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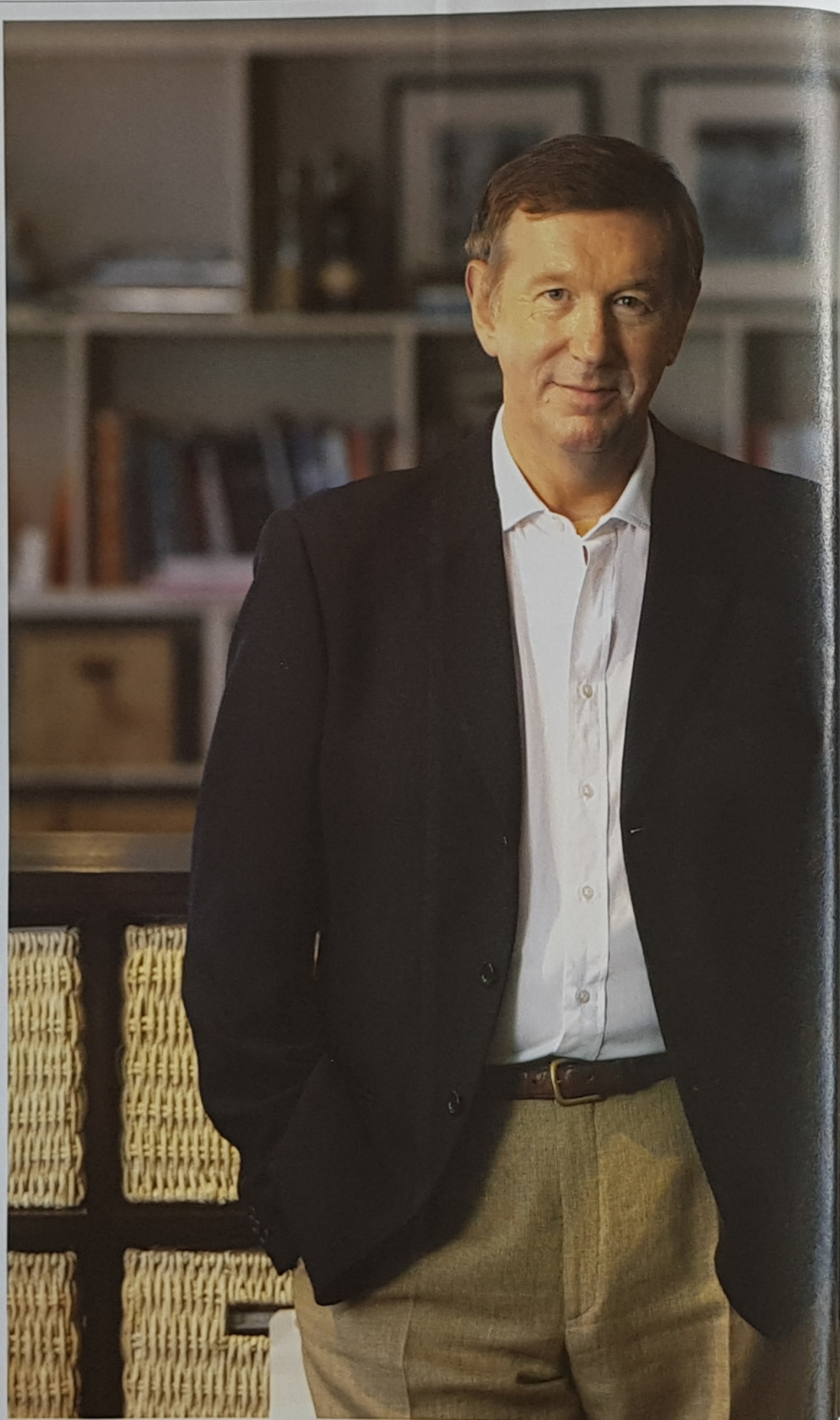
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Ken McCulloch has built a career – and a fortune – on being a pioneer as well as an entrepreneur



McCULLOCH'S WINNING FORMULA

- Choose sites in locations with captive local audiences.
- Put in a quality restaurant to pull in local punters.
- Use celebrity backers to generate free publicity, input and contacts.
- Don't compromise on quality and design standards.
- Each hotel's hallmark is value for money – guests want “the best they can possibly get for the lowest possible price”.



