

Lead From The Front

Posted on



Dillip Rajakarier, CEO, Minor Hotels and COO, Minor International.

Minor Hotels is part of Minor International, a multinational operating in the hospitality, food, and lifestyle segments across the globe. The Company has built a steady presence throughout the world over a journey of five decades that has been driven by strategic acquisitions and fast-paced decision making. Minor Hotels ventured into the Sri Lankan market with the launch of Anantara Peace Haven Tangalle, Anantara Kalutara Resort, Avani Bentota, and Avani Kalutara. With each property, the Company introduced a distinctive

hospitality model featuring unique guest experiences in strategic locations across the island. Dillip Rajakarier, CEO, Minor Hotels and COO, Minor International, believes that Sri Lanka has the potential to attract high-end tourists through specially curated destinations. He was pivotal in making many strategic hospitality acquisitions for the Company as he believes in capitalizing on opportunities. Dillip Rajakarier is confident that Sri Lanka is resilient. He believes in nurturing Sri Lankan talent and urges the industry and the younger generation to adopt a winning attitude.

By Udeshi Amarasinghe and Keshini de Silva. | Photography Mahesh Bandara and Menaka Aravinda.

You have been instrumental in the expansion of Minor Hotels. Can you elaborate on this?

Minor International has been in existence for over 50 years in Thailand, and Minor Hotels for about 40 years. We predominantly operate in the food, hospitality, and lifestyle sectors. Our expansion, especially in the hotel sector started in 2011 when the Company acquired Oaks Hotels and Resorts in Australia. That was our biggest foray into outside talent, and we invested AUD 180 million on the acquisition. We bought a public listed company, delisted it, and developed the brand and the Company. We have taken the brand outside Australia into Asia and the Middle East. Our thinking behind it is that we have always been opportunistic in terms of our growth plan. We move fast on opportunities, which do not appear in the market regularly. When we hear of opportunities, we make fast decisions; every deal we have made since 2011 has been like that, whether it is a joint venture or acquisition. Even last year, the purchase of NH Hotels was an excellent opportunity.

From Oak Hotels to Corbin & King, Elewana, Sun International, Tivoli, and NH Hotels, in all acquisitions and partnerships, you have been crucial in getting things done. What is the thought process?

We always look at an opportunity from a strategic perspective of scale. We do not usually buy one or two hotels; we acquire a cluster of hotels to create size. We created scale through the purchase of Oaks in Australia. Similarly, when we acquired properties in Africa in 2008, we created scale. We bought Tivoli, our first foray into Europe, with 14 hotels. In Africa, when we bought Sun International, they had eight hotels. The last one was NH with 380 hotels, which created a significant scale. We consider scalability, strategic fit, and whether the investment is agreeable to our shareholders or not. Every single acquisition

needs the consent of our shareholders, and ultimately it needs to drive the share price. We wear an investor's hat when we look at acquisitions. This mindset has made us different from other hotel operators. We think like owners and execute as a management company.

When you expand, do you think about the region and destination, or purely on scalability?

It is a combination of all three. We consider growth areas as well as creating scale. When we acquired NH Hotels, it truly made us a global company. Today, we operate in about 60 countries and over 100 cities across the world. It was an excellent strategic fit because NH is strong in Europe and South America, whereas we have a significant presence in Australia, the Middle East, Asia, and Africa. Except for Portugal, we did not overlap and ventured into new destinations and growth destinations. We also consider barriers to entry in new regions we buy hotels. If there are more barriers to entry, it gives us a stronger position as not many hotels can enter the market. Location is also important. We also assess brand fit and try to see how we can leverage our brands and to grow across all regions.

Your strategic moves have always been a success. What are your thoughts on this?

All our decisions have not been a success. We have made opportunistic and bold moves, which have later presented challenges. For example, we invested in Mozambique, a country with the highest natural resources such as gas in the world, when the state and economy were stable. At the time we completed the hotel and launched it, the economy and currency crashed. All the gas companies pulled out due to problems in Mozambique. When we underwrite investments, we consider whether we can sustain the investments during a downside and risk. In Mozambique, we had to switchgear; we could not sell apartments or offices, and instead, we rented the offices and residences. The short term lettings kept our cash flow positive, and now Mozambique is starting to recover. All our investments have been successful, but that is because our attitude is that if you do not try, you will never know. As long as we have downside protection, we can manage; we have not made significant losses, and we have always protected ourselves.

