

# Hospitality's Global Impact

## The Innovator

An Interview with Ian Schrager,  
Chairman and Chief Executive Officer, Ian Schrager Company



**EDITORS' NOTE** During the '70s and '80s, Ian Schrager and his late business partner, Steve Rubell, created Studio 54 and Palladium. Rubell and Schrager soon turned their attention to the hotel business opening Morgans Hotel in 1984. Following this were the equally well-received and highly successful Royalton Hotel and Paramount Hotel. Schrager received international recognition and acclaim for his one-of-a-kind "urban resorts" – the Delano Hotel in Miami



Ian Schrager

and Mondrian Hotel in West Hollywood. This was followed by the Hudson Hotel in New York, and expansions into San Francisco with the Clift Hotel and London with St. Martins Lane Hotel and the Sanderson Hotel. In 2006, he completed the Gramercy Park Hotel in collaboration with artist Julian Schnabel. His first residential project was 50 Gramercy Park North, followed by his second project, 40 Bond. Schrager's latest venture partnership with Marriott International intends to create a new brand of as many as 100 hotels that will combine the unique lodging experience that he created with the operational expertise that Marriott is known for on a global scale. The hotels will be located in gateway cities throughout North and South America, Europe, and Asia.

**COMPANY BRIEF** After leaving Morgans Hotel Group in 2005, Ian Schrager developed Ian Schrager Company ([www.ianschragercompany.com](http://www.ianschragercompany.com)), which owns, develops, manages, and brands hotels, residential, and mixed-use projects. It is currently involved in projects in various stages of completion, including Ambassador East in Chicago.

**When you look at the past 24 months, were you surprised at how deep the crisis was and how were you positioned during that time?**

I've been in the business since 1982 and as a purchaser of real estate rather than just a management company, so I was a bit more vulnerable to the economy.

But when you come up with a distinct product, it weathers the storm because you're offering something that no one else offers.

Every time you go through a bad cycle, when the good cycle returns, you always exceed the previous peak. So the graph keeps ascending.

The one thing that was different about this bad cycle was that it came on precipitously and no one could have anticipated it. Normally, the slowdown happens a quarter to two quarters before and you start preparing. It didn't happen like that this time.

Two segments of business were more adversely affected than others: the business traveler, being sensitive to having meetings, but more importantly, the high-end wealthy luxury traveler. In previous cycles, it was the wage earners.

I have heard all the experts always say when we go through a bad cycle, there is a paradigm shift and things will never be the same. You don't

have paradigm shifts that often. We evolve and we have to make adjustments and certain business models lose their vogue. Certain businesses have good runs. So it continues to evolve.

For me, instinctively, it's another bad cycle. All the bad cycles I've been through have all been somewhat different; all have different causes and precipitating factors. But things are getting better now and I'm sure it will be better than it ever was in a few years.

**In the good times, we saw a boom in boutique hotels, a concept you created. Was it frustrating to see it being used so broadly?**

It wasn't frustrating. The one benefit was that it gave what we did credibility and acceptability, and finally big business accepted the fact that this wasn't a quirky business model that was only supported by people who wear black and live in SoHo.

They misunderstood how huge the market was and that people do respond to innovation, product distinction, and so on.

They're getting it now. It changed the industry and made it open to doing things that are more design sensitive with more emphasis on innovation and heightened experience rather than efficiencies of execution. Customers benefit from that.

Now everybody is jumping on this bandwagon. So it's about reinventing yourself.

I made my arrangement with Marriott because the ideas that we contributed weren't commensurate with the amount of hotels we had done.

**Was it clear Marriott was the right partner up front and how critical was your relationship with Bill Marriott in knowing it would work?**

It was a purposeful, painstaking courtship and one based upon mutual respect. On the outside, we look different from each other but there are many similarities.

It was a learning process for me, and one that required compromises; none that adversely impacted the product, but compromises. There was a developer, there was the Marriott, and it was something I had to get my arms around and feel comfortable with, which I now do.

The Marriott guys are the best and brightest in the business. They can do what I can't do and vice versa, which is why it's a good partnership.



The Waikiki EDITON: Lobby and Artwork (above); Private Sunset Beach (left); View from a Room at Sunset (right)

I wanted to go with Marriott because it offered the scale I was interested in. I was always interested in creating a great hotel. I was never interested in brand or company.

Because everyone was taking the ideas that we have and replicating them, we needed some new ideas and to partner with somebody that could roll it out and get the scale I could not on my own.

**You recently opened Waikiki EDITION. How big do you want the EDITION brand to get and do you foresee the opportunity to build a large hotel brand?**

I would like it to be as big as possible. It doesn't only fit into a very narrow definition of the kind of hotel that we do. I can do a hotel at any price point in any location better than anybody else.

