# A GURU OF THE TOURISM SECTOR

## CEO of world's biggest online travel company pins high hopes on outbound travel

By **WU YIYAO** in Shanghai
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Glenn Fogel is widely known as a veteran merger guru, known by his peers as a man with thorough knowledge of the travel sector.

The 55-year-old CEO of The Priceline Group, the world's largest online travel company, has been leading the business and its six major brands since his term as CEO began in January.

According to the latest quarterly report of the New York-listed Priceline Group, which is parent of Booking.com and Agoda.com, the company reported gross travel bookings of $21.8 billion in the third quarter of the year, up 18 percent year-on-year, with a net income of $1.7 billion, up an astounding 240 percent year-on-year.

In China, Priceline Group has recently invested $450 million in Meituan-Dianping, an e-commerce combination of two firms that served nearly 300 million consumers in October.

"Online travel companies should provide customers with a wide range of choices at good prices and at the same time add value to partners such as hotels, restaurants and rental car services," he said.

Keeping these goals in mind, Priceline Group can be expected to continue its fast-paced momentum of growth over the long run, he said.

China Daily recently conducted an in-depth interview with Fogel. Below are excerpts from the interview:

**A Chinese tourist** uses a smartphone to record the view during a visit at the Acropolis archaeological site in Athens, Greece. Online travel agencies such as Priceline have been hoping to tap into China's surging outbound tourism market. YORGOS KARAHALIS / BLOOMBERG

**How do you evaluate Priceline's business and what measures will you take to keep the growth momentum?**

Fortunately, we have been very successful for a very long time, so the right question is, how will we maintain long term success? We make sure we have the technological ability to be innovative, to come up with new services, new ways to help the people who use our brands – from the travelers on one side, to our partners, the restaurants, the hotels, the rental cars, on the other side. We will come up with new ways to serve both customers and partners in the future, and that's how we maintain long-term sustainability.

**What do you think of the fact that some hotels are encouraging customers to book accommodations directly on their own sites, rather than going through an online travel agency?**

If I were a hotel owner, of course I would prefer that people came to me directly and I didn't have to deal with any of these other parts of the distribution chain. That is very natural. But we exist for a reason: providing travelers with a great digital service, which is very difficult for the suppliers to do, ensuring that customers get breadth of choice, the best price, and great customer service in their own language. How many small hotels around the world have 24/7 Chinese language customer service? Practically no one. But we do that.

**Do you think large hospitality chains also need online travel agencies like Booking.com or Agoda when they have their own technology and marketing team?**

Yes, even the largest, even the absolute biggest ones in the world. Many of the large hotel chains have come to us and asked for technological advice and help. We have immense marketing costs — more than $4 billion last year.

> "We see more and more Chinese traveling abroad and that represents a great opportunity for our brands."
>
> **Glenn Fogel**, CEO of Priceline Group

So it's also an interesting point that they assume that (the business) all comes to us for free, but that's not the case. We're paying quite a bit.

**How will the latest technological innovations influence your industry in the future?**

In the broader sense, we're using technology to be able to achieve a better result that couldn't have happened in the past. In the customer service area, for example, using what you know about your customers to achieve a better result for them. So, I like to drink nice red wines and I like to go to expensive restaurants sometimes, but sometimes I don't. Sometimes I stay in really expensive hotels, sometimes I stay in cheap hotels. But with all the data that we can leverage to learn about me as a customer, we have the ability to better predict and serve customers. For example, in this particular situation, we should be able to understand that Glenn needs this type of hotel and he would like to go to this type of restaurant today. It's about using all of the data we have in smart ways to create a better service result for the customer.

### CV

**Nationality:** USA

**Age:** 55
Family: Married, 2 children.

**Career:**
Since Jan 2017, chief executive officer and president of the Priceline Group
Nov 2010 - Jan 2017, head of Worldwide Strategy and Planning, Priceline Group
Mar 2009 - Nov 2010, executive vice-president, Corporate Development, Priceline Group
Feb 2000, joined Priceline Group
Before Feb 2000, a trader at a global asset management firm and prior to that, an investment banker specializing in the air transportation industry.

**Education:**
Graduate of Harvard Law School (1985- 88)
Bachelor of Science in economics, University of Pennsylvania's Wharton School (1980-83)

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**Do you think artificial intelligence will also influence online travel as it does to many other industries?**

We want AI to recreate what the old offline travel agent did. The old offline travel agent knew everything about you, because they lived in your community and they worked with you all the time. They knew all these things, such as when you would travel, and if you would arrive in day or at night. They always gave you the best recommendations based on what you like. It was wonderful because you didn't have to do so much work, and you felt good because the travel agent knew you well. That's what we want our technology to recreate, only better.

**How do you observe demands from the China market?**

Certainly, a big part of our business is that outbound business (of Chinese travelers going out of the country). And next is the inbound business — foreigners coming to China. The domestic part is not as big as the others, but it's an important part of our overall business and we need to continue to develop it. When you had a good experience getting a hotel in Australia through Booking.com, you will want to use our services again in China.

**How does the China market weigh in Priceline Group's global operation?**

At The Priceline Group, we think overall about total growth in China. Our leaders are very aware of the importance of China and we have a lot of people who are very knowledgeable and who recognize the importance, so when I say things like "we're going to invest in China", nobody's saying "oh that's a waste of money." Our board will ask: "Is that enough? Should we do more?"

**When was your first trip in China as a traveler? What changes have you observed in China since then?**

That was more than two decades ago. I mean China in 1985 versus China in 2017 is ... there's very little similarity between the two. China has been able to leapfrog in certain areas, particularly technology innovation. China has so many people that understand the importance of technology, and the innovation coming from all of the engineers and developers here is truly incredible.

