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Broadcasting live from the Pro Business Channel Studios in Atlanta, Georgia. It's time for Capital Club Radio, brought to you by FLOCK Specialty Finance. Please, welcome your host, Chairman and CEO, Michael Flock.

00:24 Michael Flock: Good morning and thank you. We are really excited today to introduce another very successful entrepreneur from Atlanta. Leader in revenue management, he was once even called the "Guru of revenue management" by the Wall Street Journal. I'm talking about Bob Cross, currently chairman of Revenue Analytics. Bob started out thinking he was going into law, getting a JD from Texas Tech University. And he got into revenue management by accident. After a stint as general counsel at Texas Aeronautics, he took a position in the legal department at Delta in the 1980s, just as deregulation was about to take off.

01:06 MF: And there he went from law to marketing where he launched a new pricing model that added over 300 million of incremental revenue in just one year. Shortly afterwards, he left to start his first revenue management company, Aeronomics, which later became Talus, devoted entirely to the art and science of revenue management. He eventually sold Talus for 366 million, but years later, refused to retire and started another company called Revenue Analytics, where he and his two sons now lead the company. Bob is also author of, "Revenue Management: The Hard-core Tactics for Market Domination;" the story about how he revolutionized companies like American Airlines and Marriott International. He's got an outstanding story and I can't wait to share it with you right now.

02:00 MF: Let's start Bob by trying to understand what inspired you to go... I think you told me you started in chemistry, actually, in college, then you went to law and then you went to Delta to do law but then, I guess, they wanted you to get into marketing. So those two functions seem so different, law and marketing. Can you explain that and how you took that interesting detour on that journey?

02:27 Bob Cross: Michael, unfortunately, I can't explain it at all, it's just crazy. And nobody would have mapped out such a career path. I don't think I told you my original plan. The reason I had undergrad degree in chemistry is I wanted to be a surgeon, a thoracic surgeon. I thought it'd be cool to be a chest cutter. But I worked in a hospital for years and years, I got tired of that and I ended up deciding to go to law school. In law school, my interest was actually in becoming a... I really wanted to have my own practice. I wanted my own business, ultimately. That's been my passion.

03:02 MF: So, you knew then you wanted your own business?

03:03 BC: I knew I wanted to have my own business. In law school I wanted to hang out a shingle. That's what I thought.

03:08 MF: All right, so it was going to be your own law firm?

03:10 BC: Right. Exactly.

03:11 MF: So you didn't want to be a judge or...

03:13 BC: Well, I did, ultimately. So I ended up working... Out of law school, I worked for the Texas Court of Appeals and there's where I wanted to become a judge then. But after that, I went to work for the Texas Aeronautics Commission.

03:28 MF: Right.

03:29 BC: Right. And we had a lawsuit, actually one against Delta and one on the same side as Delta. The Delta lawyers got to know me and then they hired me as a lawyer.

03:37 MF: Wow, what a compliment. What a compliment.

03:39 BC: Yeah, yeah. Delta's law department.

03:42 MF: So they obviously admired your legal skills. So, why did the legal department want you to go to marketing? Were they not... Was there something there that was an issue or...

03:50 BC: Yes, a crazy thing. It was actually the CEO at the time, Dave Garrett, had seen some of the things that I'd done. So I had settled a big multi-district litigation, big complex case. I settled it and then there was a lobbying effort that I directed. And Dave Garrett just thought, "This is a guy who solves problems." And at the time, Delta was losing money. So he said, "Why don't you go into the marketing department?" Which I thought was a bizarre move because I'd never had a business course, much less a marketing course in my entire life.

04:24 MF: And what did you know about pricing?

04:26 BC: Squat. I didn't know squat about marketing.

04:29 BC: I was a lawyer.

04:31 MF: Wow. Dave Garrett took a gamble.

04:32 BC: Thought he was going to be a doctor for a long time.

04:36 MF: Garrett took a risk in putting you into marketing.

04:39 BC: Took a chance. Right, right.

