



Stefan Leser

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Personal

Born in Germany in 1967

Career

Stefan Leser graduated in business administration with a focus on travel and transportation. After gaining an MBA in finance and strategic management at Augusta State University of Georgia, USA, in 1999 he became Executive Vice President for Atraxis in Switzerland, responsible for business development and marketing and sales. He then worked for EDS, where his last position was CEO for EDS Switzerland AG and Head of Sales and Distribution for Central and Eastern Europe. In 2005 he moved to Kuoni, where he is responsible for the newly created corporate development section. Since 2006 he has also been responsible for SBU Scandinavia, and in 2007 he was appointed to his current position as Head of the Strategic Business Division (SBD) Smart (including Switzerland).

KUONI

Understanding customer needs as the driving force for innovation

Interview with Stefan Leser

The Swiss travel company Kuoni is one of the world's leading names in travel, with more than 8,800 staff in 300 offices around the world and more than 100 years' experience in the travel industry. Its success has been built on a blend of global reach with individualized service. Here CEO of Kuoni Switzerland, Stefan Leser, shares his thoughts on sustaining a successful business model in the age of the Internet and how innovation can be made to work in a challenging industry.

The Kuoni Travel Group traditionally supports individuality, quality and service. Has your business model been overtaken in the age of the Internet?

» Service, individuality, quality and reliability have turned us into one of the leading travel organizers worldwide.



For a start, the Kuoni Travel Group has been in business since 1906. It is true that service, individuality, quality and reliability have turned us into one of the leading travel organizers worldwide. We understand the needs of our customers. The Kuoni brand is the very one that is in the best position today, and will also be in the future, to turn these wishes into reality for our customers. That is the secret of our success, even in the age of the Internet.

Now let us turn to the change within our industry. It is true that the Internet has made a lasting impression on the business as a sales channel. In the past, the travel agency had sole sovereignty over information. Travel organizers were "information brokers". In the travel agency it was made quite clear to customers what was on offer. Then packages - flight, hotel, the entire holiday program - were tied up in the form of package tours.

Today, everyone can obtain information via the Internet. And that's not all. You can book your trip yourself from your desk.

Is the Internet, as a sales channel, therefore a "disruption" which, in the medium term, will lead to a different business model?

There are competitors who are betting on such a scenario. These companies, in the final analysis, are reducing the service that they provide to the provision of an Internet search engine. Using so-called dynamic packaging, the customer completes the configuration of the trip at home.

And will these “asset-light” competitors prevail in the market over the traditional travel organizers with a dynamic packaging concept? Is your business model at risk?

Travel organizers who continue to operate only as search engines do indeed have their place in the market. However, the overall picture is more complicated. The Internet, as a channel, is not a replacement; it differentiates the market. Only one specific segment - it could also be described as a “commodity” - is booked independently by the customer over the Internet. But it is necessary to then make a clear distinction.

Firstly, the Internet does not evaluate. For those travel experiences with which you are not thoroughly familiar already, it brings a high degree of complexity. Even those portals that are available on the Internet containing consumer insights or rankings are really of no further help, as they are contradictory and not free from manipulation. “Perfect moments” - that is what we all want to experience on holiday - cannot be developed in this way. In that situation you really have to ask for advice.

Secondly, carrying out research off one’s own bat does not only harbor the risk of missing out on the few precious moments of your holiday. Many of us do not even have the time to do this. You simply want to outsource the arranging of the trip.

And finally, a package tour, put together by a travel organizer and delivered via the Internet or via a travel agency, plainly brings price benefits for the customer. The controlled bringing-together of supply and demand by the travel organizer can thus be very beneficial.

What do you at Kuoni understand by “innovation”? In which direction will Kuoni develop?

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The starting point for innovation should not just be what is technically possible. We align ourselves strictly to the basic principle of understanding needs and making suitable offers. Thus, being innovative means adapting to demands, which are changing faster and faster, with suitable offers.

The demand structure of customers is more differentiated today than ever. Many traditional assumptions and market segmentations are no longer true. The customer with a high income is perhaps looking for an exotic destination. However, he would like not just to go to a "suitable" five-star hotel. He wants to stay in alternative or "low-key" accommodation. Other customers are just looking for a luxury niche in a mainstream destination. Others, again, do indeed have high incomes but want a short trip at a good price. In addition, we see an increasing trend towards content. Alongside the old favourites such as sun, swimming and relaxation, more and more people are looking for "perfect moments" ranging from learning, culture and sustainability through "green holidays" and corresponding experiences.

And, of course, there are also those customers who cannot afford very much and who are simply looking for good offers.

The art lies in really understanding these variable and rapidly changing demand structures and making customers offers which match their needs exactly. We here at Kuoni have the most widely varying offers on the market, the know-how and the worldwide connections. That is, we are a global travel brand with operations in over 30 countries.

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Is variety not an approach that other competitors also propagate? Is it still possible to stand out this way?



We reflect the great variety of demand structures with travel offers through all marketing channels. We are, of course, present on the Internet, we communicate by means of catalogs which capture the spirit of the times, and we maintain a modern travel agency structure. Innovation has thus very much to do with keeping on the move and being flexible. It is true that there are competitors who are trying the same thing. In this, we stand out due to qua-

lity, reliability and excellence. Our customers know how to appreciate this, as we are constantly gaining market share. Customers are also asking themselves the question as to who is best capable of delivering all of this. Here Kuoni is right at the top of the list. And Kuoni has just received the award for being the most trustworthy brand in the travel trade in Switzerland for the eighth year in succession.

