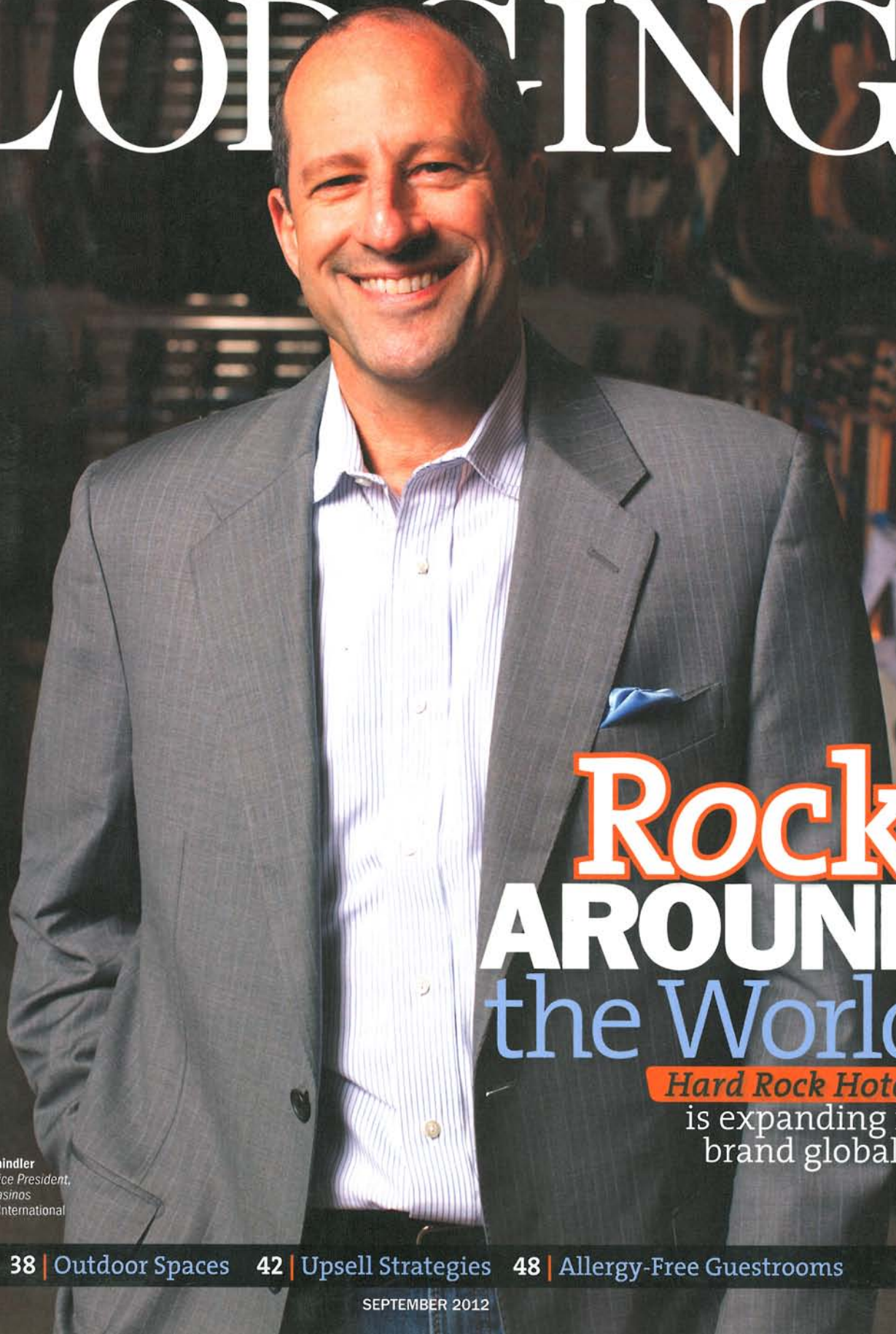


LODGING



Rock AROUND the World

Hard Rock Hotels
is expanding its
brand globally.

