

THE ECONOMIC CLUB

O F W A S H I N G T O N, D. C.

Signature Event

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MR. RUBENSTEIN: How many people think the best hotel company is Marriott, anybody? [Laughter.] All right, OK. [Applause.] OK. So we're very pleased to have the CEO, Tony Capuano – is that pronounced correctly?

ANTHONY CAPUANO: If we were in Rome, absolutely. That's a good Italian pronunciation.

MR. RUBENSTEIN: How do you pronounce it?

MR. CAPUANO: Capuano.

MR. RUBENSTEIN: Capuano. OK. Tony is a native of the most important city in the world, Baltimore, which – born there, right?

MR. CAPUANO: Born and raised.

MR. RUBENSTEIN: And he also has the advantage of being an only child, right? OK. But then he transcended those modest beginnings and went to Cornell.

MR. CAPUANO: I did.

MR. RUBENSTEIN: In the hotel and hospitality school. And then pretty much went to Marriott from there?

MR. CAPUANO: No, I spent about seven years in real estate and development consulting.

MR. RUBENSTEIN: OK.

MR. CAPUANO: Two years in Boston, five years in Los Angeles.

MR. RUBENSTEIN: And who recruited you to Marriott?

MR. CAPUANO: Scott Melby, who ran our feasibility and market planning group.

MR. RUBENSTEIN: OK.

MR. CAPUANO: That group got winnowed down to two or three people in the early '90s, when Marriott and Host split. And then when we got to the mid-'90s, they started to build that functionality back.

MR. RUBENSTEIN: And you worked with Arne for many years, I assume?

MR. CAPUANO: I did. I started in '95. He started in '96.

MR. RUBENSTEIN: You were there before he was, but he was your boss, still? [Laughter.]

MR. CAPUANO: Many times. Many times.

MR. RUBENSTEIN: OK. So let's talk about Marriott for a moment. Marriott was started in 1927. So you're celebrating its 95th year. And the person who was the son of the founder has just turned in March, I guess, 90, Bill Marriott.

MR. CAPUANO: Ninety years old.

MR. RUBENSTEIN: Does Bill Marriott still call you up and tell you what to do?

MR. CAPUANO: Yes, and sort of. [Laughter.] I probably talk to him three or four days a week. It's a privilege every time he calls, the combination of wisdom and institutional knowledge he has is remarkable.

MR. RUBENSTEIN: But if he has a bad idea, would you say it's a good idea? Or how do you? [Laughter.]

MR. CAPUANO: I'd say, let us consider that. [Laughter.]

MR. RUBENSTEIN: OK. That's a good one.

MR. CAPUANO: And then he'd call me an hour later and say, did you finish considering it? [Laughter.]

MR. RUBENSTEIN: OK. So he's no longer the chairman. He stepped down.

MR. CAPUANO: Chairman emeritus.

MR. RUBENSTEIN: Chairman emeritus. And his son –

MR. CAPUANO: David.

MR. RUBENSTEIN: David is now the chair, correct. And let me ask you a few things about the hotel business, then we'll get into more specifics about Marriott.

MR. CAPUANO: Of course.

MR. RUBENSTEIN: But right now it's been said in The Washington Post recently that travel is beginning to decline again after COVID, and actually there's some concern that maybe people are, because of recession or inflation, they're not spending as much. Does your data show that?

MR. CAPUANO: No. Intuitively, the confluence of interest rate environment, inflation, fuel prices would suggest that we'd start to see a slowdown. We just haven't seen it in the data yet. The summer numbers look extraordinary, both here at home and outbound into Europe. Memorial Day weekend we saw revenue per available room, which is a critical metric for us, up about 25 percent over where we were pre-pandemic. So we're just not seeing it.

MR. RUBENSTEIN: OK. And that's across the board in your luxury brands and your less luxury?

MR. CAPUANO: It is. And it's been interesting to watch the recovery by demand segment. As you would expect, and as you've read, the recovery has been led by leisure, clearly. But business transience's now down 10-15 percent. It was down 30 percent at the end of the last year. And group has really surprised to the upside. Group business has come roaring back.

MR. RUBENSTEIN: So there are three types of customers. There is business, leisure, and group. But there's something – you recently coined a phrase, bleisure, I think it was. What is that?

MR. CAPUANO: Oh, I hate that word, so I'm not going to take credit for coining it. [Laughter.] But it's really this idea of combined trip purpose. And where we really see it in the data, pre-pandemic, Monday, Tuesday, Wednesday nights were key business travel nights; Friday, Saturday, leisure; and Thursday, Sunday were the shoulder days. Thursday and Sunday demand has actually come back more rapidly than Monday, Tuesday, Wednesday. Which suggests that folks are tacking on leisure to business trips pre or post.

MR. RUBENSTEIN: OK. Now, for many years you've been headquartered in Bethesda. And now you've moved into your new headquarters, is that right?

MR. CAPUANO: July 1st.

MR. RUBENSTEIN: July 1st you're moving in. OK. And why did you need a new headquarters? What was wrong with the one you had? [Laughter.]

MR. CAPUANO: I wish I could take credit for that idea. But, no, I think a few things. We are in a war for talent, like many businesses today. And our existing headquarters was in a suburban office park, no real convenient access to public transportation, no amenities within walking distance. So to go into the heart of downtown Bethesda we think, A, is going to help us in attracting talent and, B, should serve as a catalyst to get folks back to the office.

MR. RUBENSTEIN: How many total hotels does Marriott own or manage?

MR. CAPUANO: A little over 8,000.

MR. RUBENSTEIN: Eight thousand. And how many rooms do you have available?

MR. CAPUANO: About 1.5 million.

MR. RUBENSTEIN: And of the 8,000 hotels, how many are closed now because of COVID?

MR. CAPUANO: I was pleased – we did a – as you would expect, during the pandemic we were getting a daily report on the status of the portfolio. At the bottom of the trough, we had more

than 2,000 hotels close. As of yesterday, for the first time I think since the pandemic started, we dipped below 100. So we have 97 hotels closed.

