



A Conversation with James

TRANSCRIPT: Reto Wittwer Tells James Berkeley Hotel Operators Now Is The Time To Double Down

Today in *A Conversation with James*, James Berkeley talked to [Reto Wittwer](#) Chief Executive Officer at Kempinski Hotels & Resorts. He is building a powerhouse luxury hospitality brand with a very distinctive leadership style. We talked over the phone in early Spring, as optimism is rising in the sector and there was no confusing Mr Wittwer's enthusiasm. We talk about WHAT MOST LUXURY BRAND EXECES OVERLOOK AND WHY PROFITABLE GROWTH IS NOT SUSTAINABLE WITHOUT A GREATER FOCUS ON THE CUSTOMER, PEOPLE AND INNOVATION.

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JAMES BERKELEY, HOST: Thank you for joining me today.

There are positive signs of growth around us, what are you doing to exploit it?

RETO WITWTER, CEO KEMPINSKI HOTELS & RESORTS: We are in a deluxe 5-star and long-term business, where we cannot hire and fire our people on a short-term basis. Our investment focus right now is on actions that will markedly improve service and increase rates to the limits of customer acceptance. I view it like a poker game. Go easy in tough times and increase your bets in good times. Turkey is a great example, a market where employee loyalty is traditionally in short supply, we are making a substantial bet on training and developing our hoteliers, knowing that in the upspring we will be very strongly positioned relative to our competitors.

The word "luxury" has been grossly abused both within and outside the sector. Having 5 stars doesn't make you a luxury property. Neither can it be cloned to become too readily available. We think that this is a wonderful time to better educate our customers about what is and isn't a luxury

hotel experience. Our goal is to create the “Hermès effect”, a brand that commands a premium price because our highly-discerning leisure customers associate the brand with an unparalleled experience and aspiration.

BERKELEY: Where does investing in your people sit amongst your personal and professional priorities? Why? How do you measure progress and success?

WITTWER: My number one issue. We just hosted the annual Kempinski Career Day: 2000 people drawn from all over Europe, the best feeder market for talented young hoteliers. I personally spear-headed the day’s activities. My General Managers and Corporate Management, not HR, are personally accountable for the hiring process. Indeed we have established a “trading floor” mentality, where quarterly all the General Managers are required to present their “needs” and we review our internal and external resources. What constitutes success? How about 280 people, who signed up on the day. Each with an outstanding personality, the starting point for an outstanding career experience. At our next General Manager’s meeting, which is scheduled to take place in Geneva, we are taking advantage of the proximity to so many outstanding hotel schools. We are having a “show of force” in each school and assertively seeking to attract the brightest and best people.

BERKELEY: Help me understand the connection you make between fulfilled employees and dramatic improvement in top line and bottom line performance? What is your advice to those people in a similar position allocating capital productively in their business at this time?

WITTWER: It starts with a fundamental belief in my mind that you cannot have happy guests and unhappy hotel staff. At Kempinski, we have instilled at each hotel an initiative titled “TTT” (take time to talk), where each direct report of an hotelier is accountable for in their daily work. This is supported by prioritising monies to training and development. The industry has done a great job instilling service skills but I often find, particularly as hotelier’s progress towards General Manager and Corporate Executive roles, there is a lack of business acumen. This is exacerbated the further up an organisation an individual travels in their career path.

We have sought to “stand out from the crowd” and offer potential General Managers the opportunity to participate in MBA programmes at acclaimed international business schools. They return not only with dynamic business skills but also a peer group, which includes some of the most outstanding minds in banking, trade and commerce sectors. They are actively encouraged to leverage these relationships and the learning from this community in their future career with us.

BERKELEY: You are in a position of strength with clearly a strong body of hoteliers. As the economy improves, your best people become even more attractive to competitors, whose scale perhaps offers them opportunities for career progression you cannot. How are you prepared to handle that situation?

WITTWER: I am proud of our heritage and the ability to continually excel in challenging and prosperous times. If there is one factor I would point to about future resilience, it is our marketing leading position and the awareness of our brand.

I am not so arrogant as to assume newer and existing brands both within and outside the sector don't covet our brightest and best people. Indeed it is flattering their interest in hiring them. However, I challenge them to show the same level of commitment to each hotelier's self-interest and aspirations. I personally ensure my executive team visit every hotel in a year. I personally provide the opportunity to interact with me and address each hotelier's expectations. People believe what they see, not vain glorious statements of sugar coated words. I see no difference between a hotel leader's relationship and conversations with their children, and those same relationships and conversations with their brightest and best people.

BERKELEY: Innovation is the life blood of a brand. What are you doing to excite your best customers to return, spend more money and have a fabulous experience? Are there lessons to be drawn from outside the sector, if yes, what are they?

WITTWER: We have consciously orientated our new approach around a leisure customer, who has more discretionary time than a business customer, who is motivated by immediacy. So we have launched the "Lady in Red" internal hotel concierge service for our guests providing both of the above attributes. That role to be successful must become the "darling" of the guest, where they are seen as an object of interest and a centre of expertise.

No luxury hotel company has established a comparable research and development unit. It costs money and the short-term nature of many operators has dissuaded them trying. Yet, this is ridiculous when you look outside the industry at other world-class brands. You couldn't survive in the pharmaceutical, FMCG, financial services and other sectors without a properly staffed and funded R&D Department. Observation is key to the innovation in this sector. Most executives in this sector spend an inverse amount of time on innovation vs. problem-solving, relative to the amount of societal and economic changes happening in our business. There is an abundance of problem-solvers and implementers in the industry but what I really need and highly value, are innovators. We have learned that to succeed you need to create an environment and leadership involvement that creates a compelling appeal to those characters.

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