

The Cruise Experience

An Interview with Terry MacRae,
Chairman and Chief Executive Officer, Hornblower Cruises & Events



The 600-passenger Hornblower Hybrid

EDITORS' NOTE Terry MacRae is the CEO of Alcatraz Cruises, Statue Cruises, and Hornblower Niagara Cruises, and the Co-Founder of HMS Global Maritime. MacRae began his career as an environmental engineer with Industrial Clean Air, Inc. He was soon named Senior Vice President and Vice President of Sales following the acquisition of Industrial Clean Air by Ecolaire Systems, Inc. During his time with Ecolaire, while seeking out exciting and memorable venues for entertaining clients, he began frequenting Hornblower Tours. When the company was offered for sale in 1980, MacRae purchased it. By placing a great deal of importance on customer service, safety, and teamwork, he grew the two-boat, 114-passenger operation to a 50-boat, multimillion-dollar company, hosting over 6,000,000 people in 2011. MacRae is a graduate of California Polytechnic State University San Luis Obispo with a Bachelor of Science degree in Mechanical Engineering. He is a current member of the Passenger Vessel Association and serves as a Chairman of the National Parks Promotion Council.



Terry MacRae

COMPANY BRIEF Hornblower Cruises & Events (www.hornblower.com) has been the leading charter yacht and public dining cruise company for more than 30 years. The company operates 32 vessels in San Francisco, Berkeley, Sacramento, Long Beach, Newport Beach, Marina del Rey, San Diego, and New York. The 1,000 passenger Inspiration Hornblower is one of San Diego's premier venues. In addition, Hornblower New York features two new premier boats: Hornblower Hybrid and Hornblower Infinity.

Is the market for this product only business-oriented and higher end?

We expanded from group business and chartered events to offering cruises that are open to the public in 1983. By offering public cruises, people could join us for different special occasions more frequently.

Over time, instead of being a product just for businesses, it became a product for social activities; for schools that wanted to have a prom cruise; and for weddings.

So we broadened from being oriented mostly to businesses to where a wide range of folks could use us for any kind of special event or personal celebration.

The market is mid-range. We also do plenty of high-end events but we strive to make them

affordable, and we're competitive with any land-based activity that would provide a similar mix of entertainment and dining.

Are you partnering to offer the dining experience?

We handle the dining experience ourselves, and our strategy is to prepare and serve onboard only the freshest ingredients.

Our food product is not like an airline where it's prepackaged. The chefs have all been on our payroll for many years and the serving team is trained on how we like to deliver our product.

Our customers find that it far exceeds their expectations.

How did you develop the Statue Cruises product?

In 2005, the National Park Service requested proposals for companies to provide ferry service to Alcatraz Island on San Francisco Bay.

They wanted a great visitor experience and we are great at providing that. We also had ferry experience through our sister company. We won that contract and started service to Alcatraz in 2006.

At that time, the Park Service also put the Statue of Liberty concession out for bid. We bid on that during 2007 and were awarded that contract, and commenced operations to the Statue of Liberty and Ellis Island in 2008.

Both of these concessions are a combination of transportation and hospitality services. Two years ago, we successfully bid on the Niagara Falls-Ontario boat tour operation and we commence service there in April 2014.

How have you differentiated your capabilities within the space?

Any entrepreneur who believes his success is solely a function of his performance needs a sanity check. Luck is always a big piece of success. I do, however, feel that working hard brings more luck.

In any business, you need three things coming together at the same time. You need a lot of capital so the ability to raise capital to expand the fleet is an important element.

You also need a strong management team. We have 1,000 employees and we operate 24/7 in some cases because, without a strong team, you won't deliver the quality experience.

You also need to market. In our case, the National Park Service concession market is ready made. These parks are so iconic that people are lined up to board our vessels. So this helps deliver the market. But as an organization, we have strong

marketing skills, and we can add new products rapidly and get the message out. This has helped us grow and expand our brand.

What type of investment have you been making in the fleet, especially with ships like the Hybrid and the Infinity?

We have to maintain our fleet to a very high quality to be safe and also refreshed so the visitors and customers enjoy the experience they expect for their dollar. There is a constant flow of capital going on throughout the entire fleet. In some cases, we have classic yachts that are 100 years old so they require the care of an important antique.

People like the range of our products – some will like an old classic boat like John Wayne's yacht, *Wild Goose*, and others might like a new sleek, contemporary high-tech low-emission boat, like the *Hornblower Hybrid* in New York.

The younger generation are typically attracted to a sleeker yacht that has great connectivity and the newest in LED lighting. For New York products in particular, we have focused on being state-of-the-art with respect to entertainment systems and connectivity, as well as low-emission technology.

One of the newest boats in that market is the *Hornblower Hybrid*, which is a 600-passenger boat with the ability to operate on purely electric power when it's at the dock and for a portion of its underway time. This boat is getting a lot of attention for impactful corporate events. You can do a wedding with no noise and zero vibration on the boat while it's cruising because its diesel engines aren't running.

You do, however, need to have more than one vessel in any market to provide the range of services Hornblower fans have come to expect.

We solved that problem by bringing in the mega-yacht *Hornblower Infinity*. It has seven decks, great public and lounge spaces, and state-of-the-art multimedia entertainment onboard. You can sit in one of the upstairs booths and change the content on the TV and the intensity of the lighting in your booth with your iPhone or iPad. It has a big galley with several full bars – all of the things companies desire when they do business in great new venues today.

So the combination of the two boats is a great hit in New York right now and we've doubled our business there over the past year.

The hybrid concept was developed internally and our construction team built a lot of it. So we're actually more capable than a lot of other people in the boat business in that respect.

We have a talented team creating amazing experiences for our guests. ●