

LRA Worldwide, Inc.



ROBERT RUSH co-founded LRA Worldwide and is the company's President and CEO. Rob has primary responsibility for the direction and coordination of the company's overall business strategy, marketing directives, alliances and new business development. Rob also continues to work closely with a number of long-term clients, helping them more effectively execute their customer experience management initiatives and strategies. For over 20 years, Rob has been in the forefront helping design and implement innovative branding, customer satisfaction and loyalty programs for a diverse group of leading corporations and brands.

Rob is a member of the American Hotel & Lodging Association and is an active participant in the hospitality and real estate industry coalition, which each year lobbies the U.S. Congress regarding economic and environmental issues facing the sector. Rob serves on the Hospitality Forum Editorial Board of National Hotel Executive magazine. He is a frequent speaker at industry events and trade shows including the annual North American Customer Management Conference. Rob's articles appear on a continuing basis in various marketing, branding, hospitality, and travel industry trade publications including Brandweek, Hotel Business, Business Travel News, Casino Journal and Golf Business, among others. Rob is a graduate of Cornell University.

SECTOR - RESEARCH SERVICES

TWST: Could you begin with a brief historical sketch of LRA Worldwide and a picture of the things you are doing at the present time?

Mr. Rush: I co-founded the company about 20 years ago, and we're headquartered outside of Philadelphia. We define our company as a consulting and research firm in the area of Customer Experience Management, or CEM. We "operationalize the brand," help translate the brand promise and customer strategy into operational reality. Our background is in hospitality and travel verticals for the most part, and the focus of our company has been to help our clients design and deliver better customer experiences, thereby driving very high levels of satisfaction and retention. We have put together an integrated suite of consulting and research

services, designed to measure and improve service quality, employee performance, customer satisfaction, retention, and profitability. We're a privately held company and do not disclose financial information. Over the last two years we've been growing at about a 35% annual growth rate

TWST: And you've broadened into other industries, have you not?

Mr. Rush: That's correct. We initially were providing our CEM consulting and research services to industries where customer service excellence and hospitality were considered core elements of the brand, product, or service offering. They included our five core verticals of gaming, hospitality and leisure, food service and facilities management, sports and

entertainment, and travel and transportation. More recently we have expanded into other industries where we think some of the needs of those industries fit nicely

Highlights

LRA is a leading consulting and research company that specializes in Customer Experience Management (CEM). LRA helps companies design and deliver exceptional customer experience and service strategies across all key touch points that delight customers and keep them coming back. We call it "operationalizing the brand" - translating the brand promise that you communicate to the public into operational reality.

We offer an integrated suite of CEM services and technology, rooted in return on investment, which are designed to measure and improve service quality, employee performance, customer satisfaction, retention and profitability. We view excellence in customer service and experience as the single best pathway for any company focused on developing profitable and enduring customer relationships. For more information, please visit www.LRAworldwide.com.

into the kinds of services that we provide, and we are now targeting financial services companies, including banks, insurance companies, and investment managers. We're reaching out into the automotive and consumer packaged goods sectors as well and probably a handful of other industries where we think companies are really trying to get some traction and make improvements in the way they engage their customers.

TWST: Would you have to develop new kinds of services for these industries since you're going beyond the hospitality area?

Mr. Rush: We have a basic toolbox. It's made up of four service offerings, each of which stands alone and is independent, but we integrate each of them into our CEM solution. We believe that that same strategy works for these other industries as well. Customer Relationship Management, CRM, is not our focus, although CEM is closely related to CRM and can ensure that a CRM application succeeds. In our view, CRM is really about technology that companies can invest in and deploy to learn more about their customers preferences and habits to help them really drive marketing activities. CRM helps companies learn more about customers, but does not necessarily improve the customer experience. CRM by itself doesn't really get you any lift around customer experience unless you are also focusing on all the experiential touch points that customers really care about. In our view, if you really want to be successful, CRM absolutely is an important component, but if I know what a customer's preferences are and what they are going to spend, but I still can't provide compelling, distinctive, memorable, and consistent experiences through whatever channel I engage that customer, then all that technology is not going to satisfy that customer and compel him or her to return. The Customer Experience Management space that we're in is about the company learning more about the customer so the company can improve the customer's experience, whether it be on the Web, through a catalog, or in the physical world - in a bank, on an airplane, in a sports arena, or in a supermarket.

