

## Masters of Scale: Rapid Response Transcript – Stephanie Linnartz

### “Fighting through headwinds at Marriott”

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**STEPHANIE LINNARTZ:** Ultimately companies are differentiated by how they make progress when there's major headwinds. That's what we're having right now, major headwinds. And I think companies have a choice. Are you simply going to focus on survival, or are you going to innovate, and are you going to transform to meet a new reality?

We know travel's coming back. Travel can not be stopped. When I think about 2020 and I think about COVID, it's this complex and devastating amalgamation of social, economic, health issues all coming together, and it just makes you realize what's important in life. And then of course being so close to Arne as he battled and ultimately died from pancreatic cancer. I mean, that just puts everything in life into perspective.

**BOB SAFIAN:** That's Stephanie Linnartz, president of Marriott International.

The hotel business got rocked by COVID-19, and though Marriott's trajectory is finally beginning to head upward, demand is still far below capacity.

I'm Bob Safian, former editor of Fast Company, founder of The Flux Group, and host of Masters of Scale Rapid Response.

I wanted to talk to Stephanie because, in the midst of Marriott's other difficulties, its beloved CEO, Arne Sorenson, died from cancer earlier this year.

Arne was on this show last fall, after seemingly recovering from an initial cancer scare.

Stephanie and new CEO Tony Capuano had to pick up the reins, in the most challenging travel environment in modern times.

Stephanie's journey, and her prescriptions for Marriott's future, reveal an entrepreneurial spirit that is both bracing and inspiring.

### [THEME MUSIC]

**SAFIAN:** I'm Bob Safian, and I'm here with Stephanie Linnartz, president of Marriott International. Stephanie is coming to us from her home in Chevy Chase, Maryland as I ask my questions from my home in Brooklyn, New York. Stephanie, thanks for joining us.

**LINNARTZ:** Thank you for having me, Bob. Great to see you.

**SAFIAN:** So this has been an extraordinary period for the travel and hospitality business, and I'm eager to get into what's been changing most recently and how you and Marriott are adapting and preparing. But I have to begin by asking you about Arne Sorenson, your longtime colleague and the CEO of Marriott who succumbed to cancer earlier this year. Arne was on this show as a guest last fall in October, and he seemed great, vibrant. He was closely engaged in guiding Marriott through the pandemic, talking quite optimistically about the future. And then it seemed quite suddenly that the cancer returned, and he passed away. Did it seem as sudden to you?

**LINNARTZ:** It did on one hand. In the fall and into the winter of 2020, Arne was doing much better. Pancreatic cancer is a very, very difficult cancer. So we were all well aware of the statistics and that it's a tough one to battle, but he was doing quite well at the end of the year. And then the beginning part of the year, he took a turn for the worse and then died suddenly in February. It's been, on top of the pandemic and the devastating impact of COVID to our business, losing Arne has been heartbreaking. It's really been heartbreaking. I've known him for well over 20 years. I know you knew Arne well. He was not only a remarkable CEO, he was a remarkable human being. I miss him terribly personally, and our company misses him.

But one thing about Arne I can tell you for sure is, he would tell us to wipe our tears – and our new CEO, Tony Capuano, who's a longtime colleague of mine as well – and he would tell us to wipe our tears and get back to the business of running Marriott for the hundreds of thousands of people who are depending on us.

**SAFIAN:** Yeah. Did you talk in advance about if a transition came, how it would be handled?

**LINNARTZ:** A little bit. Marriott had, of course, the board and Arne had a plan for succession planning, like any big public company does. What we really talked about was more in the context of just how we were going to come together as a leadership team to navigate through this. And while it may not have been said explicitly, I knew he was saying to Tony and myself, and to the rest of the leadership team, "You need to keep pushing forward through this, no matter what." It was kind of unsaid, "No matter what, even if I'm not here." He was again, just a tremendous leader.

**SAFIAN:** So you and Tony, you took over, first on an interim basis, and now Tony is CEO and you as president. How does that partnership work? You're running the operational pieces largely, yes?

**LINNARTZ:** I am running all the consumer parts of the company, which I was previously running. So sales and marketing and brand, also running technology. And then we've launched a lot of new businesses over the past few years, all tied to our loyalty program, Marriott Bonvoy. And I'm also running, in this new role as president, our real estate development group. So working with third parties to open new hotels around the world.

