

heart's desire

Why a boutique hotelier is taking business very personally

Spend a day with hotelier Raul Leal, and his passion for the hospitality industry is immediately apparent. It's probably because it's all he's ever known. He started out as a dishwasher for his father at an independent hotel in Miami. Then the Cuban-born hotelier climbed his way up the proverbial ladder from front office manager to assistant GM to GM, bouncing from hotel to hotel. He finally found his true calling 11 years ago when he joined Miami-based hotel management and operating firm Tecton Hospitality. He first served as executive vice president of operations, and then four years ago, was promoted to president. His role expanded again in 2005 when he became head of the company's newly launched boutique-hotel division, Desires.

His infatuation with the business shows in the numbers: since he came on board, Tecton has grown from eight to 27 hotels. Desires' standouts include revitalizing the San Juan Water & Beach Club Hotel in Puerto Rico and the Sagamore Hotel in South Beach, where he brought in restaurateur Jeffrey Chodorow for the art hotel's restaurant (he's now working with him on three more); and expanding to Atlanta and New York City with the Glenn Hotel and Hotel Mela, respectively.

And he's just getting started. Next up: the redo of the 60-room Betsy in Miami Beach scheduled to open this August with a BLT restaurant and sundeck; the 100-room Iron Horse Hotel in Milwaukee slated to debut in July; the 166-room, 57-residence Cassa Hotel & Residences opening next summer in Manhattan with a celebrity restaurateur; the 170-room luxury Hotel Ludlow complete with a rooftop bar set to unveil on New York City's Lower East Side next spring; and a 220-room hotel in the Bahamas, which will have two restaurants and a skybar when it debuts in 2010 in Nassau. The company also plans on announcing other projects in San Antonio, Chicago, Los Angeles, and Brooklyn later this year.

In between hotel deals, Leal sounds off on the importance of corporate culture, the challenges of developing in a wait-and-see Presidential race economy, and why the best way to work with designers is to check your ego at the door.

HD: How has the industry changed since you started out?

RL: The proliferation of hotel brands, the advent of the internet, and the emergence of design as a real catalyst to differentiation has given the hotel business new life and wonderful opportunities. In

the past 20 years or so, we have seen brand after brand come on the scene with product after product claiming to differentiate itself through product and market segmentation. As history has shown very



Right: Outdoor dining at the Sagamore Hotel in South Beach.



and experiences. Uniqueness is something along with quality and luxury that consumers desire universally. Everyone covets that one-of-a-kind object, whether it is a Hermes handbag or a Brekuet watch just like luxury. Hotels should be about layering comfort into our hectic lives and providing an experience that forms an emotional attachment to our customers. People are not so much buying a commodity; they are also buying a feeling. At Desires Hotels we believe that our hotels and their designs must be relevant, otherwise they are just trends and consumers today want relevant products.



HD: What does 'relevant' mean?

RL: A product that has a real point of difference. In other words, you can't achieve 'specialness' by emulating someone else's terms or simply inverting them. That's just like 'applying a coat of paint to a cracked wall.' Hotels today need a truly unique point of difference to stand out.

The question is, how relevant can you be if you are a slave to today's trends? The moment we focus too heavily on what is going on around us, our product becomes ordinary. Just look at the seemingly endless parade of hotel brands with no real differentiation point. While a great design may clarify things for consumers and allow them to understand a product, you still need the basics relative to the market, operations, and the overall economic climate.

HD: What's your point of difference?

RL: We focus on creating 'one hotel at a time.' Desires

Hotels is not a consumer brand. Desires Hotels works with independent developers, owners, or institutions that have a specific product or vision in mind relative to their marketplace. We help them define their vision, design, and ultimately operate their hotel with service standards and a structure that makes sense for the individual asset. In other words: tailored to fit.

few brands have really differentiated themselves. There have been innovations in our industry, i.e., Heavenly Bed, etc. The industry's response to innovation has been to "cut and paste" new innovations regardless of whether they fit other brands or not. The consumer has taken advantage of this trend by demanding comforts they would ordinarily not have at home, of all hotels, regardless of price point. Basically, if you don't keep up, you are out. We have created this new consumerism and the bar continues to be raised.

HD: With this new consumer, what do hotels have to do to set themselves apart?

RL: Coco Chanel once said: 'Luxury must be comfortable, otherwise it's not luxury.' We live in a world seeking increasingly unique products

HD: With today's savvy traveler looking for a certain level or personalization, how do you bring your 'tailored-to-fit' motto to your guests?

RL: Our focus is on delivering an experience that is tailored by the customer. Since no one knows the customer's preferences better than the customer, the 'Your Desires' program asks customers to list their preferences so that we can deliver by the time they arrive to the

This and opposite page, clockwise from top left: Model room shots of the Iron Horse Hotel's comfy bed, luxurious bathroom, foyer, and sitting area.

property and during their stay. We have dedicated 'Managers and Agents of Desires' who actually execute the operational details. So for instance, if a customer wants to have a certain brand of champagne and a CD of their favorite artist in their room upon arrival, we take care of it through the 'Our Desires' program.