In terms of Minor Hotels in Sri Lanka, what was the strategy behind entering this market?

Sri Lanka and Thailand are similar in their offerings for tourism experiences. In 1983, Thailand and Sri Lanka had 500,000 tourists. Fast forward to today, Thailand has 40 million tourists, and Sri Lanka has 2.3 million tourists - that is the gap. Sri Lanka offers the same value propositions as Thailand, but we are behind. Minor Hotels saw an opportunity in Sri

Lanka, and we were the first to invest in the country even during the crisis. In Thailand, we have faced crises every year. With that experience, we understood that although Sri Lanka had an emergency, it would turn around one day. We also felt that Sri Lanka is a fantastic destination in the world, and the country has been recently recognized by Lonely Planet as well. There have been some challenges, which we had anticipated, but Sri Lanka will always be an essential destination. We invested in 2006 with Serendib Group, and we acquired a 20 percent stake. Today we have two Anantara properties and two Avani properties in Sri Lanka.

Compared to other destinations, what is the Return of Investment (ROI) in Sri Lanka?

ROI in Sri Lanka is low compared to other destinations. But we are talking about a growth market that has not saturated and is currently in a phase of development. Usually, when you invest in a hotel, you cannot expect a return within the initial five years. No one makes money in the first two years, and subsequently, it starts to stabilize. At the time we launched Anantara Tangalle, in the first year itself, we were voted as one of the best hotels in Asia. We started Anantara as a high-end hotel. The rates were expensive, and we were able to attract high-end tourists even though Sri Lanka as a market was low-rate oriented. High-end tourists were not visiting Sri Lanka, and we were drawing the lower and middle class because the country focused on quantity. However, Minor Hotels was able to prove otherwise to the market. This year was supposed to be our best year yet, and unfortunately, due to the recent events, our performance dipped. But we do not consider a short-term view, and because of our long-term thinking, we believe Sri Lanka will bounce back.

If you take a look at the beginning of Minor Globe and its founder, the Company is over 50 years old. The founder started it when he was 17 years. What is his thinking and direction?

Our Founder and Chairman Bill (William) Heinecke founded the Company when he was 17 years old. The reason we are named "Minor" is because he was a minor when he founded the Company. Bill has a vision. He is a true entrepreneur, and is very passionate about the business. Hotels and lifestyle is a passion; he saw a gap and started to grow the business over time. We created Anantara in 2001, and it is an 18-year-old brand. The brand is quite young, and last year it was voted among the 15 best brands in the world by Travel + Leisure USA. It is mainly due to his passion and vision, which has helped us grow over the years. As one of the largest shareholders of Minor International, he creates the best recipe for us to win in terms of business. He is very-much involved and continues to drive the Company, and that has motivated us.

What can you tell us about his management style?

Bill is a true entrepreneur who has 100 different ideas at the same time. He is always thinking about new ways of doing business, new businesses to acquire, and opportunities we can capture. That is his mindset. In terms of growth and driving the Company, he is very passionate and driven. We always say that one of our key focuses is to “Drive Faster” – to make decisions faster. That has made us strong in terms of making decisions. We are one of the only companies that move quickly with decisions. It is about creating strong human talent, which is one of his key focuses as well. In our business, it is always about human capital, and if you do not have the best people, you lose the battle. I believe that one of Bill’s critical criteria is to hire the best in the world, and that is what he does.

Can you tell us about the Minor Hotels’ brands?

We have eighth core-brands, with Anantara, which is our top-end luxury brand and Avani, our lifestyle brand for the upscale segment. Along with Avani, we also have Tivoli and NH Collection. Tivoli operates in the upper-upscale as primarily a resort brand. NH is an urban city location brand, and Oaks is in the three to four-star market. Oaks started as a serviced apartment brand in Australia and we have now repositioned Oaks as a four-star brand. Elewana is a niche safari brand in East Africa which competes with some of the top end safari brands in Africa. We offer a Sky Safari, where our private planes transport guests from camp to camp, which creates a high-end luxury experience. Nhow is a hip lifestyle brand, which is different from the rest. Every nhow is unique, and we curate nhow based on the location/destination. This year we will be opening in London’s Art District, and it will be curated around art. Everything is hip, modern, and in new colours, which is attractive to millennials. As trends are changing, we, too, are moving towards millennial travel with lifestyle spaces, good food, beautiful rooms, and a fantastic ambiance.