04:41 MF: So then how did you determine that there was, I guess, it was a disconnect between the

supply and demand?

04:48 BC: That's right. Well, when I went into the marketing department, I just walked around. So I did what any good lawyer would do, walking around with my yellow legal pad asking people, "What do you do? How do you do it?" etcetera and found a number of things that we had to do. We had to re-fleet the airline because they had too many big planes flying too infrequently, but that was going to cost \$40 or \$50 billion.

05:08 MF: Okay.

05:09 BC: The advertising was pathetic but that was going to cost hundreds of millions of dollars to correct and then the uncertain return. And I kept walking around, talking to people, asking what they do. And I came across these 50 people that were in the basement of the reservations building and their job was to determine how many discount seats to put on each flight. And that's where I figured. There were 50 people managing 550,000 flights a day. Each person was responsible for 11,000 flights. And I thought, "No wonder we're losing money. This is impossible."

05:42 MF: Right. I've read parts of that, I haven't finished reading the whole book, but I read parts of the book and you also say that the pricing... Those people were of course in a totally different department than the people running inventory.

05:54 BC: Right.

05:55 MF: And I guess you were trying to put them together to see where you could optimize...

05:57 BC: Right. Matching the supply and the demand. How many passengers are going to be on which flight and it was very important to predict which flights wouldn't have empty seats, that's where the discounts needed to be and which flights were going to be full. And that reduced the discounts because the late booking, high fare business passenger was going to pay for it.

06:19 MF: Right, right. So, did you come up with a formula, a mathematical formula to figure this out? Is Math one of your strengths, too?

06:28 BC: That's a good question. No, it's not my strength. But one of the nice things about my undergrad degree, I had some calculus. And so I knew this was a math problem, and I couldn't do the math. But we had somebody... Was over at the jet base, PhD in Math, working at the jet base doing modelling... Failure rates for engines. And so I got some IT people, I got him, and I got some business analysts that were doing this, trying to figure out how many seats on each flight, put them together in the room and said, "We've got to solve this problem." So they really created the system that delta then implemented that was worth \$300 million that first year.

07:02 MF: I got it. Right. And I guess you had to raise, was it two million for this special project, internally, in Delta? And I think you promised them \$200, it said in the book.

07:12 BC: Right, right. Yeah, that's right.

07:17 MF: \$ 200 million gross revenue, right? With the \$2 million investment and you did \$200.

07:22 BC: That's right. Yeah, that's right. Well, actually mentally...

07:24 MF: Maybe we should hire him at FLOCK. I think we could use you. What a return. So then why did you leave Delta? It was to start the company because you realized that there's more money that you could make for other companies?

07:39 BC: Well, I was happy, I was enjoying what I was doing. I loved Delta. It was a great airline, it was a great employer. I kept moving up the ranks at Delta but I got calls from headhunters from other airlines. And I thought about it but it was... What happened one night was, I was prepping for a board meeting for Delta, we're going to talk about what we were doing in the revenue management realm. And I was falling into bed about 2:00 AM, and I leaned over to my wife and I just said, "You know, if I had any sense, I'd just leave Delta and start my own business." And she said, "Well, why don't you?"

08:14 MF: Wow. That was the tipping point in your life.

08:16 BC: And that was one of those... Exactly. Exactly. If she had said, "Roll over. You're crazy. We have small children and not much in savings," that would have snuffed it out.

08:27 MF: Really?

08:27 BC: Yeah.

08:28 MF: So it was just that moment, that one nano second.

08:31 BC: So we just stayed up and talked about it and we thought, "You know, let's give it a shot."

08:34 MF: Okay. So your wife's got a lot of courage.

08:36 BC: Absolutely.

08:36 MF: She must believe in you, obviously. So that wasn't then, necessarily, a long-term dream, although you said you always wanted your own business, but it was a law firm. But now you're shifting and with this pricing opportunity you saw, I guess, you saw, not just the airline industry but also hotels and...

08:55 BC: Well, my short-term vision, I didn't see that far.