Ken McCulloch has a knack for pulling off the unexpected. He brought boutique hotels to Glasgow, created an affordable luxury hotel in Monaco and made a success of a hotel in the middle of Sherwood Forest. And eight years after selling Malmaison it seems his hotel ambitions have only just begun. *Christian Sylt* went to meet him

RACING CERTAINTY

Scottish hotelier Ken McCulloch is planning to roll out his Dakota chain of budget-priced business hotels in the USA. He has a target of opening 100 over the next seven years, with the first six to be acquired by the end of November. This is a bold goal, given that, so far, only one Dakota has been built – in Nottingham. The odds are against McCulloch, but it's at such times that he's at his best.

The affable 56-year-old has a pioneering pedigree, having kick-started the UK's boutique hotel craze with Malmaison in the 1990s. He then opened the first Columbus hotel in 2000, to prove that an affordable hotel in Monaco is not an oxymoron.

And it's no accident that McCulloch named his latest venture Dakota, after the military version of the low-cost Douglas DC3 aeroplane that opened up air travel for the masses in the 1950s. Similarly, McCulloch's Dakota hotel concept combines the latest technology with mass-market appeal. It offers five-star in-room touches such as walk-in showers, broadband internet access

and 32in plasma-screen TVs for only £80 per night.

But McCulloch doesn't innovate by instinct alone, he firmly follows a formula (see panel, left). As he says: "What do people actually want? They want the best they can possibly get for the lowest possible price." These ingredients have made McCulloch an estimated fortune of £45m and taken him a world away from his Glasgow origins.

He started his career plucking chickens in a Scottish hotel. At just 21, he took the brave move of opening Glasgow's first wine bar – and within two years had three outlets.

"I've never done anything that's researched," he says. And his next project was One Devonshire Gardens – Glasgow's first boutique hotel. Analysts told him that a successful hotel had to have more than 60 bedrooms – McCulloch had only six, but they were lavish. It was an instant success and made him *Caterer's* Hotelier of the Year in 1993.

Next he launched Malmaison, arguably the UK's first boutique hotel chain. Mick ►

"Hotels are really mundane things, but they don't have to be. I don't want a database of customers, I want a fan list"

◀ Hucknall of pop group Simply Red liked it so much that he invested in the company. McCulloch made his money in 1998 when Malmaison was sold to the USA's Patriot group, leaving him a war-chest of €55m (£37.3m) and the need for a fresh challenge. So he paid €30m (£20.3m) for Monaco's ageing Abela hotel and brought in Grand Prix driver David Coulthard as an investor.

After hotels, motor sport is McCulloch's second passion, so the link with fellow Scot and Monaco resident Coulthard was natural. "Mick Hucknall and David are quite close, so, when I thought of what I was going to do in Monaco, I spoke to one of David's managers," McCulloch explains. Coulthard's name alone has given McCulloch's projects price-less publicity.

LUXURY TOUCHES

McCulloch renamed the Abela as the Columbus and invested €40m (£27m) in it. The hotel is more upmarket than Malmaison but, at about €180 (£122), its average room rate is far lower than those of its local competitors.

But guests don't stay solely because of the price. Columbus is crammed with luxury touches. Candles are lit in bedrooms for guests arriving at night, objets d'art adorn the rooms, and books sit on shelves in the lobby. It's no accident that the design has the individual touch of a domestic interior. McCulloch's wife, Amanda, is responsible for styling and sourcing products in all his hotels.

McCulloch's painstaking preoccupation with impressing guests is pervasive. "Hotels are really mundane things," he says. "But they don't have to be. I don't want a database of customers, I want a fan list."