MR. RUBENSTEIN: And in total you have 120,000 employees, something like that? So let me make sure I understand – or make sure everybody understands. There are, more or less, two basic ways that you can manage a hotel – or, three. One is, you can own the hotel. How many of those 8,000 do you actually own?

MR. CAPUANO: Twenty.

MR. RUBENSTEIN: Twenty? That's it?

MR. CAPUANO: And I'd be happy to sell them to anybody in this room. [Laughter.]

MR. RUBENSTEIN: OK. All right.

MR. CAPUANO: I don't even want to own 20.

MR. RUBENSTEIN: All right, so – all right, so owning is not the wave of the future, right?

MR. CAPUANO: No, we are very much an asset-light model.

MR. RUBENSTEIN: The other way is you get a management contract and you manage it. I assume this hotel is –

MR. CAPUANO: Right.

MR. RUBENSTEIN: You manage this hotel.

MR. CAPUANO: All the wonderful ladies and gentlemen that are taking care of you today are employees of –

MR. RUBENSTEIN: Right. So the 120,000 employees, some of them are here. These are your employees. OK. Then a third way is franchise, where you basically say, what?

MR. CAPUANO: We license our intellectual property, our brand, access to our revenue engines, our loyalty program. But the employees are the employees of a third-party manager.

MR. RUBENSTEIN: OK. And what's more profitable?

MR. CAPUANO: [Laughs.] Depends on the time of week. On its surface, the franchise model, we have a higher margin. But in the managed system, we are an incentive fee. So we earn base management fees off topline revenue and we participate in the profits. And so in an up market, the managed model is quite profitable.

MR. RUBENSTEIN: So how many different brands do you have?

MR. CAPUANO: Thirty.

MR. RUBENSTEIN: Can you cite them off right now?

MR. CAPUANO: If you want. We may run out of time.

MR. RUBENSTEIN: OK. So what is the ultimate luxury brand. If I want to be in the ultimate luxury, the greatest brand you have, what is that?

MR. CAPUANO: Well, luxury is critical to our portfolio. We have a number of luxury brands. But I would say Ritz-Carlton Reserve and Bulgari.

MR. RUBENSTEIN: Bulgari? How many Bulgari are there?

MR. CAPUANO: There are seven open and another several in the pipeline.

MR. RUBENSTEIN: Well, what do – I mean, is there a better bed? What is it you do that makes it so much – [laughter] – what do you do? The TV works better?

MR. CAPUANO: Beyond paying more? You – no, but, I mean, the level of finish, the locations, the service level, the employee-to-guest ratio, the chef partners that work with in food and beverage.

MR. RUBENSTEIN: OK. Suppose I don't want to be in a Bulgari, and I want to be in your lowest priced, least expensive? What is that?

MR. CAPUANO: Probably Fairfield Inn, which is largely located on the highways and byways of the country. Although, interestingly, it's a brand that is starting to grow rapidly outside the U.S.

MR. RUBENSTEIN: So what would it cost me to spend the night there, at Fairfield?

MR. CAPUANO: Are you going to Cincinnati or Miami?

MR. RUBENSTEIN: Baltimore. [Laughter.]

MR. CAPUANO: That's a tough one. Eighty dollars, probably.

MR. RUBENSTEIN: Eighty dollars a night, OK. And for \$80 a night, do I get my sheets changed every day?

MR. CAPUANO: So housekeeping is interesting. It, obviously, changed dramatically during the pandemic. I think – we've been running a bunch of test cases to determine what's housekeeping going to look like when the pandemic's in the rearview mirror? I think what you'll end up seeing is in luxury, no change. Full housekeeping every day, just like –

MR. RUBENSTEIN: So if I stay at this hotel, I don't have to say please change my linens.

MR. CAPUANO: Correct. I think in our full-service hotels we'll do a daily refresh. Maybe not a full clean. And I think in our select service hotels, like a Fairfield, probably an every other day.

MR. RUBENSTEIN: So sometimes hotels they'll say, if you want your sheets changed, specify. But is that the wave of the future?

MR. CAPUANO: Well, certainly pre-pandemic a lot of players in the lodging industry looked at opportunities to give our customers choice in the interest of water conservation and environmental. I think going forward some of us are back on the road, just like we were pre-pandemic. There are others that are still a little nervous about traveling and a little nervous about having staff come into their room. So there has to be an element of choice.

MR. RUBENSTEIN: Now, when you go to a hotel, they often have these little bottles of shampoo and other things. What percentage of people take those home? [Laughter.]

MR. CAPUANO: Well, I see Craig Smith in the audience, who runs our international division. The answer is, come January 1st, no one, because we're going to bulk amenities in all of our hotels globally, which will allow us to eliminate about half a billion individual use plastic bottles every year.

MR. RUBENSTEIN: And that's for environmental reasons?

MR. CAPUANO: Exactly.

MR. RUBENSTEIN: OK. So in other words, from now on when you take a shower you have three buttons you can push. One is the soap, the other is the shampoo, and the third one is the one that's never used, conditioner, right? [Laughter.]

MR. CAPUANO: Well, one of the things I've said to the team, we've got to put them in the same order because without my glasses I can't see. I don't know what I'll be using. [Laughter.] But, yes.

MR. RUBENSTEIN: OK. But you're doing that because there's less – it's better for the environment that way. That's where everybody's going.

MR. CAPUANO: Exactly. And we hear – I mean, so much of the decisions we make about operating our hotels are driven by what we hear from our customers. And they demand it.

MR. RUBENSTEIN: OK. Hotels always tell me they lose money on room service, even though room service is not that cheap. Do you lose money really on room service?

MR. CAPUANO: Generally, yes. Although, we are reimagining what room service might look like in a post-pandemic world.

