

# Destination: CEO

**Travelocity's  
Michelle Peluso  
relies on an  
entrepreneur's  
enthusiasm  
to run one of  
the Internet's  
most successful  
commerce sites.**

**by Sharon Shinn**



**A**lthough *Travel Agent Magazine* once named her “Technology Person of the Year,” Michelle Peluso doesn’t consider herself an IT guru. “Everyone knows my technology team should have won that award,” says Peluso, the president and CEO of Travelocity, which is based in Southlake, Texas.

Nonetheless, the 35-year-old entrepreneur has certainly proved she knows how to use technology to transform the travel industry. In 2000, Peluso launched Site59, a Web site for last-minute travel deals, an enterprise that allowed her to combine her love of travel with her desire to run her own business. When Site59 was acquired by Travelocity two years later, Peluso was brought on board as senior vice president and later made COO. In 2003, she was named CEO. Since then she has masterminded Travelocity’s expansion into Europe and become a vigorous champion of customers’ rights.

The work has paid off. Before Peluso was named to the top spot, Travelocity had lost its position as the third-largest Internet commerce site behind Amazon and eBay. Under her leadership, the company has seen steady growth, including a recent gain of 31 percent over the previous year. In 2006, Travelocity generated total global revenue of \$1.1 billion by booking \$10.1 billion in gross travel. Peluso utilizes technological advances to offer customers better, more personal service that keeps them loyal to the Travelocity brand—and keeps Travelocity profitable. No wonder the company’s “roaming gnome” mascot looks so happy.

Given her background, it’s no surprise that Peluso thrives in the fast-paced, high-pressure world of online travel. Her father and grandparents were entrepreneurs, and she made her first trip to Russia at the age of 15. After earning an undergraduate degree at the Wharton School, Peluso deferred her business career to obtain a master’s degree at Oxford University in economics, philosophy, and politics. Still seeking varied experiences, she spent time as a consultant and a White House Fellow before launching Site59.

Her travels and curiosity about the world have also driven her commitment to various charities and nonprofits. While at Wharton, she ran BRIDGES, a mentoring program that paired Wharton undergrads with West Philadelphia schoolchildren. More recently, she has joined the boards of directors for TechnoServe, which helps entrepreneurial people in poor rural areas of the developing world, and Christa House, a Long Island home for people with AIDS. Peluso also manages to find time to speak at business schools, sharing insights into management and her delight in mastering its challenges.



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### **When Travelocity first began in 1996, was it risky to think people would turn to the Internet to book travel?**

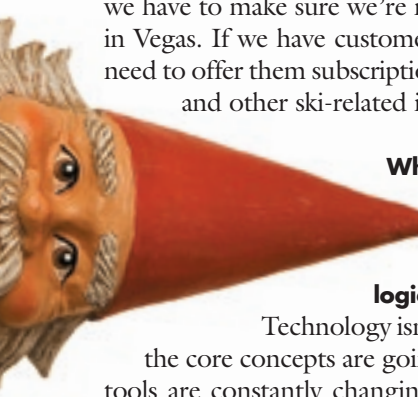
It was. The category of travel has a lot of meaning in people's lives, and it's also a very high-ticket item. In 1996, those brave few souls who came to Travelocity—who were not Travelocity employees and relatives!—were cutting-edge. But they benefited by putting control of the travel experience back in their own hands. Instead of trusting an agent to show them options, they could see all of the available flights, all of the hotels, all of the prices. Now hundreds of millions of customers from around the globe have followed those first consumers.

### **What emerging technologies are likely to affect the way you run the business?**

First, we'll provide richer information. When consumers come to a site like ours, they want to scroll through photos and videos and put themselves right in their destinations. Flash content and integrated tools are part of the next generation of technology.

Second, we have to pay attention to how relationships on the Internet are changing. Up until now, most relationships have been hierarchical, meaning one person has been transacting with one company. New technology is enabling what are almost horizontal relationships. For instance, a customer can read what other consumers are saying about a destination or a hotel. They can post their own feedback and reviews for others to scroll through. This whole notion of user-generated content is very powerful, whether that content is created by blogs, community sites, or user reviews.

We're building our third prong of technology improvements around relevance and personalization. If we have consumers who travel to Orlando several times a year, we have to make sure that, when they come to our home page, they're seeing relevant ads. If they've bought an air ticket to Orlando, we have to make sure we're not showing an ad about a hotel in Vegas. If we have customers who like to take ski trips, we need to offer them subscriptions to newsletters about ski deals and other ski-related information.



