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Little
CITY

MATT LUCAS AND DAVID WALLIAMS SHAPE THE SATIRE OF OUR CITY



CHARACTER BUILDER

Most business travellers are happy if hotels have clean rooms and comfy beds. Not Ken McCulloch. He wants guests in his hotels to feel at home and he's about to take on the toughest customers of them all as his Dakota chain rolls out in the US

By Christian Sylt

KEN MCCULLOCH creates hotels with character. His first was a Victorian townhouse in Glasgow, which became a bolt hole for celebrities such as Meryl Streep and Mick Jagger. Then he kick-started the UK's boutique hotel craze with the chic and cosmopolitan Malmaison chain. Now he's created a new breed of hotel called Dakota that has the atmosphere of a laid-back lounge with five star in-room touches such as walk-in showers, broadband internet access and 32 inch plasma screens, all for the expenses-friendly price of £80 per night.

McCulloch's latest plan is to take Dakota to the US where he hopes to open 100 hotels in what is sure to be a test of its DNA.

The 56-year-old affable Scot had humble beginnings in the hotel industry. He started his career plucking chickens in a Scottish hotel and developed a colourful contrarian style at an early age by opening Glasgow's first wine-bar. Against the odds in a city, and at a time, where pints of 'heavy' were the norm, it became a success. He repeated the trick with a piano bar before hitting on his niche in hotels.

"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 bought an eight-bedroom townhouse and converted it into a hotel named after its address, One Devonshire Gardens. With luxury touches lavished throughout, it gained a reputation for comfort and privacy and attracted a celebrity clientele, including 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 Malmaison. McCulloch's masterstroke was his choice of unusual but cheap sites, such as derelict churches, which could be developed at low cost. In cities such as Manchester and Newcastle, Malmaison became the only quality alternative to dull, and pricey, chain hotels. Chanteur Mick Hucknall was such a fan that he invested in the chain.

McCulloch made his serious money in 1998 when America's Patriot group paid 234 million for Arcadian. He pocketed 55 million from the deal and moved to Monaco. However, he was soon back in business. Reinforcing his reputation as a risk-taker, in 2000 McCulloch paid 30 million for the ageing Abela hotel on Monaco's much-overlooked second harbour. His secret this time was having the star-status of Scottish Formula One driver David Coulthard as an investor.

After hotels, motor sport is McCulloch's 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 priceless publicity.

The Abela was renamed Columbus and McCulloch invested 40 million in it. At around 180, its average room-rate is far lower than local competitors 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." Therefore, his aim is 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, adding "we've moved on from boutique. People should expect good design as a given."

Columbus is crammed with luxury touches. Candles are lit in rooms for guests arriving

at night, objets d'art adorn the rooms and books sit on shelves in the lobby. It appears to have been designed with the same attention to detail you'd put into your own home and 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 says explaining that "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," he stresses and strategy has borne fruit. Columbus's average annual occupancy is around 80 per cent - impressive for a destination dependent on seasonal trade. With turnover last year of 12.3 million, up 12% from the year before, McCulloch is well on his way to making his money back. He's also adding a spa and penthouse and taking the brand to new territories.



"I can't do a Columbus everywhere. Because, if I did, it would dilute what we created here," he explains. His search for sites has taken him to Paris, Lisbon and Dubai and hooked him up with Peter Morris of Chicago-based PRM Realty, who became his third backer. They have "roughly a third of the equity each," McCulloch reveals.

But, proving he's not just a silent partner, Coulthard helped secure Columbus's 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 cinema and motor museum on the site. In August 2006, a £20 million Columbus spa hotel will open alongside them. And McCulloch's passion for racing isn't clouding his judgement since it is located conveniently close to the headquarters of Sony, Procter & Gamble and tobacco company Gallagher which he must be hoping will provide plenty of passing trade.

McCulloch's aim is for five UK Columbus hotels and is looking at sites in Scotland to bring the chain back to his roots. But breaking the US is his biggest goal and he wants 20 Columbus hotels there. His plans for Dakota are even grander.

Last October, just four months after the first Dakota opened in Nottingham, McCulloch raised £150 million through the Royal Bank of Scotland and HBOS for expansion. Sites in Glasgow and Edinburgh are under construction and Manchester, Birmingham, Leeds, Newcastle and London

are under consideration. "I've got a target for this year that I want to get at least ten deals done for Dakota and Columbus," he says adding "within the next three to four years we'll have 40 deals done and this is just the UK." He has a fine yardstick.

The 92-room £12 million Dakota Nottingham was recently ranked ninth worldwide on the 'hot list' compiled by Condé Nast Traveller magazine and McCulloch says its performance lives up to its reputation. Monday to Thursday occupancy is 100% with weekends only slightly slacker. Overall it averages between 70% and 75%.

McCulloch says the hotel's £79.99 one-price structure engenders loyalty since guests know what to expect. "If you want something and if the product is right, you'll pay for it," he explains but it remains to be seen whether this strategy will work in the US with its culture of bargaining. McCulloch's US invasion begins soon since he hopes to have his first six sites acquired by the end of the year. So how will he retain Dakota's familial character?

"It won't be sprawling because you do it one hotel at a time," he explains adding "we will always be a wee company that thinks big." But since McCulloch oversees development of each of his hotels he may have to clone himself to meet his aim of opening 100 in the next seven years. "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's only benchmarks



are himself and his wife.

"Amanda and I plan hotels for ourselves. We do hotels that we love and we travel to go and see," he says. Dakota shows how canny they are.

But the secret to budget brands is the right sites, the right place and the right price. Dakota has this sewn up as McCulloch has targeted sites beside motorways or industrial estates where the direct competition is either almost non-existent or abysmal. Perhaps not coincidentally, Dakota will hit destinations which already have Malmaisons and although he seems to relish the thought, McCulloch says with a smile, "that is not the reason for doing it."

McCulloch longer-term plans are for Dakota-branded merchandise such as CDs, T-shirts and baseball caps. It may seem far-fetched but illustrates his lofty ambition for his hotels to be "a way of thinking, a way of life, a lifestyle." Columbus and Dakota both blow guests away with value for money but McCulloch acknowledges he may be his own worst enemy.

"Every time you get it right you're raising the threshold of their expectations for the next visit," he says. It's a dilemma which

Favourite hotel chains:

Four Seasons and Peninsula

Best decision:

Marrying Amanda Rosa and following my beliefs

Worst decision:

No regrets

Desert island luxury:

Travelling humidor

Fantasy dining partner:

Eddie Izzard because if the food wasn't great, the chat would be fantastic.