

A Multi-Billion Dollar Mission



An Interview with Curtis Nelson, President and CEO, Carlson Hospitality Worldwide, Carlson Companies, Minneapolis

EDITORS' NOTE Nelson's interest in hospitality began in his youth when he was employed as a dishwasher at a Country Kitchen restaurant. After earning a B.S. at Cornell University, he held management positions at both Hyatt Hotels and Four Seasons before joining Carlson Hospitality Worldwide in 1989 as a management executive with Radisson Hotels & Resorts. He held various executive-level positions for the company, while earning an accelerated M.B.A. from the Carlson School of Management at the University of Minnesota. Before assuming his present post in 1997, Nelson served as executive VP and COO of Carlson Hospitality Worldwide. In addition to serving as president and CEO of the company, Nelson is a top leader of Carlson Companies, serving a key role as chief operating officer for all consumer operations.



Curtis Nelson

COMPANY BRIEF Minneapolis-based Carlson Companies has operations under Nelson's leadership totalling more than 3,230 hotels, resorts, restaurants, cruise ships, and travel agency locations in 82 countries. The company's major brands include Regent International Hotels, Radisson Hotels & Resorts, Park Plaza, Country Inns & Suites By Carlson, Park Inns, Radisson Seven Seas Cruises, T.G.I. Friday's and Pick Up Stix Restaurants, Carlson Wagonlit Travel, Cruise Holidays, and Results Travel. Carlson Companies system-wide sales under all its brands including franchise operations were \$19.9 billion in 2001. Gross sales for businesses owned or operated by the company were \$6.8 billion for 2001.

After the devastation of September 11, 2001, and with all the challenges facing the travel industry, what are Carlson's strategies for the future?

Given that Carlson Companies is so diverse, it's critical that we create and communicate strategies that can be broadly understood and executed by all of our people. Our enterprise-wide mission

is to build better relationships every day, and we believe this mission creates a competitive advantage for us. Other companies may choose to be low-cost leaders, but our advantage is in being the very best at developing and nurturing customer relationships.

Of course, these relationships begin with our employees: understanding who they are and helping them build their careers. Our goal is to create a great place for great people to do great work. From there, it's a matter of understanding the needs, wants, and desires of our customers by listening carefully to what they're telling us and using every customer interaction as an opportunity to extend the learning relationship and accelerate our success. By listening to them, we're better able to anticipate market trends and, in turn, formulate our product development, whether it's new brands or it's service components within an existing brand.

Then, once those relationships have been established, we're extending them with additional products and services. What's unique about Carlson is that we can be a partner in so many facets of our customers' business and leisure lives. We can do their travel and hotels, provide them with restaurants, and offer take-out capabilities, because our range of products and services is so broad. Along those lines, we're truly committed to building a customer-experience-focused organization. Today, people are no longer simply traveling to a destination; instead, they're traveling to achieve an experience.

How do you ensure an extraordinary, fully integrated experience?

Let me give an example: At our cruise company, we sometimes receive complaints pertaining to things that occurred while customers were on their way to the cruise or on their way home. Of course, we could just tell them it's the airlines' problem and not ours, but that's not what customers want. Instead, they want an end-to-end experience from the time they

leave their house until the time they get back. And that's what Carlson Companies provides by leveraging all of its component parts and relationships with airlines and other suppliers.

In fact, I believe the experience begins when a customer starts thinking about a trip, and it doesn't end until he starts thinking about the next. Between those two points in time, it's important to have multiple interactions, in order to continually build customer expectations and service them. By linking all those elements, we can give our enterprise something human beings have: the ability to build relationships. The three major components of relationship building are trust, care, and respect, all of which are human characteristics. Also, with our ability to bring technology to the forefront, we can record all that information and have a super-human memory. Plus, our people are the best of the best: They show our customers every day that we understand and care about them, and if our customers have a problem, our people address it. So we're giving our company a more human face than most companies have ever attempted.

It must require a massive investment to coordinate all the aspects of your business. Which parts of this are now in the hands of machines, and which still require human beings?

Technology will continue to take over more and more of our transaction processing, while our employees will continue to dedicate a greater portion of their time to creating the experience for the customer. After completing the initial tasks of checking a customer in and recording his information, the computers can take over in terms of transaction processing, which they can execute much faster than any person ever could. In turn, this frees up our people to listen to customers, set the stage for their experiences, be there to anticipate their needs, and actually put the technology to good use. So if we know that a customer wants the *New York Times* and peaches and cream on Saturday mornings, we can cater to that. The right people can

Radisson Seven Seas Cruises' m/s Seven Seas Mariner

access the data and turn it into valuable knowledge by delivering the right products and services.

What's the next brand Carlson plans to create? Will you segue into the increasingly popular boutique-hotel business?