I'm running our global design organization. So the interior designers that work with our brand leaders on that front, and then our global operations group.

So I am running those different departments and partnering with Tony on strategy issues. Things are getting much better, but it's still tough going, as I know you know.

**SAFIAN:** Yeah. Your two biggest markets are the U.S. and China. Both of which are largely domestic driven?

**LINNARTZ:** Yes.

**SAFIAN:** And those domestic markets are becoming more robust. Europe, though, relies a lot more on tourism and business travel from the Americas and from Asia. How is that market responding?

**LINNARTZ:** To zoom out for a second, things are getting better from a global perspective, and it might be good to set a little context of how bad things were last year. In the depths of the crisis in 2020, our business was down 90%. Our hotels were at single digit occupancy. We had 25% of our hotels closed. Hundreds of thousands of our associates globally were either laid off or on reduced work weeks. We had never seen anything like that.

After 9/11, 2001, our worst quarter for RevPAR, which is our equivalent of same-store sales, was down 15%. In the 2008, 2009 crisis, our worst quarter, our same-store sales were down 25%. So to have your sales down 90% and a quarter of your hotels closed is unprecedented. I remember at one point, Bill Marriott, our executive chairman, who's 89 years old, said, "You know, Stephanie, this isn't my first rodeo." He'd seen riots and wars and terrorist attacks. He said, "It's not my first rodeo, but it is by far my worst."

So that's where we were. And now things are better. And to your point, they're particularly better in China and the United States because they have large domestic markets. Our business, our same-store sales, in May, was down just in the forties. So, improving. Our occupancy, globally, was just under 50%. So we're heading in the right direction. In China, business is actually, in many segments, better than 2019. Leisure travel is better than it was in 2019, because of course, the Chinese aren't traveling outbound right now. They've picked up nicely in Europe, as some of the restrictions have been relaxed, but the recovery is not yet to the extent that we're seeing in the United States.

In the last two weeks of May, our bookings into Greece popped because they relaxed travel restrictions. Our bookings popped 6% versus those same weeks in 2019. We compare everything to 2019, by the way, because 2020 was just so rough. So, we're seeing, as they release restrictions, when the EU said that they were going to allow quarantine free travel for vaccinated tourists, as soon as that announcement came out

and the two weeks afterwards, we saw our bookings from the U.S. to Europe pop. But there's a long way to go to full recovery in Europe.

**SAFIAN:** As you're citing these numbers and telling these stories, you're on a better trajectory, but it's still pretty bad. How do you think about planning for the future in an environment like this?

**LINNARTZ:** Bob, I think that ultimately companies are differentiated by how they make progress when there's major headwinds. That's what we're having right now, major headwinds. And I think companies have a choice. Are you simply going to focus on survival, or are you going to innovate and are you going to transform to meet a new reality? And that's what Marriott International has done during this pandemic. We really said, we're going to lean into this time and invest because we know travel's coming back.

And the reason we did that, I think is number one, it's the culture of our company, a 94 year old company that's been constantly changing over the decades. Number two, out of pure necessity, right? We had to. Customer preferences and needs and wants were changing dramatically, and third, back to Arne. Arne had one strategy, move forward. And so I think his leadership lives with us through this time.

And again, we're seeing booking 60 days out increase every single day, every single week, every single month. So I am very, very bullish that we're going to see the demand for travel come back across to all business segments.

**SAFIAN:** You mentioned launching new businesses, you continued to launch new businesses through all of this, and what are the key investments that you made? What are the key bets you're making about how the future is going to be different?

**LINNARTZ:** So we knew during the pandemic that our most loyal customers who are our Marriott Bonvoy members, 150 million customers in our Marriott Bonvoy program, we knew they couldn't travel as much. So we said, what can we do to stay engaged with our best customers? So we did things like an innovative partnership with Uber, and particularly UberEats.

And some people said, "Why are you doing that in the middle of 2020? Why are you investing in this?" Because we knew things were going to get better in 2021.