How can a company differentiate itself in your markets?

The great art of differentiation reveals itself in many details. If you visit our flagship stores, for example - these are at present in Zurich, London and Manchester and soon to be in Mumbai - you will experience a completely new standard of advice in a unique environment. There we will establish, in the first instance, in which direction your requirements are heading. If you want, we can sort out a suitable holiday for you here within a few minutes. However, perhaps you do not just want a trip to Italy but also want to study Italian opera. In our flagship stores there are in-house advice areas and experienced specialists who are able to take care of this wish. We will plan and organize "perfect moments" for you on a very individual basis. For that we make use of our worldwide network and our experience.

You will not find such an advice-oriented approach at any of our competitors.

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« How do you adapt an organization with thousands of employees and customer contacts to a customer-orientated approach and, with that, to innovation?

The question is crucial, as innovations need to be devised not just as concepts. In today's market environment innovations must be carried out on a daily basis through contact with the customer. This is only possible if employees are fully behind the product and genuinely committed to it and also, in the final analysis, behind the company. Our principles in relation to this great challenge are three.

Firstly, change cannot be ordered "from the top down". Employees at the customer interface must be constantly listened to. Accordingly, I myself spend a considerable amount of my working time on this, by having discussions

with those colleagues who are at the customer interface and listening to their advice.

Secondly, middle management must pull together. We even had the situation within the company a few years ago where every market and every destination believed that it had to run a quasi-separate company. However, we have geared the diversity required not to the ambitions of the managers but to the market. Accordingly, we have standardised many things which were previously regarded as being different between the markets. Through intensive and continuous discussions we have created a homogeneous management team that is constantly fighting for an appreciation of the market and then commits itself to a common strategy and that works.

And, finally, it is very useful to think outside the box and just take a good look at other companies. We maintain, for example, an innovative partnership with Audi and with Swarovski - two completely different companies, from completely different trade sectors. This partnership is a genuinely enriching experience.

How important is it to have a top management with strong leadership in the case of this innovative approach?

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Dominance is not required at all in this case. Leadership means winning people over with ideas. In order to produce a solid base for this power to win people over, we at Kuoni have taken a thoroughly good look at our brand and the values that it stands for. In this respect, things were going for us a few years ago as they were for many other companies. The values that people generally associated with the brand came from a different era. Innovation, market orientation and the mobilization of the employees - all of this could no longer be done using this traditional framework of values. We fundamentally questioned all of it. And we redeveloped it as a team that is working together with the entire middle management. Previously, our code of values was aimed, in particular, at the elements of safety and quality. Today we go much further. We strive to provide our customers with "perfect moments". And we intend to achieve this through reliability, authenticity and passion.

Arthur D Little

To breathe life into these concepts we have trained the employees of Kuoni at a brand campus and have thoroughly gone into them. Perhaps you might just put it to the test and go into a Kuoni store.

However, I would not like to duck your question regarding the top management. In isolated cases, as a committed top manager, one also has to make some really hard decisions. Often it is decisions with regard to staff, for discussions and disputes over content are also so important. A course agreed as a team must be consistently maintained. Only in this way does the message also reach the market in a really convincing way. One must be able to cut oneself off from managers who refuse to accept this principle.

And how is the financial situation of Kuoni looking? You have carried out some acquisitions in the last few months and years. Are you short of critical mass?

We have acquired companies in the past and we will also continue to do so. Size alone, however, is not the point. We are a provider with a clear profile, in terms of content, and a clear strategy. And we will also continue to grow in accordance with this orientation in terms of content. At the same time, we are completely happy to experiment and will also enter new markets - or part company with less attractive business operations.

In the final analysis, the principle underpinning our commercial dealings is a very long-established model. We manage the company according to the Return on Invested Capital principle. Our owners are supposed to receive a return on the capital put in that is considerably above the average for the market. We have comfortably achieved this aim in the past and we are also achieving it at the moment. Just compare Kuoni with the competition. You will easily identify us as the top performer.

How do you see the prospects for the travel trade in the medium term?

The current state of the world economy certainly harbors some risks. Despite this, we are optimistic that the demand for travel will hold up. Economic risks will result

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in demand conditions changing. The trade must react to these in a flexible way. But this is exactly where one of the strengths of Kuoni lies.

And, alongside the risks, there are also opportunities. Just take the BRIC nations, that is Brazil, Russia, India and China. As the national economies grow, additional demands will be created here. There is still plenty of room for good tour operators such as Kuoni that operate worldwide.

What kind of traveler are you yourself?

I enjoy exotic destinations. But it doesn't always have to be a five-star hotel. Also, one of my "perfect moments" is dispensing with the black-tie dinner and just being out and about dressed quite casually in jeans, a combination which is not easy to find all the time. But the advisers at Kuoni have always been able to be of further assistance to me.

Mr. Leser, thank you very much.

It's been a pleasure.

Interview conducted by Ralf Baron and Michael Zintel