MR. RUBENSTEIN: Because people now maybe are afraid of going to a restaurant, so they eat in the room more? Or not?

MR. CAPUANO: Yeah, although our guests tend to have short memories. Those that are vaccinated, maybe they've had and recovered from COVID, and they're back on the road and getting increasingly confident about traveling. They want to quickly get back to where we were pre-pandemic.

MR. RUBENSTEIN: OK. What about minibars? Do you lose money on those too? Really? How can you lose money when the price is –

MR. CAPUANO: By the way, on the way here I tried to go get you your Toblerone bar. I couldn't find it.

MR. RUBENSTEIN: My theory is that in every – the greatest salesmen in the world are the people that sell Pringles and Toblerone, because in every minibar in the world they have those. Why do they have that? [Laughter.]

MR. CAPUANO: Customer demand.

MR. RUBENSTEIN: For Pringles?

MR. CAPUANO: Yeah, apparently.

MR. RUBENSTEIN: OK. OK.

MR. CAPUANO: Either that, or they think they can pop the lid, peel the foil back, take a few and then seal it back up.

MR. RUBENSTEIN: Put it back? People do that?

MR. CAPUANO: People do that.

MR. RUBENSTEIN: Are you kidding me? [Laughter.]

MR. CAPUANO: No. They absolutely do that. [Laughter.]

MR. RUBENSTEIN: Geez. OK. All right. So how many people take the robes?

MR. CAPUANO: Not many. I think we've done a pretty effective job of the little tent cards that say: Enjoy the robe. If you love it and you'd like to take one home, stop by the front desk and we'll sell you one. Or if you like this one, we'll be happy to hit your bill with \$100-and-something.

MR. RUBENSTEIN: So sometimes people still take the robes and they think they're not going to get billed or?

MR. CAPUANO: Not many anymore.

MR. RUBENSTEIN: So let's suppose The Rolling Stones were going to come to Washington, D.C., and they wanted to rent, you know, one of your floors in this hotel. Would you rent The Rolling Stones? Because rock stars are often known for trashing rooms.

MR. CAPUANO: Yeah. I mean, if it's Rolling Stones, we'd have to have a fair number of ADA rooms, I think. [Laughter, applause.]

MR. RUBENSTEIN: That's probably true.

MR. CAPUANO: But, no, listen, I think with the breadth of our portfolio we've got lots of celebrities and musicians that have an affinity for our particular brand.

MR. RUBENSTEIN: OK. So when people check into a hotel, what percentage today actually say, no, I'll carry my bag up, even though they can't really carry it easily? And what percentage of people say, please, have somebody carry it for me.

MR. CAPUANO: I don't know the precise percentage. But what's so interesting is it really depends on trip purpose. So for instance, if somebody's on a one-night business trip, they arrive at 8:00 p.m., they're out at 6:00 a.m., they are likely checking in on their phone mobilely, getting a mobile key, taking their own bags straight up to their room, checking out in the morning, and off they go. That same business traveler, however, if he or she is taking a vacation, they may show up with six steamer trunks. They may want to talk to the front desk agent and identify a local restaurant that's all locals and not tourists. They may want instruction on a jogging route. And so by trip purpose the level of engagement with our staff changes.

MR. RUBENSTEIN: So of the people that want their bags carried up to the room, what percentage of those leave a tip or give a tip?

MR. CAPUANO: The vast majority, although we're in the midst of a pretty big technology transformation, and one of the bits of functionality we're exploring is the ability to tip on the app because so few of us carry cash.

MR. RUBENSTEIN: So what are they – how do they do that? They just –

MR. CAPUANO: You would just – well, we don't have that functionality yet.

MR. RUBENSTEIN: Oh, you don't have it yet. OK.

MR. CAPUANO: But when we do, presumably, it would just be a button you could tap.

MR. RUBENSTEIN: OK. And what about people who clean the rooms? That's a tougher job in a hotel. What percentage of people actually leave a tip for the housecleaning people?

MR. CAPUANO: Not enough is the short answer. Our housekeepers are extraordinary. They are hardworking, they're prideful, and I would encourage every one of you to tip them when you stay in our hotel. [Applause.]

MR. RUBENSTEIN: Great. So what percentage of people check – make reservations in advance for your system? Does that –

MR. CAPUANO: The vast, vast majority, although I will say what we call the booking window, the gap between when you book a reservation and you arrive at the hotel, has shrunk meaningfully during the pandemic. We're starting to see it expand again. But we're not back to where we were in '19.

MR. RUBENSTEIN: But do people go directly to your service or they go through some third party, a travel agent? What does – does it –

MR. CAPUANO: We do everything we can to encourage our guests, certainly, to encourage our Bonvoy members to book direct.

There's a segment of the public that goes through the intermediaries and we have great relationships with the intermediaries. They give us access to guests that are, perhaps, less frequent travelers that have more comfort shopping on their sites. But that's a relatively modest percent.

MR. RUBENSTEIN: What percentage of people make a reservation and don't show up? Is that a big problem?

MR. CAPUANO: Well, after we tightened our no-show policies, much less than we used to.

MR. RUBENSTEIN: What is that policy?

MR. CAPUANO: You've got a window during which you can cancel. But once you get within that window you will be charged a no-show fee.

MR. RUBENSTEIN: And if you show up at the Ritz-Carlton tonight, let's say, and, say, my plane got canceled or whatever, I need a room, and they – the hotel – sometimes hotels say they have no rooms. Is that really true? [Laughter.]

MR. CAPUANO: No question.

MR. RUBENSTEIN: Really?

MR. CAPUANO: Yeah.

MR. RUBENSTEIN: They always have – there's always one room.

MR. CAPUANO: People call me all the time – the hotel is sold out; can you get me in? And the answer is the hotel is sold out.

MR. RUBENSTEIN: I thought they always have a room. Like, if the president of the United States shows up they always have a room somewhere.

MR. CAPUANO: I've been walked.

MR. RUBENSTEIN: Really?