We invested in scaling up our home rental business. We launched it in 2019, quite modestly, but we doubled down on that business in 2020. People wanted more space, they wanted to be in, sometimes, more remote locations. So we scaled the business and invested in the technology to do that. So we went from 2,000 homes to over 30,000 homes, and that business has done again relatively well.

We launched new promotions with our co-branded credit cards. People may not have been traveling, but people who had the Marriott Bonvoy credit card were buying groceries and gas. So we did points promotions to keep them engaged with us when they were doing something besides traveling. So there's many, many examples.

**SAFIAN:** You mentioned the home and rental business, was that launched to be a better competitor against Airbnb, or for different strategic purposes?

**LINNARTZ:** Really, the strategic purpose behind homes and villas was really as an offering to our Marriott Bonvoy members. Home rentals have been around for a long time, but Airbnb and others have used the internet, right, to scale it into a different level. But as we were talking to our members, we knew that they were not only talking about home rentals, they were increasingly doing it. And we thought, why not have an offering to keep them in our ecosystem and sticky to us? Our offering is different from Airbnb's.

First of all, significantly smaller. I'm not sure of the exact Airbnb statistics now, but I think they're at north of 7 million listings and same thing with Booking.com's offerings in that ballpark, again, we're at 30,000. We are only playing in the premium and luxury space. We do not let anyone just put a home on our site. You have to be managed by a professional company. We have very strict brand standards that you need to meet.

And the most important part is you can earn and you can burn your Bonvoy points. So, we always say this is meant to be complementary to our core hotel business. Give us all your hotel business, stay at Ritz Carlton and St. Regis and W and Fairfield and Courtyard, I could go on, all our 30 brands. Give us all your hotel business, and then take those valuable points that you've earned and use them to redeem for a castle in Scotland or a villa in Italy.

I should point out that 90% of our bookings in homes and villas are Marriott Bonvoy members. So it's been a great success. And the last thing I'd say, Bob, is that 40% of our homes are in locations where we don't even have hotels anyways. So, it's a complimentary offering.

**SAFIAN:** Are there ways that customer habits have changed through the pandemic that you think are going to have long-term impact on the travel business?

**LINNARTZ:** Well, I think some of the things that will stick with us forever are the use and adoption of technology. I'd say the hotel industry in general was a little bit behind the airline industry in terms of using mobile capabilities. And during the pandemic, again, our investment in data technology, we really geared up the rollout of, we had mobile key and mobile check-in and mobile guest services already in thousands of our hotels, but we accelerated the rollout because we knew that during the pandemic, more people may choose to check in on their phone or on the website, or want to go right to their room

versus having to interact with people. Not just check in and check out, but order room service or extra towels or pillows, whatever you needed to do.

So I think that kind of thing is going to stick with us, I think, forever because people love it.

**SAFIAN:** I've noticed for myself a blending of my personal life and my business life much more, and I wonder how much you think this blending of travel, leisure travel, and business travel may be unfolding.

**LINNARTZ:** I do think this idea that there's going to be a combination of business and leisure, we call it bleisure, because there's more flexible work environments now. That may mean people take longer trips that are more common, because they're going to combine a vacation and working from whatever location they may choose to go to. I think people are also seeking more meaningful experiences coming out of this thing, so they'll want to go to different places and do different things.

To build on that point, in the middle of the pandemic, and we still have it now, we innovated with some new offerings for consumers. We called it Work Anywhere with Marriott Bonvoy. And we had these things, and we still have them, day pass, play pass, stay pass. And we worked with some of our top accounts to give them to their employees. If you're a consultant and you've been locked up in your apartment in New York City or wherever, and you want to get out, we said, why don't you go work from one of our hotels for a day? Check in in the morning, check out at night. We've got great high speed wifi, food and beverage offerings, we had special goodies that we gave you.

And so we created these packages to very much connect with consumers who were trying to do just what you said, combine work and pleasure. And again, that's upside for us.

#### [AD BREAK]

**SAFIAN:** So Stephanie, are you traveling much yet? I mean, you used to travel a lot.

**LINNARTZ:** I have continued to travel a decent amount. Of course, nothing compared to before the pandemic hit, where I was traveling at least 50% of the time. So I've spent more nights in my bed and had more meals with my husband and kids than I ever did in the past 20 years. So that part's been good. But I got out there as much as I could to visit our hotels. And increasingly, I've been traveling across the U.S. the past couple months, just as things have gotten a little bit easier.

