

## SPECIAL REPORT

Most hoteliers have been tightening their belts during the downturn, but not Ken McCulloch. He is launching two new chains across Europe.

# L'hotel

By Christian Sylt in Monaco

Over the past few years more and more hotel companies have jumped on the bandwagon of launching boutique brands. Hilton tried it with its Trafalgar hotel in London and Le Méridien and Starwood set up fully-fledged subsidiaries to varying degrees of success. But long before big chains were on the scene, small-time Scottish hotelier Ken McCulloch kick-started the craze in the UK with his chic and cosmopolitan Malmaison chain. Now he's expanding his luxury Columbus chain, taking on the world's big budget hotel companies with new low-cost business-class hotels. He is even planning to clean up in the mid-range market with another new brand.

McCulloch couldn't have had humbler beginnings in the hotel industry. He started his working life plucking chickens in a Scottish hotel and pursued his passion of a career in hotel-keeping by becoming a management trainee with the Stakis chain, now owned by Hilton. At 21 he decided to strike out on his own but had no business experience and couldn't borrow the necessary finance for his plan. His break came when he persuaded a hotelier to let him open Glasgow's first wine bar in his basement. A bar that didn't sell spirits was a brave venture in a city like Glasgow. But the gamble paid off – within two years McCulloch had three outlets.

Suddenly wine bars began springing up all over Glasgow so McCulloch diversified by opening a cocktail bar. Half of the capital came from bank and brewery loans and the rest from cashflow. Once again he was on to a winner. In 1981 he sold the business for #777,000 and opened a piano bar before hitting on his niche in hotels. Repeating the risk he took with the wine bar, he stunned the hotel industry by opening a boutique hotel in Glasgow and making it not just successful but world-renowned.

"At the time analysts said that a hotel had to have over 60 rooms to make a profit," says McCulloch. Going on gut instinct he took over an eight-bedroom Victorian town house and converted it into a hotel named after its address, One Devonshire Gardens. With such a small number of rooms, McCulloch was able to lavish luxury touches throughout the whole hotel and as Glasgow gained more of a reputation for its culture than its crime, One Devonshire Gardens became a bolthole for visiting celebrities.

International superstars such as Rod Stewart, Luciano Pavarotti, Meryl Streep and Mick Jagger were attracted to the comfort and privacy provided by One Devonshire Gardens and celebrity chef Gordon Ramsay even opened a restaurant inside the hotel. But the property wasn't big enough to make McCulloch substantial profits. So with #233,000 of backing from venture capital company 3i, he bought the three neighbouring houses, enabling him to increase the number of bedrooms to 27. McCulloch had been bitten by the boutique bug and the interest in One Devonshire Gardens gave him the idea of bringing boutiques to other cities.

"I thought that for every person staying in One Devonshire Gardens there were 50 who would love to, but didn't have the budget," says McCulloch. So after a visit to the US where he saw the success of high-quality, low-price hotels, he got backing from leisure entrepreneur Robert Breare's Arcadian International group to launch a chain called Malmaison with hotels that had an average room rate of half that of One Devonshire Gardens.

The key to Malmaison was McCulloch's choice of unusual but cheap sites, such as derelict churches, which could be developed at low cost. The first two hotels opened in Glasgow and Manchester in 1994 and despite the lower price point, McCulloch carried over much of his celebrity clientele from One Devonshire Gardens. More Malmaison hotels opened up around the UK and pop stars such as Robbie Williams became regular residents there on tours. Mick Hucknall of the group Simply Red was such a fan of the hotels that he invested in the company.

McCulloch moved on again in 1988 when America's Patriot group paid #234 million for Arcadian, a deal that valued Malmaison at #94 million. "It was such an amazing deal for the shareholders," reminisces McCulloch. He pocketed #55 million from the sale and after selling One Devonshire Gardens for #4.7 million two years later, the hotel industry began buzzing with news about what he would do with his war chest.

Having made his reputation as a risk-taker and an innovator in luxury hotels, it didn't surprise people when McCulloch announced in

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2000 that he had bought the ageing Abela hotel on Monaco's second harbour, the Port de Fontvieille. However, whereas Malmaison and One Devonshire Gardens succeeded by developing a new niche in the hotel industry, McCulloch's challenge with the Abela was the area it was situated in.



"When I came to Monaco nobody was ever going to come to a hotel in Fontvieille," admits McCulloch. The area had been long overshadowed by Monaco's main harbour and was overlooked by locals because of its distance from the centre of the principality. However, McCulloch's secret this time was having the star status of Scottish Formula One driver David Coulthard on board as an investor.

After hotels, motorsport is McCulloch's other main passion. He arranged Malmaison's sponsorship of a Porsche Super Cup team, so the link with fellow Scot and Monaco resident Coulthard was natural. "I have always been a big fan of David's and met him before I moved down to Monaco," says McCulloch. Whilst he refuses to state exactly how much of a stake Coulthard has in the hotel, his name alone has spelt success.

