

A Local Blend of Luxury

An Interview with Reto Wittwer, President and Chief Executive Officer, Kempinski Hotels S.A., Geneva

EDITORS' NOTE *Educated at Switzerland's Hotel Culinary School and the Swiss Hotel Management School in Lausanne, Reto Wittwer began his career at the Palace Hotel in Madrid. Thereafter, Wittwer worked and lived in Paris, Tehran, Singapore, Hong Kong, Montreal, Acapulco, Indonesia, and Korea for Intercontinental, Mandarin, Peninsula, and Hyatt. Wittwer has been CEO of three hotel companies: Swissôtel, CIGA (from 1992 to 1995), and Kempinski. He assumed his present posts in 1995.*



Reto Wittwer

COMPANY BRIEF *Headquartered in Geneva, Kempinski Hotels S.A. (www.kempinski.com) is a collection of 60 deluxe properties located in Europe, the Middle East, Asia, and South America. In addition to operating many of the finest city hotels in the world, Kempinski runs properties in a range of exciting resort locations, always aiming to combine local flair and ambience with international standards of service and luxury. The group was founded in Berlin in 1897.*

Many leaders throughout the hotel industry have talked about how 2006 was strong around the globe. Have you been happy with growth for Kempinski, and are you expecting the growth trend to continue this year?

Yes. We're a German company by origin, even though we now operate on a global basis. In Europe, our biggest single block of hotels is in Germany. Last year, Germany had one of the most extraordinary years, partly because of the soccer World Cup. It was a record year for our Berlin property, and we also did extremely well in Munich, where we have two properties.

Looking more broadly, our business has done very well throughout the rest of the world as well. I travel 300 days a year, and I hardly ever see an empty seat on a plane. Full planes means the beds are filling up in hotels. And the airlines keep adding flights. The one thing that could set everything back is a terrorist attack – that would be a devastating blow to our industry. But if nothing like that happens, we will remain very bullish about 2007.

Your properties are located in very different markets. Do you want guests to be able to identify particular Kempinski char-



acteristics whenever they walk into one of your hotels, no matter where they are in the world?

Obviously, there has to be a red line through the company that identifies the hotel as a Kempinski, but I think that idea can go too far. American hotel groups tend to define quality as standardization and uniformity, so wherever you go, you have no surprises. Indeed, some famous American groups deliver pretty much the same thing whether you're in Singapore, San Paolo, Tokyo, or Europe. For some travelers, that's okay, but I think sophisticated travelers look for a local blend of luxury. Specifically, these travelers would like to see the hotel's restaurant patronized by local people. They'd like to see a local wedding in the hotel, because it's considered a top venue in the city. So we really try to blend our properties into the local set and maintain a market-leading position that way. As an example, you can hardly get more Turkish than the Ciragan Palace in Istanbul, yet it offers all the worldly luxuries that one expects at a top hotel.

The term "luxury" is used frequently in this industry. Do you think the word has lost any of its meaning?

Luxury can be a glass of water for a thirsty man in the desert, so it really depends on the circumstances. Otherwise put, the definition of luxury depends on who is defining it. The "haves" define it differently from the "have-nots." That's the reality of the situation. Now, having said that, I believe that some in the hotel industry make a terrible mistake by thinking that you can endlessly multiply luxury, and we will not fall into that trap. If you do that, luxury just becomes common. There has to be a certain exclusivity to luxury. That's why water in the desert becomes a luxury – because it's rare. With all this in mind, we intend to cap our growth at a certain point. Some time in the future, we will be able to say, "There will never be more than X number of Kempinski hotels."

Are you happy with your current portfolio of properties? And in growing the

brand, are you focused on some markets more than others?

Yes, we are very happy. We have entered Africa, which is not a market where luxury companies normally go. Yet, in its lodges, Africa can command some of the highest rates in the world. In Botswana and Tanzania, you can make minimal investment for maximum returns, because there are people who are happy to fork out \$2,000 or \$3,000 a night in a relatively modest lodge. On the whole, this has been very much overlooked by the industry. So we believe in the revival of Africa and we believe in doing business in Africa.