MR. CAPUANO: Absolutely.

MR. RUBENSTEIN: What happened? You showed up and you couldn't get in?

MR. CAPUANO: Mmm hmm.

MR. RUBENSTEIN: And did they know who you were?

MR. CAPUANO: Mmm hmm.

MR. RUBENSTEIN: And they're still working at the company?

MR. CAPUANO: No, of course not. No. [Laughter.] No, and I was thrilled, right –

MR. RUBENSTEIN: Right.

MR. CAPUANO: – because I'm not going to get that upset. I'd rather them send me elsewhere than one of our –

MR. RUBENSTEIN: Where did they send you to, a Hyatt or something or –

MR. CAPUANO: Absolutely not. [Laughter.] I would have broken out in hives.

MR. RUBENSTEIN: So have you ever stayed at your competitors?

MR. CAPUANO: Yeah, I do from time to time.

MR. RUBENSTEIN: And would you ever give them any tips on what they should do better or you just kind of –

MR. CAPUANO: Absolutely not. [Laughter.]

MR. RUBENSTEIN: So when you –

MR. CAPUANO: Now, although, I will say – you know, it’s interesting. I was in New York two weeks ago for the NYU conference, and myself, Chris from Hilton, Mark from Hyatt, Sébastien from Accor, and Keith from IHG, we did a CEO panel and it was moderated by Sara Eisen from CNBC. And we were backstage and she said, this is my favorite panel to moderate. You guys actually like each other.

And, you know, we’re fierce competitors. But I will say, over the last two years the industry, broadly, really pulled together, in effect, to battle a common foe around how we were going to engage with the administration, sharing best practices on operating protocols and cleanliness, and it’s a very close industry.

MR. RUBENSTEIN: In COVID were you running your business from your home or were –

MR. CAPUANO: In the early days, yes.

MR. RUBENSTEIN: Now what is your policy? People have to be in the office X days a week or how do you –

MR. CAPUANO: Yeah. We don’t have a hard policy. As we move into the new building, we will entertain hybrid but with a strong encouragement to spend a lot of time in the office and not just when there are scheduled meetings. We believe strongly in the power and the nature of the company’s culture, and the way to grow that culture is to get folks in person.

MR. RUBENSTEIN: You have 120,000 employees. How many were you at the peak of your – before COVID?

MR. CAPUANO: It was the hardest part of the pandemic by far, some of the really tough decisions we had to make. But we reduced our workforce by about 30 percent.

MR. RUBENSTEIN: Thirty percent. And do you think it’s going to go back or it’s too early to know?

MR. CAPUANO: I think so. I mean, we’ve brought as many folks back as we can.

MR. RUBENSTEIN: Now, you’ve made some policy changes in terms of diversity. Can you describe what you’re doing to make your executive suite, your board, and your employee base more diverse?

MR. CAPUANO: Sure. So to ground you, we have nine independent directors on the board. Seven are diverse. Of my direct reports in the C-suite, two-thirds are diverse. And then what we refer to as our senior leadership, so VP and above – roughly, top 800 – we’re about 45 [percent], 46 percent female, about 21 percent people of color.

And as great as those statistics are across American business, none of those are satisfactory and my view is it requires consistent and deliberate focus to get our workforce to look like the workforce that we want to bring in in the future.

MR. RUBENSTEIN: Right. But you're a white male on the board. You're a minority now?

MR. CAPUANO: That's right.

MR. RUBENSTEIN: What are you doing with Howard University?

MR. CAPUANO: So, much like you, I was delighted to see the awards you created in Arne's name after his tragic passing. We, at the company and at the family Foundation, thought long and hard about how to best honor Arne's memory, and his focus on diversity, equity, and inclusion, his focus on youth, and his focus on education led us to create the Marriott Sorenson program at Howard University.

MR. RUBENSTEIN: And that's going to train minority individuals to be leaders in the hospitality industry?

MR. CAPUANO: We'll train them, and we – and it's not exclusive to Marriott. Other lodging companies as well will create internship opportunities, create opportunities for full-time employment upon graduation.

MR. RUBENSTEIN: So back to the Ritz-Carlton. If I check in – let's say I need a room tonight and they say, oh, we have a room but the price is \$500 a night. I say I'm only allocated \$400 a night. Can you negotiate?

MR. CAPUANO: You can try.

MR. RUBENSTEIN: But does it ever work or –

MR. CAPUANO: Sometimes.

MR. RUBENSTEIN: Sometimes?

MR. CAPUANO: Sometimes. I mean, remember, our inventory is perishable. If you walk from the lobby at that point and that room sits empty –

MR. RUBENSTEIN: Right.

MR. CAPUANO: – I can't sell Thursday night's room again tomorrow.

MR. RUBENSTEIN: So, therefore, how much flexibility does that person have?

MR. CAPUANO: Well, it is really easy to raise prices. Once you lower prices it's a lot harder. So we've got to keep pricing continuity because I also worry that you're going to go to breakfast tomorrow morning, and you're a chatty guy. You'll talk to your seatmate and say, what did you pay last night? Really? I, like, paid \$200.

MR. RUBENSTEIN: People do that?

MR. CAPUANO: Absolutely they do.

MR. RUBENSTEIN: OK. So let's talk about the future of the industry. What are the two or three changes you would see, because of technology, the industry is going to have in the future?

MR. CAPUANO: I think a lot of the technology existed. I think our expectation is we'll see increases in adoption. I think about my parents. I'm not sure pre-pandemic they had ever ordered on Amazon. Now I'm not sure I'll ever get them out of the house, because by necessity they learned how intuitive and convenient it was.

Similarly, we had mobile check-in, mobile key, chat functionality with the hotel staff. But, again, by necessity or because of discomfort about the early days of COVID, more and more of our guests are adopting the use of that technology and for certain trip types I think that will endure well beyond the end of the pandemic.