What about ‘The Pizza Company’?

We were the master franchisee for Pizza Hut, but they became unreasonable and, we settled out of court in the US. Thereafter, we were able to launch our brand – The Pizza Company. When we operated the Pizza Hut franchise in Thailand, they had an 80 percent market share in Thailand. Today, we have 80 percent of the market share under our brand The Pizza Company. The tables have reversed, and we were able to drive change. Pizza Hut’s thinking was that their brand was strong, and if they put their brand anywhere, it would fly. We believed that our people are strong and you need good people to make it work. This transformation happened within eight years, and we have expanded The Pizza Company outside Thailand as an international brand and have been successful.

We also acquired other brands, such as The Coffee Club in Australia. We also introduced The Coffee Club to Asia and the Middle East. When we buy a brand, we always consider its growth trajectory. That has always been our philosophy in terms of growth. When I started about 13 years ago with Minor International, we had 15 hotels, and today we have 550 hotels in close to 60 countries. It takes hard work and passion. You need a strong leadership team to support growth.

What about the real estate segments?

Our real estate is part of mixed-use developments because we deliberate on how to preserve our assets and obtain the maximum returns. Today, because land costs are escalating, if you merely build a hotel, you are not going to be profitable. We focus on other components. With the residential segment, we sell the residences, and the owners have the freedom to put it back into the rental pool of the hotel. That releases capital and increases our ROI.

Also, we offer timeshare. The Anantara Vacation Club is growing stronger every year. The concept is that we sell points where you get cash to pace off the investment. When you bolt-on these value additions, the hotel becomes profitable. In most cases, once you sell your timeshare, the residences, and lease the retail spaces, you have paid for the hotel. The hotel is free of capital resulting in us being able to obtain profits from the hotel.

Could you elaborate on the success of timeshare?

We had a partnership with Marriott Vacation Club previously. We introduced Marriott to Asia, where we built their first timeshare in Phuket. It was a 50:50 joint venture. Timeshare is a lucrative business. Earlier, you would buy time, such as two weeks in a hotel, for the next 30 years. You make a payment of USD 30,000-40,000 as a payment, and use that room or facility for the next 30 years with additional annual payments for maintenance fee. But the business model has changed as people do not go to the same place for their vacation every year. We created a points program where we built the inventory and converted that into points. For example, if our inventory is worth USD ten million, it is converted to points; normally, we sell points at two dollars. You sell the points to members for the next 30 years. The benefit with timeshare is that the customer pays USD 50,000 upfront - we provide financing as well with interest. In your mind, as a consumer, you have paid for the hotel for the next 30 years. Therefore, people end up spending more on F&B and Spa facilities because they do not spend money on the hotel as it is perceived as free.

In the US, it is becoming a sunset business, but in Asia timeshare is growing. In China, you

have restrictions on the second home, and this provides a solution for the market. They spend USD 50,000, obtain the points that they can use for the next 30 years to travel around the world.

Looking at tourism globally, what are the trends in hospitality and tourism?

Compared to a few years ago, the demand and expectations of millennials and the way they book holidays are different. The experiences that they expect are different, and they focus on CSR as well. They prefer hotels that provide fantastic guest experiences, whether it is swimming with the Mantas or dine by design. Wellness is becoming a new trend. Food culture is a trend that spans across many concepts such as healthy eating and vegetarianism. People are more health-conscious, and their expectations are different. Wellness is becoming a key focus because the middle class is growing. Back in the day, it was mainly the older generation that could afford to stay at high-end hotels. Today, people are traveling with families, and experience becomes a focal point. You need to provide experiences because children decide where their parents go on holiday. The trend has completely shifted. What we do as hoteliers make sure customer travel in the future is seamless. If you look at the top end, time is a scarcity. How can you help them have the maximum experience within a limited time? That is where we come in. When the guest's book with us, we tailor-make their holiday to suit their time. We propose everything, and we do all the work, they come and enjoy it.

When we consider your global exposure, what can Sri Lanka do more in terms of tourism?

