CEOs OF HILTON AND MARRIOTT DISCUSS THE STATE OF HOSPITALITY TODAY

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Excerpts from Mr. Nassetta's and Mr. Sorenson's Remarks

Will Airbnb disrupt the hospitality business?

MR. NASSETTA: If you look at it from our perspective, even if they were to grow at an exponential rate, we still think, from the standpoint of the customers we're trying to attract, it is not really, in any meaningful way, digging into our business.

MR. SORENSON: Only time will tell. What Brian Chesky has done with Airbnb is fabulous. He has built – he says he's got 500,000 units, essentially, available on his website – in three years. So that's big, powerful growth.

When you look at our space in the hotel industry, we're selling more rooms in the United States than has ever been the case. So during the same period of time, there's no apparent sign that it is hurting our business today, but, you know, time will tell.

Why take the job as CEO of Hilton after Blackstone bought it?

MR. NASSETTA: From a personal point of view, I saw the opportunity at Hilton to be an amazing growth and learning opportunity and opportunity to fix something that was severely undermanaged. Suffice it to say, that was the underwriting thesis when we got in, we found out there was more opportunity than we thought. The organization was, I guess I've been famously quoted as saying now a few times – dysfunctional. From a performance point of view, we were average, you know, top line margins, bottom line. Our brands were good, but they could be better, both in terms of customer satisfaction, market share of the brands, and we had gaps in the system in terms of covering all the segments. And from a growth point of view, while it's interesting the Hilton brand is the number one brand tested by third parties in customer awareness in every major region of the world, if you went around the world and you looked at in the aggregate, our growth was anemic. We were anywhere from fourth to eighth.

And so the opportunity was to come in, rebuild a culture, really transform the business, which is what we've done, to have a real performance-driven culture that's integrated, that's aligned, step up our game on performance, which at this point I'd say we lead the industry on top line, margins, bottom line, strength in the brands; we've seen market share growth across the brands, customer satisfaction grow significantly; we've expanded the family of brands; and importantly, we took a growth profile that was, as I suggested, anemic, and we now have led the industry in the last six years. Even while all these things were going on, we've grown what was a very big business at the time by 37 percent. We've added 1,300 hotels since Blackstone bought it. We have 200,000 more rooms, over a thousand hotels in the pipeline, with half of those under construction around the world. We've gone from being anywhere from fourth to eighth in every region in the world to being number one in rooms under construction in every region of the world, a huge international growth profile. And importantly, we're doing it with little or no capital of ours, all with third-party capital.

Can you explain a concept that Marriott more or less invented or perfected, which was to not own hotels, but to have other people own the hotels and you manage them?

MR. SORENSON: It's important for people to be able to know that they can find one of our hotels wherever they're going, and preferably one hotel in whichever segment of the lodging industry they want to be in. So if they want to stay in a luxury hotel, come stay with us at Ritz-Carlton wherever you're going. If they want to be in a full-service hotel, come stay at Marriott at Renaissance, et cetera. And to get that distribution really required us to have real estate partners who could provide the capital necessary in order for us to grow. And so that's what started it.

Now, we ended up with this searing time 20-some years ago when Host was formed, which gave us a sort of deeper commitment to not loading on debt to develop real estate, which is really what got us into that issue. And then more recently you have the development of the franchise portfolio. So that's by and large a U.S. phenomenon, although Europe is getting to be more and more like the U.S.

And then what we've seen is that many of our good partners over the course of the last 20 years have developed not only sizable portfolios of hotel real estate, but they have developed the expertise to know how to run hotels. And often, cultures that are very symbiotic with ours, they are focused on people, they're focused on guest service, and they've turned out to be great partners who want to grow with us and have an operating business, and that's great for us too.

What's your favorite hotel in the world?

MR. SORENSON: The Ritz-Carlton in Hong Kong, one of ours, lobby's on the 98th floor, goes up from there. The last time I was there, I stayed in the 118th floor, tallest hotel in the world. It's like you're in an airplane looking down. You'd feel right at home….Stunningly beautiful.

MR. NASSETTA: The Conrad in the Maldives, just because I think the Maldives is probably the most beautiful place on Earth. But, in a city hotel, I think one of the great hotels that we have and that I really love staying at is the Waldorf Astoria in Shanghai on the Bund. It's a spectacular blend of historic old bank building with a new tower behind it that's really well integrated and a great hotel.

What keeps you up at night?

MR. SORENSON: Well, it may be a somewhat serious comment about the divisive society we live in. And I'll tell you two stories that came up recently.

One, we had a group in a hotel here in the Washington, D.C. area, which was a – let's see, American-Arab or American Islamic affiliation of some sort. And I had 7,000 emails over the course of 24 hours saying we were harboring terrorists and that we should boycott Marriott.

We had another group stay at a hotel in Phoenix, and the complaints came from the other side. And basically, it was about how we were welcoming folks who were in favor of immigration or some other area that was difficult.

And we now, all of us, operate businesses, obviously, in Washington. This is apparent to everybody. We operate businesses where folks can find fault with anything. And the fact of the matter is we run an open shop. Everybody's welcome in our hotels. We don't care whether they eat Pringles in a room and we don't care what their politics are when they are checking in.

But somehow we live in a world in which anybody can say, you're a bad business because you have housed somebody last night whose politics I dramatically disagree with. And that is in our political system, but it's also in our society over and over again. And we've got to work, I think, collectively to make sure that it's not a sort of a gotcha game, that we're not holding business to a standard which is to somehow filter through all controversial things and get them behind us.

What's the greatest pleasure of running a global hospitality company?

MR. NASSETTA: The people. Three hundred thousand people that work in these 4,100 hotels around the world, that work harder than you could imagine every day to create amazing experiences, and I get to spend a lot of time out on the road with the teams around the world to see it in action and to see, you know, as hard they work, the joy that they have. And being able to deliver that service is definitely the best part of the job.

And to think about our growth, you know, is fun. We make more money and, you know, our shareholders make more money, but what it really means to the people of the organization is a great future. I mean the fact that we're growing at this pace is just creating opportunities for all of our team to grow and learn and do bigger and better things. And all the things I do, when I come home and talk about what I do for a living with my children, my wife, it's always in the end about our – about the people, the company.

MR. SORENSON: It's a business everybody loves. Our people love it, our guests love it, our owners love it. And it's really accessible.

You can understand any business, but you love hotels and you love to talk about hotels and who's taking the toiletries and what's happening in the mini-bar. You can like it for the business riddles, you can like it for the grand questions around global development, but you can also like it just because you've got a favorite hotel in the world and you got an experience that you'd like to talk to people about it.

And so whether you're on the soccer field with other parents or you're, you know, talking in sophisticated business circles or you're talking to government folks, everybody likes the hotel business, maybe to complain about it every now and then, but they love to travel, they love the experience, they love the memories that they get and take from it.

DAVID RUBENSTEIN: Good morning, everyone, members and guests of The Economic Club of Washington. I am David Rubenstein, President of the Club. Welcome to this breakfast event in the Atrium Ballroom of the Ronald Reagan Building and International Trade Center in Washington, DC. Thank you all for coming today; to this ninth event of our 27th season.

Our featured guests today are Chris Nassetta, the president and CEO of Hilton Worldwide, and Arne Sorenson, president and CEO of Marriott International. So we are going to have a very good conversation.

Let me introduce them first: Chris Nassetta, president and CEO of Hilton Worldwide, is a native of the Arlington area and went to the University of Virginia. After graduating, he went to Oliver Carr, a local real estate development company – rose up to be the chief financial officer and chief development officer, then left to create his own firm with Teri Golden – Bailey

Partners — and did that for a number of years, and then was recruited to go join a firm called Host Marriott at the time, and that later became Host Hotels, and he became the CEO of that company and did that from 2000 to 2007. In 2007, he was recruited at the time that Blackstone was buying Hilton, and upon the completion of that buyout, he became the CEO of Hilton Worldwide, and now runs that company. And it was, at the time, one of the largest buyouts ever done, and we'll talk about its history and so forth. He's also involved in a great many philanthropic activities in the Washington area.