I'm doing a combination work and family trip to Greece this summer. I mentioned Greece earlier. The second we saw those restrictions open up, my husband and I said, "That's been on our list." And I can, again, do a combination, some work, and again, bleisure.

And I think as an executive in the travel business, I need to set a good example to get out there and travel.

**SAFIAN:** Do you think from a work point of view that you will travel less because you've gotten more used to virtual engagement? I mean, some of the Zoom or Teams kind of meetings, will it make it easier for you to be more efficient by reaching some places without having to go there yourself?

**LINNARTZ:** I think there's no doubt that these tools that we've all gotten so used to, Teams, Zoom, et cetera, they have given us a level of efficiency for a certain type of meeting and to get certain types of work done. So I'm sure I will continue to use them more, just like everybody in the world probably will. That being said, I personally believe I will be back on the road as much as ever. We're in the hospitality business. It's about people serving people. And I can never connect with my team around the world or our team of associates at the properties on a Zoom call or a Teams call. We need to be there in-person.

**SAFIAN:** Do you guys have any discussions about requiring vaccinations, whether that's for your offices, whether that's maybe vaccine passports for admissions to certain hotels? I know you guys, you manage some hotels but you don't own. How do you think about this vaccination issue?

**LINNARTZ:** So we are not mandating vaccines for our associates, but we are strongly encouraging them to get vaccinated. And we recently rolled out a program that allows for flexibility, education, and a financial incentive to get vaccinated. So in the U.S. and Canada at our managed properties, we will give our associates four hours of pay to go get the vaccine. And so, I think we are very confident that the vaccination is the key to minimizing the spread of COVID-19, so how can we encourage our associates to get the vaccine to be safe for themselves, for their families, for our guests? And as it relates to guests, no, we are not mandating that people get the vaccine. Of course, we are encouraging people to get the vaccine and saying, if you're fully vaccinated, you don't need to wear the mask coming into our hotels. If you're not, please, people should wear the mask. Similar to other companies.

But you point out something really important that I'm not sure all of your listeners know, is that we don't own these properties. They are owned by third-party real estate partners, and we either manage or we franchise, and they use our reservation system, our website, our app, our Bonvoy program. And typically the people who own the hotels, and in the case of the United States, it's usually U.S. investors. And in the case of China, it's usually Chinese individuals or firms who own the hotels. So we're always partnering on all of these types of decisions with our owners and our franchisees. I mean, they are very, very important partners but in particular during these tough times.

**SAFIAN:** Arne and I talked a little about the rising pressure on business leaders to take positions on social and even political areas. This was before the January 6th insurrection at the U.S. Capitol, before voting rights became a hot button topic. Has Marriott's approach to these sorts of issues evolved at all over the last six to nine months?

**LINNARTZ:** I think that Marriott International has always believed in equality, and justice, and putting people first, no matter what they look like, where they come from, what their abilities, who they love. And as such, Marriott's not a political, doesn't take political stances. You know this from talking to Arne, but does speak out on issues that are important to our company and to our associate base. So Arne spoke out when the terrible killing of George Floyd, he spoke out about how Marriott stands against racism. And he was very vocal about that. Or on LGBTQ rights, this is important to our associate base and to our customers.

**SAFIAN:** But have you taken any positions on some of the voting rights activities? I mean, I know Delta ended up denouncing Georgia's efforts.

**LINNARTZ:** Tony, our new CEO, put out a statement, basically saying, "We of course, want to make sure that people can vote, and we encourage making sure that people have the flexibility in their schedule when it's time to vote for an election." I thought it was pretty powerful.

**SAFIAN:** It's a challenging time to be a leader when you've got some organizations like Coinbase and BaseCamp basically prohibiting dialogue of political issues, and others sort of saying, "Hey, it's free speech. Have any conversations you want." It's not an environment that corporate leaders have historically been pulled into.

**LINNARTZ:** Yeah. I mean, it's complicated. We are having internal dialogues about when we speak out on things and when we don't, but again, we're in the hotel business, we're in the hospitality business. We need to always be welcoming everyone to our hotels.