We're also very bullish on the Middle East, because we are privileged to run what many consider to be the mother of all hotels, the Emirates Palace. The Middle East continues to be very important to us. China is another key focus. We have a joint venture there with a very strong partner, with whom we have worked for 15 years.

North America would appear to be a prime market for your high-quality product. What is your approach to that region?

In some ways, the North American market is not in line with our philosophy and positioning. We often say that each Kempinski property is one of a kind. We don't have two "alikes" in our portfolio. That makes us, as a hotel group, unique. This approach is totally at odds with the American philosophy of hotel branding. In order to be credible in the U.S., you need at least 8 or 10 properties in key gateway cities that are similar enough to be perceived as a brand. As I mentioned earlier, we do not uniformly brand our properties. All our hotels have individual names that reflect their history – Kempinski is used only as a signature. So, in that sense, our philosophy is not such a great fit for the U.S. market.

What is your approach to food and beverage?

Kempinski has traditionally not been particularly strong in the food and beverage arena. Being of German origin, and having had a lot of German Managers, we offer good, hearty break-

The Emirates Palace, Abu Dhabi

fasts. Indeed, Kempinski is building a reputation for offering the best breakfast that anyone serves. However, the other legacy of our German heritage is a lack of creativity. Generally speaking, Germans are good at execution, but not so good at creativity. So we are in the process of bringing creativity into the food and beverage arena. We have made it clear to our owners that this is not yet our forte. I'm not saying that we offer lousy meals in Kempinskis – far from it – but the creative element is not yet at the level I would like to see.

There has been a noticeable increase in spa offerings among luxury hotels in recent years. How much of an emphasis do you place on spa and fitness facilities?

I think it's important to recognize that there's a difference between city spas and resort spas. In a city spa, clients want a maximum spa experience in a minimum amount of time. In a resort spa, clients want a maximum amount of availability and choice, because they have all the time in the world. So you need two totally different approaches for resort and city spas.

Have you seen a strong increase in Internet bookings in recent years?

One cannot escape the Internet. To me, the Internet seems ever more complicated, but there is also a certain degree of laziness on my part. My son navigates around the Internet at lightning speed, while I tend not to use it myself. I recently took a flight from Geneva to Frankfurt, which is a very short journey. There was an American sitting in the aisle seat opposite me. She looked over to me and said, "You've got to be an important guy." I said, "No, not really. Why do you say that?" She said, "Look at all the kids here. We're barely in the air and they have flipped open their computers. You're the only guy here in business class who doesn't have a computer. I've noticed that people who don't have computers are important people. It's the other guys who are working on the computers."

I found that very interesting. There will always be people who refuse to do things just because other people do them. If you think about it, we don't need secretaries, because we can write our own e-mails and answer our own phones. But some people will always want certain things to be done by other people, and that includes booking hotels.

You have been a leader in the formation of the Global Hotel Alliance. What made you feel that this was a good move for Kempinski?

We work very closely with Lufthansa, because that company used to be a shareholder in our company. Lufthansa is part of what is probably the most successful airline alliance in the world, the Star Alliance. That alliance now has 18 member airlines. There are obviously quite substantial differences in perception and quality among those 18 airlines, when you consider that both Singapore Airlines and LOT Polish Airlines are members. Nevertheless, they all have a very clear identification with where they operate, because of their names. The Star Alliance may be the only alliance in the airline business that really works. People really appreciate it.

I saw what the airlines were doing and I thought why not do the same thing with hotels? The airlines have always been 10 years ahead of

hotels in terms of technology, so it makes sense to follow their lead in this area too. That's why we created the Global Hotel Alliance. We saw the value of sharing our technology, sharing our marketing dollars, and pulling together, while still maintaining our own identity and independence. After all, we have common interests. Why should everybody have a separate sales office in New York, when we can rent one big one together and share dedicated staff? The basic idea is that one plus one is not two; one plus one should create three. In my view, one significant difference between the Global Hotel Alliance and other hotel alliances is that those other groups have such an array of brands that they don't know how to differentiate.

Does the Global Hotel Alliance only include one hotel group from each region, or are you looking to grow like the airline alliances have?