So if you want to build a hotel in Des Moines, Iowa and there is a demand for it, I can build a hotel that fits in and works in Des Moines and that is responsive to what people there want to have. And I can do it better than the other generic properties there.

**Is there an understanding today that value can come at all price points?**

It isn't the only criteria. But there has to be value. Value doesn't mean only inexpensive. People can buy luxury goods and pay a lot of money for them, but they think they're getting their money's worth.

Good value means somebody is paying something and they are getting something they perceive to be as valuable or more valuable than the actual money they gave.

**Was it ever a thought to brand under your own name?**

I always thought that if I did try a brand, people might think I was selling out.

Now I realize that I have a common attitude and approach, so I would be able to call all of the hotels that I've done private label, as long as they're all great and innovative; it lets everybody know what level of expectation they should have when they go. So I would have a brand going forward.

**Many hoteliers talk about the challenges on the restaurant side. Is that an area where a hotel can truly be profitable, and what is your outlook for branded restaurants and celebrity chefs?**

I like to think I changed that part of the business, because when we got started, anything that the hotel offered had to be a profit center. As an owner, I want to be able to make money.

Also, when you go to one of our hotels, and you want to go to the best restaurant or bar in town, it's wonderful to have it right downstairs. It makes for a more encompassing experience. So that has always been part of our business model and it's quite profitable. Now the rest of the hotel companies are realizing this.

You need food and beverage not only because it drives rate and occupancy, but because it's a profit center. You'll be seeing more of it, whether it's celebrity chefs or another kind of methodology. It has to be a strong idea with great food and service, and be a great looking place to be successful.

**Today, do you need to offer that guest a real spa experience?**

The spa function in a hotel is like a pool: a lot of people don't use it but they want to know it's there. It does help to offer that, especially in a state where everyone is so health-oriented, but it's not essential. A fitness room is essential; a spa is not essential, but it is a plus. But it needs to be able to support itself and contribute to profits.

**You have also been successful on the residential side. How much growth do you foresee in that area, and will residential continue to be a focus?**

This is a good time in this economy to get back into residential.

This notion of branding hotels is a great fit with branded residential as well – you're not cookie-cutting the rooms, the layout, the finishes, or the details.

I like the residential business because it

marketing surveys. It's what I like and I happen to be lucky that lots of people out there respond to it.

But it's a personal expression and vision; it's not a replication of somebody else's idea. And somebody else will come along and take it to the next level. People are already doing different versions of what we started doing.

**Knowing the business so well, is it tough to step back and give up some control with all the projects you're involved in?**

I don't like things being done differently than the way I would do them, but I don't have the autonomy that I'm used to having. Marriott has their feelings and there is a developer/owner involved and they have strong feelings. The compromises that are necessary to make it work are worth the scale that I get out of it. I am a perfectionist, but you learn to live with it.



provides a great environment, whether it's with a restaurant, bar, nightclub, or hotel.

In Europe and Asia, they have a tradition of service departments. We never had that in this country. So taking that notion and offering great service and all the amenities that are in a hotel while having the privacy of your own residence is a modern way of living.

So we're going to see more of that.

**Why isn't there a better understanding of the value the travel and tourism industry brings, and is it too segmented to create a unified voice?**

It's too segmented – people don't realize all the various components of the industry. We are a service economy. They don't realize it, but we couldn't live without the kind of things we in business do. It's part of the recreational enjoyment business needs. But people don't piece it all together.

**There are a lot of innovative people out there, but you seem to do it differently. Does your mind work differently and did you know early on you had this ability?**

What I do is not an intellectual process – it's strictly instinctive.

The hotels that I do are the kind of hotels I'd like to stay in. There are no focus groups or

With Marriott in my EDITION arrangement, I don't operate the hotels, and I don't build them. I have to make sure the operations are consistent with the ethos of the product, and they're open and receptive to that.

But because I don't build it, own it, or make the acquisition, I'm focused on what I do best, which is conceptualize, program, design, create, and help market.

And through the process, I've learned I'm capable of working on a lot of hotels.

**You're at a stage where you could slow down if you wanted to, but you're as busy as ever. Is it not in your nature to slow down?**

I do this because it's a way of expressing myself – it's like breathing and I love to do it.

The test is when I don't love it anymore; when it's just a business and about maximizing profitability, it's time to get out.

**Do you take the time when you finish a property to appreciate it or are you focused on the next one?**

I don't usually get involved in the taking of the bows. But I do enjoy the appreciation people give the product, which makes all the effort worthwhile to me. You try to do something great because it's a personal reflection upon you, and when people respond, it is great. ●