MR. RUBENSTEIN: So what percentage of people actually check out of a hotel where they go to the desk and say, I want the bill. I want to see it. I want to review the bill. Do people do that?

MR. CAPUANO: Well, again, the functionality we've given them now they can review their bill on the app. Often, in many of our hotels, they can review it on the television. But the number of folks that actually want to go to the front desk, wait a minute or two, and then review it in detail in front of the agent is decreasing by the day.

MR. RUBENSTEIN: Yeah. OK. So why is it that Marriott became the biggest hotel company in the world? What did it do that nobody else managed to do around the world?

MR. CAPUANO: Well, we did a fair amount of M&A. The Starwood deal was the biggest and the most transformative and tends to dominate the headlines. But if you look at the four or five years prior to the consummation of that deal, we were on a pretty good run of doing one or two what we internally called bolt-on deals, and those bolt-on deals had a few common characteristics.

Often, they were in geographies where we had struggled mightily to grow organically and they tended to be brands that we thought had regional or even global growth implications.

So the best example of that we bought Protea Hotels in Africa. Before that acquisition, we didn't have a single operating hotel in sub-Saharan Africa. With the stroke of a check, we became the biggest hotel company on the continent.

MR. RUBENSTEIN: What do you have in Russia?

MR. CAPUANO: Well, so –

MR. RUBENSTEIN: What did you have in Russia?

MR. CAPUANO: We had 29 hotels, roughly, half managed, half franchised. We are suspending operations in Russia. So after, roughly, July 1st we won't be in business in Russia.

MR. RUBENSTEIN: What about Ukraine? What do you have there?

MR. CAPUANO: We had –

MR. RUBENSTEIN: I assume attendance is down. Obviously, down.

MR. CAPUANO: Well, this was one of the more impactful stories that's come out of this for me.

We had two hotels in Ukraine, both part of Design Hotels, which is a very eclectic collection of hotels. It was a portfolio we inherited in the Starwood acquisition, and the owners of those two hotels called us – it's the Klitschko brothers, one of whom is the mayor of Kyiv, one of whom was heavyweight champion of the world – and said, we are going to temporarily close the hotels because we're taking up arms to defend our country.

MR. RUBENSTEIN: Wow.

MR. CAPUANO: Yeah. So those hotels are closed.

MR. RUBENSTEIN: Closed. OK.

So, today, when somebody checks in to your hotel, typically, do they ever dispute things like the room charge was supposed to be less? Or what is the biggest complaint you get from people when they're checking in or when they're leaving?

MR. CAPUANO: There are certain things folks absolutely should expect from us. They should expect warm, genuine service. They should expect impeccably cleaned hotels. And so those are probably the two areas. If we fall short in either of those areas we hear about it, and we should.

MR. RUBENSTEIN: OK. Well, I spend a lot of night(s) in hotels so let me tell you my three biggest complaints.

MR. CAPUANO: Please. [Laughter.]

MR. RUBENSTEIN: I only care about three things.

MR. CAPUANO: OK.

MR. RUBENSTEIN: Number one is quiet. I don't want the – you know, the Rolling Stones next door.

MR. CAPUANO: Right.

MR. RUBENSTEIN: And sometimes you hear people playing boom boxes next door. So that's number one.

MR. CAPUANO: OK.

MR. RUBENSTEIN: So number two is a mattress that doesn't sink, that's kind of firm, so the back won't go out. And does anybody else complain about mattresses other than me?

MR. CAPUANO: Occasionally. Occasionally.

MR. RUBENSTEIN: Your mattresses are OK.

And the third thing is being able to turn the television on without having a computer degree, because I note – [laughter] – sometimes it's just so hard. I wind up – I'm getting pay for TV things. I don't really want that. I just want the news. And it's hard. Have you ever had that problem?

MR. CAPUANO: I don't. [Laughter.] But I'd be happy to send you some instructions.

MR. RUBENSTEIN: OK. But it's not that easy to turn these things on. OK.

MR. CAPUANO: Yeah. What I will say though, interestingly, you have so many players in the lodging industry testing new technologies every day, which I think is great.

MR. RUBENSTEIN: Why couldn't you have one uniform one?

MR. CAPUANO: But sometimes we get over our skis a little bit.

MR. RUBENSTEIN: OK.

MR. CAPUANO: I mean, I have checked into non-Marriott Hotels and there's an iPad or there's some device that is a bit challenging.

MR. RUBENSTEIN: Have you ever been to a hotel where you couldn't figure how to turn the lights off?

MR. CAPUANO: Yeah, a few.

MR. RUBENSTEIN: Because I – sometimes I just – finally I just call the bell – call downstairs and say, send somebody up. I can't figure this out.

MR. CAPUANO: It's one of the reasons in the new headquarters and the new headquarters hotel we'll have working mock-up rooms. So we can bring guests in and say, try our new Residence Inn prototype and have them say, I couldn't figure out the TV. I couldn't figure out the light switches.

MR. RUBENSTEIN: Suppose somebody says, I just want to rent the hotel room for an hour or two. Do you have a lot of those? [Laughter.] Maybe a – there's a discount?

MR. CAPUANO: I sure hope not.

MR. RUBENSTEIN: No. OK. So you don't do –

MR. CAPUANO: But what I will say we did launch a program during the pandemic. You know, many in this room, I'm sure, were fortunate enough if they were working from home they had a home office with good wi-fi, nice computer system, ability to close the door. Some younger employees didn't have that and they were sitting at their kitchen counter or they and their spouse were trying to take turns with calls. So we did offer some limited opportunities, effectively, a day pass to come work in a guest room.

MR. RUBENSTEIN: Right. So a young person, let's say, is graduating from college, he or she. Why should they want to work in the hospitality industry? What's the pleasure of being in your business?

MR. CAPUANO: Well, I should have brought my daughter, who's at the hotel school at Cornell, a rising senior. But I would think –

MR. RUBENSTEIN: Is she going to go work for Hilton or no?