TWST: Did you say that there were four elements in your approach?

Mr. Rush: Yes, there are. Basically our CEM solution begins by helping companies establish their customer experience blueprint, what we call standards and practices. So we have a team here of information architects who help companies really define the customer experience, create the architecture, and then write the standards that articulate exactly how that experience will unfold. It's like a coach developing a playbook before a big game or a screenwriter writing a script. It's the blueprint for creating great customer experiences. And particularly for companies that operate in multiple locations, perhaps operating a number of different stores or facilities around the world, it's important that all the employees in that organization clearly understand exactly what's expected of them in serving the customer and providing that consistent experience that the customer values. We accomplish this by creating that standards blueprint, or "playbook." The second aspect of our CEM solution is Training and Workplace Learning. We help develop curriculum and content mostly around experiential touch points and customer service elements so that once the architecture and those standards have been developed, employees understand why those standards are relevant to them, why that experience that is expected by the customer, and exactly what they need to do to provide that experience. As part of our Training component, we work closely with internal Human Resources and Training Departments to ensure that they are doing what's required to identify and recruit the right kinds of people, because, again, going back to my metaphor, you can have a great coach who writes the playbook, but if we don't have the right players on the field, you're not going to have a winning outcome. And we can have a great script, but if we don't have the right actors in the right roles, we probably will not have a compelling movie. We work to ensure that the experience addresses the physical and functional elements, as well as the emotional elements that are typically driven by human beings. So we need to make sure that we have

the right people and they have been trained accordingly. The third component is research. We believe that you can't improve or manage what you're not regularly measuring. Once we've articulated the brand experience, written the standards, put the right employees in the right roles and trained them, we have to measure how they're performing against those standards that we previously articulated. We do a lot of different types of customer satisfaction research and employee satisfaction research via a number of different modalities such as email, the Web, IVR - typically using a methodology that allows us to get feedback from a customer immediately post-experience. We provide all of the reporting to our clients on the Web in real-time so that they very quickly have a scorecard on how they're performing in the eyes of their customers. The fourth component of our CEM solution is quality assurance, which is actually an extension of our research, where we have inspectors, auditors, and mystery shoppers who visit the various hotels, stores, facilities, etc., and observe, evaluate, and measure performance around all of those standards and experiential touch points. So the integration of those four different components is our Customer Experience Management solution.

TWST: Can you mention some of your clients?

Mr. Rush: In food service and facilities management our clients include the ARAMARK Corporation, Delaware North Companies, which is Buffalo-based and one of the country's largest privately-held companies, and we have worked with Starbucks Corp. as well. In the gaming sector we work with Boyd Gaming Corporation, MGM Mirage, Penn National Gaming and Dover Downs. In hospitality and leisure, some of our clients include Carlson Hospitality Group, the Cendant Corporation, Hyatt Hotels Corporation, and Starwood Hotels & Resorts Worldwide. Among our clients in the sports and entertainment space are the Indianapolis Motor Speedway, the PGA TOUR and Churchill Downs, Inc. And in the travel and transportation sector we work with Carey International Inc., Signature Flight

Support, and we're also working on an interesting project with The Port Authority of New York & New Jersey focusing on their three international airports- JFK, Newark Liberty, and LaGuardia.

TWST: Well, there's a lot to be done there. That's a fascinating thing to take on. I assume they can get back to you with pretty clear ROI in many cases.

Mr. Rush: Yes, I would say there are a variety of metrics that we look at to really measure our success. The kinds of metrics that we track are customer satisfaction scores and ratings, customer spending, customer visits, revenues and profitability. We track costs because we feel that organizations that excel in providing great customer experiences are oftentimes the lowest-cost provider in their sector. We also look for increases in employee satisfaction because we know that engaged employees lead to happier customer interactions, increased job tenure, and reduced recruitment, hiring and training costs.