McCulloch changed the name of the hotel





Ken McCulloch is Scotland's most celebrated hotelier

to Columbus and invested a massive \$40 million in it. The hotel is more upmarket than Malmaison but in keeping with its ethos, at \$180 its average room rate is far lower than its local competitors. Price is the USP that has clearly struck a chord with travellers who are put off by the prohibitively high room rates at most of Monaco's hotels, as average year-round occupancy at Columbus is around 80 per cent – impressive for a destination which depends on seasonal trade. But guests aren't staying solely because of the price. McCulloch says: "Columbus is an amalgam and extension of everything we have done in the past," and its heritage in One Devonshire Gardens and Malmaison is more than apparent.

"I have seen too many hotels in which the suites are fantastic and the standard rooms are nothing. But that is the wrong way round. A hotel has a lot more standard rooms than suites,"

he says. The 192 rooms of Columbus don't compromise on quality but deliver surprises such as a leather-stitched beds rather than just leather headboards, custom-designed cases with deep patina and leather handles, and angled chaise longues backed by shelves littered with objets d'art. The feeling is strictly 'suite' while the pricing is affordably 'standard'.

McCulloch admits that design budgets are tight, but his interior designer wife Amanda Rosa achieves maximum impact through painstaking sourcing and bidding and by having a good eye for what can be left out. She concentrates on comforts that are most noticed like fine linen, good mattresses and cosy yet stylish seating. "We are not going to use cheap carpet just to realise saving," says McCulloch, though he adds: "I am amazed at how much hoteliers spend on things customers do not even want."

A fine dining restaurant would have been one of those unnecessary amenities at Columbus. With a wealth of luxury restaurants throughout the local area, McCulloch opted for a 120-seat brasserie concept instead. Anticipating the number of singles and couples who would use the restaurant, McCulloch and Rosa mapped out a series of spaces, 'little corners' and different levels, complemented by terrace seating, that keep it seeming busy no matter how many guests are dining during the three-meal-a-day service.

Not only has McCulloch made Columbus a success – he has also succeeded in revitalising Fontvieille, which is now considered the trendy part of town. True, the harbour still plays second fiddle to its sister in the centre of the principality but the central heliport in Fontvieille has brought the jet set youth into the area, which is distinctly lacking in the centre.

McCulloch is almost a victim of his own success. "I can't do a Columbus everywhere because if I did, it would dilute what we have created here," he says.

He admits that he was initially looking at launching around 20 Columbus hotels predominantly in the US but gave up after being frustrated by Wall Street bureaucracy. Arizona and Lisbon are still said to be on McCulloch's hit list of sites to continue the Columbus chain and although neither city falls into the jet set category, he is believed to be aiming them at the weekend break market. However, he refuses to state exactly when or where the new hotels will be built. He simply says: "The locations we will go into are stunning."

In fact the locations are what will distinguish each Columbus. McCulloch doesn't have a formula for setting up other Columbus hotels because, as he says: "The locations will be pretty unique." The framework for the Monaco hotel wouldn't work well in all locations as it places heavy emphasis on maximising light and open space and also has a rooftop pool. So future incarnations won't be carbon copies of this formula but certainly won't lose the loving touches of his wife, as she will be behind their design, which in turn will make them recognisable. "Amanda always says about the things we do that they are sisters and not twins. You recognise that they are all part of the same family but they are not identical," says McCulloch.

Just as he revolutionised the boutique sector with Malmaison and One Devonshire Gardens, grand hotels could be McCulloch's next victim. "I think competition with grand hotels is inevitable," he says. "In the areas we want to go to, the same old faces are there. But I don't worry about the competition – let them worry about me." However, it doesn't stop there.

The success of Malmaison made McCulloch recognise the demand for low-cost luxury hotels, and the poor value for money offered by existing mid-range hotels frustrated him. After staying in hotels around the world that cost about \$150 a night, McCulloch found that all tourists and business travellers could expect was chintzy furniture in small rooms off long, anonymous corridors. The paper-thin ▶



The Columbus was designed by McCulloch's wife, award-winning interior designer Amanda Rosa.



partition walls and ceilings particularly depressed him, as he says: "It is tragic. People stay expecting absolutely nothing for the pleasure of paying #150. It is the means to an end."

Determined to make a difference, McCulloch drew up a blueprint for a budget chain that is attractive to both business and leisure travellers and will be ready to open the doors on its first property at the end of the year. Called L'hotel, from the outside the buildings are tall and will have an angular appearance with an emphasis on visible steel and darkened glass. Inside is the opposite story as exposed brickwork, wood panelling and huge leather sofas will give a warm and comfortable feeling to the reception area. "Outside it is really quite powerful and then you go in and it warms up. It has a sort of bohemian-chic feel to it," says McCulloch, who claims an efficient but friendly service will make the hotels feel 'real' rather than 'robotic'. But the most stunning thing guests will instantly notice about the lobby is its size, which soars to over nine metres with six-metre paintings adorning the walls.

McCulloch says his goal is to get people

who just want a decent place to sleep to say that L'hotel is beyond what they ever thought they would get. "Expect a great deal," he says, "expect in every sense of the word." As impressive as the lobby is, the rooms are where McCulloch will truly 'wow' his guests.

