

*David Coulthard's investment in Monaco's swish Columbus hotel is well documented. What's less well known is whether it pays off.*

# The world's fastest hotelier

By Christian Sylt

For most hotel companies, entering the market in Monaco wouldn't be something to consider for a start-up brand. For David Coulthard, however, it was like his backyard. The Red Bull Racing driver is a long-time resident of the principality and turned hotelier there in 2000. With a world-class partner by his side, Coulthard established the Columbus hotel in Monaco's second harbour of Fontvieille. It made an immediate splash, and seven years down the line the real rewards are starting to show through.

Born in Twynholm, Scotland, 36-year-old Coulthard is a 13-time F1 race winner and became Scottish Junior Kart champion aged just 12. "I was racing from 11 and going about it in a business-like fashion," he says.

Amongst Coulthard's business portfolio are stakes in sponsorship exposure monitoring firm Margaux Matrix and innovative motorhome-branding company Visibly Loud. But his crown jewel is the Columbus, which is run by fellow Scot and famed hotelier Ken McCulloch. It's a far cry from the paper fortunes some drivers have got from the stock market, and this is precisely what deterred Coulthard.

"I was not particularly turned on by being given weekly and monthly updates telling me that my investments had gone up or down because I couldn't feel it, I couldn't touch it," he says. "I wanted something that I could be involved in, feel a part of, influence, and believe was a sound investment that would grow for the future." His meeting with McCulloch couldn't have come at a better time.

**"THE REAL RETURNS WILL COME FROM BROADENING THE BRAND, AND COULTHARD IS FAR FROM A SLEEPING PARTNER."**

McCulloch, an affable 58-year-old, had humble beginnings in the hotel industry. He started his career plucking chickens in a Scottish hotel and early on developed a colourful contrarian style by opening Glasgow's first wine bar. Against the odds in such a traditionalist city, it became a success. He repeated the trick with a piano bar before hitting on his niche in hotels.

"Analysts said that a hotel had to have over 60 rooms to make a profit," says McCulloch. Going on gut instinct he bought an eight-bedroom town-house and converted it into a hotel named after its address, One Devonshire Gardens. With luxury touches lavished throughout, it became a bolthole for celebrities such as Bob Dylan, Madonna and Gordon Ramsay, who opened a restaurant there.

"I thought that for every person staying in One Devonshire Gardens, there are 50 who would love to but don't have the budget," says McCulloch. So with backing from entrepreneur Robert Breare's Arcadian group he launched the Malmaison



David Coulthard and Ken McCulloch

chain. McCulloch's masterstroke was his choice of cheap sites, such as derelict churches, which could be developed at low cost. Simply Red's Mick Hucknall was such a fan that he invested in the chain.

McCulloch made his millions in 1998 when America's Patriot group paid \$315m for Arcadian. He pocketed \$76m from the deal and moved to Monaco. But he was soon back in business. Reinforcing his reputation as a risk-taker, McCulloch paid \$40m in 2000 for the ageing Abela hotel on Monaco's largely overlooked second harbour. The Abela was renamed Columbus and McCulloch invested \$55m. Coulthard's involvement was no coincidence.

After hotels, motorsport is McCulloch's second passion. He arranged Malmaison's sponsorship of a Porsche Super Cup



team, so the link with fellow 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. He adds: "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." They are an ideal pairing.

"I can't imagine how you could go into business with someone you didn't trust or like or have some kind of relationship with," says Coulthard. "I don't ask questions because I don't like being asked questions in day-to-day life. I'm very conscious that life is an interview. I'm always answering questions – how's the new car, when are you racing next? Ken doesn't ask stupid questions. "Are you OK?" – that's a very open question. If the answer comes back, "Yeah, I'm OK," then I don't need to go into specifics."

Hotels are close to both of their hearts. Coulthard says he "got so disappointed with European hotels that I stay in a motorhome when I'm on the Grands Prix." It wasn't done for reasons of cost. "With a driver, the home costs more to operate than to stay in hotels," he adds. Ever the canny Scot, Coulthard developed the Visibly Loud business to sell space on the side of motorhomes in order to reduce their running costs. It was worth it.

"When you are a paying guest, too many hotels ignore you if the phone is ringing at reception or because they are too busy looking at their computer screen," says Coulthard. His standards are clear: "I travel without high expectations. It just needs to be clean rooms and friendly service. It's not rocket science."