TWST: Are there any emerging preferences or needs among the customers of your clients? Are certain areas having to be emphasized more?

Mr. Rush: If you're asking me about trends, I think if you look at Fortune 2000 companies, many of them have identified that there is a need in their organization to differentiate and improve the customer experience, and one of the ways to get there is to essentially appoint a leader for that cause. So you will find in corporate America today there are new senior-level executives running newly-created departments with titles like Chief Customer Officer, Chief Experience Officer, and VP of Customer Experience. These individuals also have budgets, and their mandate really is to provide a great customer experience throughout the enterprise by bringing together all functional departments and employee groups with the same customer focus. Historically, the operations, marketing, IT, and HR Departments, among others, are all playing a role in providing the customer experience, but sometimes they're not aligned. I think what CEOs have realized is that they need to break down those barriers and silos and make sure that everyone is

working together and is on the same page to provide exceptional customer experience. One way of getting there has been to identify an individual to lead that charge, and one of our marketing strategies has been to reach out to these people. So if you're asking me where I see a trend, it's probably around major companies and brands placing keen focus, dollars and expertise into exceptional, distinctive experiences, knowing that the experiential side of their business is very meaningful if they are interested in delighting their customers and getting them to come back.

TWST: Let's say a company that didn't have one appoints a customer experience manager. Could he say, "Well, I won't need LRA anymore," or, "I wouldn't need LRA," or would he understand that there is a great deal that you can do for him?

Mr. Rush: I would think that, depending on his expertise, he might say, "Within this organization there are resources I can rely on, with which I think I can put together the strategies and processes and systems I need to succeed." But I think he might also like to look out to a third party like us that has a strategy and a solution and a toolbox that has worked for other organizations for many years. In addition, I think one of the benefits that an independent consultant like LRA can provide is rich industry benchmarking data focused on customer satisfaction and quality metrics that would be unavailable to an individual company. We have a very robust database that we've built over the years that has a comprehensive catalog of very meaningful customer satisfaction and loyalty metrics, by industry that allows our clients to benchmark their performance.

TWST: What is the competitive landscape like? How many companies are competing with you?

Mr. Rush: We're in a unique space in that we've developed a CEM solution by integrating these four sets of services. I think what you'll find is in three of our four service offerings there are plenty of competitors, but very few are offering the integrated range of services that we are. In the standards and

practices area, I don't think you'll find a lot of independent consulting companies doing that kind of work. I think you'll find a lot of companies attempting to do that internally. So typically we are either supplementing or replacing the internal activities. When you get into training and workplace learning and research and quality assurance, there are many, many competitors, both large and small. So in the research space we compete against major companies like Gallup, Opinion Research Corp, JD Power & Associates, as well as smaller mom-and-pop shops, and I would say that would be the same in the training category as well. I would also say that we compete on some level with some of the major brand strategy shops on Madison Avenue that talk about customer experience, but really approach it more from the communications side of the branding, as opposed to the experiential side. They're talking about experience through their advertising, communications, and brand imagery. We're talking about experience through the way a customer engages a company's product or a service in the real world. Once that brand promise is made by the advertiser, we help companies deliver that experience, deliver on that promise. We call it operationalizing the brand. So Madison Avenue talks about the concept, and I think advertising agencies are interested in doing more in the customer experience management area. I think at the end of the day, however, they typically fall back on what they know, relying on the advertising and the communications, and leaving it to their client, the operating company, to figure out how to actually deliver that customer experience.

TWST: Is the growth potential for you greater in the areas that you're already in or in new areas like financial services and so forth?

Mr. Rush: I think there is tremendous growth within our existing verticals and I think there are great opportunities for us in these emerging sectors where experience is becoming very relevant and can help companies really distinguish their product or service offerings from the competition. So yes, we see significant growth opportunities in a variety of areas.

We have, as I said, for 20 years focused on the hospitality and travel sectors, and now are leveraging that experience and those client relationships and transferring that expertise into other sectors. To some degree we would like to leverage what some companies in our traditional space have done. A supermarket historically hasn't thought about a customer the way a Ritz-Carlton has. But as their landscape becomes more competitive, they may be searching for ways to really distinguish their stores and experience, because ultimately much of the product is the same, so it can come down to the physical, functional or emotional elements of that experience that are meaningful to customers.