Columbus's average annual occupancy is about 80% – impressive for a destination that depends on seasonal trade. And with a 2004 turnover of €12.3m (£8.3m), up by 12% from the year before, McCulloch is on his way to making his money back.

But he isn't one for complacency. "We're putting a spa and penthouse into Columbus in Monaco," he says, and the brand is starting its journey to new territories.

He spent three years on a search for suitable locations in Paris, Lisbon, Dubai and the USA but gave up after Wall Street ambiva-



The Dakota in Nottingham is the first in what McCulloch intends to be an extensive chain across Britain

lence during the dotcom boom. The silver lining was that he got to know Peter Morris of Chicago-based PRM Realty, who became his third backer.

Testimony to his commitment, long-time McLaren driver Coulthard helped McCulloch secure the next Columbus site through his former team's engine partners at Mercedes, which is redeveloping the site of the historic Brooklands racing circuit in Surrey. The German car company plans to open a cinema and motor museum on the site and, in August 2006, a £20m Columbus spa hotel will open alongside them.

McCulloch is pulling out all the stops with the hotel. Looking entirely different from the Monaco Columbus's apartment-block building style, the Brooklands hotel will resemble

a futuristic ocean liner to fit in with Mercedes's sleek silver buildings. But his passion for racing isn't clouding the owner's judgement. The hotel is conveniently close to the UK headquarters of Sony, Procter & Gamble and tobacco company Gallagher.

Having looked at sites in Edinburgh and Glasgow, McCulloch's next move will be to bring Columbus to Scotland. He wants a maximum of five Columbus hotels in the UK and, after his earlier failed forays abroad, he is again concentrating on the USA.

His attitude to Dakota is no different. Last October, just four months after the first Dakota opened in Nottingham, McCulloch raised £150m through the Royal Bank of Scotland and HBOS for expansion. He intends to raise even more for the US push. "I've got a target for this year that I want to get at least 10 deals done for Dakota and Columbus," he says. "Within the next three or four years, we'll have 40 deals done, and this is just the UK."

McCulloch has broken ground on the second Dakota at Eurocentral, east of Glasgow on the M8 motorway to Edinburgh, which is due to open in the autumn of 2006, and will be starting work on the third, at South Queensferry near Edinburgh, this summer.

Other locations under consideration are Manchester, Birmingham, Leeds and Newcastle, as well as five sites in London. "If I can do it in the middle of a forest, I can do it any-

McCULLOCH ON THE MOVE

1970 Opened Glasgow's first wine bar, aged 21.

1986 Opened Glasgow's first boutique hotel, One Devonshire Gardens.

1993 Named *Caterer's* Hoteller of the Year.

1994 Launched Malmaison.

1998 McCulloch and joint venture partner Arcadian International sold the then-three-strong chain to US real estate investment trust Patriot for £92m.

2001 Opened Columbus in Monaco.

2004 Opened first Dakota in Nottingham.



Dependable and ubiquitous, the Dakota aircraft is a perfect mascot and model for the hotel chain to follow

where," says McCulloch, and he has chosen a fine yardstick.

He says that there is 100% occupancy, Monday to Thursday, at the 92-bedroom, £12m Dakota Nottingham, with weekends only slightly slacker. Overall, it averages between 70% and 75%. "The conversion to dining is about 85% because it's in the middle of nowhere," McCulloch adds.

Part of its success stems from its simple pricing structure, which sees all rooms priced at £79.99. McCulloch says that this engenders loyalty, since guests know what to expect. "Nowadays, if you walk into a hotel and ask for a tariff, they won't give you one because it changes every minute," he says. "What does that do for loyalty?"

It remains to be seen whether this strategy will work in the USA, with its culture of bargaining. McCulloch accepts that the hotels' style may have to be adapted. "A lot of people make the mistake that, because the Americans speak the same language as us, they're the same as us, but they're not," he says.