09:00 MF: At that time.

09:00 BC: I knew there was demand, I knew we were doing things at Delta nobody else was doing so I thought... There are 200 airlines out there. Then I had three calling on me that wanted to hire

me, so I thought, "Hey, there's at least a short-term business." And so to show you how short-term thinking I was, I called my first company, Aeronomics, thinking it was just going to plateau.

09:19 MF: Yeah. Airlines and economics.

09:20 BC: Airlines and economics. That's right.

09:21 MF: So, how did you capitalize the first company?

09:23 BC: Well, it was all bootstrapping. From our savings and... That's one of these tough stories. As you leave... I left Delta, left the security of having a paycheck and doing real well. And my family thought I was crazy because they knew I'd been promoted at Delta, and now I'm just leaving and hoping that someday I'll earn enough to pay myself.

09:45 MF: But your wife believed in you because she said you should, but your kids thought you were crazy.

09:48 BC: She did. She did. But one of the stories I love to tell entrepreneurs is that the most important thing in starting a business is getting customers. You've got to have customers. Because of the article in the Wall Street Journal, there were a lot of people... A lot of airlines willing to talk to me but then talking to you and hiring you is a completely different thing.

10:13 MF: Right, right.

10:14 BC: Paying you money to talk to you is completely different from, "Yeah, come back and we need to talk to these guys and talk to these guys." Signing a contract and getting paid.

10:22 MF: So the first customer, was that American Airlines?

10:24 BC: No, my first customer was actually Air Canada.

10:29 MF: Air Canada. Okay.

10:30 BC: Yeah. America was one of those that wanted to talk to me.

10:34 MF: But they didn't engage you.

10:35 BC: And might hire me but not, necessarily, as a consultant.

10:40 MF: So Air Canada. So tell us about that first engagement.

10:46 BC: I did really well with Air Canada, Qantas was an early... And so staying really, really busy, but another lesson for entrepreneurs is the lesson of cash flow. So within the first year working, you're working my tail off. By the way, the other thing that's really interesting, I think when you talk to entrepreneurs, I worked hard at Delta. I worked really, really hard. And I knew I

was a hard worker. I wasn't afraid of starting my own business but when I left, I'd never, at Delta, never set the alarm at 5:00 AM on a Sunday to get up and do work, ever. I did with my own company.

11:23 MF: Wow. That's awesome.

11:25 BC: Because there was work to be done.

11:26 MF: No kidding. So Air Canada was your first customer. You had other airlines customers. Was American, then, eventually one?

11:33 BC: Yeah, later.

11:34 MF: Okay.

11:36 BC: American, United, British Airways, ultimately customers, yeah.

11:39 MF: Okay. And again, so they were basically hiring you and your team to go in and analyze how they could do a similar pricing model to optimize supply and demand and...

11:48 BC: Right. And American, actually they were pretty far down the road already, so they'd kind of already figured it out.

11:55 MF: Okay. And reservation systems, then, were not online, right? In the '90s?

12:00 BC: They weren't available to everybody. Travel agents had them. So if you call, they'd have a res system at Delta, and the major airlines had their own res system. And you could make bookings through travel agents but you weren't able to just sit through Travelocity or any other booking engine.

12:19 MF: Right, right, right. Right. But in that first company, in those first year or two, where there nights that you couldn't sleep that you had... You mentioned cash flow and I know you're in revenue management, but cash is king. So, Bob, share with our listeners what... Where there some moments there you weren't sure that you were going to make it?

12:32 BC: Cash is king. Oh, absolutely. In our second year, so we were really, really busy, had a number of clients, I'd grown the firm, there were about half a dozen of us or so, but these big companies are really, really slow in paying. So we had a lot of receivables but we weren't getting the cash in and we were calling, we'd to talk to our people... "Hey, you've got to send us cash," etcetera. And we came, literally, within days of missing payroll.

13:03 MF: Payroll, okay.