Arne Sorenson is the equivalent at Marriott International. He is the president and CEO. By background – first, he graduated from Luther College and the University of Minnesota Law School. He is a lawyer – litigation partner at Latham and Watkins, and did some work for Marriott, and Marriott recruited him to come in as the head of M&A, and then he became the CFO and then the head of Europe, and then the president and chief operating officer, and then, in March of 2012, became the president and CEO and the first non-Marriott family member to have that position.

So both companies are extremely well-known. They are the two largest hotel companies in the world, and have roughly the same number of rooms – I think they each operate about 675,000 rooms around the world. Hilton has an enterprise value of about $32 billion – Marriott, an enterprise, has a value of about $16 billion or $17 billion. They each have roughly 300,000 employees, and they both compete with each other fairly fiercely, though today they've agreed to come together. [Laughter.]

So let me ask, to start, a question for both of you. I was at a meeting not too long ago, and a young man was introduced to me, and somebody said, well, he is revolutionizing the hotel world. I said, well, who is he? His name was Brian Chesky. He's 32 years old. I asked him, what do you do? And he says, well, I started a company three years ago, and it's called Airbnb, and now people can go all over the world – wherever they want and stay in peoples' homes, and I wondered whether that was going to disrupt the hotel business, because you guys have built out all these hotels everywhere, and now people want to stay in homes.

I had not heard of the company; I have now asked everybody else about it, and everybody else has heard of it other than me, so it's obviously going, you know, fairly well. And it's not yet public, but it's supposedly going to go public at some point in the near future.

So tell me, is this company going to disrupt your business, and are you going to get into this kind of business?

MR. NASSETTA: I think there's a long answer and a short answer. Maybe I'll give you the medium answer. The short answer would be, I don't think it's disruptive to our business – either of our businesses. If you think about it, this type of combination and way people are staying overnight around the world has been going on forever, right? And what he's doing, and I think doing very, very well, is bringing efficiency. That's what's been happening through technology, Internet, et cetera, is disrupting and bringing efficiency to something that otherwise was inefficient. People have been staying and renting rooms and doing this for thousands of years. This is how the business started. And so –

MR. RUBENSTEIN: All right. So you're not worried?

MR. NASSETTA: So I'm not worried. I'm not worried, because if you look at what it is – it is certainly going to create more transparency. It's going to make the business a bigger business – a more efficient business, but in terms of the products and services that we're trying to deliver with the various brands – in our cases, 10 brands at different price points and with broad geographic distribution with the services that go along with it – the various services from the lower end or the upper end, they're not really doing that.

I mean, there's been a bunch of press on it this week, and it's about experiences and all of that. I think it's a real business. It's not going away, but we're doing something different. And if you look at it from our perspective, even if they were to grow at an exponential rate, we still think, from the standpoint of the customers we're trying to attract, it is not really, in any meaningful way, digging into our business.

MR. RUBENSTEIN: Right. So you're referring to the story this week about the company?

MR. NASSETTA: There were a lot of stories this week. Somebody came home to quite an event, I understand.

MR. RUBENSTEIN: Yes. For those who haven't followed this, somebody rented out their home on Airbnb, and then it turned out it was used for an orgy, which produced $60,000 of damages, I guess. And so that was the issue.

MR. NASSETTA: Yes. And they came home early and came home to witness the orgy.

MR. RUBENSTEIN: Oh, they witnessed that? I didn't get that part. [Laughter.]

MR. NASSETTA: So they got more than they bargained for.

MR. RUBENSTEIN: Obviously. Arne, what is your view on this?

MR. SORENSON: I hadn't really heard this story before, so I've just got to pause and catch up here a little bit. [Laughter.] Only time will tell. I mean, I think what Brian Chesky has done with Airbnb is fabulous. He has built – he says he's got 500,000 units, essentially, available on his website – in three years. So that's big, powerful growth.

When you look at our space in the hotel industry, we're selling more rooms in the United States than has ever been the case. So during the same period of time, there's no apparent sign that it is hurting our business today, but, you know, time will tell.

Couple of stats that I think are interesting. Fifty percent, roughly, of Airbnb's stays are shared stays, OK? So you're not renting out a hundred percent of an apartment or a house. You're getting a bedroom and another bedroom is being occupied by the owner or the host. Or you're getting a sofa in the living room. That's obviously not a space where we're really competing with them. But that still leaves 50 percent of their business.

I think there's another chunk, which is, testing neighborhoods. So imagine your kid's going to San Francisco; not sure which neighborhood they want to live in. They go to Airbnb, they get a week in the Tenderloin, they get a week in, you know, wherever – Federal Hill, wherever. I mean, fill it out. And they can, over the course of a couple of months, test four or five different neighborhoods, as if they had an apartment in those neighborhoods. That's also not really a space that hotels compete.

I think there is a place where folks are using Airbnb, probably mostly because it's cheaper. And so you look in New York – I think their average rates were a hundred bucks a night, something like that. Our cheapest hotel in New York would be the Fairfield, over by the bus terminal on the West Side. I think that runs a full-year average rate of two-and-quarter or $250, something like that. I don't know precisely, but it's in that – it's in that range.

MR. RUBENSTEIN: If I checked in there I could hold you to that rate? [Laughter.]

MR. SORENSON: Yeah, we'd love to have you at the Fairfield, over by the bus terminal. [Laughter.] We've got just the room for you.

MR. RUBENSTEIN: I stay over there all the time. [Laughter.] I'm always there. OK, so –

MR. SORENSON: You get off the bus when you show up in New York – [laughter] – walk across the street. [Laughter.]

MR. RUBENSTEIN: I'm always taking the bus – the Chinatown bus. [Laughter.]

So let me ask you: Today, it seems as if people care about rates a lot. And you have built up these enormous brands. You have 10 brands?

MR. NASSETTA: Ten brands.

MR. RUBENSTEIN: And you have how many brands?

MR. SORENSON: Fifteen.

MR. RUBENSTEIN: Fifteen. OK, so you have a lot of brands, a lot of brand identification. But when people now can go on the Internet, they can figure out what's available, what the prices are, so is anything really more important than brand – than price when you're talking about hotels? Is that what people really care about the most, is price, when you're –

MR. NASSETTA: Not as we study it and I think as others look at the industry and study it. I think the first thing people look at, every time we look at the analysis and the research, is location. That is, that has been and continues to be the number-one reason people pick a hotel, is they want to be in a certain spot.

I think our research would say that the second and third, which are connected, are brand affiliation and loyalty program affiliation, and we think price comes after that in our research. So there's no question that price transparency has an impact. It's like, if we're talking about Airbnb, transparency's impacting every industry on Earth, and so, you know, there is more pressure, ultimately, on pricing around the world than there might have been before, but as the world continues to become a smaller place and globalization continues to pick up steam, what we're seeing is actually more brand loyalty, you know. Particularly because – and Arne can speak for himself, but I think companies like ours, at our scale, with the geographic distribution that we have being in 91 countries with chain-scale diversification across all the various price-points, all connected together, in our case, with Honors, our loyalty program, and with underlying it very good products and services that are being delivered, what we're finding – notwithstanding the Internet, notwithstanding the ability to shop – is that our market share in individual markets, and in regions and globally, is going up, not down, that people are becoming more and more loyal to our brands.

MR. RUBENSTEIN: So you have a brand program as well, a loyalty program. Yours is called?

