

Tailoring the Experience

An Interview with Marilyn Carlson Nelson,
Chairman and Chief Executive Officer, Carlson Companies, Minneapolis



Marilyn Carlson Nelson

EDITORS' NOTE Named by Forbes magazine as one of the world's most powerful businesswomen, Marilyn Nelson is a member of the World Economic Forum's International Business Council; serves on the boards of ExxonMobil, the Mayo Foundation for Medical Education and Research, and is currently vice chair of the United States Travel and Tourism Board. A graduate in international economics from Smith College (Massachusetts), she further studied at the Sorbonne and at Geneva's Institut des Hautes Etudes Economiques et Politiques.

COMPANY BRIEF Founded in 1938 and headquartered on the western outskirts of Minneapolis, Carlson Companies (www.carlson.com) – one of America's largest privately held enterprises – is the parent corporation of a global group of integrated firms that specialize in travel and marketing services, hotels, restaurants, and cruises. Carlson brands include Carlson Wagonlit Travel, Regent International Hotels, Radisson Hotels & Resorts, Park Plaza Hotels & Resorts, Country Inns & Suites By Carlson, Park Inn hotels, Regent Seven Seas Cruises, T.G.I. Friday's and Pick Up Stix restaurants, and Carlson Marketing. Together Marilyn Carlson Nelson and Barbara Carlson Gage – the daughters of the late founder, Curtis Carlson – own the company whose brands

employ about 190,000 people in more than 145 countries worldwide. In 2005, system-wide revenue for Carlson brands and services exceeded \$34 billion.

Do you think the hospitality industry has rebounded from the dip it took post-9/11?

Yes – 2005 was an outstanding year for every one of our travel businesses, particularly the event, meetings, and convention business. Overall, I think travel and leisure is going to increase 5 to 7 percent in the coming year. We're looking forward to that. The good news is that travel tends to grow a little faster than the GDP, so we expect another good year, and that expectation was reinforced by some of the trends discussed at the World Economic Forum. For us, long haul travel improved in 2005 pretty dramatically. Because we have a leading position in corporate travel in India, our outbound business from India and China really took off, growing at 40 and about 45 percent respectively. Our European business was up 12 percent, and Japan was up 6 percent. So we're very excited about that, and we certainly expect continued growth in the hotel business division.

We're also opening a new hotel in Shanghai, the Shanghai Regent, which will have the largest ballroom in Shanghai. We're very eager to get it open, because that ballroom is going to be one of the social centers of Shanghai. We're also opening a Regent in Beijing, probably in the first quarter of 2007. Our partner there is a woman who is related to the last imperial family, and the hotel is going to be gorgeous. She has hired 3,000 craftspeople to make replicas of all the furniture in the Forbidden City for the hotel, done in the traditional woods that ancient Chinese carved treasures were made from.

So the Regent brand, which was born in Asia, is growing there. Also, we recently re-branded our cruise line Regent Seven Seas Cruises to reflect the luxurious experience the cruise line provides. Our cruise brand offers a six-star experience. We've earned our place in the luxury market with both the cruise business and the

Regent hotels, and are very excited to be an emerging luxury player.

Is it important for Carlson to position its brands as individual entities?

Each of our brands is becoming more and more disciplined about its positioning, and each is creating its own differentiated experience. Furthermore, each of our brands is focused significantly on tailoring the experience to the customer, letting individual travelers choose that brand based on their immediate needs and desires – whether it's a romantic getaway, a business trip, or a family vacation. Each brand needs to be able to accommodate a different experience.

There is a consistent Carlson integrity, energy, and attitude in all of our businesses, but we are emphasizing "one Carlson" only where it makes sense in our enterprise strategy. For example, we recognize that in order to compete today and over the cycle, we have to offer as low a cost transaction as possible, relative to our competitors. So we've taken all of our common, non-strategic activities and put them into a shared-services environment. That helps us drive cost down. We're positioned in our employees' minds as a single enterprise, but in the consumers' minds, our brands are positioned individually, each in their own way.

With that said, we have established some connective tissue between our brands to the benefit of our customers. For example, some of our corporate customers would like to combine their booking capabilities so that they can plan meetings across Carlson brands. So we make that seamless for those customers, while not abandoning our individual brand identities. I often compare our company to a piano's keyboard. Each of our brands is like one of the keys, and the customer chooses which keys are needed to play their own tune.

In the future, we'll be looking even closer at how to address individual markets, such as women travelers. The knowledge we gain from those activities will be shared across the company, and will seed the differentiation of our brands for the next three years or so.

Is the hospitality industry one that attracts talented women to its ranks? Are there many opportunities for women in this industry?