13:04 BC: And as you know, we were a small company. I think everybody was a believer in me, but if you miss payroll, you...

13:11 MF: You're done.

13:12 BC: You're done. You lose the trust. Everybody's got house notes and bills and things they've got to pay, and if you miss payroll, it doesn't make any difference how much goodwill you built up with your employees, you're toast.

13:26 MF: And how many employees did you have?

13:27 BC: We had about a half dozen at this time. This was in our second year.

13:31 MF: Second year. That was in 1990...

13:34 BC: Yeah, this was in about 1990, yeah.

13:37 MF: Wow. Okay. And then how did you become Talus, and why did you change the name and what... Tell us about that transformation.

13:48 BC: We merged with another company to become Talus.

13:50 MF: Okay.

13:52 BC: I think one of the things I'd like to share with you and with the audience is how we got into other industries because, as I said, it started as Aeronomics, and started by thinking this just applied to airlines. But as it turned out, Bill Marriott had heard about what we were doing from Bob Crandall. And Bill Marriott had somebody call me...

14:13 MF: Crandall was head of United? Or American?

14:15 BC: He was the head of American.

14:16 MF: Okay.

14:16 BC: Yeah, he was CEO of American Airlines, yeah. And so Bill Marriott had somebody call me and come up to talk to them. And he was the one who was astute enough to see we had the same problem that the airlines do. We have our rooms that are this perishable inventory. We don't sell them today, we're not going to get any money for them. But if we sell them too early at too deep a price, we're not going to kick people out of the room. The late booking, high fare or high rated customer's not going to get the room.

14:49 MF: Right, right.

14:51 BC: Same problem.

14:52 MF: So that's how you got into hotels. And you worked with Marriott, what other hotels?

14:57 BC: We worked with Marriott and Hilton and actually, four of the five top hotel firms.

15:03 MF: And were you paid on a non-contingent or contingent basis or combination? I'm curious.

15:08 BC: Yeah. I would love to say we'd taken a contingent basis because all of our clients got somewhere... Tens of millions or hundreds of millions of dollars. But we were just charging them on consulting... We didn't take our own advice.

15:23 MF: So you didn't take your own advice?

15:25 BC: Exactly.

[laughter]

15:28 MF: All right. In your book there are a couple of crisis that you had along the way. And one you talked about, there was the big issue, I think, with National Car Rental. Can you share that story with us?

15:40 BC: I would love to share that. So, we were engaged with National Car Rental. They brought us in as I was writing my book. And so I've had enough experience in the airlines and hotels and I thought, "Okay, now, this chapter I'm going to..." I went into National thinking, "This is the chapter I'm going to talk about. This is the way things should be done. We've got enough experience, I know the process, I know how to put a team together and solve these problems. And so I'm going to talk about this is the way it should be done." Well, what happened was, right after our contract with National was signed, they were about to file for bankruptcy. And the board replaced all the senior management team and brought in a turnaround specialist, Jay Alix & Co. And they came in, so we had laid out a year or a year and a half timeframe for this thing. And Jay Alix said, "No, you're going to do it in six weeks. You're going to do it in six weeks or you're dead." Because they would...

16:39 MF: Were you worried that they could pay you, though? If they were in deep trouble like that, how will you ensure that you'd get paid?

16:45 BC: Yeah, exactly. We're not sure. We weren't sure we would get paid. But we had a commitment.

16:49 MF: So, again, you weren't following your own advice here?

16:51 BC: Exactly. We had a commitment, we had a contract. But because the exigent circumstances, we just decided we're going to go ahead and do it. We're getting paid. But we couldn't do it in six weeks, so what we did with them was we said, "Let's take your top 20% of your market, which is about 50% of your revenue, and let's do something for them," but even that was just crazy. We had our team working nights and weekends and, literally, 24/7. They were just taking catnaps to get this thing up and running. Unfortunately, we didn't make the six week deadline. And

Robert Cross Chairman of Revenue Analytics on Capital Club Radio

so their head came to me and said, "We're going to put you out of business. We're going to kill you. We're going to crash you. We're going to take all your assets if you don't deliver..." If we'd said, "Hey, you're going to get something that's worthless if we can't work together and deliver something. So, we ended up, two weeks later, we got the system up and running, we started managing. It was 50% of the revenues. We would increase their revenues between 10% and 15% on all those different locations. And that was enough to stave off bankruptcy and give us... Buy us some time so we can get everything and get the rest of the system up and running. So it ended up being a great story, but it was that close to being cataclysmic for everybody.