MR. SORENSON: Marriott Rewards, or Ritz-Carlton Rewards.

MR. NASSETTA: You're a member of Honors, of course, I assume, if you –

MR. SORENSON: Can I do a quick test? We've got a lot of travelers in the room. Who thinks they get a better deal on a Marriott hotel room if they buy it from marriott.com? Or do you get a better deal if you buy on Expedia? Anybody think you get a better deal on Expedia?

So I think this sort of – and I'm glad to see nobody raised their hands – [laughter] – that the fact of the matter is, and this is, I'm sure, the case for Hilton, too: Our rooms are available at exactly the same time, at exactly the same price, on marriott.com or other channels. They're not – we're not –

MR. RUBENSTEIN: So there's no incentive –

MR. NASSETTA: There is no incentive.

MR. SORENSON: There's no incentive to go anywhere else.

MR. NASSETTA: We have total price parity. Now, if you went backwards in time, 10 years ago there wasn't price parity. You know, the online travel agency business was a huge disruptor in the early days, because they were dividing and conquering in terms of how they came to the business. They came to the business by going to individual hotels and managers and franchisees, and so the industry didn't really have control over it, and as a result the markups were very large and there was no price parity. So what was happening is, we were allowing them to destroy the relationship of trust we had with our customer, because if you could go on Expedia and get it cheaper, then you're training them to not trust the – you know, the ultimate, you know, the franchisor.

MR. RUBENSTEIN: That's not the case now.

MR. NASSETTA: That's not the case now. All of us – at least I know the both of us have price parity. And the other thing that's different is, in a world where customers are becoming more loyal to these groups of brands like our companies have, and our loyalty programs, and they want to collect their points, you don't get your points when you're getting it through that. So in fact, if you look at it with, you know, real price parity from a customer point of view, you're getting a better deal buying it directly through us.

MR. RUBENSTEIN: But let's suppose I go into one of your hotels and let's suppose I show up at 11:00 at night and I don't have a reservation and I just say, I need a room. And they say, it costs $400. And I say, well, that's more than I wanted to spend.

MR. SORENSON: You can walk over to the Fairfield, by the bus terminal. [Laughter.]

MR. RUBENSTEIN: Right. OK. I could, but I have a lot of luggage. I probably wouldn't want to walk, so how much flexibility –

MR. NASSETTA: David, if you walk into one of our hotels and they only ask you for $400, that's a problem. [Laughter, applause.]

MR. RUBENSTEIN: You're right.

MR. NASSETTA: There are alerts that go off when you walk into one of our hotels. [Laughter.] Four thousand dollars.

MR. RUBENSTEIN: So what kind of flexibility does your clerk have? A person comes in at night, you're not going to use that room, it's 11:00 at night, and let's suppose, you know, it's not going to be used. You know, there's nobody showing up for that room, and I don't like the $400 figure. Can I negotiate? Or do they have any flexibility?

MR. SORENSON: Our team at the front desk has very little flexibility to do that. Very little flexibility to do that. Not that they have none, but the reason for that is, we really want to communicate broadly that you can have confidence in the pricing that is available through our regular channels broadly. And it won't surprise you to know that, particularly in urban markets, there aren't many people who walk up without a reservation.

MR. RUBENSTEIN: Really?

MR. NASSETTA: Very rare.

MR. SORENSON: Now, you get into a highway location, that may be quite a different story, but even there, you've got folks who are, today, likely to book their room on their mobile device as they're pulling up as opposed to actually drive and walk into the front door and say: By the way, do you have a room? And so we think we're much better off limiting the flexibility of the folks at the front desk so that we can actually have a pricing system that has integrity.

MR. RUBENSTEIN: I see.

MR. NASSETTA: But in our – I agree with all that – in our case, the front desk clerk may be limited, but with revenue management systems that back it up. So that if you walked in late at night and we have rooms that are unsold, the revenue management system, if it's working, is going to offer a price that will be reasonable. And we'll give them a bottom-line price that gives them some flexibility to negotiate. Not with you, of course, but with a typical customer.

MR. RUBENSTEIN: Well, sometimes I have gone in – let's suppose I'm going somewhere and I want to change before I make a speech or something, so I – a couple times I've gone to a hotel, say I'd like the room for just 20 minutes. [Laughter.] And they say –

MR. NASSETTA: David, I think you should go on the Airbnb website. [Laughter.]

MR. RUBENSTEIN: Right. I say, I just need it for 20 minutes. They say, well, no, we don't do rates for 20 minutes. I say, I'll pay the full rate. No, no, no. Let me talk to the manager. And then they bring – they say, are you coming in for 20 minutes? And you're by yourself? Yes, well, I have this guy in the car with me, and – [laughter] – but, anyway – [laughter] – so I've found it very difficult to actually get a room without a reservation, because they ask you questions – why do you want it for 20 minutes? Just to change? Anyway –

MR. SORENSON: And you're surprised by that?

MR. RUBENSTEIN: Yes – [laughter] – I am. OK. [Laughter.] So let me ask you – Arne, you are a lawyer by trade, and you're a better lawyer than me. Obviously, you were a partner at one of the best firms, Latham & Watkins. And when you were doing some work for Bill Marriott, I guess he liked you, and he said: Why don't you join my company? Did you ever think that a non-family member could rise up to be the CEO of that company?

MR. SORENSON: I didn't. I didn't think about it for a second. I had represented Marriott in the early '90s, when Host was formed, the company that Chris ran, which was a very stressful time for Marriott. Marriott had too much debt. Stock was basically down in the cellar, and so one of my predecessors as CFO, Steve Bollenbach, who later ran Hilton – that's an industry that's got a lot of great relationships – decided that he would leave all the debt and all the owned real estate in what became Host Marriott and spin off the brands, all the hotel management franchise contracts, senior living business, time share business, et cetera, in this new company, the Marriott International, which is what I'm CEO of today.

And so after that deal was over, Bill called and said, why don't you come out. And I said, I'll come out, but not to be a lawyer. If you want a lawyer, I'll – you know, I work in a nice law firm, and you can hire me, and I'll stay right where I am. He said, OK, come on and be on the business side. I said, OK, I'll come. And that the sum total of the plan. Went out. When two years later he asked me to be the CFO – at that point it had never crossed my mind to be

CFO, and when he asked, I said, are you crazy? I'm a lawyer. [Laughter.] And today I think actually a CEO could not make that kind of bet. I don't think you could take a lawyer, let alone a litigator, and say without being an accountant, without having that kind of training, we're just going to drop you in as CFO of a public company. So in the sandbox world we live in today, I don't think that would happen.

MR. RUBENSTEIN: So you wouldn't hire yourself today for this stuff.

MR. SORENSON: I wouldn't hire myself, and I probably wouldn't have hired myself then. [Laughter.]

MR. RUBENSTEIN: But now you are the CEO, the first person in, what, 75 years not named Marriott to be the CEO of that company. But Bill Marriott is right down the hall. So, you know, isn't it a little intimidating? You're making decisions, and he might walk down and say, why are you doing that? I ran this company for, you know, 40 years, and why are you doing that? Is that not a problem?

MR. SORENSON: It's not a problem at all. I wouldn't have it any other way. I took the CEO title just on the eve of his 88th birthday. Maybe that's some indication that he's not really a threat to me. But he's a great partner. And, you know, some of the bets we've made in the last three, four, five years, including in the last couple of years, he is one person that I can go to and understand, that he's got extraordinary depth in the business – he's forgotten more than I'll ever know about the hotel business. And, say, you know, we're thinking about making a bet to buy these three additional hotels that we developed on balance sheet for about $900 million, you think I'm nuts. And I'll get a bead from him, which is much more accurate than I will from many other parts of the company, because in other parts of the company, it's a big company – well, do you want to do it, Arne? Then it's a brilliant idea. You know, you hear something which is not necessarily – (inaudible) –

MR. RUBENSTEIN: He doesn't say that to you all the time?