Rather than speak for the industry, I can speak for Carlson. In our hotels, we have more women managers than we've ever had. It so happens that in our cruise business we have several women on the executive committee, and the VP of marketing is a female. A woman heads the Regent brand. In the restaurant business, I'm not as satisfied, and we're working on diversity and women's programs for that business. We have noted the very high number of women servers and hostesses – a surprising number of whom are working mothers – in our Friday's around the world. They're attracted to the business because of the scheduling flexibility, which is something we're trying to put into our other businesses. It means almost as much as compensation to working mothers. I'm very proud of the fact that we can offer that flexibility, and I am looking very seriously at other kinds of support we can offer single or working mothers. Nonetheless, we have more women now than we've had before, and our retention of women employees is higher. If we can create the right environment, we can retain them, because we can accommodate their families. I think part of differentiating our company from its competitors is about creating a work environment that attracts the best talent, regardless of gender.

In what other ways is differentiation possible?

Differentiation is extremely important to us. To do this, we must look at our customers' individual needs and deal with each customer one at a time. I'm excited about the ways we've already been able to apply our concept of "a tailored experience" to the consumer across our brands. For example, at T.G.I. Friday's, we have a customizable premium steak plate, called Steakhouse Selects, that's unprecedented in casual dining. We're very excited about that.

We're also offering customization on our Regent Seven Seas Cruises. We have just introduced the concept of "circles of interest" on our cruises, in which someone interested in art, architecture, or music, for example, can opt into a small group and enjoy a very customized experience both on land and on the ship. We've also launched a new, highly personalized travel concierge program on board, so that families or small groups of friends can customize their land options. For example, they can book a helicopter ride or a pre- or post-cruise stay in a Tuscan villa. We try to be good friends to our customers and offer them our expertise. They trust us, because they know we understand luxury and comfort. We know which customers want splashy luxury and adventure, and which customers want some-

thing subtle or academic from their travels. We try to anticipate their needs without invading their privacy.

In our Radisson hotels we offer customization with our Select Comfort beds, which can be individually adjusted to a guest's preferred firmness or softness. They can give us what we call their "sleep number" and we'll adjust the bed to their liking before they get there.

So you see, we literally have armies of people around the world who spend their time trying to make life more comfortable for our customers.



By losing prospective visitors to our country, we lose opportunities to help people understand America outside of politics.



You mentioned the need to offer a low-cost product to consumers, when compared to your competitors. How can you offer low-price but high-value products?

Customers are willing to pay for value. So in some places, if you're really differentiating, then you can hold your price when others are lowering theirs. As I mentioned earlier, we are rigorously seeking out effectiveness and efficiency in our shared services. We think that will drive down costs for us, which will improve the experience for the customer.

Simplicity is going to be another big differentiator for the future. As such, we are working on all of our Internet sites, so that people can understand even more clearly what is available to them. Our goal is to offer a way for people to create their own experience online, beyond just bundling their travel reservations, car rental, and hotel rooms in one package. Sometimes, people just want to identify the lowest-priced option, as is often the case with business travelers. But a family might want to explore some different experiences and find ways to make their trips educational. In turn, they may be willing to pay a little more for those experiences.

You're vice chair of the U.S. Travel and Tourism Board. Are you pleased with the way the message regarding the hospitality industry's importance to the world's economy is being communicated to the public?

We still have a ways to go. I was

heartbroken with how the message initially got out, as a result of 9/11, but the public's memory faded quickly. The travel and tourism industries are the first- or second-largest employers in about 28 states, and because that fact eluded law and policy makers, those states went into financial crises after 9/11, because they no longer benefited from travel tax, and many people lost their jobs.

I hate the fact that we have such a heavy tax burden on travel, but it is an important generator of revenue for the country and for the states. So the impact there after 9/11 was also dramatic.

That said, I think that the states understand it better than the federal government. I'm hopeful that with a much more unified voice, the Travel Industry of America, which has partnered with the Travel Business Roundtable, can make the case for travel and tourism.

The United States has lost approximately 30 percent of the global travel market in the last five or six years. We're not growing as fast as the global travel market is growing, and we have no federal investments in an umbrella campaign to let global travelers know they are welcome and invited here. That can have serious economic and public relations implications for our country.

By losing prospective visitors to our country, we lose opportunities to help people understand America outside of politics. The funding can't all be done by private enterprises, so we are hopeful that the government will recognize the need to reach out to global markets and promote travel to the United States.

Despite all of that, you seem so optimistic for the future of the company. Are things really that good?

Actually things are very good right now. We're investing a lot of our money in the system. If I sound enthusiastic and passionate, it's because I am. A leader today has the job of integrating complex variables into his or her business, embracing them, and moving forward with enthusiasm. We have to see the occasional failure not as defeat, but as a learning experience.

Do I have concerns? Yes. Avian flu, for instance, is hovering over us. It's not something you budget or plan for, but you need to understand how you could triage your operation if you had to. I'm constantly introspective about where our responsibility would begin and end if travelers were trapped in a place where the disease manifested itself, if borders were closed. We would need to find a way to be part of the solution.

I'm so proud of our people. They did extraordinary things and heroes emerged after 9/11, Hurricane Katrina, and Hurricane Rita. Our culture is solution-based. That's our passion and a commitment we make. We will always try to be part of the solution, whenever it's humanly possible. ●