18:14 MF: For you too?

18:15 BC: Oh, yeah, for our firm, too.

18:17 MF: Because what would've happened to you? Obviously, the car company goes bankrupt but...

18:21 BC: He saying he would've sued us. And, at the time, we were a small company and we probably could've gotten through, but it would've been such an incredible diversion.

18:28 MF: Was this Aeronomics or Talus?

18:30 BC: We were still Aeronomics.

18:32 MF: Aeronomics then, okay.

18:33 BC: Still Aeronomics at the time, so relatively small firm at the time.

18:37 MF: Right, right, right.

18:38 BC: It was tough. We were small enough. I was still working on the project.

18:42 MF: Okay. Got it. So, why did you merge with Talus then later? Did they make you an offer?

18:47 BC: Well, we merged with a company called Decision Focus.

18:51 MF: Decision Focus.

18:52 BC: And so for a while our name was Decision Focus/Aeronomics. That was a mouthful, so we changed our name, we brand ourselves as Talus Solutions.

19:05 MF: And the benefit to Aeronomics of merging with them was what?

19:09 BC: They had a lot of great skills. They were on the West Coast. They had a lot of great technical skills that we needed and they had...

19:20 MF: People and technology.

19:20 BC: People and technology skills.

19:21 MF: Okay. And they had a background in this kind of supply and demand?

19:24 BC: They had done some work in this area.

19:28 MF: Okay. Can you comment a little bit how that was capitalized? Did you keep all your equity? You were CEO, right?

19:38 BC: Right.

19:39 MF: So you didn't lose that?

19:39 BC: Right. We wanted to, and this is a lesson too, we kind of wanted to... I'd gotten to know the CEO real well and a lot of mutual respect. And when we put the companies together, we just said, "Let's do this." And it's kind of like a merger of equals. They were about the same size, about same revenues we had, etcetera. And we said, "Let's do a merger of equals." And so it was pretty much 50/50. We actually had some share valuations, ours was a little bit... Got a little bit bigger valuation. But we went into the thing, merger of equals. One of the things that I tell my class, a business school class, is that was one of the dumbest things that I ever said. There's no such thing as a merger of equals. We were, and it was such a shame, we should've just put the talent together and really, really taken off. But by calling it a merger of equals, it paralyzed us. Nobody knew who's calling the shots, who's doing what.

20:36 MF: But you were CEO there, right?

20:38 BC: Well, actually I've made the other guy a CEO.

20:42 MF: At first?

20:42 BC: Exactly. And I became Chairman because he was just great, smart, talented guy. One of the smartest guys I ever met, but he wasn't, even though he was one of the smartest guys I ever met, and this is another thing, it doesn't necessarily mean he's going to be a great CEO.

20:55 MF: Right.

20:55 BC: In fact, he was one of these guys... I'm sure you've met him before. So brilliant, he could see all these issues, see things I couldn't see. But it almost paralyzed him in making a decision.

21:06 MF: So decision-making was rough?

21:07 BC: Right. One of my strengths is that I'm kind of naïve, okay. I'm naïve. I've got a lot of

belief and faith and I look at the options and I say, "Okay, we're going to go down this path and if it doesn't work, we can change."

21:20 MF: Right.

21:21 BC: But he just had to make the right decision and it was so hard.

21:26 MF: So it took forever.

21:27 BC: It took forever, the world was passing.

21:29 MF: And time is money.