MR. SORENSON: No, he doesn't. [Laughter.]

MR. RUBENSTEIN: OK. So Chris, you are minding your own business. You are running a very successful company called Host Hotels, and it's very successful. You ran it. You're the CEO as of, I guess, 2007, Marriott – Hilton is bought by Blackstone. They call you up and say we just put a lot of leverage on this company, and we would like you to pare down the leverage and run this company. Why did you take the job? And did you ever worry that the company would not survive at the time when I think Blackstone had marked it down to 30 cents on a dollar, the banks were saying your loans could be in default at some point – what were you thinking about whether you made the right decision to take the job, and how did you turn that company around?

MR. NASSETTA: All good questions. You know, the reason I took the job is because I saw an opportunity, and I came in at the acquisition when Blackstone closed in 2007 because we saw something notwithstanding where we were in the cycle that was pretty unique, which is you had this, you know, iconic company, a hundred-year-old company with really strong brands and a huge infrastructure, but that had become very complacent, like a lot of hundred-year-old companies, and a lot of it had been, you know, in the recent years put together through merger and acquisition, and it had never really been integrated. So the opportunity I saw was that, well, Host was and is a fabulous company, and I, you know, feel very proud of what we're able to do to build that company.

From a personal point of view, I saw the opportunity at Hilton to be an amazing growth and learning opportunity and opportunity to fix something that was severely undermanaged. Suffice it to say, that was the underwriting thesis when we got in, we found out there was more opportunity than we thought. The organization was I guess I've been famously quoted as saying now a few times – dysfunctional. From a performance point of view, we were average, you know, top line margins, bottom line. Our brands were good, but they could be better, both in terms of customer satisfaction, market share of the brands, and we had gaps in the system in terms of covering all the segments. And from a growth point of view, while it's interesting the Hilton brand is the number one brand tested by third parties in customer awareness in every major region of the world, if you went around the world and you looked at in the aggregate, our growth was anemic. We were anywhere from fourth to eighth.

And so the opportunity was to come in, rebuild a culture, really transform the business, which is what we've done, to have a real performance-driven culture that's integrated, that's aligned, step up our game on performance, which at this point I'd say we lead the industry on top line, margins, bottom line, strength in the brands; we've seen market share growth across the brands, customer satisfaction grow significantly; we've expanded the family of brands; and importantly, we took a growth profile that was, as I suggested, anemic, and we now have led the industry in the last six years. Even while all these things were going on, we've grown what was a very big business at the time by 37 percent. We've added 1,300 hotels since Blackstone bought it. We have 200,000 more rooms, over a thousand hotels in the pipeline, with half of those under construction around the world. We've gone from being anywhere from fourth to eighth in every region in the world to being number one in rooms under construction in every region of the world, a huge international growth profile. And importantly, we're doing it with little or no capital of ours, all with third-party capital.

MR. RUBENSTEIN: You didn't worry ever that it might not –

MR. NASSETTA: There were definitely, you know, times when I worried. There were many nights I slept with one eye open. And it's hard not to. We started life with $21 billion in debt in a plan, and the plan I just described. Opportunity was massive in the sense of the under-management of the business, and we got to it. In 2009 and '10, there were some tough years. We never lost faith, I'll say that. Management team, led by me, Blackstone, never lost faith, never looked at it and said, we were wrong, underwriting criteria was off. The opportunities were even better. And we had set it up from a balance sheet point of where we had a lot of debt – and this is an, you know, important lesson – you guys know, because you're in – obviously, in the private equity business it's what's the structure of the debt. So what really, if you look at it, allowed us to get through and be, frankly, cash-flow positive every year including the depths of doom in 2009, was, while it was a lot of debt, it was offloading – (inaudible) – debt, and when the world went awry, rates went crashing to, you know, basically money became free. And we had no covenants, right? So we had very, very low cost money and no tripwires – as long as we paid our interest, which was very low — that we couldn't get through.

And we had a sponsor in Blackstone that never lost confidence, and in fact, in the depths of doom invested $800 million on top of a $5.7 billion investment, which was pretty gutsy at the time, because if you go read the headlines in 2009 and 2010 about Hilton, most of them would say Blackstone made a huge mistake – you know, the hubris of the end of the buyout boom, they're going to take $6 billion and flush it. And the reality is, because we had the right debt structure, we had the right strategy, we kept a steady hand on the wheel, a lot of discipline in really running the business, not backing away but leaning in to really drive the transformation of the business, we popped out the other end and on paper, we took what was, you know, potentially at least, rumored to be, you know, a wipeout for Blackstone, and they're going to get probably three times their money. It's the largest private equity profit on paper in history at, I think, $12 billion….

MR. RUBENSTEIN: It will be when they liquefy it, yes. It's a great turnaround.

MR. NASSETTA: Yes. And that's why I say, on paper.

MR. RUBENSTEIN: Arne, can you explain to people a concept that Marriott more or less invented or perfected, which was to not own hotels, but to have other people own the hotels and you manage them. And so you have franchise hotels and you have operated hotels, but you have very few that you actually own. Can you explain the difference in why a franchise hotel might be as good as an operating hotel?

MR. SORENSON: Well, so, you've got questions about ownership, questions about management, questions about franchising. We have, each of us, about 675,000 hotel rooms in the system. We don't know for certain what the real estate is worth because the real estate is usually today developed by our real estate partners, owned by them, which was not thought of at the time, but today in terms of global growth is a huge gift. So for us to try and build – buy land, build hotels in China or India or sub-Saharan Africa or the Middle East on our own without local partners is — a really frightening prospect. I think our pricing would likely be higher than anybody's who's local. They'd sort of see us coming. And we wouldn't have the expertise. That was not really what started this thing. What started it was that it's just a huge amount of capital that it takes to grow the system. So our guess is we've got $150 billion worth of real estate in the Marriott system, some number like that.

MR. RUBENSTEIN: And you own very little of it.

MR. SORENSON: We own a billion dollars worth, maybe, something like that, sitting here today. We wouldn't have a system that was that big if we owned it all ourselves. It's obvious. The largest real estate company in the world is maybe a $30 billion company, something like that, $35 billion, and those have been put together often through big deals as opposed to ground-up development. So we know that we'd be much smaller. And my predecessors thought – not just Bill Marriott, but the whole team – distribution is hugely important. It's important for people to be able to know that they can find one of our hotels wherever they're going, and preferably one hotel in whichever segment of the lodging industry they want to be in. So if they want to stay in a luxury hotel, come stay with us at Ritz-Carlton wherever you're going. If they want to be in a full-service hotel, come stay at Marriott at Renaissance, et cetera. And to get that distribution really required us to have real estate partners who could provide the capital necessary in order for us to grow. And so that's what started it.

Now, we ended up with this searing time 20-some years ago when Host was formed, which gave us a sort of deeper commitment to not loading on debt to develop real estate, which is really what got us into that issue. And then more recently you have the development of the franchise portfolio. So that's by and large a U.S. phenomenon, although Europe is getting to be more and more like the U.S.

And then what we've seen is that many of our good partners over the course of the last 20 years have developed not only sizable portfolios of hotel real estate, but they have developed the expertise to know how to run hotels. And often, cultures that are very symbiotic with ours, they are focused on people, they're focused on guest service, and they've turned out to be great partners who want to grow with us and have an operating business, and that's great for us too.

MR. RUBENSTEIN: Both of you operate two types of hotels. Well, you have some you own, but –

MR. NASSETTA: We do, yeah.