MR. CAPUANO: I sure hope not, although Chris Nassetta offered a hostage exchange.

MR. RUBENSTEIN: OK.

MR. CAPUANO: He said he has a daughter that wants to work in hospitality.

MR. RUBENSTEIN: OK. Well, maybe you should do that.

MR. CAPUANO: I don't think so.

MR. RUBENSTEIN: So why it's a good business –

MR. CAPUANO: But – [laughter] – no, you know, I think Bill Marriott said it best. He and I did a session for our senior leadership meeting and it was he and I sitting in his kitchen. And at the tail end of the session I said, we've got hundreds of thousands of associates all around the world that'll watch this. What counsel would you offer them?

And he said, I would remind them that this is a fun business, and in his normal witty way said: Can you imagine spending your whole life working for a box company? He said, this is a fun business.

You get to see the world. You get to meet all these interesting people. Many times people are registering significant events in their lives in our hotels. You have the opportunity to form personal relationships with your co-workers and your guests. It's a fun business to work in.

MR. RUBENSTEIN: I told you what my concerns are. But what is the biggest single complaint that people actually make in a hotel? Is it the price or is it the service or what?

MR. CAPUANO: No. Well, it's been interesting. If you look at the last two big shocks to the travel and tourism industry – post -9/11 and the Great Recession – it took our industry nearly five years to get pricing power back. Here, after the pandemic, within two years we're at record pricing. That's good and bad.

MR. RUBENSTEIN: When you're talking to analysts that's good but when you're talking to –

MR. CAPUANO: Well, but this is my point. I think folks understand. Nobody likes paying a high rate. They understand. But if they're going to pay a premium rate with that comes an expectation that the hotel has been well maintained and renovated, that it's fully staffed and the services and amenities that they expect are available, and that you've got a well-trained staff, and one of the challenges, depending on whose numbers you believe, something on the order of one in five jobs lost during the pandemic were from the travel and tourism sector.

So as we look to fill those jobs we're getting a lot of terrific folks who may not have experience. So the learning curve is steep.

MR. RUBENSTEIN: Now, some of your hotels are open but all the floors may not be open because, I've been told, that you don't get enough staff people. Now it's hard to get staff people. So is it hard to hire people, and are you hiring people at minimum wages or above minimum wage now?

MR. CAPUANO: No. Meaningfully above minimum wage. But I think it's challenging for a few reasons. Again, you have some permanent job loss from the sector, and I think the workforce pre-pandemic looked at travel and tourism and said, this is a safe harbor set of businesses.

People are always going to travel. There are always going to be plentiful jobs. That confidence has been shaken by the last two and a half years. We've got to do a better job as a company and an industry reminding folks of the opportunities that exist.

MR. RUBENSTEIN: So what is the biggest hotel you have, the most rooms of any of your hotels?

MR. CAPUANO: Gosh, I used to know this. It's probably one of our Holy City hotels in Mecca or Medina in the Kingdom.

MR. RUBENSTEIN: Really?

MR. CAPUANO: We have big, multiple thousand-room hotels, although I say that – and I see Craig glaring at me – it’s probably the Sheraton in Macau, which, I think, is about 4,000 rooms.

MR. RUBENSTEIN: Four thousand rooms. Wow. OK.

And if I want to come in and say money is no object, I want the presidential suite or they call them in other places of the world the royal suite, what’s, like, the most I can pay in one of your suites?

MR. CAPUANO: I’m not sure there is a most.

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

MR. CAPUANO: I mean, I have seen suites get – a guest paying full rack at \$50,000-plus a night.

MR. RUBENSTEIN: Wow.

MR. CAPUANO: Not this guest, but some guests.

MR. RUBENSTEIN: So when you go to a Marriott Hotel, you stay there, they know in advance you’re coming, right? You never want to surprise them?

MR. CAPUANO: I don’t. It’s such a privilege for me when I go to our hotels to spend a lot of time walking through the back of house, going to the housekeeping lineup, talking to our teams in the kitchen. And I want to be as – I want to avoid disruption as much as possible, and so giving them some advance notice allows me to do that.

MR. RUBENSTEIN: But how do you know they’re not just making things much better than they normally would?

MR. CAPUANO: Bill Marriott used to tell a story about how many suits he had to throw away because after a hotel tour there were fresh paint stains all over them because they were painting as he was pulling into the driveway. [Laughter.]

You know, we have lots of metrics that allow us – we’ve restarted a bunch of our accountability metrics. So guest satisfaction scores, brand standard audits, data that helps us know when hotels are falling short.

MR. RUBENSTEIN: So when – I think it was Barron Hilton was once on the Johnny Carson show and Johnny Carson said to him, what’s the most important thing you want people to know, he said, make sure the shower curtain is inside the tub.

Is that a big problem, whether the shower curtain is outside?

MR. CAPUANO: There aren't many shower curtains left anymore. More and more of our guests, again, driving our design decisions. We're going to much higher percentages of shower only and trying to provide a shower experience not dissimilar to what you have at home with glass enclosures.

MR. RUBENSTEIN: So I notice if you go to, let's say, your JW Marriott downtown if you want to park there it's, like, \$75 or \$80. Is that unusual?

MR. CAPUANO: Well, our general manager is sitting right over there. I should ask him. [Laughter.]

MR. RUBENSTEIN: I don't know. It seemed like it was pretty expensive. Is that – am I wrong? Maybe they only charged me \$75. [Laughter.] But parking is pretty expensive. So that's not –

MR. CAPUANO: Yes. Well, particularly, in urban cores where square footage is at such a premium.

MR. RUBENSTEIN: OK. So if you were going to reinvent the entire hospitality hotel industry, what change would you make that would make it better for either people to stay there or better for owners?

MR. CAPUANO: I think we're doing it right now. I talked for a minute about this technology transformation we're going through, and when I talk about that in certain forums people say, well, that's fantastic. Your margins are going to go way up. You're going to be able to eliminate all these jobs, and, certainly, we will identify some efficiencies.

