

Hospitality's Global Impact

The Most Exciting Business in the World

An Interview with J.W. Marriott Jr.,
Chairman and Chief Executive Officer, Marriott International, Inc.



Bill Marriott enjoys meeting with associates during his travels.

EDITORS' NOTE J.W. Marriott, Jr.'s leadership spans more than 50 years. He joined the company full-time in 1956 and soon took over management of Marriott's first hotel. Marriott took on the role of Executive Vice President of the company, then became its President in 1964. He was elected Chief Executive Officer in 1972 and Chairman of the Board in 1985. Marriott serves on the board of The J. Willard & Alice S. Marriott Foundation and as the Chairman of the Mayo Clinic Capital Campaign. He earned a B.S. in banking and finance from the University of Utah and served as an officer in the United States Navy.

COMPANY BRIEF Headquartered in Bethesda, Maryland, Marriott International, Inc. is a leading lodging company with more than 3,500 lodging properties in 70 countries and territories. It is recognized by FORTUNE as one of the best companies to work for, and by Newsweek as one of the greenest big companies in America. In fiscal year 2009, Marriott International (www.marriott.com) reported sales from continuing operations of nearly \$11 billion.

When you look over the past 24 months with the global economic crisis and the impact it has had on hospitality, were you surprised at both the speed and severity of the crisis, and where do you see hospitality today in regard to recovery?

Hospitality was down 20 percent through the two years. It's coming back, but it has a long way to go. The big drop was in business travel, but we're now seeing our business travelers come back.

The leisure travel remained pretty strong. We picked up some leisure business because of discounting. No matter how much we discounted with the business transient, there was nobody on the road to discount.

Many talk about trying to keep occupancy up while maintaining rate integrity. Were you able to find that balance,

and as business comes back, do you also expect the rates to recover?

They will come back with the rates higher, but it's in negotiation. We don't know what rate they'll accept going forward. It depends on how tough it is to get into the hotels. If the occupancy is higher, then the rates will come back, and we are seeing a big pickup in occupancy.

During the downturn, was it important to let your employees know that Marriott would stand by them?

It got to be quite personal. For instance, we had a policy in place that if you worked less than 30 hours per week, you did not get health care. We waived that the past 18 months. This was extremely well received by our people. When business goes down, you don't want to lose your people, but you can't afford to give them full-time employment. But being able to keep their health insurance and some semblance of a job was very helpful.

Is there an effective understanding of what the Marriott brand stands for and the type of product you deliver?

We are a global company with a large number of brands, and sometimes certain of these brands are not looked upon as part of Marriott – this is a challenge we're looking to address.

For instance, a lot of people don't know Ritz-Carlton is owned by Marriott, although we've had it for 15 years. It's the same thing with Renaissance, although it's more closely tied in because of the Marriott Rewards Program.

The umbrella brand approach to businesses is the way it's done today.

Are you expanding the number of brands under the Marriott umbrella?

We just launched two new brands: one is Edition, which is a boutique brand; the other is Autograph Collection, which is a high-end collection of iconic hotels that retain their original name but are part of the collection. We've signed up 10 hotels and continue to add to that portfolio at a rapid rate.

As you look at growth for Marriott, are there opportunities in the U.S. market or is a lot of it going to come from the emerging markets?

Right now, the biggest opportunity is in China, followed by India. There is a lot more domestic travel in China than there is in India, and there is a lot more international travel coming into China because it's easier to do business in China than in India. We have to get 57 permits to build a hotel in India. The Chinese market is more robust and is growing faster than India.

How do you balance offering the latest technology for your guests while making sure you don't lose the human contact and interaction?

If you've been up all night on the road traveling, you want a friendly face and someone to offer to help you. You can provide quick check-in, which is important, and all the technology that you want, but if you don't have the human touch, you're going to lose.

As a result of the downturn, there have been a number of cuts in the workforce of hotel companies. Will those jobs come back, or are we going to see leaner organizations within this industry?

Right now, we're as productive as we're going to be for a while. As business gets better, there is always a little bit of creep in terms of adding a new hire here or there. It's responding to the desires of the customers who want to know that if they're paying more money than they did during the depths of the great recession, that they're getting better service. We're going to have to provide that better service, and it's going to cost us more money to do it.

But a lot of the savings we created and the productivity gains that we've all picked up will continue to be in place.

The Cosmopolitan, an Autograph Collection hotel located in the heart of the Las Vegas Strip, opened in December 2010.

Food and beverage can be an area in which it's very challenging to be competitive. What is your outlook on that part of the business, and is that an area where you can drive revenue?

It is. You need to look at your market, which city you're in, what your competitive set is, and if there is an opportunity to pick up a celebrity chef. But you have to manage the celebrity chef and the brand you pick to put in your restaurant. People today want simple food. You can put all the fancy items on the menu you want, but 50 percent of the people still pick a filet mignon or a great piece of chicken or fish for dinner. You have to be careful that the celebrity chef wants to appeal to the core values of your customers and what they want.