**How does the surging number of Chinese travelers' outbound trips influence The Priceline Group's business?**

We see more and more Chinese traveling abroad and that represents a great opportunity for our brands. For example, this summer in Iceland, and in Alaska, I saw a lot of Chinese travelers. Many have already been to Paris, London and New York so they're off to different places. The great thing for us is, we have lots of properties in Reykjavik, and we have lots of hotels in Anchorage so that our outbound Chinese customer is able to see the same thing they'd see if they went to London. So it doesn't matter if it's Reykjavik or in Beijing, we want to be able to provide that great product in a consistent manner all over the world.

**If you are going to bring somebody to China that had never been here before, where would you take them?**

I would suggest arriving on a flight that lands at night in Shanghai, and then I would go to a restaurant where you can see outdoors. The first time I saw Shanghai at night, it was like "wow". So that's what I would do, that's number one. Then of course we'd fly to Beijing, because everybody would like to see and walk on the Great Wall. And to Chengdu, for the food, culture, and of course, the pandas. But you know somewhere that would be wonderful, which I have not done? It'd be so wonderful to take the rail to Tibet. It would be wonderful to go there, as well as somewhere to ski. I am a big skier, so I would like to see what it's like to ski in China.

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# Robot-maker Kuka seeks growth in new spheres – and in China

German industrial giant Kuka is the world's largest producer of robots used to make automobiles, with its signature orange cranelike bots a fixture in automated car factories across the globe.

So why is Chairman and Chief Executive Till Reuter worried?

The reason is simple enough: Growth in robots for all industries other than automotive is up more than 10 percent; that compares to just 3 percent to 5 percent for the car industry, he says. Kuka's auto business has fallen from 80 percent of robot revenues, when he took over the company in 2009, to around 50 percent today, Reuter notes.

Now, this 120-year-old company, which in January became just under 95 percent owned by China's Midea, the world's largest appliance maker, is aiming to pull off a big transformation that, if successful, will take it into faster-growing robot markets.

That means smaller-sized and nimble robots for electronics manufacturing and logistics warehouses. Also on the drawing board are machines that could handle plugging in electric vehicles for owners, or even allow the elderly to live independently at home later in life, Reuter said in an interview in the southern Chinese city of Guangzhou, Guangdong province, earlier this month.

"We want to keep number one in automotive (but) we see that the higher growth is coming out of other industries and other sectors." For example, one large market that will become "even bigger in the future will be the production of mobile phones, handhelds, and iPads," he says. Reuter is referring to robots that have a payload — the maximum weight they can pick up and manipulate — of six kilograms or less, and are capable of carrying out much more delicate assembly tasks.

China will be key to realizing Kuka's diversification strategy, which is being led by Reuter, who makes monthly visits to Midea's Foshan headquarters and stays in close contact with its chairman and CEO Paul Fang. It's the world's largest and fastest-growing automation market. Sales of robots in China, which amount to about one-third of the global demand, grew by 27 percent last year, compared to just 12 percent in Europe and 8 percent in the Americas, according to the International Federation of Robotics.

With 68 robots per 10,000 Chinese manufacturing workers, far fewer than the 189 in the United States and 631 in South Korea, there's room for growth and rising factory wages are powering more automation.

"We want to become number one in China," says the Kuka executive, noting that their market share for robots last year was around 14 percent (that puts it among the top three suppliers).

> "We want to keep number one in automotive (but) we see that the higher growth is coming out of other industries."
>
> **Till Reuter**, chief executive of robot producer Kuka

**$588 million**
Kuka's revenue in China now

Revenue in the country, now at 500 million euros ($588 million), will be "way above" one billion euros by 2020, he predicts.

"If you want to be a global player, you need to compete there," says Justin Rose, a partner at BCG in Chicago. "China will become even more important."

Kuka however, is hardly alone in vying for the $11 billion China market. ABB and Fanuc are two of its largest competitors globally in industrial robots. Meanwhile, local rivals including E-Deodar Robot Equipment Co, Anhui Efort Intelligent Equipment Co and Siasun Robot & Automation Co sell their robots for about one-third the cost of foreign brands. A cost-cutting war and shakeout is possible, as China's hundreds of new local robot makers start to vie for market share.

Wang Tianmiao, president of the Smart Manufacturing Research Institute at Beihang University, said rapid technological progress puts a group of Chinese robotic players in a better position to challenge their foreign counterparts.

"Chinese companies move fast to apply artificial intelligence technology to make robots smarter, and can deliver them to the market at affordable costs," Wang said. "Foreign players need to work hard to maintain their edge."

"Made in China 2025", the government's plan to modernize and automate manufacturing, has set specific targets to increase the proportion of Chinese-made robots.

"Kuka is now part of the Midea family, which is great," says the bespectacled Reuter, who has worked as an investment banker for Morgan Stanley, Deutsche Bank and Lehman Brothers. "Midea is helping us in China get more weight on the ground."

Along with its push into non-auto industrial robots, Kuka aims to leverage Midea's sales networks and company connections to start producing consumer-focused robots, too. The companies are jointly building a large industrial park near Guangzhou that will have R&D, technology development, a robotics training center, and critically, a production facility.

"We are increasing capacity. That is the first step," Reuter says. "For Kuka, the park will be a very, very important step towards becoming number one."

As to what specific kinds of robots will be produced in the new park or elsewhere in China, Kuka's chairman is keeping mum for now.

"We have some projects on the consumer side (but) lots of them are still confidential. If I let them out of the box, people will probably jump on," Reuter says.

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