My parents own and operate a small independent hotel on Capitol Hill in DC and had a bunch of restaurants, so I'm what's known as a beltway baby and grew up with the business, so it's in my DNA that you have to respect both sides of the aisle, if you will. You have to allow for an open, honest dialogue about tough issues. If you don't engage in dialogue, how can we ever move forward as a society?

**SAFIAN:** You're arguably the most powerful female executive in travel. Some observers have noted that advocacy for women in the workplace that had a certain momentum heading into the pandemic kind of got sidetracked or overshadowed by health issues, Black Lives Matter, even as women were disproportionately hindered by the economic fall out of the pandemic. Do you think of yourself as a female business leader? How much do you think about being a role model?

**LINNARTZ:** I think of myself first and foremost as just a leader of Marriott International, that I have a very diverse team, but I am a woman and I am a mother, so I'm very well aware of that too. And I am very worried about the impact this pandemic has had on women. McKinsey puts out this annual women in the workplace study, and it said this pandemic is really the first female recession, if you will. Women lost jobs at such a higher rate, as you noted, the impact's been incredible because women still make less than men. And with all the kids having to stay home from school, is just one example, a lot of women dropped out of the workplace. This study talks about this pandemic setting women back 5, 10 years. I find that heartbreaking.

And in my industry in particular, it skews very female, very minority, and very youth, actually. We have two times the youth in the travel and tourism sector than in other industries. So we have to do something about this. I think governments can, and must, recognize the importance of travel and tourism, as one example as a sector that allows certain parts of the population to get into the workforce and to grow their careers. That's why I'm so passionate about my industry, my sector, because it gives people a chance to get into the workforce. Many times it's somebody's first job and then they'll work their way up the ladder.

So I do think about the fact, and I try to mentor other young women and men, but I do think it's important that women help other women along the way and share our experiences. I remember what it was like to be traveling nonstop and have babies and toddlers. I don't have all the answers, that's for sure. And I'm not sure what work-life balance actually even is, but I try to share my experiences. I think that's my obligation. And not only, by the way, in my own company. I try to do that with women I meet across other companies and industries.

**SAFIAN:** It's been a stressful year, managing all of what's going on in the business, managing the leadership transition at Marriott. How do you handle your own stress?

**LINNARTZ:** I find running one of my biggest stress relievers. I like to meditate, so I find meditation and prayer a way to kind of calm myself and make sure I'm focused on what's most important.

When I think about 2020 and I think about COVID, it's this complex and devastating amalgamation of social, economic, health issues all coming together, and it just makes you realize what's important in life. And then of course being so close to Arne as he battled and ultimately died from pancreatic cancer. I mean, that just puts everything in life into perspective. It helps me manage what may be a stressful day at work or week at work and in a different way than I did before.

I get this daily quote from an organization. This is the one that came in this morning. It said, "Once the storm is over, you won't remember how you made it through, how you

managed to survive. But one thing is certain, when you come out of the storm you won't be the same person who walked in." And I really liked that quote and how I'm thinking about living through this pandemic, and of course the terrible loss of Arne.

**SAFIAN:** What's at stake in this moment, at this time for Marriott?

**LINNARTZ:** Well, it's all about leaning into the future. First of all, we need to continue to focus on the basics. We need to provide great service in our hotels. That's the backbone of our company. Without great brands, no one wants to be part of Marriott Bonvoy, no one wants to go on a Ritz-Carlton yacht that's sailing later this year or rent one of our homes or get our credit cards. So we need to make sure we get back there as quickly as possible, because we're now going from 0 to 60 in terms of the business coming back.

And then again, it's about continuing to look around the corner and to recognize things never stay the same. And even a 90 year old plus company, or especially a 90 year old plus company needs to continue to innovate, come up with new offerings. I always say a healthy dose of paranoia is a good thing, a healthy dose, because things are always popping up, new competitors, et cetera. When I think of the future and what's at stake and what we need to focus on, those are some of the things I spend a lot of time thinking about.

**SAFIAN:** Well, Stephanie, this has been great. Thanks so much for sharing your time and your thoughts.

**LINNARTZ:** So good to see you again. Thank you for inviting me. It means a lot, so thank you.