

Luxury Branding

An Interview with Richard Moreau, Executive Vice President, Asset Management, Strategic Hotel & Resorts, Inc.

EDITORS' NOTE Prior to assuming his current post in 2005, Richard Moreau served as the Strategic Hotel's Senior Vice President of Asset Management (2003-2005) and Vice President of Asset Management (1997-2003). The 30-year veteran of the hospitality industry also served as a principal of Gremor Hospitality from 1992 to 1997, prior to which he was Executive Vice President of Inn America Corporation. Moreau also worked for Hyatt Hotels & Resorts and the Howard Johnson Company.



Richard Moreau

PROPERTY BRIEF Strategic Hotels & Resorts, Inc. (www.strategichotels.com), is the owner and asset manager of 21 high-end hotels and resorts in North America, Mexico, and Europe, ranging from large convention hotels to exclusive resorts, managed by internationally known hotel management companies.

How would you define Strategic Hotels & Resorts' brand identity?

Our hotels have done a terrific job of building awareness for themselves, so our focus is on building awareness for Strategic as the premier owner of luxury resort and upper mid-scale business hotels in major downtown markets. That's what we've been trying to project for the past three years, since we went public.

So top-tier properties are your primary focus.

Yes. Luxury branding is our primary focus, in terms not only of buying luxury hotels but also of creating a luxury retail presence in those properties. For instance, in the Four Seasons in Punta Mita, Mexico, we have a 4,000-square-foot luxury boutique. That's much different from something you'd find in a standard Four Seasons or Ritz-Carlton. The boutique features designer brands that cater to high-end customers. So luxury is very much our focus.

Are you focused on expansion in specific geographical markets?

We're very happy with what we have, and we want to expand on that. Mexico has become a focus for us because we're very well represented on the southern Californian coast, and we have fair representation in southern Florida. We always, first and foremost, look for luxury products in high-end destinations, and they are few and far between in the United States. So our



focus for the next two years will be international. Europe is our first priority, followed by Mexico.

How has the group addressed the challenges of operating profitable food and beverage outlets within its properties?

It is very challenging, and we're working on seven deals with high-profile chefs and bar operators. Michael Mina has probably been one of our most popular chefs; he's very well-known and respected in San Francisco and has restaurants in

Las Vegas, Atlantic City, San Francisco, and Southern California. He opened a restaurant, Bourbon Steak, at our property in Scottsdale, Arizona, in time for Super Bowl weekend. We also have deals in progress with Rande Gerber and Richard Sandoval. And, of course, we have Gordon Ramsey in our Marriott in London. So we're always looking to improve the food and beverage experience. It's critical in a luxury environment. We're able to provide real estate to recognizable restaurant operators, and they provide us with their expertise. In most cases, they've been able to double revenue.

What sort of emphasis does Strategic Hotels & Resorts place on spa and fitness facilities?

We're absolutely focused on spas. As a matter of fact, we have seven or eight spas, and we're building two of our own with a third party – a 10,000-square-foot spa with 8 treatment rooms in our Fairmont in Chicago and a 15,000-square-foot spa with 12 treatment rooms and a full-service fitness center in our Intercontinental in Miami. Spas have become a standard in resorts, and for convention and city center hotels, it gives properties a bit of an edge over the competition. If we have the space and can build it efficiently, we should have a spa in each of our hotels.

The luxury hotel market is quite competitive. How do you set Strategic properties apart from others?

We're unique in that all of our asset managers and most of our senior people are hotel people with a lot of operational background. That makes a difference. Our asset managers are focused on the day-to-day operations of three to five properties each. Our people are creative and are given more latitude to come up with restaurant and retail ideas, for



instance, and other ways to improve operations. They're aggressive, and their ideas are what differentiate us.

You've been in this industry a long time. Looking back to when you joined Strategic, has your experience with the company been what you expected?

It has been an exciting ride and everything that I anticipated. In the past 10 years, we have bought and sold \$7 billion worth of hotel real estate and taken a private company public. That's a pretty remarkable feat.

Are you ever satisfied with the success you achieve?

No. My attitude is that we can always improve ourselves, and most of the people we hire have that attitude. They want to see things improve. They want to take a jewel like the Four Seasons Washington, DC, and make it even better. For instance, at that property, we're developing a new restaurant and wine concept and 11 new guest rooms. That's exciting to watch.

Do you think multiuse, residential/hotel properties are the wave of the future?

In certain resort locations and cities, costs are so exorbitant that you need something to bolster a hotel's narrow margins. A residential or retail component can do that, and I honestly believe you won't see any major building projects without major residential or retail components. They make a hotel financially viable, and they give residential customers a sense of luxury and service they normally wouldn't get in an apartment or condominium. It benefits both the company and the customer. ●

The Four Seasons in Washington, DC (top), and in Mexico City (bottom), both part of Strategic Hotels & Resorts' portfolio