### **What can business schools do to make sure they and their students can keep up with the rapid pace of technological change?**

Technology isn't like an accounting class where the core concepts are going to stay the same. Technology tools are constantly changing, and they're being applied in

different ways by different companies. To teach in that context, schools might have to get closer to the real world, with businesspeople leading case study discussions.

### **These days, a variety of factors have combined to make air travel a somewhat unpleasant experience. Planes are crowded, security checks are intrusive, ticket prices are climbing. What do you see as the future of travel, and how will Travelocity's strategy align with or drive that future?**

I foresee a number of changes. First, we have to give consumers more and better information as they're making their travel purchases. We're testing the market for ways to show on-time percentages and lost baggage percentages by carrier. Right now, we can tell customers when there are only three seats left in a certain fare class, so they know to buy their tickets immediately if they see a good deal. We can tell customers where there are certain amenities or services available to help them make their buying decisions.

Second, through our Customer Championship philosophy, we've taken greater accountability for the travel experience itself. If we find out a flight's delayed, we send customers an alert to their mobile phones or Blackberries. We let them know if there's a gate change so they don't go to the airport and park at the wrong terminal. We let them know if severe weather is affecting their destination or if the pool is closed at their hotel. We'll send them proactive alerts before they travel so we can adjust their plans if any of these issues are important to them.

Through Customer Championship, we are saying Travelocity's role doesn't end at the time of booking; it ends when the trip is over. Part of our mission is to use our technology to make sure that the travel portion of people's experience goes well.

### **A new trend in travel is an awareness of the environmental impact of a trip. Travelocity now advertises "environmentally friendly" airplane tickets. What do these entail and why are they important to you?**

We're all passionate about travel here, and we think travel makes the world better, but we also want to make travel sustainable. If consumers want to offset the carbon from their flights, we offer them the chance to make a donation to a nonprofit that plants trees. We're also funding grants for people who are traveling to do good in the world, like helping with cleanup after Hurricane Katrina or going to work in an orphanage in Cambodia. We fund a couple of those grants every quarter. It's our way of saying, "Travel has given us a

lot, and we want to give back to honor the magic and power of travel.”

**You’re a third-generation entrepreneur, and you probably knew a great deal about entrepreneurship before you even thought about business school. What were some of the key lessons you learned from your family about running your own business?**

You really have to be passionate about it, because entrepreneurship is all-consuming. You wake up in the middle of the night thinking about whether you can pay your bills the next week. It’s also important that you do it for the right reasons. I learned that you become an entrepreneur because you want to build a great business over the long term, not because you think you can get rich quick.

I also learned that you have to put your employees first. Any time you’re asking someone to start a company with you, you’re asking for a Herculean effort. You’re asking the new employees to take a risk. You’ve got to make sure you’re focused on their career paths, and you have to get obstacles out of their way. Having a strong sense of your employees pays really good dividends.

**What did business school teach you about entrepreneurship that you never could have learned at home?**

It showed me how to work in teams of people with different skills. And of course, it taught me the business basics—financial modeling, accounting, marketing, statistical analysis, strategy—the core principles of being a good business leader.

**What can business schools do to help students think like entrepreneurs?**

I work frequently with Wharton, and I’ve always been impressed by what the school does in terms of competitions. They give students a real-world perspective on what it takes to write good business plans, how to develop an elevator pitch, and what kinds of questions they might get from venture capitalists or bank managers. I think any real-world experience is exciting for students and has true applicability for their careers.



**The global economy has had a profound impact on most businesses, including Travelocity, which has begun operations in Europe and Asia-Pacific. In addition, you employ more than 5,000 employees and utilize about 1,800 people in call centers, and more than half of them are located outside the U.S. What have you learned about doing business as you expanded overseas?**

It’s critical to have a sense of what it takes to operate a business or motivate a team country by country. When you’re setting up a business in another country, you have to understand the local market dynamics. You also have to have a good sense of what should be a global function versus what should be a local function. If you can realize a significant cost benefit by building a technology launch globally as opposed to having different technology in every region, that’s great. But you have to be very clear about what parts of the launch can be tailored to local needs and what can’t.

Across the countries where we operate in Europe, we have the same brand, called last-minute.com. The identity and the framework are similar from country to country. But we always include some local adaptation for specific promotions and specific markets.