Michael Shindler
Executive Vice President,
Hotels & Casinos
Hard Rock International

38 | Outdoor Spaces 42 | Upsell Strategies 48 | Allergy-Free Guestrooms

SEPTEMBER 2012

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(continued)

COVER STORY

30 **PUMP UP THE VOLUME**

Hard Rock's hotel and casino business is building a robust pipeline and expanding on an already globally iconic brand.



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by LEN VERMILLION

Pump **UP** the Volume

■ **Hard Rock's** hotel and casino business is building a robust pipeline and expanding on an already globally iconic brand.

When Michael Shindler came to Hard Rock

International to serve as executive vice president of hotels and casinos in February 2010, the famed brand had expansion on its mind. At the time those plans consisted of a solo signed agreement to open Hard Rock Hotel & Casino Punta Cana. "It was actually negotiated and signed as a partial license agreement and partial management agreement in November 2009 before I arrived," Shindler says.

While Hard Rock—buoyed by its musical themes and

homage to rock 'n' roll, as well as other popular music—had already become a worldwide brand, producing restaurants and other entertainment and nightlife venues, the hotel and casino business had yet to take hold around the globe. At the time of Shindler's arrival, Punta Cana was already a go for development but deals for expansion into London and Shanghai had fallen apart. Shindler points out that the pipeline he inherited also included plans for a hotel in Panama.

The economy and state of development during 2009 and 2010 may have played a part in the small steps Hard Rock

Hotels was experiencing with its global expansion desires, but it has since taken off in a big way, prompting media outlets and industry watchers to start asking, "Where is Hard Rock headed next?" Nowadays, Hard Rock can boast hotel, casino, and resort locations from Bali to Singapore to the most recently announced new development, Abu Dhabi.

"If you look at the pipeline I inherited it already smacks of a desire to be global," Shindler says. "When you look at Hard Rock as a whole around the world, we are already a global brand. The hotel and casino portfolio represent a

little more than 10 percent of the outlets of the global brand."

Hard Rock already has five hotels in Asia, one of which (Macau) has a casino affiliation and one of which (Singapore) is part of an integrated resort-casino experience. While many of the developments may be recent, Shindler is quick to point out that Hard Rock has always had a global outlook. "My goal is to expand our expansion plans," he says.

SOUP TO NUTS

One of the reasons for Hard Rock's hotel growth can be attributed to upgrades the



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—MICHAEL SHINDLER Executive Vice President, Hotels and Casinos, Hard Rock International

company recently made, particularly since Shindler's arrival. These days, Hard Rock Hotels is much more of a hotel company than simply a brand.

"We've bolstered our systems from an operating standpoint. We have design

and development standards. We have a new reservation systems approach," Shindler says. "We are now far more of a soup to nuts hotel company rather than just a brand company that happens to be expanding into the hotel and casino space."

Shindler believes that in making such upgrades—and he admits he's a little biased considering his instrumental role in establishing them—"our operations and ability to function as a hotel company stack up against anyone else in the industry that has 16 or 17 hotels." He also says that the company now has scalability, which he admits didn't really exist two years ago.

"We now have the ability to expand in this space," he continues.

Many of those upgrades to its hotel operations came about within the last six months, but it really began within three months of Shindler's arrival when he hired a director for the Americas. "I brought in a young man

[Nelson Parker] who had casino development experience, which was a nice supplement to my experience," Shindler says. Shindler spent much of his career working in hotel development.

He credits the hire with helping Hard Rock better realize the ground up operations and costing structures of casino development. "Although hotel people and casino people may have all gone to the same schools, once you go either into the hotel side of the business or the casino side we don't overlap that much," Shindler says. So he was willing to bring in a person whom he says knows more about the casino business than he does. "I'd rather have the smartest people around me who I can



learn from while I'm guiding them at the same time. I think it makes for a better company," Shindler continues.

Shindler and Parker, as well as a development consultant in China, set out to look for opportunities for development in the Americas and China. Soon, the company added a development consultant in Korea and Japan and the area of focus began to rapidly expand, especially within the integrated resort community.