MR. RUBENSTEIN: But franchise and operate. So let's suppose I'm a developer and I want to build a Hilton and/or a Marriott. I call you up and say, I have the money, I'm going to build a hotel, here's the location. Is it your preference to be the operator of it or the franchisor of it? Which is more profitable? And who makes that decision?

MR. NASSETTA: From our point of view, I think it depends on the property and the location. But by and large we're agnostic to whether it's managed or it's franchised. They're both very high-margin businesses. If you told me it was a major convention hotel in Washington, D.C., you know, 1,200, 1,400 rooms, I think our predisposition would be we would want to manage that, in the sense that there are very few people – there are some, but very few people on the operating side that we have as partners that really do that as well as we think we can do it. But if you were to say it were a, you know, prototypical urban Hilton of 400 or 500 rooms, we would be agnostic. You know, the partners that we have, some of whom are in the room, that operate these hotels as our franchise partners go through an amazingly rigorous process to get approved by us. We have, you know, very stringent controls over the system, quality assurance, et cetera, and they do a fantastic job taking care of our customers or they're not going to be our partner for very long. So ultimately – they're both very good businesses, very high margin—we generally would be agnostic.

MR. SORENSON: I think you may know more about renting rooms out in 20-minute increments than we do, so we might actually prefer you run it. [Laughter.]

MR. RUBENSTEIN: But you would say – if I went into a hotel, Marriott or Hilton, could I really tell from the quality whether it was franchised or operated?

MR. NASSETTA: If you can, we have failed.

MR. SORENSON: Yeah.

MR. NASSETTA: You should not know, ever, in our world whether we own it, whether we manage it, whether we franchise it; that is the key. And I would say if you test it – generally you have your own experiences, everybody in the crowd does – you really wouldn't know. There's not going to be a sign at the front that says this is, a Hilton franchised or owned or managed.

MR. RUBENSTEIN: Thank you. Your company was started, I think, in 1919, yours in 1971.

MR. SORENSON: 1927.

MR. RUBENSTEIN: OK, but as a hotel company?

MR. SORENSON: 1957, I think.

MR. RUBENSTEIN: 1957, OK. So when you both started, hotels were called the Hilton or they were called Marriott. Somebody came along with the idea of saying, well, let's have a different brand, so you came up with some different brands – JW Marriott, Fairfield, and so forth. You have Hilton Gardens or other things, now Waldorf Astoria, so forth. What is the theory behind having all these brands? Does it dilute your main name, Hilton or Marriott, or does it actually extend because you have different price points?

MR. NASSETTA: Quite to the contrary – I'll turn it over to Arne – I think it does nothing but – and I think our two companies have proved it more than any, that having that chain scale diversification, which is – you can look at it as price points or different types – serving different types of needs or demands customers have – that what that's done in the business is actually accelerated the gains in market share and loyalty amongst our customer base and, as a result, accelerated our growth.

If you look at some of our competitors that don't have full representation – from a chain scale point of view, I think what you would generally find is that the overall market share of their system is lower than what you'd find with us, and the reason being that – and it's a simple philosophy that we have, and that is that we want to serve any customer for any need they have anywhere in the world they want to be. And if you can do that and you connect it together with Honors, in our case, or a loyalty program, they become unbelievably loyal to the system. If you give them a good product, good service, and they are able to sort of connect it with – the collection of their points and aspirationally be able to use those as they create value in that program, they will stay with you. But if you don't have the opportunity to serve them, meaning if they want to be, you know, in Reading, Pennsylvania, for a soccer tournament and stay, if you don't have a Hampton or a Garden Inn or a Courtyard or a Fairfield, then they've got to stay somewhere else. But if you do, they want to stay with you.

And our experience is – because the company in some ways was put together through merger and acquisition. I guess it was 10 or 11 years ago we bought Promise, which was a lot of the limited service brands. What you saw in vivid color was, as you put these pieces together, it strengthened in a meaningful way the market share and the core Hilton proposition because people will trade up and around and they remain very, very loyal if you give them the options.

MR. RUBENSTEIN: Ritz-Carlton is one of your brands, but for a while you didn't advertise that you were the owner of it. What was the reason for that?

MR. SORENSON: Well, I think the Ritz-Carlton team, that had understandable pride in their brand, wanted to make sure that that brand stayed pure and that there was nothing about an affiliation with a brand that was beneath it which could possibly pull it down.

MR. RUBENSTEIN: So it wasn't like "Intel Inside." You didn't want to say "Marriott Inside." You didn't want to say – you didn't want the Marriott name. [Laughter.] You just wanted –

MR. SORENSON: Well, that's right. And I actually think we did better protecting the Ritz-Carlton brand from Marriott than we did getting the benefit for Marriott of the Ritz-Carlton brand, which we have done much more recently with Ritz-Carlton rewards program and with a much greater willingness to publicly talk about the affiliation of Ritz-Carlton with Marriott. And I think actually people understand you can still have a great experience at Ritz-Carlton even though it's owned by Marriott, maybe even because of that. [Laughter.]

MR. NASSETTA: If you think about branding generally, it's typically harder to extend the brand name up than it is down. I mean, for us it's that simple. If you look at Waldorf and Conrad, you know you're a member of Honors, you're collecting your points, it's clearly interconnected with everything going on. But you would not see us use the word "Hilton" above the price point or segment of Hilton. You see us use it aggressively at all brands below that. And I think that's pretty typical from a branding point of view what you find. It's hard to extend it up.

MR. RUBENSTEIN: So when you were offered the job, the company Hilton was based in Beverly Hills. Did you say, I'll take the job if I can move it to that well-known hotel center, Washington, D.C., or did they say, absolutely you should move it here because Marriott's here, you should watch their competitor? Why did you –-

MR. NASSETTA: My deal with Blackstone was I was going to pick up and move my wife and six daughters to Beverly Hills. That was my deal, which I did. My wife to this day, who's from the South, viewed us as the "Beverly Hillbillies" in Beverly Hills, and we were there two years. My whole family was there. We lived there. My kids were in school there for two years. And there're been lots of, of course, rumors about the move of the company. And many would say, well, you know, the company's now in Washington – Chris is from the Washington area, that seems like a pretty simple, you know, CEO decision to move the company back.

It wasn't quite that simple. It was driven by a bunch of, I think, really good reasons, one in particular. First of all, Beverly Hills is a very expensive place to operate. When you're one block off Rodeo Drive, it is, from a productivity point of view, not the greatest place. We had people that were commuting literally four and five hours a day. Because of the cost of living, they had to live very far away.

The population of our company – if you looked at it, this was like a little highland, but the corporate population of our company was much, much further east. The quality of life – you know, if you're super wealthy, then L.A. is great, you know. But for the core team member base, it was not particularly good. And then, you know, time zone-wise, interesting, it's only three hours difference, but having done it for two years, when you're running a global company, I'm just going to tell you, California's a very tough place to run a global company. That three hours makes a big difference, particularly when, you know, a lot of what you're doing is east.

So all those were good reasons. Economically, the payback was – I think it was a two-year payback. It was not inexpensive, but it was a very, very quick payback. So you could justify it on economics, and as a private equity guy, you'd appreciate that.

MR. RUBENSTEIN: OK.

MR. NASSETTA: But the real – the real reason – so Blackstone, they loved the economic model. What they also loved, and the real driver for doing it, was none of that. I mean, that was all good and check the box, but it was to reset the culture. What we did with the company was basically create a cultural revolution. The gravity that existed in Beverly Hills, having – you know, with a 100-year-old company having sat in that spot for 50 years and a company that I described as dysfunctional and complacent. I'm not saying we couldn't have changed it over a period of time, but it would've been over a much longer period of time. So this was an opportunity that you rarely get, not only to rebuild an iconic company, but to reset the culture.

