

Summary

Carlson has had great success in the past few years with hotel and restaurant expansion in newer markets, which matches industry trends. Much of Carlson's hotel expansion is in the mid-scale market which meshes well with emerging markets becoming more economically viable. And they continue to make inroads in their travel subsidiary, while increasing efforts to become a more household name within the lodging sphere. Areas of concern for Carlson mentioned within the case should provide excellent teaching opportunities for lessons on strategic management, marketing activities and position, technological advancements for the lodging industry and future opportunities for growth.

Teaching Aim

Students should be able to apply the strategic management theories and tools to help Carlson plan a strategy for the future. The case should be carefully read by students so that they have a firm understanding of the current hospitality landscape and can synthesize the information into coherent ideas as to how companies can create strategies to ensure future success. For instance, students can be asked to:

- Review Porter's five Forces Model, and ask what threats are related to Carlson's operations and current businesses and who potential new, (competitive), entrants are. What are some potential "substitute products" that Carlson might face in a hyper competitive market place?
- Apply the same logic for Ansoff's Model: What projects should Carlson invest in? Where should they be located?
- Finally, use a SWOT analyses to identify Carlson's Strengths, weaknesses (internal and external) and the opportunities presented to Carlson Companies today and in the future.

Teaching Strategy

The focus of the teaching method should be to outline how, despite the downturn of the global economy, Carlson has had steady, measured success across its various subsidiaries. Stress that although success is typically measured in increased numbers and revenues, there are several other factors to consider when hospitality firms such as Carlson seek to increase their market position and overall business profitability. Use this as a means of outlining the growth and expected future expansion of the hospitality industry as the overall economy continues its recovery.

Notes for the Instructor

Carlson operates some truly awe inspiring brands and properties such as the Radisson Blu beach resort in Sochi, Russia, (<http://www.radissonblu.com/resort-spa-sochi>) Radisson Blu Chongqing Shapingba, China, (<http://www.radissonblu.com/hotel-chongqing>) Radisson Aruba (<http://www.radisson.com/palm-beach-hotel-aw/aruaruba>) in the Caribbean, Hotel Missoni in Kuwait, (<http://www.quorvuscollection.com/symphony-style-hotel/gallery>) Radisson Aqua Hotel & Spa in Chile (<http://www.radisson.com/concon-valparaiso-hotel-cl-2511299/chic-ncn>), and many others. Carlson should continue aggressively expanding in areas still looking for a hospitality leader in their regions. They should now be bullish on their brand awareness in these areas so that they not only become profitable but also become the hotel of choice. Carlson should remain cognizant of emerging markets and global sectors which are likely to produce dividends. Also, it should change its primary focus from traditional travel destinations such as the European theatre to include other, emerging markets. They have begun to do just this, as evidenced by its 2013 growth of Carlson Wagonlit Travel in the Latin American theatre and Carlson Rezidor Hotel Group adding 66% of its new rooms in emerging markets. As Ms. Rautio points out:

Carlson's outlook for the remainder of 2013 is one of measured optimism. We'll continue to grow and invest in regions where we have the right partners and opportunities already in the pipeline, particularly Asia Pacific, but we're proceeding more cautiously in Europe -- where the economic headwinds continue to challenge our businesses (Carlson 2013).

When looking at the emerging markets landscape, "...particularly the Asia-Pacific region is forecast to account for 41 percent of the worldwide growth in outbound tourism and travel during the next decade. In addition, revenue per available room, a leading indicator, increased 30 percent in Hong Kong in November 2010 (CCIM 2011)." Carlson has hedged its bets on developing in emerging markets not only with Carlson Wagonlit Travel but also Carlson Rezidor Hotel Group, which is a winning strategy. (Question 2, 4)

Because areas in Africa, Russia, China and others are on the upswing in terms of tourism and business travel, Carlson has a unique opportunity to position itself as the go to name in lodging. All available areas of advertising and marketing should be employed; from traditional means such as television spots and print ads in local periodicals, billboards, and snail mail circulars to more modern forms of communication such as email campaigns, Twitter and Facebook posts, etc. to ensure a proper "media mix" is being utilized. In this way Carlson will position itself effectively so that it can attract and retain as many patrons as possible within its targets for market expansion. (Question 4, 6)

With its revenue leader coming from its travel management program, Carlson should continue looking to drive revenue in other areas

of their business. Carlson will need to increase their online media and technology presence so that they can not only retain their repeat customers but also capture new travel business. "For Carlson overall, innovation will be a key factor in attaining our return on equity targets and ensuring the long-term growth and stability of our underlying businesses (Carlson 2013)," Rautio explains. Trends are carrying technology into the smart phone, tablet, social media and online segments, so Carlson will need to update their services to accommodate this shift from traditional booking practices. For its hotel division Carlson has been increasing its marketing budget, investing \$180 million in 2012 (<http://carlson.com/news-and-media/news-releases.do?article=6589698>) versus \$100 million in 2009, which highlights their intention of increasing brand awareness moving forward. This trajectory will help Carlson as they seek to expand their brands and increase revenue in their hotel segment, while augmenting their travel segment with up to date technological capacities in preparation for the future hospitality consumer and business environment. (Question 3, 5, 6)

Carlson should also help its franchisees with costly expansion and brand standard projects. Carlson seems to have recognized this fact with their hotel component, spending 80% more on marketing from 2009 to 2012. In addition, as of 2013, 75% of Radisson properties and a number of its Country Inn and Suites properties in the U.S. and Canada have incorporated property improvement plans, (PIP's). These facts suggest Carlson is not only giving franchisees time to implement some of the company's goals regarding property updates, but also providing incentive to upgrade by marketing newly renovated properties more extensively. This is an area of particular concern as Carlson looks to expand its core businesses. (Question 1, 5)

When expanding their brands into new markets, choosing the right talent and adhering to area norms is extremely important. A hotel or restaurant lives and dies with service. Thus, the ability of its employees and management to interact positively with all of its potential customers becomes a key barometer of success. There are numerous ways to ensure success in this area, such as liaising with local business committees and leaders to make sure Carlson managers have a good handle on where excellent local talent exists. Also bringing in top talent from inside the company into new areas of the globe to showcase company norms and standards is necessary. As Calum McIndoe in an article for Hospitalitynet.org, wrote, adhering to local norms to generate high investment return "...maybe something as relatively simple as issues of scalability or international languages, or something as complex as accounting for different regulations and working practices in different countries. (McIndoe, 2013)." (Question 8)

Finally, although Carlson remains a privately held entity, they can still generate enough revenue to move forward with some of their riskier ambitions, thus far (<http://www.investopedia.com/articles/stocks/08/privately-held-company-investing.asp>). For 75 years they have been

able to expand their brands without succumbing to industry pressures to go public to generate capital. This is one of the company's signature accomplishments and if history is any indication they will continue to hold the firm as a privately held corporation. In fact, many of the initiatives that have been mentioned above represent the company positioning itself to ensure that they remain viable in its current iteration. Examples include its increase in marketing expenditures and its drive to become an emerging market leader. (Question 6)

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Appendix