Hard Rock soon began to add similar personnel in other parts of the world, including India and EMEA (Europe, Middle East and Africa). "Now we have development personnel in most of Europe, Asia and Africa," Shindler says. "We've also supplemented by promoting our general manager of our casino in the Dominican Republic to corporate director of casino operations and using his contacts. He's already starting to field inquiries for say Canada and Europe.

"We've gone from just me to all of that in the course of 26 months," Shindler continues. "That shows the corporate commitment to global expansion."

BUILDING UP

Having feet on the ground in different parts of the world is one thing. Getting new projects off the ground in places such as Korea, Japan, or Africa is another. "I can't give a project more than a 50-50 chance until it's signed, sealed, or delivered, or if it's under construction," Shindler admits. But that hasn't stopped the pipeline from expanding rapidly.

Hard Rock Hotels is in the early stages of a deal in Seoul, and its India representative has queued up two deals within 45 days. "One of which we took a pass on because we didn't think it was in the right location, and the other we are in discussions about," Shindler says. "There are a couple more in India that I haven't had the opportunity to vet yet."

In the EMEA, Shindler says the active pipeline is at eight to 10 deals. "Our pipeline, including deals that are in active conversion, consists of about 58 different deals," he says.

Those deals are spread around the globe, including India, China, the Philippines, several in the United States, several in Central and South America, Northern Europe, and the Middle East. "We don't have anything that is active in Africa. I confess," Shindler says.

He admits that probably 85 percent of robust pipeline will fall off, but he says the projects will be replaced. He says that the company is looking for partners with some financial muscle, but he anticipates that the company will always be in the 50 to 60 range of active pipeline investigation deals.

Shindler also says the goal is to do five or six deals per year, with at least one of those—or 20 percent of active deals



per year—having a casino component.

FOUND IN TRANSLATION

One of the advantages Hard Rock Hotels has in expanding around the world is the power of its brand. Hard Rock itself is already an iconic global brand and you can find consumers wearing the well-known Hard Rock Café T-shirts nearly everywhere. Shindler believes that the hotel business strongly benefits from that branding power.

“The hotel brand is an aspiration extension for our café customers,” Shindler says. He points out that all of the hotels and casinos in the Americas have achieved AAA Four Diamond status, which is the company’s brand standard.

“Punta Cana received that distinction within 90 days after conversion to a Hard Rock property,” he boasts. “Even in those countries where AAA status doesn’t mean anything we find that to be our target.”

Like the café the hotels do not aim to be “super luxury” but want to stay in the upper-upscale category. “In some places we compete with the boutique hotels—the Kimp-ton or the Joie de Vivres of the world. In some cases we compete with places such as W Hotels or Andaz, whose parent companies have in some cases pushed those into the upscale segment, but we do consider that part of our comp set,” Shindler says. “We are certainly not trying to be one of the true luxury brands.”

Shindler says the Hard Rock customer as a whole is probably not looking for luxury, but looking for something that provides a bit of excitement and brings the unique Hard Rock music vibe to the table. “We think our connection to the music and the umbrella marketing we call ‘The Sound of Your Stay’ and the use of music and unusual colors and such are what our customers want from us,” he says.

From a design standpoint, Shindler says the brand will continue to do “what it means to be a Hard Rock.” “It’s not about saying, ‘Let’s go avant garde and be hip.’ There is a common thread that is woven through every Hard Rock hotel that is connected,” he says. That includes the use of bright

colors and exciting features. One thing Hard Rock will never be, according to Shindler, is “muted” in its design.

“It all comes back to what we perceive the rock ‘n’ roll connected lifestyle hotel to be,” he continues, “without being overly thematic.”

Shindler says the Hard Rock brand as a whole has evolved organically. “This isn’t a case of us saying what will bring music and celebrity together,” he says. “It evolved organically from all the way back to the first piece of memorabilia we received at our café in London to where we are today.”

And while the hotel brand continues to expand, that culture and the Hard Rock brand are opening up to more travelers around the world. ■