HD: What factors do you take into consideration when creating a new brand from scratch?

RL: Hotels are risky investments—no ego please. Find the right design team and let the designers design. Articulate your vision clearly and step out of the way.

'If you build it they will come' does not always work. Research the market thoroughly. Don't just count on STAR data. Read lots of economic data and have a proper economic study conducted. Where does it fit in the market? Will the market support the product five years from now? What does history say? Find the product's price point from the eyes of the consumer and define the comp set correctly. Know your competition thoroughly.

Do not over improve. The brand and the market should dictate the level of improvements. If construction costs are dictating your price point, the project will have a difficult time attaining success. Measure risk and reward if you are a pioneer.

Find the right management organization. Understand their experience and track record in operating your kind of product. How long have they been around? Who will you be dealing with? Do they have the right technology in place? Hire them and let them do their job.



HD: You actively seek out different and up-and-coming design firms for each project—Roman and Williams for the Iron Horse; Lewis.Tsurumaki.Lewis for the Ludlow project; and Cetra Ruddy for Cassa. How do you choose the right designer or firm for the job?

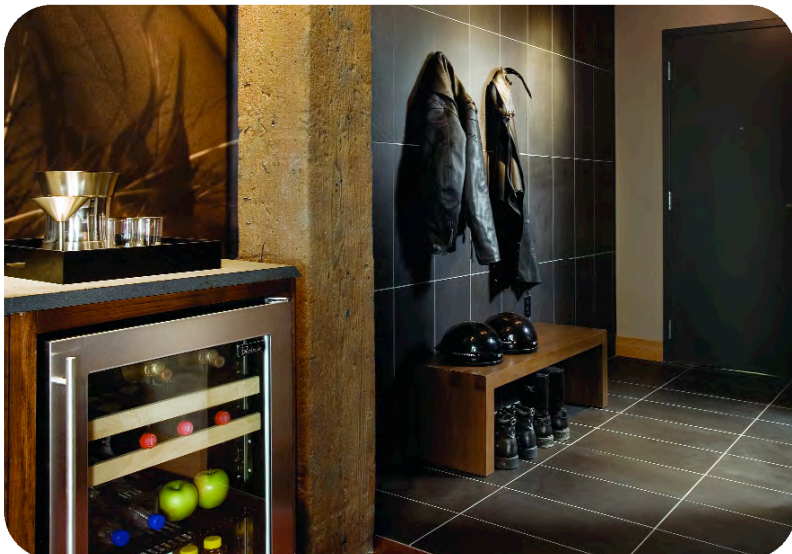
RL: This is an exciting time in business and in the hotel business particularly. Creativity is at an all time high. There are opportunities galore to reposition existing assets and find new uses for other products outside of our business. Finding and working with talented designers who are fluid in the manner in which they approach their work is critical. The right design team will have the following characteristics: great listeners; process-oriented; open minded and spirited; take ownership of the project; will bring things to the table from outside the industry; able to look for solutions to difficult issues; able to stay within a budget and still deliver the brand promise; strategic and knowledgeable of the latest relevant consumer trends; will strive to learn about our business before engagement; and branding oriented.

HD: You mention trends, what's one you've been paying attention to?

RL: Larger bathrooms and in-room dining areas that allow for a more comfortable room service experience. Also, green for sure.

HD: How is your company responding to green?

RL: All hotels are asked to incorporate green initiatives as part of their capital planning process annually; for new hotels we are mandating energy management systems and other initiatives as well as pushing developers to research LEED initiatives. It helps when a designer is LEED accredited and has a track record in this area.





Left: A rendering of a suite at the Betsy, set to open in August in Miami Beach. *Below:* The dramatic façade of the Cassa Hotel & Residences opening in Manhattan next summer.



HD: How worried are you about the current fluctuating economy?

RL: I believe that 2008 and '09 will be a bit challenging because of the current sub-prime crisis and the impact on the consumer. Also, lots of companies and consumers will hold back on major decisions until the election is decided and the future with the new President is a bit clearer. I think our industry right now still has sound economic principles as developments and new projects disappear because of lack of financing. We are watching it closely and adjusting one market at a time.

HD: What markets are on your radar?

RL: San Antonio, Brooklyn, Los Angeles, Chicago, and Denver

HD: Where do you see the industry headed?

RL: The power of today's dominant hotel brand cannot be underestimated. As consumer preferences and independence continues to shift, all hotel segments, brands and independents will have to continue to evolve. We will see the dismantling of uniformity over the next few decades as we reinvent ourselves and the global community shrinks. Brands that do not evolve will disappear. Hence, the opportunity. There has never been a time in history when the consumer can contribute so much to the creation of the product they are buying. In our business, the time is now to create, create, create products that engage customers that are not only timeless, but will evolve over time effortlessly. **hd**

For more information, visit www.desirehotels.com