21:30 Voice-over: And it wasn't just him, it was everybody in the company. They didn't know. "HR, what are we going to do? Hiring, recruiting, what's our model?"

21:38 MF: Okay. So what happens? I mean it was 50/50 ownership, right?

21:42 BC: Well, we ended up... I ended up taking over as CEO again.

21:43 MF: Taking over the CEO... Okay. But you still had 50% of the company...

21:47 BC: And then we brought in a real CEO.

21:52 MF: Okay. Now, we're in... What year is now, in the late '90s?

21:56 BC: Yeah, in the mid to late '90s, yeah. And by that time, actually, we were changing our business models to more of a software model. And I brought in some outside investment.

22:07 MF: Okay, okay. So you took some chips off the table and...

22:10 BC: Exactly. You're right. I took some chips off the table and we brought in General Atlantic partners, Goldman Sachs, Noro-Moseley here in town.

22:15 MF: Oh, yeah. Oh, yeah. Sure. Great names.

22:19 BC: All great firms.

22:20 MF: So that was institutional equity that bought out you and the other shareholders?

22:25 BC: Took some piece off... We didn't get all out but they just invested in.

22:32 MF: I got it. Okay. And then you sold Talus when?

22:36 BC: In 2000.

22:37 MF: 2000 for \$366 million, wow!

22:39 BC: Yeah, that's right. Which was...

22:41 MF: Why did you want to sell? Just to finally cash-in and start following your own advice?

22:44 BC: That's a good question. Because our goal was not to sell the company. Our goal was to go public, but that's one of those things, that's one of those dreams you have that you say, "Thank God, my dream didn't come true," because going public in the year 2000... We had the big crash.

23:00 MF: Oh, sure, sure. Yeah. And then 9/11.

23:03 BC: And it would've been a disaster being the head of a public company when you can't help... Share price is going to go down. So timing is everything.

23:12 MF: Timing's everything and sometimes there's some benefit to adversity.

23:15 BC: Exactly. Right.

23:17 MF: What did you learn from adversity throughout this journey up until 2000? There's lots of lessons we talked about here, customers are important, hard work is critical, cash is everything, be a good decision maker. But as a leader... And I think you told me before, we were talking about culture and I didn't realize this until when I was running companies for Dun & Bradstreet how important culture is and values. Because that's what happens when the CEO isn't there. And you talked about certain values that you had there and now you've also transferred these same values to Revenue Analytics, your new company. Could you comment on that?

23:53 BC: Yeah. Well, our core values are success, excellence, respect, integrity and fun. And basically, we tell everybody you can make any decision you want. We love the idea of giving people authority and accountability, but they have to go through a mental checklist of how does this decision square up with these core values. Is it going to be successful for everybody involved?

24:21 MF: Right.

24:22 BC: Right. Is it going to meet our standards of integrity? What would somebody else think about standards of excellence, respectful to one another and respectful to the client? And fun! We gotta have fun. If we're not having fun, we're going to go do something else.

24:39 MF: [chuckle] Definitely. And how do you create and cultivate the values in that culture? How do you actually translate that into action?

24:47 BC: We tell a lot of people, a lot of it's in our recruiting, in the way we build the teams and the way we hire people. We hire people that already have these values. You can't hire someone who

doesn't have integrity and say, "Now, you've got to have integrity here."

25:01 MF: Right.

25:03 BC: We have to hire people with those values.

25:06 MF: Gotcha.

25:06 Voice-over: And on the hiring, I've got to say that one of the things that I think I did right, did best, was hiring good people, getting great people, getting them enthusiastic about my vision and our mission letting them go create the company.

25:22 MF: Right.

25:23 BC: So with all of that...

25:23 MF: They got to drink the Kool-Aid.

25:25 BC: That's right, that's right. But one of the things that's very important for entrepreneurs, many people, when they're hiring, they like to hire people that are like themselves. They see a trait or quality in somebody and say, "Oh, I like that trait," etcetera. "They're like me." And that is the absolute wrong instinct. You've got to figure out, "What are my gaps? What are my weaknesses? I need to find people that aren't like me that have some skill sets that I don't have."