Despite having an apartment within striking distance of Columbus, Coulthard is one of its most regular visitors. "Most evenings I'm in Monaco I'll stop by, have a drink and see how things are going," he says. "In the winter I'll be there every weekend. That's when we catch up. It's not strictly business – we talk about motorsports, current affairs, women... I see Ken and Amanda more than I see my family, because they live in Scotland." Coulthard's name alone has given McCulloch's projects priceless publicity.

In 2006 the hotel had an average room rate of around \$330 – far lower than its über-swish local competitors. It pulls in

#### "DAVID IS A TOTAL BELIEVER," SAYS MCCULLOCH.

the punters. "Last year, all year round – and don't forget trade is quite seasonal in Monaco – we had the best occupancy at 67%," says Columbus' general manager Fredrik Aspegren. But guests don't stay solely because of the price.

McCulloch's philosophy is based on the premise that "the majority of corporate time spent away from home is begrudged". He therefore aims to create places which travellers look forward to visiting.

"I want people to go away thinking it's the friendliest hotel they've ever stayed at. It's chic and cool but it's natural and friendly," he says. "We've moved on from boutique. People should expect good design as a given."

Columbus is packed with luxury touches. Candles are lit in rooms for guests arriving at night, objets d'art adorn the rooms and books rest on shelves in the lobby. Even its conference facilities are equally sleek. "We are the only hotel in Monaco

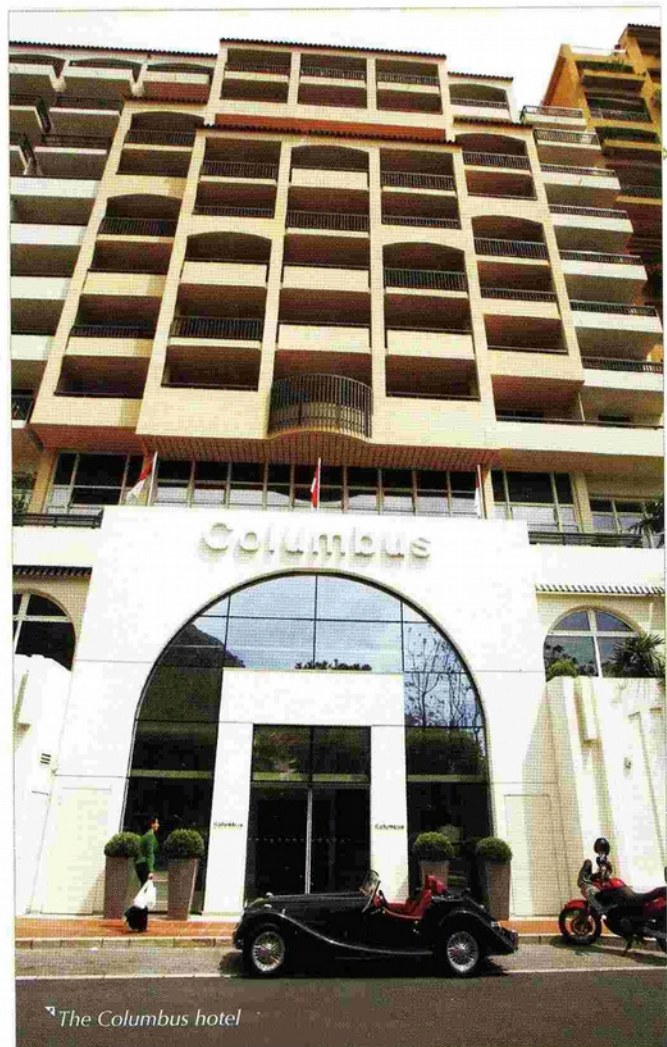
which has an auditorium where you sit in big leather chairs," says Aspegren. Smaller boardrooms and meeting rooms accompany it.

"I think one of the key factors of our success here is that even though we are in Monaco, we are extremely discreet," says Aspegren. Columbus is on Monaco's western border, away from the paparazzi-popular casino square. Another benefit of the location: the heliport is literally two minutes away. However, with its auditorium seating only 90, Columbus had to think outside the box. It came up trumps.

"We can tailor-make anything," says Aspegren, citing meeting breakout sessions of tai chi, golf-putting in the hotel on a portable green, and a meeting for an F1 sponsor during the Grand Prix which involved waiters dressed as pitstop mechanics complete with helmets and full overalls.

