

People-in-Travel

Tracking Travel's Leaders

Schulze Soundbites

Horst Schulze, now running Capella hotels and resorts, is best known for his time running Ritz-Carlton. Some soundbites on the upmarket hotel business:

-The luxury hotel business started to change about 20 years ago. Traditional luxury hotels will be called affordable luxury, and the others will be ultra luxury.

-The industry is becoming much more global.

-Over next 10 years mergers will increase 4-times. That means more business travel. At the same time, emerging markets are travelling more outside. 1% of Chinese would mean 15mn roomnights. *(That is a giant under-estimate. At present, domestic roomnights are probably already 1.5bn roomnights.)*

-You want to have loyal customers. They need to trust your brand. You have to understand what they want. Many in the business know what they want to give customers, but not what the customer wants.

We disagree almost 100% with Schulze; hotel groups spend enormous amounts of energy on trying to learn what the customer wants. Indeed, we might accuse Schulze of knowing what he wants to give customers.

-They want timeliness. At Ritz-Carlton when I started the customer would wait four minutes and that would be ok. We gave him a drink and he waited another two minutes. Now, people do not want to wait longer than one minute. And they want no defect, and they want it from a caring staffer.

-Now, people need service after 3-maximum-4 rings. Service starts the moment they start to contact you. The first step is a welcome. An employee who is trained just to fulfil a function, cannot do this.



From Travel Business Analyst

-We have created a commodity for a place to sleep in. But the customer does not want that. He wants a meaningful experience. That wasn't the case 30 years ago.

-Are we creating 'meaningful moments' or just 'moments'? We don't produce beds. We don't produce the floors or the walls. We produce one thing – service. They need to look you in eyes and know they are getting service.

-From emerging markets it is more important because they are more nervous travellers.

-30 years ago they checked in wearing a business suit, with chandeliers, art, and service at arm's length. Now they arrive in jeans with holes in them, and they are screaming "I want it my way; I want it for me".

-And they will get more demanding in the next 10 years. They will want more tomorrow than today.

Alitalia exit

Andrea Ragnetti, 52, did not last long as CEO of Alitalia.

He joined the airlines as general manager in February 2012 and became CEO the following month. Before this, he had international managerial experience in Netherlands and Portugal as well as in his native Italy. At Philips he had CEO roles at two of their divisions.

At Alitalia the task (to make it a successful/profitable airline) is near impossible and he must have known this before starting.



But he probably expected a longer period to try. A turnaround in 12 months would be possible only if he could have cut staff and routes - which were not to be allowed.

In fact, losses increased under his term - from US\$91mn (at US\$1 to €0.76) in 2011 to US\$368mn in 2012.

The other unusual fact is that Air France-KLM owns 25%. *We have presumed AF-KL bought this share to keep it out of the hands of the other bidder, Lufthansa. But most commentators would surely have presumed - at that time - that it would have been better to let Lufthansa spend to try the impossible.*

Presumably Ragnetti can now go back to straightforward and well-paid business activities. Total pay for his last year at Philips was US\$1.5mn; at Alitalia it was half that.

Meanwhile, Alitalia chairman Roberto Colaninno takes on the CEO post on an interim basis. Colaninno - with two other VPs, Elio Catania and Salvatore Mancuso - have the task of finding another CEO. One reported favourite is Gabriele Del Torchio, currently CEO of Italian motorcycle maker Ducati.

Despite the 'interim' nature of his CEO responsibility, Colaninno has changed reporting - which would normally not be necessary. Reporting directly to the chairman are two deputy director generals, plus heads of human resources, legal, communications, auditing.

Will these be switched back when a new CEO is found? If no, the airline has no need for a CEO; the chairman is doing that job. If yes, why make this reporting change now if Colaninno is also CEO?

This apparent mis-management seems to indicate that running the airline (including returning to profits) will have to wait until corporate direction is clarified. In the meantime, AF-KL may need to make some moves; AF, which is also losing money and trying to rework its business plan, cannot support these Alitalia losses.

An annual subscription to People-in-Travel, costing €100, is delivered only via email in PDF format. A small extract from PinT may be included in the Asia Pacific and Europe editions of Travel Business Analyst. ISSN-1998-6882.

For more information, contact Raymonde Perpignani at Travel Business Analyst, TBAoffice@gmail.com

Editors: Murray Bailey, Steve Shellum. Design: Context Design & Publishing. Copyright © Travel Business Analyst Ltd, 2013. www.travelbusinessanalyst.com