So when you pick up and you move from Beverly Hills to the U.S., we invited a segment of the people to go, and the vast majority of those accepted. But if you came out to our headquarters in McLean, in Tysons, you would see that over 80 percent of the population of our world headquarters is new, since the acquisition. So what better way to reset a culture in terms of getting people energized, motivated, you know, focused than, you know, changing out, you know, a lot of the people and basically changing –

MR. RUBENSTEIN: You're happy with it.

MR. NASSETTA: – it's worked out. It was probably the toughest decision I've made – but it worked out amazingly.

MR. RUBENSTEIN: Let me ask you a couple of hotel questions from my own experience, not just renting 20-minute segments of hotels. But tell me this. Hotel companies often say they lose money on mini-bars. It's very expensive, those things – [laughter] – and who is the person that sells these Pringles? Because in every mini-bar I've ever been in, they have little Pringles. Why is Pringles in every single mini-bar in any room everywhere in the world? [Laughter.]

MR. NASSETTA: People like Pringles –

MR. SORENSON: I think collectively, we're at our worst when we're in a hotel room, so a balanced meal is a can of Pringles and a bourbon out of the mini-bar. And we leave our clothes on the floor, we throw our towel on the floor. We really don't take care of anything in a hotel room the way we do if we're at our own home. And we don't necessarily eat the same food. So the reason there are Pringles in there is because people eat the Pringles.

The first part of your question, it might cost you $7 to buy that can of Pringles, the plastic that was required to make the potato chip actually probably didn't cost that much. [Laughter.] But notwithstanding that, to have somebody go up every day between every guest and make sure that that fridge is stocked and that somebody counts whether you ate the Pringles or the bourbon or not and then, you know, you're likely to show up at the front desk and say I didn't eat any Pringles. [Laughter.]

MR. RUBENSTEIN: I would always say that. No, that's a very good point.

MR. SORENSON: And if you did not eat the Pringles, we've got to give your $7 back.

MR. RUBENSTEIN: That's a very good point. And when I check out of a hotel, the person will say well, what did you have out of the mini-bar? And I don't want to stand there in front of people and say well, I had some gummi bears last night or something – [laughter] – so I always say I didn't take one thing.

MR. NASSETTA: So you lie?

MR. RUBENSTEIN: I always lie. Of course. [Laughter.] And my question is what percentage of people lie and you have to go back and charge them? Is that a high percentage?

MR. NASSETTA: Well, the reason mini-bars don't make sense economically is that behavior –

MR. RUBENSTEIN: But do you go back and charge them later? You always go back and charge them?

MR. NASSETTA: Absolutely we go back and charge them. As best we can tell, about a quarter of the time people do what you're saying.

MR. RUBENSTEIN: All right, you have mini-bars now where if you pick it up and you look at it and then you put it back, you're charged. [Laughter.] You ever seen that? I mean, you know, is that fair?

MR. NASSETTA: If you really want to spend the time and dispute it, you can prove that.

MR. SORENSON: If you even thought about eating those Pringles, you should pay for them.

MR. NASSETTA: That makes up for the people that lie at the front desk.

MR. RUBENSTEIN: OK, all right. What about room service? Do you make money on room service?

MR. NASSETTA: Generally, no.

MR. RUBENSTEIN: Those prices, you don't make money?

MR. NASSETTA: You don't make money. I talk with friends all the time, and people are like, I hate room service. You know, I pay so much, the quality is never what I want it to be, it takes forever to get there. And I say, well, add on top of it we lose our rear end doing it, right? And they say, what? How do you charge all that?

The fact of the matter is, you know – and this is why the room service model is changing; we've just done it in New York and I think in the Western World will change radically – it's a dissatisfier all around, meaning customers generally don't like it for the reason I said, that, you know, it takes too long, it's too expensive, sometimes they don't think it's up to quality because of, you know, in part, the length of time it takes. And we lose generally, in most places, a lot of money doing it.

So the model's going to change. It's broken, it doesn't work. We just changed it in New York, where we're now doing out of a very sophisticated – I hate to use the word grab-and-go, but a marketplace called the Urban Kitchen. We're doing delivery out of that outlet. You get a product that is very high quality, that can be delivered very quickly and at a much more reasonable cost. And what we've seen in that case is customer satisfaction scores have gone through the roof.

And we're not making a lot of money, but we're not losing money doing it. So it's one of those things, like mini-bars. It's a dissatisfier all the way around where, if you don't like it and we force you to go to the front desk and lie –

MR. RUBENSTEIN: – people saying I had gummi bears last night or some other thing I might've had I don't want to tell anybody about. But OK. So when I check into a hotel, I give them my credit card, OK, fine. I've already reserved the room in advance, except for the 20-minute kind of things, but I reserved it in advance, and they have my credit card; they ask for it anyway. Then when I check out one day later, they want my credit card again. Why do they need it a second time – my credit didn't go bad over 24 hours, so why do they do that?

MR. SORENSON: You're the only person in America that still checks out?

MR. RUBENSTEIN: Really? [Laughter.] OK, nobody checks out. You don't need to check out? Because my mother always said check out to make sure it – because otherwise, they'll keep charging you for, you know, days and days and days. [Laughter.] I don't – I always check out. Nobody checks out anymore?

MR. SORENSON: Nobody checks out anymore.

MR. NASSETTA: Nobody checks out.

MR. RUBENSTEIN: You don't check out? So why do they ask for my credit card when I'm checking out?

MR. NASSETTA: They don't. I don't know where you're staying. [Laughter.]

MR. RUBENSTEIN: Obviously not the Hilton or Marriott. OK.

MR. NASSETTA: Well, I mean, when you check in for 20 minutes, I guess they put you in a different bucket.

MR. RUBENSTEIN: OK, I guess so. All right. So today, what technology –

MR. SORENSON: When you're charged by the minute, you actually – it's important what time you check out. [Laughter.]

MR. RUBENSTEIN: What technology is likely to transform the hotel business over the next year or so? Is something happening that, because of technology, is going to make the experience even better than it is?

MR. SORENSON: I think automated check-in will be as prominent in the hotel space as it is in the airline space already. And it's been slow to get there. We're now doing it in all of the Marriott-branded hotels in the United States, about 350 hotels. So if you're a Marriott Rewards member and you want to sign up for the program, you can essentially walk in and they'll give you your room key and, boom, you're gone.

Now, we're not far enough yet because of the technology to let you open the door with your phone, which may be coming, although there are some risks that, unless you get it perfectly right, you may open the wrong door and find somebody already in your room. We obviously want to make sure that that doesn't happen. But clearly, people are going to want to choose when they get service and when they don't. Just as the way we all do when we're flying. We don't –

MR. NASSETTA: I agree with that.

MR. SORENSON: And you think about 15 years ago when we went to the airports to check in, and I would cuss if I had to use one of those machines. I wanted to go talk to somebody. And now it's the opposite, right? If you have to talk to somebody at a check-in counter, you're in trouble.

You know, first, you've got your boarding pass before you ever get there, on your phone or with a piece of paper. If you don't, you want it from that machine, you don't really ever want to talk to a person.

MR. NASSETTA: It's all about choice and control. I mean, and everywhere, in all of our lives, that's what we're getting. That's what we love about the iPhone or our Android, it's not that it's whiz-bang and it looks beautiful; it does. It's that it makes my life easier, it makes me more efficient. I can get a lot done without having to deal with a lot of people.

In the hotel space, we are perennially – and Arne's sort of implied this – behind the curve over 100 years. I think other industries are further along. I think our industry is catching up. Certainly, they are – and we are very, very focused and investing very heavily.