The entire hotel appears to have been designed with the same attention to detail you'd put into your own home. This is no accident. McCulloch's wife Amanda Rosa is responsible for styling and sourcing products in all his hotels.

His painstaking preoccupation with impressing guests is pervasive. "I don't think of hotels as being functional," he explains. "Hotels are really mundane things. But they don't have



▲ The Columbus hotel





A room at the Columbus

to be. I don't want a database of customers, I want a fan list." This strategy has borne fruit.

Columbus' turnover of \$16.5m in 2004 was up 12% from the year before, but it's not just Coulthard and McCulloch who share the spoils. Peter Morris of Chicago-based PRM Realty is the business' third backer; each of them has "roughly a third" of the equity, McCulloch reveals. They are on their way to making their money back but, with its high cost-base, the hotel industry is not the place to make a fortune overnight.

#### FARNBOROUGH'S DAKOTA IS COMING SOON – A DEAL ARRANGED WITH ONE OF COULTHARD'S FORMER BOSSES, THE AIRPORT'S OWNER MANSOUR OJJEH'S TAG GROUP.

Columbus has additional challenges to face down.

Later this year, a Novotel will open in Monaco, pitched at a similar room rate to Columbus. Aspegren notes that because its parent company Accor has big deals with corporate companies, "we will without a doubt lose a certain amount of our corporate business. Our only way to retain them is to continue what we're doing and do it even better." Columbus is adding a spa, penthouse and slashing its room-stock to make way for apartments. It is even getting its own helicopter for added exclusivity, and fitting Europe's first wireless biometric system for hotels, allowing guests to access rooms with their fingerprints. "Monaco is going more the mass way, we're going more the exclusive way," points out Aspegren.

The real returns will come from broadening the brand, and Coulthard is far from a sleeping partner.

Coulthard helped secure Columbus' second site through his former bosses at Mercedes. The German car company is redeveloping the historic Brooklands race circuit in Surrey and plans to open a motor museum there. In the coming years a \$40m Columbus spa hotel will open alongside it. Proving that McCulloch's passion for racing isn't clouding his judgement, the hotel is also located close to the headquarters of Sony and Procter & Gamble, which are sure to provide plenty of passing trade.

He has a target of five UK Columbus hotels and is thought to be looking at sites in London and Newcastle as well as Glasgow and Edinburgh. But McCulloch's mantra is making luxury

affordable for the masses and spearheading this isn't Columbus but another pioneer: Dakota.

Named after the low-cost DC3 aeroplane that opened up air travel to the masses in the 1930s, McCulloch's hotels have already had a similar impact on the hospitality industry.

Dakota's rooms have walk-in power-showers, broadband internet access and 30-inch LCD televisions for only \$175 per night. Two Dakotas are located in Scotland, one of them sitting on an industrial estate between Glasgow and Edinburgh. Far from glamorous Monaco, it was built on the field-of-dreams principle that it will attract guests regardless. And it had a successful precedent.

In July 2004 the first Dakota opened in Nottingham on a similar site which has the added complication of being surrounded by Sherwood forest. Nonetheless, it soon made its name and was recently ranked ninth worldwide on the "hot list" compiled by Condé Nast Traveler magazine. McCulloch says that Monday to Thursday occupancy is 100%, with weekends only slightly softer. Overall it averages between 70% and 75%.

The monolithic black building with its soaring lobby, exposed brickwork and blue neon-lit bar immediately sets it apart from traditional chains. Success in spite of its location reinforced McCulloch's conviction in the concept.

"Most of the things I have ever done would have failed a feasibility study," he adds. "Research can only tell you what has happened before. A lot of my hunches have paid off." It has made him highly bankable.

Each Dakota costs around \$30m to build, and just four months after opening in Nottingham McCulloch raised \$300m through Royal Bank of Scotland and HBOS for expansion. McCulloch is specifically targeting business centres such as airports, heliports and conference venues. He has a shopping list of sites to add to his collection with Manchester, Birmingham, Leeds, Newcastle and London all under consideration and Farnborough coming soon – a deal arranged with one of Coulthard's former bosses, the airport's owner Mansour Ojje's TAG group.

Like Columbus the Dakotas will range in size, depending on the site, from 92 to 240 rooms. The deal structure will also vary from outright ownership to joint ventures and management contracts. McCulloch reckons that this flexibility will enable him to open 40 Dakotas across the UK and another 100 in the US over the next 10 years.