Sri Lanka can do much more than what is being done today. The biggest mistake Sri Lanka keeps making is saying, "We need to reach two million guests." You need to get the two million guests in the right segment. The Maldives is perceived as a high-end destination. The average spending is more. The rooms and facilities are high-end, and the natural environment is protected. This is because you have a tendency to attract low-end tourists who do not spend enough money and pollute the island, causing disruption. Instead of talking numbers, we need to focus on the high-end tourist segment and attract them to our country. To be in the high-end, you need infrastructure as well. In Tangalle today, for example, guests are paying USD 200 - 300 a night, and they are willing to travel by road for three hours for the experience. We must work on shortening that transit because guests arrive in the night and endure a three-hour-long journey, which is not a pleasant experience. We need to talk about the ease of travel. When you land in the Maldives during the peak season, the airport is like a taxi station. There are private jets parked. We do not have these facilities in Sri Lanka. Investors and high-end guests come with their families in private jets.

But we do not have the infrastructure to offer that high-end experience. That is a significant gap.

Preserving our natural beauty and corporate social responsibility is essential. I have been to the national parks such as Yala, where conditions are similar to a zoo. People come in buses, they litter the environment and disturb the wildlife. In Africa, they provide the guest experience at the highest level. The park entrance fee is USD 100, the guest enjoys the safari, and everyone is happy. At Yala, as soon as they see an animal, it is communicated on walky-talkies, and 50 buses ascend and scare the animal away. It is sad to see that although we have some of the best wildlife parks in Sri Lanka, no one has created a proper wildlife experience. Some hotels are try-ing to do it, but they only know what they know and do not have international experience. They cannot bring clients from international brands as well.

We also need the best in international class operators to invest and to open hotels here in Sri Lanka. At the moment, the investment land-scape is not that good. As a foreign investor, we came in because we know Sri Lanka. We were here during the war and we are still here. We know the country, and we have the experience of working in Thailand. New investors get scared because they assume the entire landscape from an investment perspective is not attractive. Investors do not need to come to Sri Lanka to invest; there are many opportunities elsewhere. We need to do a much better job in terms of attracting foreign investment and high-end tourists to the country.

The good thing is there are opportunities on the table. The downside is that we are not utiliz-ing these opportunities. We do not have a tourism strategy map in terms of how we can navigate ourselves over the next three years to achieve some of these targets. It is not about numbers; the quality of tourists is crucial as it creates employment, brings in foreign investment and foreign currency. It adds to the guest experience and creates opportunities for local businesses to strive. Tourism touches many things today, but it is sad to see that no one recognizes these ar-eas. It extends to medical tourism, wildlife, cultural and religion, shopping, and the beaches. Sri Lanka is well-positioned. What I like about Sri Lanka is if you look at the North and the South, the seasons are opposites, and you could have a full year of tourism if you want to. However, we do not have the infrastructure to move guests in such a small country, and that is a downfall.

If we look at the world today, Thomas Cook has collapsed. What are your thoughts on this?

I believe this was coming for a very long time. The entire market is changing. Today, technology drives everything. Although you may be the oldest tour operator started in 1840,

if you do not change with the market, demand, and technology, you will not survive. We always say this. It is one of the challenges we face in the industry. How do we innovate ourselves and bring technology into our business, whether it is the frontend or the backend? We invest in new technology daily. Some of the Fortune 500 companies, will not exist in ten years if they do not change their business model. I hope the closure of Thomas Cook will be a message to the entire industry. Everyone is talking about how Thomas Cook has collapsed, and therefore tourism will be in decline. I do not agree with this argument. Tourists will come, and they will book online.



In Sri Lanka, blue chips that own hospitality properties have advantages as they have their tour operators or links with tour operators. However, they do not pursue new markets. What do you think about this approach?

The important thing is to have the right human capital, ambition, power, and confidence to venture out. When you start to diversify internationally, there are many challenges, such as cultural, tax, and political problems that you need to face. You should be ready to cope with that and have talent that understands how to deal with those challenges. A challenge here in Sri Lanka is that corporates only know how to operate and play in the Sri Lankan market. They are afraid that they may not have the ability, talent, or power to do so. We were the same at Minor International when I started, where we operated mainly in Thailand and were an Asian player.

