9:29—“Once we get all this in, is it possible down the road to turn it into a brand standard to give us a competitive edge?” Forni said. “We’ve got a lot of small operators out there who could benefit from this.”

9:32—“The ROI on an energy-management systems range from two-and-a-half years to five years,” Cathlina said.

9:36—Goldberg said the brand must communicate to its members the experiments that don’t work as well as the ones that do work.

9:37—Cary said sustainability is a good add-on for customers. “The things that always drive hotel choice still drive hotel choice,” she said. “Green is a nice tie-breaker, but people don’t want to pay for it today.”

National sales

9:38—The conversation turns to national sales, and Jarvis talks about leveraging all of the other companies that parent company

Blackstone owns to help La Quinta. "We've identified 30 companies domestically that they own, and we communicated to those companies. For those 30 companies that we didn't have relationship with—about 20 of them—we assigned them to salespeople." The qualifying process is ongoing and said at least one of the companies could become a multimillion-dollar client.

Jarvis also explained that La Quinta is exploring a corporate-discount program with a company called NextJump that would benefit all employees.

9:43—"We have a small test with NextJump, and it is showing some small returns," Cary said. "We're negotiating a bigger program."

9:44—Goldberg emphasized that there is no mandate from Blackstone to implement these programs. "At the end of the day, we have to make the right decision for our company," he said.

Brand standards

9:51—The discussion turns to brand standards, and Dushoff said that at the last Brand Council meeting it was decided that any change in brand standards would be discussed before the Brand Council before being implemented.

Fuller updated the group on the antitrust lawsuit in Connecticut that involves hotels calling around and identifying themselves while trying to find out competitors' rate information. "It will be part of our standards to not call around and identify yourself," Fuller said.

9:54—Sonny said other companies, such as Carlson and Hilton, have implemented that strategy.

10:02—Recess for a short break.

10:15—A discussion about the brand's Returns loyalty program reveals that enrollments in 2009 were up an all-time best 22 percent, including a 44-percent increase in its midrange gold membership level. The program has 6 million members, including 1.5 million active members.

10:23—Cary said the program hit a record high for revenue in December. "It's a huge driver of our business," she said.

Cary talked about the Points Purchase Project, which was due to be rolled out in mid-January. Each property and select salespeople will be able to buy points to use as they see fit.

10:26—"It's a great example of this group improving what we're doing in the field, responding to customers," Goldberg said.

10:27—Cary said 13 percent of La Quinta's properties were enrolling 10 or fewer a month

10:35—The consensus is that training from the general manager level to desk clerks is important when it comes to enrolling priority members. Also, making sure the incentives offered are the right ones and delivered in a timely manner are important steps in achieving goals.

10:40—Sonny Patel said it's up to the GM to make sure Returns enrollment is a focal point, but Forni said it's up to the owner. "We have an unbelievable opportunity of people trading down and we can capture them," Forni said. Bimal Patel admitted he's not always focused on it.

Advertising

10:50—The brand's advertising program takes center stage. Its "Wake up on the bright side" campaign, launched in 2007, is paying dividends, Cary said. "People buy brands because they have an emotional connection with it."

Because of the "Wake up" campaign, unaided brand awareness increased 17 percent, and unaided ad awareness jumped 49 percent.

10:57—Representatives from La Quinta's ad agency, Mullen, are on

hand to give rough previews of the ads for 2010. They say that the No. 1 priority for La Quinta in 2010 is growing brand perception and momentum, and it will focus on the 60 percent of the brand's properties that are new or have been recently renovated as a central focus of the campaign.

11:01—Tim Roan of Mullen told the Council to not forget that the key word in commercial is commerce. "Advertising isn't about a bunch of guys sitting around smoking pot and saying 'You know what would be a great commercial ... someone throwing a football into a man's groin.'" Roan said. "We're a funny warm brand that allows you to wake up on the bright side. That's what La Quinta is."

11:06—Rough cuts of new TV spots are shown. While "Wake up on the bright side" remains the tagline for the brand, the new all-media campaign is called "Even better than before."

The spots feature an announcer giving La Quinta's pitch while video clips from old movies and TV shows are shown. The signature "La Quinta!" tagline will continue at the end of each commercial.

La Quinta is launching a national TV ad campaign for the first time on Fox morning television. It will also debut national radio ads.

"This is a huge message that we're dipping our toe (nationally)," Goldberg said. "During the next several years we'll expand this. It's a huge change and it will have positive impact in the future."

11:33—Cary said the team is still working on getting a call to action about the Returns program into the TV advertising.