25:55 MF: I agree with that. The wisdom of teams, they've got to be diverse to be a team and...

26:00 BC: That's right.

26:02 MF: All right, you sell Talus and you decided you still had a lot of energy. You wanted to do another one. So you launched Revenue Analytics and that was in 2000?

26:11 BC: In 2005, I sold Talus and I was teaching in the MBA programs at Georgia Tech and the University of Georgia, just a couple of days a week. I was actually mostly a lake bum. I had a house on Lake Lanier.

26:24 MF: Right.

26:25 BC: But my sons were the ones who had the idea for Revenue Analytics. They came to me and said, "We just need to start this company." And we put together a business plan and got really, really excited about the fact that everybody, every industry, every company needs the type of skills that we bring as far as being able to predict their customer demand and then help them optimize... Answer all these unknowns they have about what market should we be in? What should our prices be? What should we stock? What should we promote?

27:02 MF: So, I assume you capitalized it yourself, right?

27:04 BC: Yep.

27:05 MF: Revenue Analytics. And does it have the same mission or vision that the Aeronautics and Talus did?

27:12 BC: It's a little bit different. And one of the things that we're doing now is we're really trying to create some sustainable software solutions that will help our clients. We're bringing some web-based analytics to our clients.

27:29 MF: Okay. So that's what's different.

27:31 BC: Exactly.

27:31 MF: So it's sort of a new generation of technology that you're bringing to the business model? Okay. That's interesting. When you were doing Aeronautics and Talus, you were disrupting the airline industry, the hotel industry, car rental... So is Revenue Analytics also disrupting other industries? Can you elaborate on that?

27:53 BC: That's right. We're doing a lot in cruise line. We're doing a lot in the media space in terms of advertising revenues.

27:56 MF: Cruise line? Wow. So like inventory of advertising that's not being optimized.

28:05 BC: Right. One of the things I'm really proud of is that we have developed systems that price 42% of the hotel rooms in North America every night.

28:18 MF: Every night, Revenue Analytics has a system that prices 42% of all rooms?

28:26 BC: Yes. Which if you look at how many rooms they're selling a year

28:31 MF: It's hundreds of thousands, right?

28:32 BC: Well, it's 700 million. 700 million rooms a night we price.

28:37 MF: Whoa.

28:39 BC: And I know we're doing a good job.

28:40 MF: Why don't you take a fee on that? Contingent fee? Come on, follow your own advice. What is this?

[laughter]

28:45 MF: This is all non-contingent fees. Okay, that's interesting. You know there's a lot of news

about Uber and Airbnb, those industries have been disrupted now. Are there parallels between what you are doing there and what's happening in the Airbnb kind of the hotel space and, I won't say car rental, but taxi industry transportation. Can you comment on some of the parallels?

29:14 BC: I think it is... There are a lot of similarities and in fact, I think it's going to be even more disrupted because what we were doing with my previous company and now with Revenue Analytics, is we're disrupting how they price what they've currently got. But the Airbnbs and the Ubers are adding so much more supply into the marketplace. There was an example earlier Arne Sorenson who's now the CEO of Marriott said "We're going add 200,000 rooms to our portfolio this year." And then Brian Chesky, the CEO of Airbnb said, "We're going to add 200,000 rooms to our portfolio next week." And that gives you some idea of the magnitude of the disruption. So it is really great.

30:07 MF: So you're talking about transforming, disrupting other industries. Is there any threat to the business model of your company, Revenue Analytics? Is there another Bob Cross out there that could replace your business model with something new and different? Is there a threat, in other words?

30:25 BC: Absolutely. There's always a threat. [chuckle] "Only the paranoid survive", to quote Andy Grove. You're always going to be looking over your shoulder. But what I love about our company first of all, the business is never going to go out of fashion because growing top line revenues is just something every company is going to need to do. Now, there are people that what we do sounds like big data and predictive analytics. And those become buzz words. So we have to differentiate what we do from all these other players that are out there. And unfortunately...