I started making investments out of the region. At that time, everyone in the Company was anxious. But I was confident and knew I could do it because I had experience in these regions. I was able to influence our management team and board to ensure they understood why they should support us venturing out. Today, it has made us successful because we have diversified in about 60 countries. Even if Thailand as a country has a soft year, the other countries will make up for it. It is a similar challenge that companies face in Sri Lanka. When an incident happens in Sri Lanka, most of the companies face a decline because they have put all their eggs in one basket.

You need human capital, courage, and confidence to venture out. When you venture out, you cannot assume to do things the way it was done in Sri Lanka. Corporates need to assess how best to do business in those countries and leverage those resources to get the best return.

As a Sri Lankan, what is your advice to the blue chips to go overseas and take up the challenge?

They need to understand why Sri Lankan operators have failed overseas. Everything comes down to people. If you go to the Maldives and attempt to follow a Sri Lankan way of doing business, then you have failed on your first day. You need to think about driving business based on the Maldivian tourism landscape, not based on the Sri Lankan landscape. Sri Lankans who go to the Maldives, have only been in Sri Lanka and only know Sri Lanka. If they had been overseas and had been exposed to other countries and hospitality chains, then they would understand this concept. But they do not do so. If you want to diversify and go outside Sri Lanka, first build your talent. Your leadership talent must be strong. Then you get the resources to go outside. Building talent is the biggest challenge. Money is easy, and today there is capital in the market. Money is easy to find, but good people are hard to find.

How did the board and shareholders support your decisions?

Bill is a visionary and entrepreneur. He owns 35 percent of the Company and is also the Chair-man/Founder. Whenever, I speak to Bill about a new opportunity, the first thing he would say is, if as a shareholder he sees good value in the business then all the shareholders will support him. He wears the shareholder's hat when I go to him, and that is why we believe that decisions need to be agreeable to our shareholders. It has to be a value addition to our business as well. Having the support of one of the major shareholders is also essential. Some of the big corporates fail because the CEOs are not duly vested in the Company. When you are an employee, you make short term decisions based on your bonus. But when you are a shareholder, you think in different terms. You create the Company for the long term. Therefore, you feel different from an employee.

In 2016, you went to Tangalle where there were no big players, what was the key driver for that decision?

It was our vision. You feel the change in ambiance when you arrive in Tangalle. That is why we call it "Peace Haven." It was a fantastic location, and we knew that if we introduced the brand, product, people, and distribution network, then we could make it a success. People thought we were crazy when we went into Tangalle and asked, "What do you think your room rate will be?". I said we are targeting USD 200 plus. That is how we wrote our investment thesis, and no one believed it was possible. Fast forward to three years later, we were earning 400-500 dollars per night. That is because we positioned the property in the right way, we brought in the right people and had a strong sales, marketing, and PR team that was able to push the property. We work with all the top-end tour operators and producers, and successfully repositioned the property. Whereas other international hotels came with low rates and now they are unable to increase the rates. We went the other way, and sometimes you have to wait for the vision to unravel.

How can you encourage other groups to look at non-traditional locations such as Tangalle?

There are great locations in Sri Lanka, and more can be done. We want to do more. However, at times, our hands are tied because of the political situation and how the Government views some investments. You can always learn about best practices from others; however, although you can take the horse to the water, you cannot make them drink it. People from other hotels come to our hotel, they experience everything and go back and do the same thing. What is the point in that? In the past, what Sri Lanka was very good at was discounting. It was not about adding value. We changed the entire game because we do not talk about discounts, we talk about value addition. Then it is different, and you position your product accordingly. When you are a high-end traveler, when they see a 50

percent discount, they think you are going to a Walmart or Mazda where everything is on discount. But if you are looking at a high-end hotel, guest experiences such as swimming with the Mantas and surfing in Sri Lanka are activities that trigger high-end travelers to think, "This is a good hotel".

