

Juggling the Fortunes of a Travel Juggernaut

An Interview with Marilyn Carlson Nelson, Chairman and Chief Executive Officer, and Curtis C. Nelson, President and Chief Operating Officer, Carlson Companies, Minnetonka, Minnesota



EDITORS' NOTE Regularly named by Fortune magazine as one of America's most powerful businesswomen, Marilyn Nelson is a member of the World Economic Forum's International Business Council; serves on the boards of Exxon-Mobil, the Mayo Foundation for Medical Education and Research, and the Singapore Tourism Board; and in 2002 was appointed by President George W. Bush to chair the National Women's Business Council. A graduate in international economics from Smith College, she further studied at the Sorbonne and at Geneva's Institut des Hautes Etudes Economiques et Politiques.



Marilyn Carlson Nelson



Curtis C. Nelson

A graduate of Cornell University with an M.B.A. from the Carlson School of Management at the University of Minnesota, Curtis Nelson joined Carlson Companies in 1989, and following a series of executive promotions, he assumed his present position in 2003. Having previously served in managerial capacities at Hyatt Hotels and Four Seasons Hotels and Resorts, he presently is a member of the Travel Business Roundtable, the World Travel & Tourism Council's executive committee, and the advisory boards of the Carlson School of Management and the University of Delaware's Hotel, Restaurant and Institutional Management Program; and a director of the Conrad N. Hilton College of Hotel and Restaurant Management at the University of Houston.

COMPANY BRIEF Founded in 1938 and headquartered on the southwest outskirts of Minneapolis, Carlson Companies – one of the Americas' largest privately held enterprises – is the parent corporation of a global group of integrated firms, which specialize in travel and marketing services, hotels, restaurants, and cruises. Carlson brands include Carlson Marketing Group, Carlson Wagonlit Travel, Cruise Holidays, the Gold Points Reward

Network, Regent International Hotels, Radisson Hotels & Resorts, Country Inns & Suites By Carlson, Park Plaza Hotels & Resorts, Park Inns, T.G.I. Friday's and Pick Up Stix restaurants, and Radisson Seven Seas Cruises. Together Marilyn Carlson Nelson and

Barbara Carlson Gage, a director – the daughters of the late founder, Curtis Carlson – own the company, whose brands employ 198,000 people in 140 countries worldwide. In 2003 system-wide revenue for Carlson brands was \$20.9 billion.

How has Carlson Companies' growth been impacted by the events of 9/11, the economic downturn, and similarly negative events? And do you see a bright future for the corporation?

Curtis: I think the answer to the second question is yes, we do envision a bright future. It's important to note that the travel industry has changed very much in the last several years. The positive side of 9/11, SARS, the Iraqi war, and the other challenges we've faced is that they've acted as catalysts for improvements. Within our own organization, we've looked at the overall operations and moved much more rapidly than we might have toward a more efficient business model. As a private company, we didn't participate in the industry consolidations the large public players did. During the stock market bubble, we didn't chase after acquisitions. Ultimately, those acquisitions, bought at artificially inflated prices, proved to be too costly for everyone. We realized that we didn't need that type of critical mass. We found that we could gain critical mass through many of our existing subsidiaries. Each of our companies is a player in its own right, but combined, we're strong enough to compete with any of the major public players in the various industries in which we participate. So, by improving our efficiencies and

increasing the critical mass of all our divisions, we've changed the way we go to market and been quite successful.

Marilyn: We've achieved dramatic increases in productivity across our entire corporation by having our various companies share services. For instance, shared services have allowed us to squeeze more returns out of our investments in technology. As of now, we're really growing and actually hiring again. We've made some acquisitions recently – despite our traditionally rigorous stewardship of capital – to take us further into such exciting areas as the singles market and cruising, and we've expanded our partnerships with China's air transport and the Japan Travel Bureau. We're also looking at additional consolidation in the incentive-travel field.

Sometimes, when the economy softens a bit, it provides opportunities for us. During a hot market is not the time when private companies tend to grow. We tend to grow when prices are more rational. Today, we have the strongest balance sheet we've ever had, and we look forward to some interesting growth opportunities.

Curtis: Again, we're continuing to grow internally and organically. We're addressing sales very aggressively. And today, I can say with the utmost conviction that efficiency and effectiveness go hand in hand. There isn't a single area within the corporation where we've improved efficiency without seeing more effectiveness. And improved efficiency enables us to offer our customers a better product. Improving efficiency by no means forced us to eliminate customer services. In fact, it did just the opposite. By cutting costs, we've actually improved the quality of our processes. So, quality within each of our brands is on the rise.

We've also been working on brand clarity with all of our companies. In the industries in which we compete, consumers are treating services more and more like commodities than ever before. As such, we believe stronger differentiation will help us outdistance our competitors, and so we've reestablished very spe-

A suite aboard the Seven Seas Voyager

cific positions for each of our brands based on what we want them to represent, and whom we want to serve.

Marilyn: We've done a lot of brand studies. Every single brand has been examined for positioning and potential, and is subject to further means of differentiation, as Curtis just said. Radisson, for example, offers a marvelous new service, Express Yourself, which allows guests to customize their stays via the Internet. For instance, they can request specific types of beds and pillows. This customization effort is one way that Radisson has repositioned itself through differentiation.

