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The interview: Hubert Joly of CWT, Carlson and Rezidor Hotels

Posted Wednesday, 28 December, 2011 - 15:28 by Tom Otley

Hubert Joly is chairman of the board of directors of CWT and the Rezidor Hotel Group, and president and CEO of Carlson.

ABTN: This is a time of great economic uncertainty. What have you been hearing from corporate buyers this year?

The answer depends on which part of the year. It was very interesting to see how in the first half of the year corporations in Europe had begun to relax their travel policies and become more sensitive to the productivity of their travellers. Clearly as the year went on some corporations, not uniformly, were becoming more sensitive about travel. Their first focus was on restricting travel. Additionally, in the US, President Obama issued an executive order asking the various agencies to reduce travel costs and avoid unnecessary travel. From a pricing standpoint, in Europe with the lack of new [hotel] supply, there is a general sense in the industry that prices should evolve positively for the suppliers.

Speaking of hotel suppliers, at your Rezidor's Investor Day, the strategic aim of a 6 to 8percentage point margin expansion was targeted by 2015. Is that realistic?

The target is 6 to 8 points of margin with the specific assumption that the rev par in the market will grow at the same rate as inflation. We have no idea whether that will take place, but our **Ambition 2015** strategy is focused on the variables we can control. We can't control the environment, but we can control our rev par index, our costs, the ramp up of our properties and so forth. The margin improvement may in the end be higher or lower, but it's more a relative performance improvement target we have unveiled.

What synergies are there between Rezidor and Carlson?

Ones centred around revenue generation. In truth, when you look at Rezidor and Carlson Hotels there is no geographic overlap by definition [since Rezidor is the exclusive franchisor of the Carlson brands in **EMEA**] and very little functional overlap, because Rezidor is a hotel operator and Carlson Hotels the franchisor, but there are enormous revenue generation synergies. At Carlson Hotels we have the Ambition 2015 strategy which has a strong revenue component. We are making \$62 million in investments in various revenue engines, which will largely benefit Rezidor. Rezidor has historical strengths in the growth of the portfolio and in hotel operations but because of its history has never been focused culturally on revenue generation, so that is an opportunity. This is a global business, so whether on the web or loyalty programmes or the emergence of the middle class in emerging countries, approaching this on a global basis and in a seamless fashion across Carlson is very important and will help us. Europe is such a destination market particularly for Asia, and if Carlson can help

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Rezidor attract more of these Asian or US travellers this is highly beneficial to Rezidor. So it's a good fit.

There was mention of Rezidor being a preferred partner of CWT...

Carlson Wagonlit is putting a lot of emphasis on growing its hotel business, its hotel booking with its corporate clients, and partners with a number of hotel companies doing this. So Carlson Hotels is not the exclusive partner of CWT, but it is one of the most preferred partners and because we are in the same family... there is more collaboration than ever, and there's a whole variety of things that can be engineered to the benefit of the corporate clients of CWT, and to the benefit of CWT and to the benefit of Carlson Hotels that are being worked on as we speak. It's not exclusive, though."

Are there any synergies between Park Plaza and the Rezidor brands?

Well Park Plaza uses the same res system and loyalty programme, but the UK is a good example more generally of synergies. In the UK we have about 50 TGI Fridays, and around 60 Hotels across Park Plaza, Rezidor and Radisson Edwardian, so from a purchasing point of view there are opportunities we are going after. Global purchasing is hard, but local purchasing across these businesses is a real opportunity on top of the revenue generation.

You seem to lack brands compared with other hotel franchisors.

Every hotel company is working on their brand portfolio and it's a big part of our 2015 strategy at Carlson. We made the deliberate decision to exit luxury and we are very pleased with that. It's a small segment, and not necessarily with the best margin. Radisson Blu is a very exciting brand that we are making a global brand across all of the theatres. I think you will see Radisson Green with the revitalisation we've started in the US has the potential to become a very vital upscale brand, Radisson Blu being upper upscale, competing with Marriott, Sofitel and Westin, Green competing with Crowne Plaza and Doubletree, for example. Park Inn by Radisson has huge potential to grow, particularly in the emerging countries and there's more to be announced on this next year. In a sense there's a global sense to simplify brand portfolios, Unilever has been going through this. If you compare us with other hotel companies we have fewer, and we're not unhappy about this. My instinct is to build global brands rather than proliferation. That said, Radisson Green is an opportunity for Europe for a conversion brand and an opportunity in the emerging countries.

I inherited in a sense this odd situation with the various versions of Radisson that had grown geographically. And what we have been doing is thinking through a coherent global strategy of clear brand positioning across regions with tiered brands.

How is the Club Carlson loyalty programme coming along?

We had 5 million members at the end of 2009, we are probably at 7.5 million members now at the end of 2011 and we have set the goal of 10 million members by 2013 and we will maximise the activities and communicate with them. We also have separate programmes for SMEs and we are the only one with a programme for travel agents and we are working with the meetings market as well with the Meeting Planner programme. You have to be sophisticated because every hotel chain has its own programme, so you have to differentiate it.

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