Training is important. We spend money and time training our people. Training is not merely in a classroom. When the incident in Sri Lanka took place, we did not lose any of our associates. Instead, we sent them as a task force to other properties overseas. When they go outside Sri Lanka, they come back with a different mindset. In Sri Lanka, your knowledge is limited, whereas when you go out, you learn more. Unfortunately, in Sri Lanka, the local operators do not have that bandwidth; where would they send their staff? Most hotels started retrenching staff. Even today, I was at a meeting, and we discussed hiring the trained staff that have been retrenched by other properties. I want to take them to Mauritius, the Maldives, and our new properties in Africa and Europe. I want to develop them and someday bring them back to Sri Lanka. You need to develop a strong sales, marketing, distribution, and PR team to support you and attract high-end guests to the hotel, or you are never going to win that game. You will always be in the battlefield of discounting because it is the only thing you know to do. Do not depend on the Government to attract high-end travelers, they have their issues to solve. Everyone talks about what more can the Government do to bring in high-end tourists. Forget it, that is not going to happen. The question should be, "What can we do?".

You mentioned the importance of creating experiences. How can Minor inspire us?

It is the people that make a big difference. We believe that brands do not build brands; people build brands. If you have active employees, you can quickly create this experience. When we launched Anantara in every location, the first thing we thought of was the guest's experiences. It was not a cookie-cutter guest experience. Our guest experiences in Anantara are different from that of the Maldives, Middle East, Asia, and Europe. When guests visit Sri Lanka, they are immersed in the culture of Sri Lanka. At guest arrival, we have two ladies who welcome them with drumming and music. Foreign visitors may not understand because it is in Sinhala, but it is a big part of the experience. We have a coconut guru presenting guests with a coconut. When you book a villa, our spa therapists do foot rituals. These are things that guests talk about, and the reason why they say their guest experience at Anantara Tangalle was out of this world.

Volume is not the solution. Good quality food, presented in a nice way with all the flavors, is important. In Sri Lanka, it is all about Sri Lankan cuisine, tasting the iconic flavors. In Tangalle, when the fishermen arrive with the catch of the day, the guests can choose the

fish and then tell the Chef how they would like it prepared. It is from sea to plate, and it is fresh. We do not use frozen ingredients. When you go back home, you talk about the experience. We are also one of the best spa operators in the world, and we offer wellness experiences. We keep reinventing our-selves, look at new opportunities, and see how best we can create better guest experiences. We have a sleep guru who puts you to sleep, and in the Maldives, we have a wine guru who will suggest, which wine to have with your food. We have a salt guru who will inform you of all the different salts and what goes best with your meals. These are unique experiences. The guests also learn and experience something new. It makes for a good story. In this manner we provide a better experience.

Can you tell us about yourself?

My career started in IT. After I completed my degree in IT in London, I moved to finance. My background in IT and finance is an excellent support for my current role. When you are in technology, you are analytical, and you analyze a problem sequentially through flowcharts. The backbone of any business is Finance. Therefore, understanding finance and technology helps. When I started with Minor International, I had worked for Orient Express, one of the top luxury hotel companies in the world. When I moved to Minor International, we were a small business at the time. Today, the shape and size of Minor International have changed. I started as the Chief Financial Officer and moved into strategy, investment, and operations. I was first the CEO of the Hotel group, and currently, I have moved to become the COO of the entire group. I am responsible for the food, hotel, and lifestyle elements. That has been my career over the last 12 years with Minor International.

As a Sri Lankan who has done well, what would be your advice to Sri Lankans especially the younger generations?

My humble response would be that you need to love what you do, and always put 110 percent into it. Millennials today finish university and expect to start their own business instead of starting from the bottom, learning the ranks, and understanding the business. They want to make quick money. In this world, that is not an option. You need to put in the hours. In the medical profession, one cannot expect a return as it is a service. Hospitality is something similar because we are performing a service for the guest. Always have passion; it is hard work. Do not give up, and never take no for an answer. Winning is not an option; make winning a habit. You always have to think, "how do we win" and "how do we succeed." Sri Lankans are like the Thais; they are brilliant, yet are unable to speak up and present passionately. They are happy to support from the back. But why support from the back when you can lead from the front. That is the mindset that needs to come, and you need to have the confidence to lead from the front and lead the entire team.

When you become a leader, one of the leader-ship qualities is that you must respect everyone. You should be able to motivate, drive, and inspire your team. You need to be passionate so that your team is passionate, as well. I always employ people who are stronger than me, because if my staff are weaker than me, the organization moves backward. If I hire people who are stronger than me, it makes me look good, and the company grows faster. For the young millennial, I say, you need to have the passion and love what you do.