**How can business schools make sure students are prepared to be international executives?**

Some business schools now mandate that students get at least some study abroad experience, and I’m a huge fan of that. I think it’s a rare business that, going forward, will be U.S.-only. It’s critical for business leaders to have a better sense of the global economy, because they will probably need to source from other countries or hire talent from other countries or develop operations abroad. At the same time, the markets are so connected. What happens in the Japanese stock market affects the U.S. stock market, and they’re both affected by what goes on in China.

Schools need to offer case studies of companies that have been successful in Europe and Asia and Latin America. They need to help students recognize that being an effective leader requires understanding the global context.

**Your master’s degree from Oxford is in economics, philosophy, and politics. How did such a degree, one that isn’t strictly business-related, change the way you think and the way you view the world?**

What philosophy and politics teach is the notion of historical

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precedents and how important they can be when you’re making decisions. Philosophy also is very good at making you challenge the inputs of any situation. Business schools are structured to make you think through an equation. “If X and Y, then C.” A philosophy education teaches you to ask, “Well, why X in the first place?”

It was helpful for me to acquire this background that encouraged me to be a deeper thinker. I gained tremendous experience and enjoyed living in a different country. Attending Oxford certainly made me a much more well-rounded international businessperson.

### **You’ve said you enjoy being a female entrepreneur who acts as a mentor to other women. What kinds of lessons do you try to impart to those you mentor?**

I make sure the people I mentor, men *and* women, are very thoughtful about their careers and willing to take risks. If I’m mentoring someone who’s been a marketing executive for a long time and her ultimate aspiration is to run a company, I will push her really hard. If she’s faced with different opportunities, I’ll say, “Turn down that marketing promotion and go for the operations role. If you really want to be a general manager, broaden your experience, even if it means less money or a lesser title.” I push people to take risks and accept critical jobs that no one else wants.

When I meet with the people I mentor, I ask them to bring case studies from their lives, examples of times they either witnessed a situation or were in charge of a situation that didn’t go very well. We’ll dissect it together. I’ll ask, “What else could you have done? What could your boss have done?” I try to arm them with different approaches to problems.

Also, when I mentor people, I work hard to broaden their stylistic range. All of us have a natural style. Maybe you’re someone who’s very agreeable and reliable. That’s great—you don’t want to lose the fact that people can count on you. But when you’re a business leader, you may have to lay somebody off or give someone a bad performance review. If you’re going to evolve, you need to learn how to speak up, how to be tough, how to slam your hand down on the table and shock everybody when you’re in the middle of a difficult negotiation.



**Peluso meets with business students at the Tandy Executive Speaker Series sponsored by the Neeley School of Business at Texas Christian University in Fort Worth.**

CHRISTINA HEUNERMUND

### **You’ve also mentioned that you like to fill your organization with people who are smarter than you are. How do you find those people?**

To begin with, you have to be ruthlessly honest with yourself about what you are and are not good at. I’m not a native technologist, so it’s critical to the organization that I have people on staff who are much more capable in technology than I am. Our COO, Tracey Weber, is extremely smart operationally. She can take almost any complex problem and break it down into

how to solve it and how to execute the solution. I look for smart people when I’m hiring for any position.

### **What skills and characteristics do you look for when you’re interviewing new MBAs?**

I want people who demonstrate a passion for the industry, who seem really motivated, and who can demonstrate that they’ve successfully managed their way through tough challenges. I look for people who are emotionally steady, because we work in a dynamic environment with constant change. I also want people with integrity.

Finally, I look for people who I think will be great managers of other people. Even when I’m considering them for entry-level jobs, I ask myself, “Is this the kind of person I can see managing a team?” If the answer is “no,” I probably wouldn’t hire the candidate, even if I thought he’d be good at this particular job.

### **Three years ago, *Wall Street Journal* ranked you No. 4 on its “Women to Watch” list. If people are watching you in the next three years, what will they see?**

I hope they’ll see that, with my leadership, Travelocity has become the best place for people to work. I hope it will be staffed by a team of passionate superstars who love to come to work every day. I also hope Travelocity will be powering the world’s best travel experiences.

I define my success in part by my professional goals, but I hope I also have success in my personal goals. I’m very involved in a couple of nonprofits, and I’d like to continue to make meaningful contributions to them outside of the day job. That’s what I hope people will see. 