Going forward, some of our brands will be large, global brands, while others will be more finite, serving specific audiences. And even within many of those existing brands, we have opportunities to create more highly targeted niches and extensions. Within our Radisson Seven Seas Cruise Company, for example, there are many subsegments. Our *Song of Flower* is dedicated to people who like small, elegant, very luxurious ships with black-tie dinners and personalized service, while the *Hanseatic* is an adventure vessel cruising through the Antarctic. We also offer the *Paul Gauguin*, which operates in Tahiti and French Polynesia for beaches, sun, and fun; while the *Radisson Diamond* has a large portion of business in the group-incentive market. We are also setting new standards in the luxury cruise industry with our *Seven Seas Navigator* and the new generation of all-suite, all-balcony ships, the *Seven Seas Mariner* and the *Seven Seas Voyager*, which is launching in 2003.

Today, we're operating in the major segments of the lodging industry, from five-star luxury to limited service. We are committed to continuing innovation and may introduce new brands or concepts. For example, we're currently considering a concept that's a bit like a boutique hotel. It's something that will remain extremely consistent globally, because there's one rule that never changes, no matter how targeted the niche: If you want to create a brand, you have to be consistent. In fact, consistency is brand equity. So we're exploring the possibility of a boutique-type brand, but it will be highly consistent, more fun than most, and positioned to a very targeted market.

Carlson also owns two real-estate companies. What are you currently buying and where?

One of our real-estate companies is the Carlson Real Estate entity, which is not actually owned by Carlson Companies, but is a partnership of the family. Through that company, we're primarily buying commercial, office, warehouse, and tenant buildings, as well as some retail developments, mostly in Scottsdale, Arizona, and Minnesota. The other company is our hospitality real-estate arm, which deals with timeshare products, hotels, and resorts.

Carlson is an amazingly diversified company. Will you ever go public and spin off some of your brands?

There may be a point where we take a brand or part of the company public, although right now, we're quite pleased to be private. But everything goes in

cycles, of course. There are times when companies are buying assets and expanding through mergers and acquisitions, and at those times, it can be difficult to compete. At the end of the day, however, value is still an equation that's left to the consumer, and that equation never changes. Along those lines, we believe that being constrained when the bidding gets really high benefits us and our customers, because we don't have to charge them to pay for a purchase. Today, many public companies have to pull in their horns because they don't have the currencies and the capital to make acquisitions

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and continue to build their businesses. On the other hand, it's a great time for us, because we're now looking at multiple acquisitions and can be very competitive in the bidding because of our position in the stock-market cycle.

Can you describe your acquisitions strategy?

We're looking to fully integrate all the things we do, end to end. So companies that extend over more than one of our brands or business operations are highly leveraged assets for us. Of course, we sell many hotel rooms and a lot of cruise ship cabins, so travel companies whose customers are interested in buying our hospitality products would obviously be a good deal.

On a more personal note, you had a liver transplant about two years ago, and now you're back as chief executive. Do you look at life with more joy than you did before?

Coming back and working for the company has been a wonderful experience. A liver transplant in itself isn't something I would wish on anyone, but there's no doubt that I feel tremendously blessed to be healthy again. I'm so grateful that I was able to get a liver in time and for the many thoughts and prayers that were bestowed upon me. Those things truly saved my life, and the experience has helped me to put things in perspective. We're all very busy in our work lives, and we tend to think every moment of it is extraordinarily important. But when you step back, you're reminded

that it's really about your family and your relationships, so it's always important to maintain a balance.

During your interview many years ago, you were jumping around a lot. Maybe you're still jumping around in Minneapolis, but you seem calmer and more mature now. Has the transplant changed your personality?

I don't think so, but it has certainly given me more perspective. The fact is, I still love this business, I love what we do, and I get very excited about it. But, while I'm still passionate about the work, over the years I've become more patient in achieving the ultimate vision. Some of the ambitions, goals, and objectives we have for this company are large and will take time. As a result, I've become much more respectful of change and what it takes to administer change in groups, particularly when that group is doing well already. In the book *Good to Great*, James C. Collins claims that being good can actually be the enemy of becoming great, and I believe he's right. Turning a ship as large as the Carlson Companies can be a very daunting task, particularly when people don't really have an impetus to change. If things are going well, it's difficult to get them to step back and make a change.

Perhaps the one good thing that came out of 9/11 was that it suddenly created a burning platform for everybody. There was a huge impetus to change, because everybody could see that the world was changing. Economics were changing, and the way people travel was changing. So it became a huge catalyst to achieving our vision of a single enterprise with a shared mission, vision, and values, driven by common goals and objectives. Previously, we had been a company made up of very good, strong, individual businesses. But in order to recognize our total power and value, we now have to have a shared perspective as a single organization that we can maximize at the enterprise level.

Along those lines, I'm thrilled with the progress we've made in moving toward that objective over the past few years. I still think we're a long way from where we want to be, and, in fact, if I do my job right, we'll never quite get there; instead, we'll always be driving for the next big thing. But we're moving in the right direction now, creating a unique, competitive position in a rapidly changing market. If you look at hotels, the airline business, and many restaurant brands, commoditization is running rampant today. If you're not able to create a distinct competitive advantage, it's certainly going to be difficult to survive and to thrive in this marketplace. For these reasons, I'm highly confident about our future. While I'm very respectful of what it takes to change, I've also learned that with the right people, the right rewards, and a common mission, you can accomplish anything. ●