TWST: Have you done much with supermarkets so far?

Mr. Rush: No, but we will and again, I would call that part of the retail sector that we are reaching out to at this time.

TWST: Are there any other elements in your strategy for the next few years you would like to discuss?

Mr. Rush: Research is a significant component of our work, but we don't refer to ourselves as market researchers. We're really combining research and consulting around this unique CEM offering. So we compete with a lot of traditional research companies, but we spin our service offering a little differently, in that not only do we help our clients identify through research the performance gaps in the customer experience, but we have a CEM solution, a toolbox, that we can then bring to bear to help minimize or eliminate some of those gaps, thereby driving customer satisfaction and loyalty. So the recipe is research to identify the gaps, then consulting and expertise to eliminate the gaps and improve the experience.

TWST: What about challenges and problems that might emerge over the next few years?

Mr. Rush: I think the biggest challenge we face as a rapidly-growing company is just the ability to successfully scale our business. We see tremendous

opportunities in our sales pipeline. I think the biggest challenge for me as a CEO is identifying great people who can join us or rise up as we grow the business and continue to provide the same high level of client service that has really been one of our hallmarks. So I would say challenge one is not the growth that is happening, but it's scaling up the business to support the growth and maintain high levels of client satisfaction.

TWST: Could you tell us a little bit about the backgrounds and the expertise of yourself and a couple of your key colleagues?

Mr. Rush: I graduated from the Hotel School at Cornell University and went to work in the hotel business. From there I worked for a large professional services consulting company and met our COO, a gentleman named Stan Lashner, and we started our business more than two decades ago. Our senior leaders have backgrounds mostly in marketing and operational type positions in the verticals that we've historically serviced. We have senior employees who have joined us from companies like Four Seasons Hotels, Disney, Marriott, some consumer packaged goods companies, and Hyatt Corporation.

TWST: How many employees do you have overall?

Mr. Rush: We have 70 employees.

TWST: Is there anything you would like to say about the culture you've developed all over the company?

Mr. Rush: I think everyone who works here has significant pride in our company and what we have accomplished for our clients. We like to say that the kind of work we do is feel-good work. People enjoy doing it and it results in helping our clients really engage their customers and provide better customer experiences. So it's a worthy, very positive undertaking. I know that we have a very strong client service culture here, and there are tremendous growth opportunities within our company. If people work hard, perform, if they are creative and have integrity, they'll continue to grow with LRA.

TWST: For yourself as CEO, what occupies most of your own attention right now on a day-by-day, week-by-week basis?

Mr. Rush: Most of my time is spent in two areas -growing the business and helping to identify future leaders of our company, what I would call personnel, staffing, and organization issues. In growing our business, I spend time reaching out and establishing alliances with companies principally in the CRM space and the advertising and traditional brand strategy area. There is a lot we can do together.

TWST: Would you see yourself partnering or merging with companies of that type?

Mr. Rush: I definitely see some partnership opportunities. We are currently exploring several of those partnerships with existing clients. I guess anything is possible. We have a desire to continue to grow at a rapid rate and are very bullish on our future, but we also think that to the extent that some of these potential partners in both the CRM space and in the traditional advertising brand strategy space know more about what we do, there is plenty of business that they can generate for us and we can generate for them, and all parties will ultimately end up with more satisfied clients and a better business.

TWST: When I asked you what you focus on you said that you look at the employees of your company and assess what they can do, the way they should lead the company and so forth. Nobody else I've spoken to has placed so much emphasis on that.

Mr. Rush: Ultimately, at the end of the day, we're a service company, so what we're offering is expertise, knowledge and integrity. What is critical to us is that we have people who are very bright, very creative, and are focused on delivering what we have promised to our clients. And as I said, my challenge really isn't just continuing the growth rate - though I see tremendous growth opportunities - it's intelligently scaling our business to be able to maintain our client service culture. I think one of the challenges of a small-to mid-market company like ours is rapid growth. It's not necessarily bringing in new sales, but being able to deliver to clients at high service levels. I find that as an

entrepreneur, selling to me is very natural, but management is kind of learn-as-you-go. I didn't come out of a major organization; I didn't work in a 20,000-person company. So we're very careful and very focused on putting the proper pieces in place so that we can grow and support the growth. That's why I focus so much on people and process.