Each room will have air conditioning, a modem connection, walk-in power shower

**Each room at L'hotel will have air conditioning, a modem connection, walk-in power shower and an impressive 32-inch plasma screen television. But the average room rate will be just #90 per night.**

and an impressive 32-inch plasma screen television. But the one thing that won't keep guests staring for long is the bill. With an average rate of only #90 per night, this is what will keep guests coming back in their droves. "It may be half the price of Columbus but it's

not half the standard," says McCulloch. However, the naysayers are already circling.

Creating hotels is a rollercoaster of an experience according to McCulloch, who admits to getting 'obsessed and demented with trying to get it right but at the same time thinking we need a few more weeks'.

L'hotel is the second version of McCulloch's budget concept. He first announced the idea in November 2001 with a project named Inn Coach. This was announced as being ostensibly the same blueprint as L'hotel but McCulloch says that in fact he scrapped the entire project and started all over again. Because of this, some analysts are suspicious about whether his L'hotel project will ever get off the ground. "There's a lot of dreaming in this industry," says one insider. "When push comes to shove, will McCulloch actually deliver?"

His plans to outfit L'hotel with expensive equipment are certainly ambitious at the price point he is setting. But he is adamant that the current downturn is actually a benefit because it has enabled him to pick up the best bargains. "Because not many hotels are being built you can buy better," he says. Buying in bulk for a number of hotels at the same time has given him huge discounts due to the economies of scale. McCulloch has also stripped the concept down to its bare bones by offering guests great comfort without wasting expenditure on less necessary amenities such as swimming pools.

"We're not all things to all men. We don't have swimming pools, we don't have conference centres, we don't have banqueting suites," he says. Every piece of space in the hotel is being used, and you get the impression that he has been through the concept with a fine-toothed comb looking for ways to take best advantage of the property. It has even been reported that an automated larder will replace room service – a trade-off travellers will surely be happy to live with given the in-room benefits.

McCulloch proved to the industry that he lives up to his word when he launched Malmaison. But in the current market, where a giant like Holiday Inn has the might of Six Continents' reservation system behind it to fill its 16,163 rooms in the UK alone, a question mark hangs over whether McCulloch has the marketing muscle to give adequate publicity to his stunning product. Concepts for L'hotel's advertising campaign appear almost like adverts for a film noir, fitting in with the chain's urban chic style but although attractive, this could be too confusing for the masses McCulloch needs to fill the rooms.

That said, a catchy ad campaign and great product at an affordable price aren't necessarily enough to crack the market. Melvin Gold, managing director of hotel consultancy services at PKF, says the budget brands' secret to success is getting the product right and finding the right sites. And McCulloch has this sewn up as he is targeting sites beside motorways or industrial estates where the competition is either almost non-existent or abysmal. >



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He talks with enthusiasm about one site he has secured beside the largest industrial estate in Europe, believed to be the Park Royal development outside London, which has 20,000 visitors a day on top of the local employees but has no hotel or restaurant in the vicinity. To complete the L'hotel concept, McCulloch is hoping to repeat the success of Malmaison and One Devonshire Gardens by building what he hopes will be a 'stand-alone success story restaurant' inside the hotels.

He won't reveal the amount of capital raised to launch L'hotel but it is believed to be in the region of \$100 million. Alluding to the cost of the property and real estate alone, McCulloch says that the numbers are big but so are the assets. Once again Coulthard is in the driving seat as the celebrity shareholder but McCulloch assures that his interest is serious. Testimony to that is the fact that even McCulloch doubts whether Coulthard would have been interested in coming on board for

just one hotel. The third and final backer behind the new launches is US real estate developer Peter Morris of Chicago-based PRM Realty, who McCulloch got to know through his first foray into expanding Columbus into the US.

Despite having raised money many times to fund his ventures, McCulloch still says that sourcing finance is a tough task. "When you start in business you are talking about thousands, then tens of thousands, then millions, tens of millions and hundreds of millions," he says. "The bar gets raised all the time." In order to keep up, McCulloch is always raising the threshold of guests' expectations and in typically unconventional fashion he says he's succeeding if his hotels have a fan list rather than a database of customers.

Such is McCulloch's concern for clientele that he's even at work on another chain to sit between L'hotel and Columbus. Whereas L'hotel takes on budget brands, his third chain will compete in the mid-range arena dominated by giants such as Marriott and Radisson. He says little about this other than commenting that its sector positioning 'is not necessarily a price thing, it's more an image thing'. And if L'hotel's stylised look is successful, this will be a logical extension.

McCulloch's maverick style has made him a magnate to be reckoned with. But as he takes on new brands in different sectors of the market, it will become increasingly difficult to ensure that none of them lose the care and attention that made his reputation. Perhaps mindful of this he says: "If we create things like everybody else then we're dead."

McCulloch insists that he isn't setting up these chains to sell or float them as he did with Malmaison and One Devonshire Gardens. But for the sake of his shareholders, he says that if the right opportunity comes along he won't turn it down. In fact he readily admits that another reason he has three brands is so that if he loses one, he will still have two others remaining. So while his fans may be left wanting more, they'll never be left hungry. **EB**