You've been a leader in innovating within this industry. As the brand has grown in size and scale, has it been difficult to retain an entrepreneurial mentality among your staff?

I don't think so. We came up with Autograph Collection to attract hotels to our system that didn't want to have a brand name on them. That came internally from our people thinking about how we can generate more volume and add more hotels to the system. It's the same thing with Edition; the marriage between us and Ian Schrager is unique.

We also have a new thing called "Sales Transformation," which is a more customer-focused way to sell to our clients. It will increase the number of accounts we're servicing by seven times.

So we're continuing to innovate in a lot of different areas.

You have been able to maintain a family culture in a company that has thousands of employees. How critical has that been?

It's extremely important. Our people have thousands of interactions with customers every day at every hotel. So it's important how they feel about the company they work for and that they come in the morning with a smile, because they know they're getting a fair shake and that the company cares about them. This shows up big time in customer service.

How critical is it for the brand to be a strong player within your communities, and how are you able to drive that throughout an organization of this size?

We have Spirit to Serve Day around the world, where we get our people together to go out on a community service project for the day, which we pay them their wages for. It's a big deal for us, and we put a lot of emphasis on it.

As a company, you have put a lot of emphasis on being environmentally conscious. What results has that created for Marriott?

It's the right thing to do, but in addition to being the right thing to do, it makes good business sense. If we build a LEED-certified hotel, we usually get approval faster, sometimes we get tax incentives to do it, we know that we've reduced our energy costs in the hotel, and our people are proud to work in LEED-certified hotels. Companies that are environmentally attuned and friendly have an easier time attracting young people to work for them in today's work environment. We recognized this a while ago, and we're pushing it hard.

Is it important to retain a workforce that mirrors your diverse client base?

We have 300,000 associates between our franchise operations and our company-operated hotels, speaking over 50 languages; 60 percent of which are minorities and half of which are women. We



The JW Marriott San Antonio Hill Country Resort & Spa is one of a growing number of Marriott hotels that are LEED certified.

have tripled the number of minorities and women in executive positions over the past 10 years.

We also work on supplier diversity. Our board of directors has a Committee for Excellence focused on diversity. Several minority directors serve on this committee, and our internal people work hard on it. The board sets goals for diversity every year, and we report back to the board on how we're doing. It's top-of-mind awareness.

How has your role evolved and how do you focus your time today?

I'm a cheerleader. I visit the properties. I like to see what condition the hotels are in. I like to meet the people, shake their hands, and let them know there is a guy named Marriott walking around who cares that we're providing good service. I try to keep track of the activity on the deal front, how many hotels we're developing, building, managing, and franchising, and where they are and what our market share is. I'm very concerned about profitability and stay as close to that as I can.

But the key to it all is having the right people in the right jobs, and we have a tremendous staff. I hold frequent staff meetings with our senior team, and I go into those meetings with an agenda of 50 to 75 items and we cover them

all in four or five hours. I'm able to keep up that way and get their ideas. I talk about 10 percent of the time and let them talk the other 90 percent.

Did you always know this company was going to be the leader it is?

No. It's been built one hotel at a time, one brick at a time. It took us 15 years to get to seven or eight hotels that we built ourselves: we owned them, financed them, and got into the business of selling the hotels and taking back management contracts. That propelled us forward because we weren't so financially constrained.

When you ask people what is the largest industry in the world, travel and tourism doesn't always come to mind. Is enough being done to get that message out, or is the industry too segmented to have a unified voice?

The World Travel & Tourism Council (WTTC) works very hard to promote the importance of this industry around the world. However, there are few, if any, airlines that are part of the WTTC – they do their own thing. The rest of industry is made up of travel agencies and hotel operators. So we would welcome more involvement in the travel and tourism industry by the airlines, but the airlines have such horrendous problems that I don't know how they survive; they have to because they are our lifeblood.

The industry does not speak with one voice. Consequently, we were tarred and feathered by the Administration in the early days of the recession because the President was essentially telling the public not to take a vacation. He was really referring to the banks that had to borrow government money, but it lapped over to every-

body. That had almost as big an impact in the early days of the downturn as the overall global recession.

Should there be an organization like the WTTC in the government arena?

The private sector always does a better job than government. Roger Dow at the U.S. Travel Association did a superb job getting the Travel Promotion Act passed up on the Hill. This will start promoting America outside the U.S. The Chinese say the dream vacation is to come to the United States, but last year, more Chinese visited Paris than they did the entire U.S. We have to get more visas in their hands so they can visit America, because when they come, they spend \$7,000 per person getting here and in the country, whereas most international travelers will spend around \$4,000 and the American people around \$1,500. When you sell a bed in this country, it's an export. The Administration wants us to double our exports, and that is a very easy export.

Do you still enjoy the business after all this time?

I've done this for 55 years, and I'm still going strong and enjoy what I do. It's the most exciting business in the world. ●