The Columbus bar



► "I am absolutely going for these people...the Holiday Inns, the Radissons, the Marriotts. They've had their own way for so long," he declares. "They have taken the customer for a ride for too long." During site scouting trips for Columbus, McCulloch's stays at hotels with chintzy furniture and small rooms made his current crusade personal, and it shows.

"This is all about exposing the big chains for their cynicism. It is tragic. People stay expecting absolutely nothing for the pleasure of paying \$200," he says. Dakota's fixed-rate price structure is a key USP and he argues that it engenders loyalty. Nevertheless, it has already had annual rate-hikes and McCulloch has plans for adding "Dakota Deluxe" suites to future properties which will be priced at around a 50% premium.

A bigger question-mark hangs over whether Dakota's familial character will be diluted over an extensive portfolio.

"We will always be a wee company that thinks big," says McCulloch. His US attack 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 stresses. And with such a vested interest in his products, McCulloch admits the benchmark he uses is himself.

#### A MEETING FOR AN F1 SPONSOR DURING THE GRAND PRIX INVOLVED WAITERS DRESSED AS PITSTOP MECHANICS, COMPLETE WITH HELMETS AND FULL OVERALLS.

"Amanda and I plan hotels for ourselves. We do hotels that we love and travel to. That way, if you get shot down, you get shot down for something you absolutely believe in." He leads by example and can often be found in the Columbus lobby relaxing on a sofa that he calls his "office". "I can sit there because nobody knows I'm anything to do with the hotel, it's great. I can feel how the team are," he says. And McCulloch expects staff to be just as single-minded as he is.

"The most important thing is you have believers working for you, not employees," he says sounding almost fanatical. Even Coulthard is under his spell. "David is a total believer," he says.

With his straight-talking and dedication, McCulloch makes for a fine motivator. However, he is a tough and demanding act to follow and with himself as his own yardstick, he never expects second best.

He admits to getting "obsessed and demented with trying to get it right". But as his portfolio proliferates, it will become increasingly difficult to spend as much time as he currently does on each project. Dakota's long gestation period is testimony to his fierce fastidiousness.

Dakota is the third version of McCulloch's budget concept. He first 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 setting on Dakota the following year.

However, the style of Dakota was never in question and the finished product bears an uncanny resemblance to the initial l'hotel drawings from two years earlier, even down to the type



▲ A room at Dakota

of chairs.

True, the downturn in-between knocked the entire industry back. But McCulloch says it actually enabled him to pick up the best bargains. Buying in bulk for a number of hotels gave him discounts due to economies of scale. Having in-house design kept costs down and ensured that his creations weren't copied. He also stripped Dakota's concept down to its bare bones to offer guests great comfort without wasting expenditure on less-than-necessary amenities. This is how he still has a solid profit margin despite the low rate.

"We're not all things to all men. The Dakotas don't have swimming pools, or conference centres, or banqueting suites," McCulloch says. He stresses that "every piece of space in the hotel is used", and he isn't lying. An automated ladder replaces room service and mini bars; the TVs are wall-mounted to avoid having costly space-consuming armoires; and cupboards are gone in favour of shelves integrated behind the bed's headboard. McCulloch and his wife have created rooms which appear palatial even though their average area is just 25m<sup>2</sup>.

But although the sector was clear of competitors when McCulloch came up with the concept, the Dakotas' lengthy planning phase has seen other companies jump in. In London, the \$35m Hoxton Hotel has trimmed away costly features such as full-service restaurants to offer rooms starting at \$155 with Frette linen and duck-down pillows as well as free internet access and bottled water. The hotel is owned by Prêt à Manger founder Sinclair Beecham, and is also set for UK expansion.

The competitive market and huge start-up costs all stand against McCulloch. He lacks the vast resources and global reservation systems of the traditional chains, but isn't worried about the competition. "Let them worry about me," he says feistily. And although the era of César Ritz and Conrad Hilton is certainly over, McCulloch's past successes show that innovation is still rewarding. It has Coulthard hooked.

While many men might envy Coulthard's success and lifestyle, he admits to an admiration for businessmen, not least because his father is one, having created a successful road haulage company in southern Scotland that David would have worked for had he not succeeded in motorsport.

His partnership with McCulloch takes him back to his roots and almost full circle. Coulthard is one driver who won't have any trouble keeping himself busy when he finally quits the sport. His investment in hotels may not have paid off yet as much as his F1 career, but it looks likely to last longer and will keep him almost as active. 