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Ken McCulloch: Hotel giants, check this out - 'I am absolutely going for these people'

'Obsessed and demented', the one-man brand of hospitality is determined to put himself on the map

By **Christian Sylt**

Sunday, 24 September 2006

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There are many words you could use to describe Ken McCulloch, but contrary would probably be the most apt. In the 1980s, the Scottish bar owner turned hotelier converted a Glasgow townhouse into the city's first boutique hotel, One Devonshire Gardens. A luxury bolt hole, it was favoured by celebrities such as Bob Dylan, Madonna and Gordon Ramsay, who ran the hotel's restaurant.

This was a far cry from McCulloch's start in the industry, as a teenage trainee with British Transport Hotels in Scotland in 1964. But his strong spirit showed through even at that age, because within five years he had opened Glasgow's first wine bar after convincing a local hotel to let him open the bar in its basement. Against the odds, it became a success and two years down the line he had three outlets. In 1981 he repeated the trick with a piano bar, before, on gut instinct, he moved into hotels with One Devonshire Gardens.

In 1994 that gut instinct kicked in again. Rather than staying with the high-end of hotels, McCulloch launched the chic, cosmopolitan but considerably cheaper Malmasion chain. And this theme has continued with his latest venture: the Dakota has rooms that cost just £89 a night, despite the walk-in power-showers, broadband internet access and 30-inch LCD televisions.

Yet for McCulloch, the leap from exclusive one-offs to chains of hotels for the - albeit discerning - masses was a logical one. "For every person staying in One Devonshire, there are 50 who would love to but don't have the budget," he reasons.

It was also Malmasion, rather than One Devonshire Gardens, that made the 57-year-old a millionaire. He launched the chain with the backing of entrepreneur Robert Breare's Arcadian hotel business, and when US property group Patriot paid €234m (£157m) for Arcadian in 1998, McCulloch pocketed €55m for his stake. He promptly moved to Monaco to enjoy his toys: two Porsches, two BMWs and a 45ft yacht.

But a life of leisure was evidently not for him, and in 2000 he paid €30m for Monaco's ageing Abela hotel. The Glaswegian's trick this time was securing Formula One driver and fellow Monaco resident David Coulthard as an investor, giving the project instant publicity. Property developer Peter Morris, of the Chicago-based PRM Realty, is also a backer, and the three men now have "roughly a third of the equity each", says McCulloch.

At around €180 a night, rates at the renamed Columbus are not low, but they are still considerably cheaper than most local alternatives. The luxury touches are still there too: housekeepers light candles in the bedrooms every night, and McCulloch's wife, the designer Amanda Rosa, styled the hotel.

Turnover at the Columbus in 2004, the last year for which accounts are available, was €12.3m - a 12 per cent jump on the previous year. McCulloch is using that cash to add a spa and a penthouse, as well as a fingerprint system for gaining access to rooms - a first for hotels.

McCulloch also wants to export the brand, and has looked at Paris, Lisbon and Dubai, though the second Columbus is already scheduled to open in the UK. Coulthard helped secure this site through his former bosses at Mercedes: the German car giant is redeveloping the Brooklands race circuit in Surrey, and by the end of 2007 a £20m Columbus spa hotel will open nearby.

The target is for five UK outlets, with London, Newcastle, Glasgow and Edinburgh top of the list. But as McCulloch concedes: "I can't do a Columbus everywhere. If I did, it would dilute what we have created here."

And anyway, Columbus is not his only project: there's also Dakota. Far from the glamour of Monaco, the newest hotel in this chain sits on an industrial estate between Glasgow and Edinburgh - built on the premise that if the hotel is good enough, guests will come regardless of location. "Most of the things I have done would have failed a feasibility study," says McCulloch. "A lot of my hunches have paid off."

The first Dakota opened in Nottingham in 2004 on an industrial site in the middle of Sherwood Forest. The monolithic building, with its exposed brickwork and blue neon-lit bar, sets it apart from other hotels - not least because it looks more like the HQ of a Japanese technology firm than an inn. Nonetheless, it was recently ranked ninth on the hotel "hot list" compiled by Condé Nast Traveller magazine.

Guests get comfort and a trendy atmosphere but costs are kept to the bare minimum: walk-in larders have replaced room service and mini bars, and cupboards have been ditched in favour of shelves behind headboards.

McCulloch has £150m, from the Royal Bank of Scotland and HBOS, to expand Dakota and eventually he wants 40 UK outlets and an ambitious 100 in the US. Competition is stiff in America and McCulloch will have to take on far bigger players, with far bigger budgets, if Dakota is going to hit its target.

But he relishes the challenge. "I am absolutely going for these people," he says. "The Holiday Inns, the Radissons, the Marriotts - they've had their own way for so long. They have taken the customer for a ride.

"This is all about exposing the big chains for their cynicism. It is tragic. People stay expecting absolutely nothing for the pleasure of paying €150."

McCulloch admits to getting "obsessed and demented" with projects but, with the company growing, he will not be able to spend as much time as he does now on individual hotels. Dakota's long gestation period is testament to his fastidious nature. He first announced the idea in 2001, with the working title of Inn Coach, but he was unhappy with the concept and returned to the drawing board. In 2003 he resurrected the project and named it l'hotel, before finally setting the following year on Dakota, named after the DC3, the first commercial airliner.

But although the sector was relatively clear of competitors when McCulloch first came up with Inn Coach, Dakota's lengthy planning phase has allowed other companies to jump in. The £18m Hoxton Hotel, in London, for instance, has trimmed away features such as full-service restaurants to offer rooms starting at £79 - despite the luxury Frette linen, free internet access and bottled water. The hotel is owned by Pret a Manger founder Sinclair Beecham and is also set for UK expansion.

McCulloch also lacks the reservation systems of bigger competitors, but he remains unfazed. "Let them worry about me," he says bullishly.

McCulloch, who continues to live in Monaco, is not all brash confidence, however. "No matter how good your track record is, people are going to ask, 'how do you know that's going to succeed?' And the honest answer is I don't," he concedes. "Your gut tells you this is what people want, but when you're trying to get money together, people want cast-iron guarantees. I can almost say, hand on heart, that Dakota will work in other cities in the UK. If it works in the middle of a forest, why wouldn't it work in major cities?"

If McCulloch gets his way, the bosses of bigger hotel chains may one day be wondering if they can see the wood for the trees.

BIOGRAPHY: Ken McCulloch

BORN: 7 November 1948.

CAREER:

1964: Joins British Transport Hotels as a trainee.

1970: opens La Bonne Auberge bar in Glasgow.

1986: opens the One Devonshire Gardens hotel.

1994: sets up the Malmasion hotel chain.

2000: acquires the Abela Hotel in Monaco, which he relaunches as Columbus.

2004: opens the first Dakota hotel in Nottingham.

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