But, for me, technology is an enabler, if we execute correctly, to free up capacity for our associates to engage with our guests. I think there was a SNL skit where somebody went to an airline counter, said, I am on the 4:00 p.m., and then for 10 minutes they're staring at the top of the head while the agent is typing.

I don't want that. I want our associates to be able to engage with our guests and I think technology will allow us to do that.

MR. RUBENSTEIN: Now, why do you call them associates, not employees?

MR. CAPUANO: We have for 95 years.

MR. RUBENSTEIN: So you haven't changed?

MR. CAPUANO: They are – we are a family business. They are part of our family. It's a company that was built on this idea of putting our associates first, and I think it's an integral part of the company's culture.

MR. RUBENSTEIN: OK. And so, today, what do you do for relaxation yourself? I mean, you – are you a(n) exerciser? What do you do?

MR. CAPUANO: You're looking at it. [Laughter.] No, I mean, I do the elliptical every day because my knees are bad. So I stopped running. I'm a horrible golfer but I love it. And we have a little farm in Italy and so I try to get there as much as I can.

MR. RUBENSTEIN: Farm? OK. And you speak Italian?

MR. CAPUANO: Not enough. I'm learning.

MR. RUBENSTEIN: OK. So, today, if somebody wants to invest in the hotel hospitality business, is it a good area to invest in, or is it now not the right time because it's not expensive compared to where it was a year ago? Your stock went as low as what?

MR. CAPUANO: Forties [dollars].

MR. RUBENSTEIN: Forties. Now, and then when it's high is it \$190 or –

MR. CAPUANO: \$195.

MR. RUBENSTEIN: And now it's about –

MR. CAPUANO: One – I haven't looked today but –

MR. RUBENSTEIN: At \$140 or –

MR. CAPUANO: I don't want to catch a falling knife. One thirties [dollars].

MR. RUBENSTEIN: OK. So OK. So that's about –

MR. CAPUANO: But I think it's a great time to invest.

MR. RUBENSTEIN: It is?

MR. CAPUANO: Now, in full disclosure, I ran global development for almost 18 years.

MR. RUBENSTEIN: OK.

MR. CAPUANO: But I'll give you a statistic that, I think, is pretty remarkable. Our pipeline of future hotels has about 500,000 rooms in it.

Even over the last couple years, we've seen a historically low level of fallout from that pipeline, and what that suggests is our owners and franchisees believe in the resilience of travel. They believe it's a good long-term investment, and because so many of them are long-term holders they're not trying to time the cycle by a quarter or two. They may own these assets for decades.

MR. RUBENSTEIN: So if I wanted to invest in the industry, would I be better to invest in a franchise operation or better invest in one you're managing?

MR. CAPUANO: Yeah. It would depend. I mean, when I talk with our owners, I think our managed business has done a terrific job of making themselves a really compelling and competitive offer. Oftentimes, though, our franchise partners - that's part of their core business. They are themselves, operators.

MR. RUBENSTEIN: What is the most profitable hotel you have?

MR. CAPUANO: For us or for the owner?

MR. RUBENSTEIN: Well, for both. I mean -

MR. CAPUANO: Well, but remember, so a significant portion of our revenue comes off the top line.

MR. RUBENSTEIN: OK.

MR. CAPUANO: And then in a managed hotel we're also participating in the profits. I would - if I had to guess it would be a Residence Inn somewhere. That is an extraordinarily compelling economic model if you can find a market that has a high percentage of extended stay.

MR. RUBENSTEIN: So there used to be a hotel, I think, in Frankfurt - I think it wasn't a Marriott - that used to be the most profitable or had the highest margins because they could check people in two and three times a day because people were staying there, they were changing - after Frankfurt, they'd change their clothes and then you'd rebook the room again, and maybe two or three times a day you can use the same room. Do you have that kind of high-profit margin?

MR. CAPUANO: Again, I hope not.

MR. RUBENSTEIN: No? You don't have that?

MR. CAPUANO: You know, there may be a bit of that at some airport locations. But it would be the exception.

MR. RUBENSTEIN: OK. And so what is your favorite hotel in the world?

MR. CAPUANO: That's hard. Maybe I'll give you two, one in our system and one outside our system.

I would say in our system probably the Ritz-Carlton in Kyoto. Kyoto is an extraordinary city and this hotel is - perfectly blends with the fabric of that city. Since we have the Colombian ambassador - I promise I'm not pandering - but there is a tiny hotel in the Walled City in Cartagena called the Tcherassi which is one of my favorite hotels in the world.

MR. RUBENSTEIN: How many people really care about their Bonvoy points? Is that a big obsession for –

MR. CAPUANO: Almost everyone. [Laughter.]

MR. RUBENSTEIN: Everyone?

MR. CAPUANO: It is interesting. I have the privilege to go to many events with our customers, and it almost took me off guard in the early days of my time in this role the number of customers that come running up with their phone. Look how many days I've stayed this year. Look how many points I have.

I mean, it's a matter of pride. And if you go to some of the big consulting firms – the McKinseys and the BCGs – especially their young consultants have built these extraordinary algorithms to try to maximize their points.

MR. RUBENSTEIN: But is Bonvoy a profit center or a loss center?

MR. CAPUANO: If it operates the way it should, it is, essentially, neutral. The amount of revenue coming in should pay for the program.

MR. RUBENSTEIN: OK. And why is your point system better than somebody at Hilton's? Is it the same thing, basically?

MR. CAPUANO: Yeah. I mean – and some of this, I think, Chris would say the same. Where I think we would be similar is we both believe we offer the best quality of service, the most engaged employees.

Where I think we distinguish ourselves we want to – and I think most of our guests want to stay within a single ecosystem to maximize their loyalty. The scale of our footprint compared to anybody else, I think, gives them the best opportunity to do that.

