



Leaders in Travel

# The Next Generation of Kerzner

An Interview with Howard B. Kerzner, Chief Executive Officer, Kerzner International Limited, Paradise Island, The Bahamas



**EDITORS' NOTE** "Our company is at a very exciting stage right now," Butch Kerzner enthuses. "Over the past two years, we've grown the business as well as prepared it for a major transformational phase over the coming years." For instance, Kerzner International launched the One&Only umbrella brand for its luxury resorts – the name having been chosen to describe precisely "what we do," the chief executive officer explains, which "is the absolute antithesis of the cookie-cutter approach" favored by so many of its competitors. "Each of our properties is unique," he elaborates, "and for guests who are paying room rates of \$700 or more, that's precisely what they want: a very distinctive experience." Nonetheless, "there are elements that tie them all together, particularly from a service standpoint." As of today, "we have 6 One&Only "properties open and 3 under development," he details, but "our objective is to have 20 open or under development within four years."



Howard B. Kerzner

As another example of the projects "we'll be undertaking" to "more than double our present size," significant alterations are occurring at Atlantis, the corporation's phenomenally successful Bahamas resort. "We're going to add another 1,200 rooms to the 2,300 we already have," Kerzner reveals, "and we're going to transform the water attractions – which are, at the moment, a great amenity for our hotel guests – into more of a theme-park experience." What is more, "based on our success with Atlantis in North America, we've been looking into taking the formula elsewhere in the world" – specifically, to Dubai – "and we finally found the ideal location." All told, then, "there's one very important thing I can say with certainty," concludes the chief executive officer: "In a few years' time, this company will look very different than it does today."

Prior to his appointment as chief executive officer in January 2004,

Kerzner served as president of Kerzner International for eight years. Born in Durban (South Africa) and educated in Johannesburg and at Stanford University, where he also earned his M.B.A., he spent his early career in the mergers-and-acquisitions departments of First Boston and Lazard Frères.

**COMPANY BRIEF** Resort developer/management company/gaming operator Kerzner International Limited (formerly Sun International Hotels) owns almost 70 percent of its home base, Paradise Island in the Bahamas, the site of its 2,300-room, deluxe Atlantis resort and casino. In addition, it operates a chain of luxury resorts, primarily under the One&Only brand. Currently included are One&Only Le Saint Géran and One&Only Le Touessrok, both in Mauritius and consistently ranked among the top hotels in the world; One&Only Kanubura in the Maldives; One&Only Royal Mirage in Dubai; the renowned One&Only Ocean Club, also on Paradise Island; and One&Only Palmilla in Cabo, Mexico. It has also entered into agreements to develop and manage properties in Havana; Cape Town, South Africa; and the Maldives. Furthermore, Kerzner developed and continues to receive income from Mobegan Sun in Uncasville, Connecticut. Following the completion of a \$1-billion expansion, the Native American-themed getaway has become one of the premier casino/resort destinations in the United States. Listed on the New York Stock Exchange as KZL, the corporation reported total sales of \$595 million and adjusted net income of \$72 million in 2003.

**Kerzner International is involved in so many things – in the Bahamas, Mexico, the Indian Ocean, Connecticut – and now you've launched a new brand, One&Only. What are you going to do with it?**

A year or two ago, we looked at the



An aerial view of Palm Island, Dubai (top); the Paul & Virginia Bar and Restaurant at One&Only Le Saint Géran, Mauritius



properties we'd already developed, and we tried to analyze what was different about our business from some of the other operators of deluxe hotels. We came to the conclusion that what we do is the absolute antithesis of the cookie-cutter approach. Each of our properties is unique. And for guests who are paying room rates of \$700 or more, that's precisely what they want: a very distinctive experience. When you come to the Bahamas, it's all about the Bahamas. When you come to Mexico, you get an authentic Mexican experience. So that was the reasoning behind our new brand, One&Only, which we decided to add to the name of many of our properties in the luxury resort sector. You won't get the same experience at any two of our properties, and yet there are elements that tie them all together, particularly from a service standpoint.

**What's the next step? Are you going to open One&Only hotels all over the world?**

Right now, we have 6 properties open and 3 under development. Within 18 months, we'll have 9 One&Only resorts. Our objective is to have 20 open or under development within four years. However, our business is much more about quality than quantity, so we won't compromise on site selection. We're always looking for something special.

**Where?**

Primarily in those areas where we do business now. We'd love to do more things in the Indian Ocean and in the Dubai area; we also like the Caribbean and Mexico. I don't think you'll see us going to many far-off places immediately. At least from a financial perspective, it makes a lot of sense for us to expand regionally.

**Are your properties all joint ventures, or do you own some of them outright?**

We approach our business very flexibly. As a result, we own 100 percent of some properties, such as Atlantis on Paradise Island. In Mexico we're in 50:50 with Goldman Sachs. In Mauritius we own 20 percent. In Dubai we only manage the One&Only Royal Mirage. We find this flexible approach to be an advantage for us.

**How is Atlantis doing?**

Atlantis has become very well known in North America, as well as very successful. The brand now ranks second in awareness



in many markets – and this is second only to Disney, which has been around a lot longer than we have. Financially, our business has been extremely resilient, with 2002 and 2003 having been our best years in terms of operating profits. This has given us the confidence to undertake a major expansion program at Atlantis. We're going to add another 1,200 rooms to the 2,300 we already have, and we're going to transform the water attractions – which are, at the moment, a great amenity for our hotel guests – into more of a theme-park experience. We're also going to develop a very exciting entertainment zone around our marina. We've never had

the courage to consider this plan unless we were able to see how well the business performed during very tough times, meaning the past few years. And it performed very well. Our plan is to complete the extensions – the rooms and the theme park – by the end of 2006. In addition, based on our success with Atlantis in North America, we've been looking into taking the formula elsewhere in the world. And we finally found the ideal location: We're going to build the next Atlantis in Dubai, on Palm Island, Jumeirah, which is a \$1.5-billion land reclamation project. Dubai is a crossroads between East and West, so this project should attract both the European and Asian markets. It has 100 flights daily to 100 different destinations.

Our company is at a very exciting stage right now. Over the past two years, we've grown the business as well as prepared it for a major transformational phase over the coming years. We'll be undertaking projects that will more than double our present size. So, there's one very important thing I can say with certainty: In a few years' time, this company will look very different than it does today.

**Your father [Sol Kerzner] is the founder and chairman of your company, of course. What has he passed on to you, to enable you to become president and now CEO?**

I share my father's passion for the business, which includes never accepting anything as good enough. We're perfectionists. We abhor mediocrity, we abhor nine to five, and we abhor corporate cultures. We're more entrepreneurial. We roll up our sleeves, we get into the details, and we get things accomplished.

I was born into this business. After all, I was actually born in a hotel – the Beverly Hills Hotel, my father's first five-star property. And I grew up in hotels.

**So you've had room service all your life.**

I guess so. But to return to my father, we want exactly the same thing, which is for this business to become hugely successful. It's our passion. ●

*One&Only Le Saint-Géran's Ocean Suite (top); sailboats off one of the resort's beaches (left); Royal Towers at Atlantis, Paradise Island, Bahamas*