And I think the world of the future is going to be – and it's not far off – like you can do in other parts of your life – where on your iPhone or whatever you carry, you can interact with us and the entire experience from the first time you think about booking a room to checking out, if you so choose to check out, David – to giving us feedback will be done seamlessly and without having to interact directly with anybody unless you choose to do it. If you choose to, great. But it's going to give you the ability to be much more efficient and much more functional. And that means room selection – you know, check-in, room selection, straight to room, what you order when you're in the hotel, checking out, feedback loop, et cetera. That's where it's going. That's where the world is going. And if we don't keep up with the world, ultimately, customers are going to go elsewhere.

MR. RUBENSTEIN: Speaking of technology, when I go into hotels, I try to turn the TV on sometimes and it's very difficult. [Laughter.] You know, they give you buttons, they don't work; and you get the Internet and you get everything. I mean, is it easier to turn on TVs? I mean, whatever happened to the old days where you could just push a button and the TV went on? Do you have anybody complaining about that – [laughter] – or am I the only person who can't get the TV to work?

MR. SORENSON: You are – you are a busy man. You check in for 20 minutes –

MR. RUBENSTEIN: Right. I know. I know. I know. I know.

MR. SORENSON: – you have a can of Pringles and you watch the tube. [Laughter.]

MR. RUBENSTEIN: I know. OK.

MR. NASSETTA: You're obviously a multitasker.

MR. RUBENSTEIN: Why don't you give Internet for free? Why do you have to charge, and it's complicated to get on the Internet? Nobody ever complains about how hard it is to get on the Internet?

MR. NASSETTA: I think the dialogue is a little bit different dialogue. I think the reason we don't give Internet for free – well, both of us do to certain of our customers in certain brands. The reason that it hasn't happened is really it's a cost thing. It's not inexpensive to be able to provide that service. And what's going on, we all know, is the demands in terms of what people want to use it for are skyrocketing exponentially.

So I think the future state is headed in a direction – and I know we're testing, I think others, including Marriott are testing is – and what I think is most important is giving people huge access and a massive pipe for whatever they want to do. Whether it's one thing – people aren't just checking emails. There's some, but people are streaming. And what I think is most important, from our point of view, is to deliver to the customer what they want and that means delivering a big pipe.

That big pipe costs money. By the way, they pay for that at their house, right? (Laughs.) I mean at home if you have FiOS or Comcast, you're paying, you know, a significant charge in order to get that speed and get that, you know, that depth or the breadth of pipe.

So where I think it's going over time is that there's going to be layers, OK? So that if you just want to go check your emails and it's a very light usage, you're not using a lot of bandwidth, then I ultimately think across the systems that will become like turning your water on or flushing – you know, any of the basic things, turning your TV on, we don't charge you for that. And then it will be staged up so that to the extent that you are a massive user, you're streaming video, you're doing all these things, you will pay sort of an increasing level.

By the way, I don't think it's any different than how we live our lives at home. Well, at least our work with customer research says that they accept that because it's consistent with the rest of their life. But what it does, most importantly from our point of view, is it allows us to get adequate bandwidth into the hotels. And it allows us to do it recognizing that we've got – and I'm looking at a couple of them in the front row – very important owner/partners out there that we will be asking to spend even more money to deliver even more pipe into the hotels.

MR. RUBENSTEIN: What's your favorite hotel in the world?

MR. SORENSON: I'll give you one of ours and one that's not ours. The Ritz-Carlton in Hong Kong, one of ours, lobby's on the 98th floor, goes up from there. The last time I was there, I stayed in the 118th floor, tallest hotel in the world. It's like you're in an airplane looking down. You'd feel right at home.

MR. RUBENSTEIN: Right. OK. [Laughter.]

MR. SORENSON: Stunningly beautiful and of course –

MR. RUBENSTEIN: If you forget something when you check in, you have to go down 118 floors? [Laughter.]

MR. SORENSON: And it's very, very fast.

MR. RUBENSTEIN: OK. So that's yours.

MR. SORENSON: So that's the one of ours. One not of ours, there's a safari lodge in Tarangiri, which is a small game park in –

MR. NASSETTA: It's not one of ours?

MR. SORENSON: It's not one of yours either. [Laughter.] It would be shocking if I picked one of yours. [Laughter.]

MR. NASSETTA: But it would make some news.

MR. RUBENSTEIN: What are your favorites?

MR. NASSETTA: I get asked that a lot and I always say, it's the last hotel I've been because we have a lot of fabulous hotels. But a couple that stand out for us would be the Conrad in the Maldives just because I think the Maldives is probably the most beautiful place on Earth.

But, in a city hotel, I think one of the great hotels that we have and that I really love staying at is the Waldorf Astoria in Shanghai on the Bund. It's a spectacular blend of historic old bank building with a new tower behind it that's really well integrated and a great hotel.

MR. RUBENSTEIN: When you check in a hotel, do they know who you are at every – I mean, you don't surprise people?

MR. NASSETTA: I try to, occasionally. If I'm staying at the hotel, it's hard to surprise people. But if I'm in a market and shopping some of our other hotels, I occasionally do pop in on people. But they figure out very rapidly.

MR. RUBENSTEIN: Do you stay at competitors – do you ever stay at competitors?

MR. NASSETTA: I do, yeah, frequently.

MR. RUBENSTEIN: OK. And do you ever pop into your own hotels and they don't know who you are?

MR. SORENSON: Sure, yeah. Not very often. I mean, to try to surprise somebody at a hotel and leave, the odds are you're going to miss the GM. The GM's going to be disappointed, maybe a little bit offended, you know, the GM that takes pride in their hotels, I'd like to be able to show the hotel when you come, I'd like to be able to show you the team.

And it's not as if by surprising them we're going to find something that's terribly illuminating anyway. We can let them know, we'll still know whether the hotel is doing well.

MR. NASSETTA: You know, our business is a very incestuous business. People have moved around these companies that – it's amazing to me when you walk in how quickly they know, even if you're unannounced. I know when he's in our hotels. My guess is he knows when I'm in his hotels. I know a lot of his, you know, general managers. It's that kind of business.

MR. RUBENSTEIN: What keeps you up at night? What do you worry the most about?

MR. NASSETTA: I sleep like a baby. [Laughter.] I sleep for two hours –

MR. RUBENSTEIN: You cry in the middle of the night?

MR. NASSETTA: – I wake up, I cry.

MR. RUBENSTEIN: All right. OK. Right. All right. [Laughter.]

MR. NASSETTA: Sleep for another two hours. Having had six kids, I know a lot about sleeping like a baby.

MR. RUBENSTEIN: OK. So nothing keeps up – you don't have to worry?

MR. NASSETTA: Well, no. I mean I worry about the things I can control, the things that I can control inside the company, as I described. You know, we're never going to be perfect. And if we ever think that, obviously, we've got a problem. But we've come a long way. I think the company's in terrific shape. There are a lot of things going around the world that one could worry about, and I do. I can't control most of those things.

So I would describe it as I sleep pretty well, but I sleep with an eye open, I mean, in the sense that – in fact, I have this running joke with my college-aged children that I'm almost afraid to end the night putting CNN on because when you're in a business as big as ours with 4,100 hotels in 91 countries and recognizing that generally anything that's in the press these days is not particularly positive, there's not a lot of good, public, positive – you know, positive public-interest stories. It's usually the bad things going on. We're pretty much, you know, in the middle of most of those things. So you sleep with one eye open thinking about whether it's Tahrir Square in Egypt where, you know, the Ramses Hilton is front and center or wherever things that are going on around the world. It's a good thing we're everywhere, you know, it also can, you know, keep you up at night a little bit.

MR. RUBENSTEIN: So what keeps you up, if anything, at night?

MR. SORENSON: Well, it may be a somewhat serious comment about the divisive society we live in. And I'll tell you two stories that came up recently.

One, we had a group in a hotel here in the Washington, D.C. area, which was a – let's see, American-Arab or American Islamic affiliation of some sort. And I had 7,000 emails over the course of 24 hours saying we were harboring terrorists and that we should boycott Marriott.