Our restaurants – Pick Up Stix and T.G.I. Friday's – have reinforced their marketing efforts to reflect their fun atmospheres, and they're also making sure that customers are served better. For instance, lunch customers are now served with more efficiency, and the menu offerings are more extensive. More choices have thus become a differentiator for our restaurants. For example, one of T.G.I. Friday's brand strengths is that even though a family may argue about whether they want pizza, hamburgers, steaks, or whatever for dinner, they can come to Friday's, and every family member can have his or her choice. We're also offering low-fat meals and Atkins-friendly dishes. So our restaurants are endeavoring to clarify their positions and amplify their voices in the market.

We feel very positively about our brands' clarity and global consistency. We work closely with our partners to ensure that our brand promises are consistent worldwide – or at least consistent regionally. For instance, our restaurants are sensitive to the dietary requirements and expectations of our customers in Asia, the Middle East, and Russia, even though the brands remain within certain consistent global parameters. It's fun to visit T.G.I. Friday's around the world because, while we offer many of the same dishes everywhere, some are altered a bit to please local palates. They might be spicier in one region of the world, for example.

Do you plan to continue to expand your leisure-travel portfolio?

Curtis: Absolutely. The leisure industry tends to be a little less cyclical than the business-travel industry. Certainly in the U.S., through the thick and thin of the past five years, leisure travel has remained strong. Furthermore, with leisure travel, several of our brands can intersect, including Carlson Leisure Travel Services, our various hotel brands, our cruise companies, and even our marketing services. So, we believe leisure travel and resorts will represent an increasingly important part of our business in the future.

Leisure travel also allows us to deliver a complete experience – versus a mere hotel stay – to our customers. From the time customers leave home to the time they return, we can create for them a packaged experience, which we think is

the product of the future. For instance, 85 percent of our cruise customers' complaints are about the time spent just before or after they're actually aboard the ship. They complain about the airlines, their ground transportation to the ship, and their hotel stays. We're resolving many of those problems by working more closely with our own hotels in the markets where our cruise ships operate. What leisure travelers really want is a wholly positive beginning-to-end experience.

Post 9/11, the importance of travel and tourism to the global economy was highlighted. Even so, many people still don't realize that they represent the world's largest industry. Is the industry effectively communicating its impact on the global economy to the general public and to decision makers worldwide?

Marilyn: The World Travel & Tourism Council has waved our flag and told our story for many years, while the Travel Industry Association of America and the Travel Business Roundtable have also been our advocates. Shortly after 9/11, Bill Marriott [chairman and CEO of Marriott International], Jonathan Tisch [then chairman and CEO of Loews Corporation], Jonathan Linen [vice chairman of American Express] and I went to Washington, DC and said to the powers that be in Congress and the Department of Commerce: "You have to pay attention now. One in 10 jobs is directly tied to travel and tourism. Twenty-eight states rely on travel as their number-one, -two, or -three employer. Those states are going to suffer." The people listened, but they were at a loss as to how to improve travel levels.

It's interesting: The leaders of developing countries, such as India and those in the Middle East, understand the importance of our industry. Already industrialized nations, for whatever reason, focus much less on travel and tourism as generators of substantial wealth.

In all fairness, I should note that the U.S. Chamber of Commerce has decided to focus on travel and tourism for the first time. The chamber has an enormous amount of clout, and thanks to a couple of major chamber-hosted, travel-focused events, Washington's consciousness of the contribution we make to the overall economy has been raised. I believe this new development will be a breakthrough for us, in terms of getting the kind of leverage we need with the federal government.

Have you been happy with Carlson Companies' ability to attract talented employees?

Marilyn: As a privately held corporation, we have a commitment to adding long-term value. Because of that, we try to

create a great place for people to work, and we're even acknowledged by third parties for that. We're amazed by how often job applicants say that they were attracted to Carlson because of our work environment and our commitment to the communities in which we operate. Carlson was again named one of the "100 Best Companies for Working Mothers" by *Working Mother* magazine. Travel, as we try to position it in people's minds, is a way to bring the world together and is a part of the solution to global peace and bringing developing countries into the global economy. I think people are very excited to be a part of something like that.

We speak at universities, where M.B.A. students and other highly educated young people can learn about our philosophy of leadership and our industry. Furthermore, Curtis and I have addressed many councils, including the World Economic Forum, and I think our visibility helps to put travel and tourism on the table as a vital industry of the future. That also helps to attract talented people.

Curtis: Our companies offer careers, not just jobs. With us, entry-level posts can often lead to high-level positions. In fact, travel and tourism overall offer more examples of people who have risen to the top from entry-level jobs than any other industry. So, prospective employees are viewing us in a more flattering light now.

When you work with family, can you ever truly get away from the business?

Marilyn: Given the threat of terrorism, I don't think I can ever turn it off. Wherever I may be in the world, I have to watch the news and know what's going on. On the morning of September 11, 2001, in a matter of 15 minutes, we realized that it was going to take some fancy footwork to maintain our success. That said, we're very disciplined about keeping business out of our family time as much as possible. However, this almost worries me because Curtis learned so much about the business at the family table. Our family's next generation isn't hearing as much about the business as we want them to. So we're creating some training programs and other opportunities for them to learn about Carlson Companies.

Curtis: Getting away from the business is pretty tough. It's a part of our lives. But I think the younger members of our family understand that. After all, when we go on vacation, they know we'll be staying in our own hotels and eating at T.G.I. Friday's.

Marilyn: I was recently in Cairo with Curtis's daughter. We ate at the T.G.I. Friday's there. It's actually on the Nile: a floating Friday's! It's fabulous! ●



A dish served aboard the Paul Gauguin cruise ship