11:37—"When we met last year we were not hoping to go national with any commercial," Trivedi said. "I commend Julie and her team that we could do that much quicker than we thought."

Getting INNvolved

11:44—The brand's new INNvolved—LQ Connect back-of-house Web site takes over the conversation. Evancho said it will be iPhone friendly, and it will be rolled out during April's regional meetings.

12:00—Forni talks about the importance of utilizing internal programs for training. "We're going to become a better brand if everyone has the training and is more involved," he said. "Internal programs for owners ranging from how to construct a property to how to manage a GM, asset management, maintenance, etc., are important."

Having structured online programs from entities such as the American Hotel & Lodging Association and Cornell University are important, the group said.

Kholwadwala suggested it might make sense to make education part of the brand's quality assurance program requirements.

"Making it a requirement for all owners, is it fair to the people who have a lot of experience?" Trivedi said.

12:08—Jeff Pallais asks whether the requirement threshold would be based on experience or on performance.

12:09—Matt Griffitts said La Quinta is lacking in education among ownership, and he would make such a program mandatory.

12:12—"The beauty of being a franchisee for La Quinta for the last four years has been no one is telling me to do things," Bimal Patel said. He suggested a committee be formed to further look at the idea.

12:13—Christina said the brand needs some owner education to ensure there's good communication going on.

12:14—"The education of ownership needs to take place from the time they sign the agreement," Trivedi said.

12:19—Christina says the GM leadership council (Operations Council) will help ensure operational involvement in solution design, development and deployment. The brand will compile a short list of GMs based on areas of expertise and more formally communicate

who those people are to the entire brand.

12:23—Palla reminded the group how successful the regional meetings were in 2009. This year, spring and fall meetings will be combined into regional meetings. The meetings have all been set, and will have themes like a national conference usually does. There will be a variety of workshops during the meetings.

Revenue-management-for-hire

12:25—Next up is a discussion about a revenue-management-for-hire program to advise owners.

"We're reviewing our scope of services and infrastructure," Palla said. "We expect to have a pilot program in the second quarter."

12:26— Cernuch talks about the brand's dynamic pricing rollout that will enhance its current pricing program.

"It gives the property the ability to set thresholds," Palla said. "As the property reaches thresholds, the system will automatically reset pricing."

"You get to the right price on your street corner on the right date," Lombardi said.

12:30—"It is not about discounting, it's about having the right rate," Trivedi said.

Cernuch said alpha training is in progress, and beta training will come in February. Trivedi said a property won't be turned on to the dynamic pricing system until the manager is certified.

Lombardi said currently all corporate properties are on the system, and the cost is US\$1,500 per property.

12:40—Lunch break.

Idea forum

2:10—The group has an idea forum. Ideas range from online check-in to having more consistent bandwidth available at properties to tweaking the logoed signature items found in the brand's guestrooms. Other ideas include a better alarm clock that connects to an MP3 player, updating all photos on the brand's Web sites and better utilizing social media.

2:37—One idea involves further differentiating the brand's inn product from its inn & suites product. "We're looking at some things that could move us a long way in that regard," Goldberg said.

2:40—Dushoff said the first place to start when differentiating a brand is guest service—starting with what happens at the front desk. Clearing, hiring for niceness and training for proficiency is the right approach, Goldberg said.

2:48—Goldberg reveals that the brand is close to a deal regarding improving property-level high-speed Internet access. "Today our standard delivery is 1.5 megs," he said. "We'll roll out a program where the minimum will be a 6 meg pipe and we'll do it at less cost than what we do it for now. It comes over dual pipes."

Lombardi said the brand has about 70 hotels without private branch exchanges in them, and Goldberg said they've all switched to the "switch in the sky."

3:00—The discussion turns to the option of having automated phone-answering capabilities versus a live person answering phones at the property.

3:10—"There is a significant return to transferring calls to a call center for certain types of properties at certain hours," Goldberg said. "At an airport hotel it makes sense all the time. At a resort-type hotel it might only make sense on Tuesdays and Wednesdays."

3:15—There is a broad discussion about the importance of the dialogue, and how it has benefitted the brand since the Brand Council was formed.

3:58—"Collectively we'll come up with an answer here and there,"

Goldberg said. "Most games aren't won with grand slams. They're won with a series of base hits. As long as we continue to get a series of base hits, we'll win the game. We always want to be in a perpetual state of climbing. ... On every street corner we're fighting every day to beat our competitors."

4:00—meeting adjourns.

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