But he has a home advantage to help him achieve his aims. "I've already got the infrastructure in the States through Peter Morris," says McCulloch, adding that Euan McGlashan, a previous general manager of the Barnsley Gardens Resort in Georgia, will be fronting the US expansion.

McCulloch hopes to have as many as 20 Columbus hotels in the USA, as well as the

100 Dakotas. So how will he ensure that they all have a familial design and character?

"We will always be a wee company that thinks big," he says. His US strategy is not one of rapid growth but one-by-one development. This is at the heart of his hospitality philosophy. "I am an enthusiast first, a hotel enthusiast second and a hotelier third - in that order," he says. And with such a vested interest in his products, McCulloch admits that the benchmark he uses is himself.

"Amanda and I plan hotels for ourselves," he says. "We do hotels that we love and we travel to go and see. That way, if you get shot down, you get shot down for something you absolutely believe in." True to his word, he can often be found in Columbus's lobby - his "office" - watching his team from the heart of the hotel. And McCulloch expects his staff to be just as single-minded as he is.

"The most important thing is to have believers working for you, not employees," he says. "The kids coming into the industry today are a far higher calibre than we've ever had. The difference is that they don't have something to believe in. They go to work for the big boys, who fill them full of robotic nonsense." Sounding almost fanatical, he adds: "We will never programme our people."

McCulloch is a tough and demanding act to follow and, with himself as his own yardstick, he never accepts second-best. He admits to getting "obsessed and demented

with trying to get it right, but at the same time thinking we need a few more weeks". Dakota's long gestation period is testimony to his fierce fastidiousness.

In fact, Dakota is the third version of McCulloch's budget concept. He announced the idea in 2001 with the working title of Inn Coach but, after much deliberation, he raised his standards and went back to the drawing board. Then, in 2003, he resurrected the project and named it l'Hotel, before finally settling on Dakota the following year.

Having in-house design keeps costs down and ensures that his creations aren't copied. He also stripped Dakota's concept to its bare bones to offer guests great comfort without wasting money on less necessary amenities.

PALATIAL APPEARANCE

McCulloch stresses that "every space in the hotel is used" and this is no idle boast. An automated larder replaces room service and minibars; the plasma-screen TVs are wall-mounted to avoid having costly and space-consuming armoires; and cupboards are abandoned in favour of shelves integrated behind the bed's headboard. Ever the canny Scots, McCulloch and his wife have created rooms which appear palatial even though their average area is just 25sq m.

As at Columbus, Dakota's deal structure will vary from full ownership to joint ventures and management contracts. But the secret to budget brands is having the right location. McCulloch has targeted sites beside motorways or industrial estates, where the direct competition is either almost non-existent or abysmal.

He explains: "City centres are not particularly nice places at night now." So Dakota has an imposing exterior, with towering black walls of shiny granite, making it a monolithic landmark to lure guests. McCulloch even has plans for Dakota-branded merchandise such as CDs, T-shirts and baseball caps. This may seem far-fetched, but illustrates his lofty ambition for his hotels to be "a way of thinking, a way of life, a lifestyle".

Although McCulloch insists that he isn't setting up Dakota and Columbus to sell or float, as he did with Malmaison and One Devonshire Gardens, he says that if the right opportunity were to arise he wouldn't turn it down. He admits that another reason for having several brands is that, if he loses one, he still has others.

So while his fans may be left wanting more, they'll never be left hungry.

THE FUTURE

Columbus

- August 2006: Columbus Spa hotel to open at the redeveloped Brooklands circuit in Surrey.
- Aiming for a maximum of five hotels in the UK.

Dakota

- Autumn 2006: second Dakota due to open at Eurocentral, Glasgow.
- Construction in progress at an Edinburgh site.
- Looking at sites in Manchester, Birmingham, Newcastle and Leeds, and five sites in London.

US plans

- Aims to have 100 Dakotas and 20 Columbus open in the USA over the next seven years.