

LEADERS IN
Hospitality
Strategic's Strategy



An Interview with Laurence Geller,
President and Chief Executive Officer, Strategic Hotels & Resorts, Inc.

EDITORS' NOTE Laurence Geller is Director and Founder of Strategic Hotel Capital & Resorts. Prior to founding SH&R in 1997, Geller held positions as Executive Vice President and Chief Operating Officer of Hyatt Development Corporation, Senior Vice President of Holiday Inns, Inc., and Director of Grand Metropolitan Hotels in London. Geller is a former Vice Chairman of the Commercial and Retail Council of the Urban Land Institute and past Chairman of the Industry Real Estate Financing Advisory Council of the American Hotel & Lodging Association. Geller is Chairman of the Board of the Churchill Centre and Ambassador for North America for the Hotel Catering and Institutional Management Association of the U.K. He is a graduate of Ealing Technical College's school of hotel management and catering.



Laurence Geller

COMPANY BRIEF Strategic Hotels & Resorts, Inc. (www.strategichotels.com), is the owner and asset manager of 19 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 have current economic conditions affected your business growth?

It's very challenging to find growth as we used to define it. In a downward trending environment, our growth comes from increasing margins against diminishing revenues and market share against our competitors. We see that as a proxy for positive growth. So if everybody else is retaining 20 cents on a dollar loss of revenue, we strive to retain at least double. It's hard to create demand in an environment of fear-driven consumers, but we try and grow (or maximize preservation of) revenues, through aggressive market share growth tactics – at the expense of our competitors – and create some measure of localized incremental demand by incentives and promotions. We continue to work on several internal growth projects rather than third-party acquisition projects. We're predicting a downturn in occupancy for 2009, so we're being very creative on incremental projects within our hotels using the minimum capital rather than new deals.

How challenging is it to be successful in the food and beverage part of the business?

We did extensive consumer research and found that while customers enjoy the intimacy of the hotel restaurant, a hotel restaurant in a market with myriad thriving restaurants outside of the hotel generally isn't credible. Brand-oriented people won't go to a relatively anonymous in-house hotel restaurant because it isn't as good as another name, but if you give them a brand name, they'll visit you often. And in-house guests prefer to stay within the hotel if it meets their objectives. Consumers told us

a brand-name restaurant in a Four Seasons is credible because the Four Seasons is credible. We took that basic research and went into the local market in the Washington, D.C. area and found out that was true for non-hotel guests as well. Therefore, a brand-name restaurant in a branded hotel gives them a great deal of security. So that's how we do it in many cases. At our Four Seasons in Washington D.C., we are about to open a Bourbon Steakhouse, which is one of Michael Mina's truly incredible restaurants. Our two Gordon Ramsey restaurants in our Marriott Grosvenor Square in London are incredibly successful, with Maze having been recently voted London's best restaurant. It's one step at a time, property by property, and market by market. For us, it's about maximizing yield per square foot in a manner sympathetic with the requirements of in-house guests.

How do you balance technology with human contact in the hospitality business?

It's very hard. Even if we think there is a labor-saving technology, we test it with our guests and consumers before rolling it out. While we are prepared to take limited risks, we don't take extensive risks because acquiring high-end customers is so expensive. Once you acquire them, you have to keep them coming back, and you don't want to tick them off with the latest technology gimmick. We carefully watch what goes in other hotels, and as it becomes more ubiquitous, we can do a lot more of it, because it's standard. For example, I wouldn't put automated check-in machines in the hotel until research proved our guests truly valued and wanted that experience. So six months can make a world of difference. You cannot risk losing a regular customer because of a desire to have the latest and greatest. This is one area in which first mover advantage is not necessarily a good thing.

Have you always had that entrepreneurial desire to create and grow businesses?

When I was in consultancy, I used to advise my clients: it's grow or go. You have to be growth-oriented or you cannot have a long-term sustainable model. However, growth doesn't mean only new deals; it can mean refining an existing idea, improving operations, or modifying a market position. For us, growth has many faces, and, in today's environment, making the most from diminishing revenues is a victory. You have to be very consumer-oriented, product-alert, bold, and leading-edge, and you have to trust the best information you have, which is quintessential consumerism. You have to use research quicker and smarter than your competition and execute with conviction.

Throughout your career, you've been focused on giving back. Where did that come from, and do you see that as a role leaders must assume?

It is absolutely the role of leaders to be involved in their community, to set an example for their staff, and to give to the various communities in which they have business. Personally, I started with nothing, and I've had plenty of set backs and reversals along the path so I understand you have to earn and re-earn everything every day. I come from humble origins and know to take nothing for granted. The lodging industry has been incredibly good to me. I've always been shocked that I've made any money, and more than I could ever have aspired to when I was starting out. Therefore, I know I have to give back to organizations and people far less fortunate than me. That's right for me, and I hope it is for many others. But it's not only about money – it's the passion, energy, time, focus, commitment, and leadership to help these various organizations thrive. Writing a check is only a fraction of the issue.

Are you able to turn off the business and get away from it?

I try to balance my life. Getting away from my day-to-day business is, I believe, better for my business. So I try to be a multidimensional person. Between my day job, writing novels, a passion for the life and times of Winston Churchill, running marathons, and philanthropic endeavors, I have plenty to keep my excitement up, my juices flowing, and my interests varied. On my tombstone, I would be delighted if my epitaph would read, "A Renaissance man." ●

The newly redesigned lobby at The Fairmont Chicago