We had another group stay at a hotel in Phoenix and the complaints came from the other side. And basically, it was about how we were welcoming folks who were in favor of immigration or some other area that was difficult.

And we now, all of us, operate businesses, obviously, in Washington. This is apparent to everybody. We operate businesses where folks can find fault with anything.

And the fact of the matter is we run an open shop. Everybody's welcome in our hotels. We don't care whether they eat Pringles in a room and we don't care what their politics are when they are checking in.

But somehow we live in a world in which anybody can say, you're a bad business because you have housed somebody last night whose politics I dramatically disagree with. And that is in our political system, but it's also in our society over and over again. And we've got to work, I think, collectively to make sure that it's not a sort of a gotcha game, that we're not holding business to a standard which is to somehow filter through all controversial things and get them behind us.

MR. RUBENSTEIN: The last question I'd like to ask you, the greatest pleasure of running a global hospitality company is what?

MR. NASSETTA: The people. Three hundred thousand people that work in these 4,100 hotels around the world that work harder than you could imagine every day to create amazing experiences, and I get to spend a lot of time out on the road with the teams around the world to see it in action and to see, you know, as hard they work, the joy that they have. And being able to deliver that service is definitely the best part of the job.

And to think about our growth, you know, is fun. We make more money and, you know, our shareholders make more money, but what it really means to the people of the organization is a great future. I mean the fact that we're growing at this pace is just creating opportunities for all of our team to grow and learn and do bigger and better things. And all the things I do, when I come home and talk about what I do for a living with my children, my wife, it's always in the end about our – about the people, the company.

MR. RUBENSTEIN: OK.

MR. SORENSON: So it's a business everybody loves. Our people love it, our guests love it, our owners love it. And it's really accessible.

You can understand any business, but you love hotels and you love to talk about hotels and who's taking the toiletries and what's happening in the minibar. You can like it for the business riddles, you can like it for the grand questions around global development, but you can also like it just because you got a favorite hotel in the world and you got an experience that you'd like to talk to people about it.

And so whether you're on the soccer field with other parents or you're, you know, talking in sophisticated business circles or you're talking to government folks, everybody likes the hotel business, maybe to complain about it every now and then, but they love to travel, they love the experience, they love the memories that they get and take from it.

MR. NASSETTA: And everybody's an expert in the hotel business. [Laughter.]

MR. RUBENSTEIN: I would like to thank both of you for agreeing to do this jointly. And I want to thank both of you for making sure that Washington remains the hospitality capital of the world.

MR. SORENSON: It is that.

MR. NASSETTA: It is that.

MR. RUBENSTEIN: And on the behalf of the Economic Club of Washington, thank you very much. And I have a little gift for you. This is a map of Washington. It is a copy of an historic map – the first map of Washington.

MR. SORENSON: Thanks, David. Nice job.

MR. NASSETTA: Thank you. Thank you, appreciate it.

MR. RUBENSTEIN: Nice job.

Christopher J. Nassetta

President & Chief Executive Officer

Christopher J. Nassetta is President and Chief Executive Officer for Hilton Worldwide. He joined the company in 2007.

Previously, Mr. Nassetta was President and Chief Executive Officer of Host Hotels & Resorts, Inc., a position he held since 2000. He joined Host Hotels & Resorts, Inc. in 1995 as Executive Vice President and was elected Chief Operating Officer in 1997.

Before joining Host Hotels & Resorts, Inc., Mr. Nassetta co-founded Bailey Capital Corporation in 1991, where he was responsible for the operations of the real estate investment and advisory firm. Prior to founding Bailey Capital Corporation, he spent seven years at The Oliver Carr Company, ultimately serving as Chief Development Officer. In this role, he was responsible for all development and related activities for one of the largest commercial real estate companies in the mid-Atlantic region.

Mr. Nassetta serves on multiple boards and organizations including:

- World Travel & Tourism Council – Executive Committee Member for the organization that works to raise awareness of Travel & Tourism as one of the world's largest industries.
- International Youth Foundation – Board Member for the global organization that seeks to realize the power and promise of young people.
- Partners for a New Beginning – Member of the Steering Committee for the organization that deepens connections between the U.S. and local communities in the Middle East, North Africa, and South Asia through public-private partnerships.
- CoStar Group, Inc. – Independent Director of the nation's leading provider of electronic commercial real estate information.
- The Real Estate Roundtable – Member and immediate past Chairman of the organization that brings together leaders of the nation's top public and privately-held real estate ownership, development, lending and management firms with the leaders of major national real estate trade associations to jointly address key national policy issues relating to real estate and the overall economy.
- Federal City Council – Member of the non-profit, non-partisan organization dedicated to the improvement of the nation's capital.

- The Economic Club of Washington, D.C. – Member of the nonprofit that promotes collaboration among business leaders, government officials, and members of the diplomatic corps and creates a forum for them to express their views on the most important economic issues of the day.
- Arlington Free Clinic – Supporter of the non-profit, community-based, volunteer-driven organization that is committed to providing access to quality health care services to low-income, uninsured county residents.
- Wolf Trap Foundation for the Performing Arts – Director of the organization that offers excellent and innovative performing arts programs for the enrichment, education and enjoyment of diverse audiences and participants.
- The John F. Kennedy Center for the Performing Arts – Vice Chairman of the Corporate Fund, which ensures that our national cultural center is the nexus of the performing arts for dance, music and theater.

Mr. Nassetta graduated from the University of Virginia McIntire School of Commerce with a degree in finance. He currently serves on the McIntire School of Commerce Advisory Board.

11/01/2013

Arne M. Sorenson

President and Chief Executive Officer
Marriott International, Inc.

[In 2013 Arne became an influencer on LinkedIn.]

Arne M. Sorenson is President and Chief Executive Officer of Marriott International, Inc., a leading global lodging company with nearly 3,900 lodging properties in 72 countries and territories and reported revenues of nearly $12 billion in fiscal year 2012.

Marriott International operates and franchises hotels and licenses vacation ownership resorts under 18 brands, including Marriott Hotels, The Ritz-Carlton, JW Marriott, Bulgari, EDITION, Renaissance, Gaylord Hotels, Autograph Collection, AC Hotels by Marriott, Courtyard, Fairfield Inn & Suites, SpringHill Suites, Residence Inn, TownePlace Suites, Marriott Executive Apartments, Marriott Vacation Club, Grand Residences by Marriott and The Ritz-Carlton Destination Club.

Previously, Mr. Sorenson was Marriott's president and chief operating officer. Earlier, he served as Executive Vice President, Chief Financial Officer, and President of Continental European Lodging, with responsibility for lodging operations and development in the continental European region, as well as the company's overall financial functions.

Prior to joining Marriott in 1996, Mr. Sorenson was a partner with the law firm Latham & Watkins in Washington, D.C., where he specialized in mergers and acquisitions litigation.

Mr. Sorenson is chairman of Marriott's Global Diversity and Inclusion Council, which complements the efforts of the Marriott Board of Directors' Committee for Excellence to monitor and evaluate the progress of our company's strategy to promote an increasingly diverse workforce, as well as ownership, customer and vendor communities around the world. Mr.

Sorenson also serves on the Committee for Excellence. He co-founded Marriott's Global Sustainability Council in 2007, and in 2008, he launched Marriott's rainforest preservation partnership with the Amazonas Sustainable Foundation in Brazil. Mr. Sorenson was elected to Marriott International's board of directors in 2011. He also serves on several boards, including the Corporation for Travel Promotion, Luther College, President's Export Council and Brand USA.

Mr. Sorenson is a graduate of the University of Minnesota Law School and of Luther College in Decorah, Iowa.