31:01 MF: And how do you do that?

31:04 BC: The main way we do it is by showing our success stories. So we'll go into a company and they'll say, "Oh, yeah. Well we've got a big data initiative." And we'll say, "Well, how much money have you made off of it yet?" "Well, we haven't quantified it yet." "Well, if you're doing it right, you're going to see between two and 7% growth on your top line revenues and if you don't see that then you better hire us."

31:26 MF: So you quantify essentially the value add, the revenue elements points to each client.

31:29 BC: Yes. Every client. That's right.

31:33 MF: And your clients allow you to share that data with the public?

31:36 BC: Some do.

31:37 MF: Some do, some don't.

31:38 BC: Yeah. Some are really proud of them. And they will talk about it but unfortunately, a lot won't because they say there's a competitive advantage...

31:49 MF: Is it difficult now turning over the leadership to your younger sons?

31:56 BC: It really hasn't been at all. First of all, we've got a really great team. It's not just my sons. We've hired a fantastic CEO, head of sales business development. You have strong partners in the three verticals. But I do have to brag on my sons because they are great. I think my son Dax who's our CEO. He's just a better CEO than I ever was. He just is. And my son Zachary is over our consulting practice group. And he's just a better consultant than I ever was. And to see those guys, and see the way they've grown, and now, they're running the business. It's just something I can't tell you how proud I am. So that's been easy.

32:40 MF: So what's next for Bob Cross? I know you're wearing a beard now. It's new. But look like Ernest Hemingway. Maybe there's another book here in the future? Is there a book? Or is it the beach? Or is it another business?

32:51 BC: Don't get used of the beard. I'm not sure that's going to last. But it may make me more interesting, right?

[chuckle]

32:58 MF: You're already fascinating. But what is next. You're too young to retire. You're not going to retire.

33:04 BC: I just love where I am. My stage of life, I have to tell you I love it. I love the company. I love being involved. So I'm staying involved. Even if I'm chairman now and not actively involved in the day-to-day management, it's really fantastic. I still love teaching so I'm still teaching ad hoc teaching at UGA and at Georgia Tech. And I got five grandkids who are wonderful. I love spending time with the grandkids.

33:32 MF: So it's teaching, sharing kind of the lessons that you've learned along the way. And do you have any final words for our listeners about some of the lessons that you've learned in building these different companies and what you're doing now?

33:47 BC: I think the only lesson that I would have is that, it gets back to perseverance, believing in yourself. It's perseverance, sticking with it. And never lose sight of the end objective. But being able to realistically assess where you are. I think a lot of entrepreneurs, they go in too optimistic. They're optimistic and optimism is not going to sustain, your hopes is not going to sustain.

34:12 MF: You need a little bit of paranoia.

34:14 BC: You need a little bit of paranoia.

34:15 MF: Not too much.

34:15 BC: Realistic, yeah. Just a realistic assessment.

34:18 MF: Yeah. And a great team.

34:20 BC: And a great team.

34:22 MF: Well, Bob, this has been fascinating. We really appreciate these powerful stories of how you pursued really a radical approach to pricing starting decades ago. I think the lessons here for strategic thinking, marketing, and disrupting industries are really timeless and built on pretty simple but ever-changing models of supply and demand that you've discussed here and in fact, I'd like to attend one of your classes, one of your lectures. You're going have to let me know when you speak.

34:48 BC: I'll let you know.

34:50 MF: But we look forward to the next company. I don't think you're going stop here and we want another book out of you before we're done.

34:56 BC: I appreciate that.

34:57 MF: All right. Thank you, Bob.

35:02 Voice-over: Thank you for joining Michael Flock and his guest on the Capital Club Radio Show. For more information on future interviews, please visit us at flockfinance.com. This program is brought to you by FLOCK Speciality Finance where clients are provided knowledge and insights to help them grow their business in complex and risky markets. FLOCK is more than a transaction.