Obviously, we try not to have too many overlaps. In finding new partners, we look at a map of the world and then ask ourselves, "Where are we and where aren't we?" There are some very strong regional players or country players, who obviously know their markets well. They also need to feed into their markets, so they would benefit from being a Global Hotel Alliance partner. So we figure out what they would bring to the party, and what we can offer them. Ultimately, we look for a healthy and intelligent geographic spread.

The hospitality industry is known for its relatively high turnover. However, Kempinski has been very successful in retaining employees, which helps to build repeat business. How challenging is it to retain talent, and how much of a focus is it for you?

Twenty-three Managers and I recently finished a nine-day road show in the United States. We had a drink together on the last night, at about 10 o'clock, and I said to them, "Thank you for all the hard work: for getting up at five o'clock in the morning, for going to all the airports, and for all that packing and unpacking. I know it's not always fun, but I had a lot of fun with you guys. I enjoyed eating with you and going out for drinks." Then one of the Managers, Gianni van Daalen, who has been with us for 12 years, said, "It's great for us to be with our President. We have had a lot of fun too, and it has given us a sense of belonging." If you have a sense of belonging, why would you want to leave?

We also invest a lot in our Managers. We put all our Managers through M.B.A.s, and that creates a great sense of bonding among them. I consider it my job to give them a certain level of comfort, by paying them adequately, looking after them, and caring about them. And they know I care about them.

As you mentioned, many of your Managers have worked for you for many years, and know you well. What do you think they'd say if they were asked about your leadership style?

I think they'd say I was humane, caring, and approachable. A few months ago, I had breakfast with van Daalen before a board meeting in Moscow. He said to me, "You know Reto, I have known you for more than 20 years, but I have to tell you this: I've seen you mature in your job.

Of course, you always knew what you were doing, but I've seen you progress. For instance, the General Managers' meetings are really evolving well. Usually, when you have been more than 10 years in the same job, the tendency is to reinvent yourself, but you don't seem to need to do that."

I felt that this was one of the greatest compliments anyone could pay me. When you're at the top, you don't often get feedback, yet everyone needs to have feedback. When you get that feedback, it's a sign that you're approachable. I can be very hard when I have to be, but I'm not driving the numbers every day. I always say that if the process is okay and the right people are in the right places, then the numbers will automatically go in the right direction. All that having been said, if you asked any of the Managers about my leadership style, these three words would probably come up: approachable, humane, and caring.

You have spent many years in this business, yet you still talk about it with so much passion. Is it really that much fun?

I always say that if I have one week when it's a drag to get out of bed every day – and, believe me, when you travel as much as I do, it's no fun to get up at four o'clock in the morning – if I really have to drag myself out of bed, it's probably time to say goodbye. At the end of the day, you can only be good to other people if you're good to yourself. And as long as I'm good to myself, then I'm having fun. Life is beautiful; it's great. I'm in good health and I like to be around people. I like to make deals. On reflection, I think I work differently today, compared to how I used to work. The day-to-day business is very well taken care of by my two lieutenants. They can do their own thing and they enjoy that freedom. It has all worked out great: They like to do what I hate to do, and I like to do what they don't like to do.

You've mentioned how much you travel, and that you often have to get up very early. How difficult is it for you to turn off the business and truly get away?

A few months ago, I was in China. I had some problems with my neck and the wife of a colleague of mine recommended I go to a famous woman doctor. She did acupuncture and massaged my neck, and she said to me, "Your body is very tired, but your mind is extremely relaxed, because you don't schlep problems around with you." And I think that's true.

When I go to a board meeting at nine o'clock in the morning, I'm fully at that board meeting. I'm not thinking about what I said earlier. I'm a Buddhist and I believe that it's very important not to worry about things that you can change. Just change them, so you don't need to worry about them anymore. And, by the same token, don't worry about things you can't change, because there's no point if you can't change them. So ultimately, there's no need to worry at all.

I also think it's helpful to have the capacity to put things into boxes, because it helps prevent the world from falling on you. In some ways, it's a miserable life, and everyone runs into issues of one type or another. But you have to keep turning the pages. After all, when you read a book, you don't keep reading the same page over and over again. ●