TWST: When you begin to study a company and provide services for it, do you often identify needs that they weren't aware that they had?

Mr. Rush: Yes, because oftentimes we begin our work with a research project to reach out to the company's customers to try to get a sense of how our client is actually performing in the eyes of the customer. I think when you reach out to a customer and ask them about experience around a whole host of product and service areas, you get a great perspective on how the company is performing. I think that just looking at those performance gaps is very revealing to our clients. Our

expertise is really then going back and redesigning a better experience to minimize or eliminate those gaps by designing the standards by identifying, recruiting, and hiring the right people, training those people, and then implementing rigorous performance measurement systems in place in essentially a continuous improvement process. So yes, I would say that the research that we do really identifies a variety of the "pain points" within companies that they may not have recognized previously.

TWST: Could you say something about the need that you might be addressing at the three airports?

Mr. Rush: We were retained about a year before 9/11 by the Port Authority to do a passenger satisfaction tracking and improvement project. The program was curtailed as of 9/11, but was subsequently rebid, and LRA was retained during 2004, so we're up and running again. The concept is this: As a result of increased competition for the three New York-area international airports -JFK, Newark Liberty, and LaGuardia - principally from Southwest operating now out of Providence, Rhode Island, MacArthur

Airport in Islip, New York, and Philadelphia, they have seen traditional New York passengers that will readily travel to other airports for better fares and better airport experiences. Consequently, they have seen passenger visits decline, and the Port Authority is focused on providing a better airport experience, to influence passengers/travelers to come back. So they're now concerned about all of the experiential touch points that influence satisfaction that we historically have spent a lot of time with our clients thinking about, such as parking, signage, traffic flow, wait times, gate areas, food quality, presentation and pricing, service levels, cleanliness levels, maintenance levels, security levels, and so on. The Port Authority reached out to travelers to get feedback about their airport experience and then LRA helped them create and write standards of performance for the three New York airports. We currently send mystery shoppers into the airports to measure on a monthly basis against those standards and provide that feedback to the Port Authority so that they can continue to improve the product. It's certainly challenging, particularly with the Port Authority, because there are a large number of constituencies involved, including trade unions. The airlines actually control activities in their own gate areas and management. So you have a number of constituents that have a voice at the table that touch the passenger and their experience. It's been a daunting task, but it's something that the Port Authority is serious about really improving their passenger satisfaction levels and providing a better airport experience.

TWST: What would you like or expect LRA to look like three to five years from now?

Mr. Rush: If we continue to grow at this level, we'll more than double our size. We're increasing our headcount, and I think we will have successfully penetrated a number of different verticals that we hadn't thought about as recently as five years ago.

TWST: Are you interested in outside investors coming in?

Mr. Rush: We've been able to fund our growth to this point through a combination of the principal investments in the business as well as some bank

financing. It would be something that we might consider if we really have large capital requirements in order to fund our growth plan.

TWST: What would be the two or three best reasons for an outside investor, particularly a long-term investor, to take a very good look at LRA?

Mr. Rush: We're a profitable company. We provide good returns to the shareholders. Our margins are very strong. We're in a unique, rapidly-developing niche where we can really differentiate what we do, so I see growth rates that would well outpace most of corporate America. And I think that ultimately we're in a business that is very important today, and competitors are going to focus on and try to figure out how to service. We're there first and are quickly building our franchise and brand name.

TWST: Do you visualize your company as a potential target for acquisition? Would you be interested in being acquired?

Mr. Rush: Over the last couple of years we have had inquiries from a variety of companies and people. We haven't seen a combination to date that made sense based on where we were during that time. We will continue to do what we've been doing, keep our eye on the ball, improve the value of our services, and grow the business. Then I think we just have to consider opportunities as they may come and how they would benefit our team.

TWST: Thank you. (MC)

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