MR. RUBENSTEIN: What percentage of people come to your hotel and they don't like the room, they say they want to change to a different room? Do a lot of people do that?

MR. CAPUANO: Very small.

MR. RUBENSTEIN: Very small?

MR. CAPUANO: Although, again, one of the features that we expect to roll out with our new technology platforms – all of us have become accustomed, if you're flying, you go on the little diagram and you choose your seat.

MR. RUBENSTEIN: Right. OK.

MR. CAPUANO: We'll have that same sort of functionality.

MR. RUBENSTEIN: It used to be if you went to a hotel you had to pay extra for internet service. You've gotten rid of that now? It's –

MR. CAPUANO: For the most – for our members, yes.

MR. RUBENSTEIN: Oh, for your members?

MR. CAPUANO: Mmm hmm.

MR. RUBENSTEIN: Oh. So if you're not a member you got to pay internet?

MR. CAPUANO: Depending on brand.

MR. RUBENSTEIN: Why don't you just put it into the basic fee? No?

MR. CAPUANO: Well, we want to drive membership. We want to drive direct bookings.

MR. RUBENSTEIN: OK. And today, would you say that if somebody wants to be a good customer, they want to be an informed customer, what should they do that they're not doing?

In other words, somebody here saying, I want to be a good customer. I want to get the most out of what I can get from you for the least amount of money. What should they do that they're not doing now?

MR. CAPUANO: They should talk to our associates on property. We're all busy. We all have our faces buried in our phone. Spend five minutes talking to the team at the property. You'll learn a great deal about the city you're in, you'll learn features of the hotel, and you'll meet some pretty extraordinary people.

MR. RUBENSTEIN: So do your parents ever go to Marriott Hotels and ask you why it's expensive or do they get special benefits or do they give you any complaints?

MR. CAPUANO: Well, we have a friends and family rate, which they take full advantage of.

MR. RUBENSTEIN: Oh, really? How do you get into that? [Laughter.]

MR. CAPUANO: Well, either I can adopt you or I can call you my friend.

MR. RUBENSTEIN: OK. All right. Well, I'll take a look at that. [Laughter.]

MR. CAPUANO: Good.

MR. RUBENSTEIN: So do you love the job you have?

MR. CAPUANO: I love it. It is a – it's an extraordinary honor. It's an amazing company. As you mentioned, we're celebrating our ninety-fifth year. I'm the fourth CEO in 95 years. I've had the privilege of working with two generational leaders in Bill Marriott and Arne, and our people are remarkable.

MR. RUBENSTEIN: So one final question.

MR. CAPUANO: Please.

MR. RUBENSTEIN: Just give us one interaction you might have had with Arne, one of your interactions with him when you were working for him, and something that showed he was very – you know, a terrific CEO. And what memory do you have?

MR. CAPUANO: Gosh, I could do a few. Maybe I'll give you a serious one and a funny one.

MR. RUBENSTEIN: OK.

MR. CAPUANO: The funny one, you may recall we launched the EDITION brand, which was a collaboration with Ian Schrager, and our timing couldn't have been worse. I think we launched and about an hour later the great financial crisis started.

And so when the crisis was over, we, as a company, believed we needed to relaunch. We believed deeply in the brand, and we thought to do it right we needed to pick at least three global gateway cities and develop these hotels on balance sheet to get them perfect with an eye towards eventually selling them.

And so we did the Miami Beach EDITION, we did the Clock Tower on Madison Square Park in New York, and we converted the old Berners Hotel on Fitzrovia in London. And I think London and Miami were under construction. We had a go hard date with the deposit on Clock Tower in New York. It was due Friday at 5:00 p.m.

And I went to see Arne in my old role about noon on Friday and I said, OK, Arne, are we in or out, right. I've got to send whatever it was, \$50 million, and he said, make your pitch one more time.

So I made my whole pitch about why we should do it, and he said, all right, on one condition. I thought, oh, gosh, he's going to re-trade the deal. So I get my pen and my paper back.

I assume I can use candid language here. He said, when we get fired you have to help me carry all my shit out to the car. [Laughter.] And but, you know, he had the courage to go forward. It ended up being a great execution. We ended up selling the three hotels to one of our – to a sovereign fund and it's been a great investment.

MR. RUBENSTEIN: Was that the serious or funny one?

MR. CAPUANO: That was the funny one.

MR. RUBENSTEIN: OK.

MR. CAPUANO: But I think he was serious. [Laughter.]

He – so many of us were so close to him, and after his passing you read all these beautiful tributes that had been written about him, and the thing that always struck me so few of them talked about business. They talked about his humanity. And I've said to anybody that asks he was the most engaged and effective listener I've ever met in my life.

And listening is a lost skill. We're all busy. We're all thinking about what's next. We're all looking at our phone. And you meet folks in our hotels who met him for five minutes in the porte-cochère. But he was their friend because for that five minutes he was a hundred percent engaged with them, and it was remarkable.

MR. RUBENSTEIN: Thank you very much for a great conversation.



Anthony Capuano
Chief Executive Officer
Marriott International, Inc.

Marriott International is the world's largest hotel chain with a total of 30 brands in its portfolio and a market cap of \$59 billion. They span over 130 countries and territories with nearly 8,000 properties. Over 570,000 people wear the Marriott name badge worldwide.

Anthony Capuano began his Marriott career over 25 years ago as part of the Market Planning and Feasibility team. That role prepared him to lead Marriott's development efforts in North America, the Caribbean and Latin America, eventually assuming global development responsibility.

In 2014 he began overseeing global design and in 2020, global operations. He became Chief Executive Officer in February 2021. He is an active member of the Cornell Hotel Society, The Cornell School of Hotel Administration Dean's Advisory Board, as well as the Business Roundtable and the American Hotel and Lodging Association's IREFAC Council. Additionally, he is an active member of the Board of Directors of Save Venice. Mr. Capuano earned a bachelor's degree from Cornell University in Hotel Administration.