Michael Mueller saw a gap in the hotel marketplace: lifestyle hotels were only available in gateway cities. As senior vice president of development and acquisitions for Starwood Hotels and Resorts, he had been part of the team that launched the company's iconic W Hotel brand. Mueller believed a similar concept could flourish in secondary markets at a lower price point. So in 2004, he launched New York Loft (NYLO), a boutique hotel chain that offers unique, ultramodern design at an unexpectedly affordable price point. Mueller tells us how it happened.

In the early 2000s, a chic phenomenon was spreading across the country. Modern design was going mass market on everything from Apple computers to Chipotle restaurants. This concept had even spread to the residential realm; loft-style condos were selling in cities like Las Vegas, LA, and Dallas, where there hadn’t been lofts before.

Boutique hotels were outperforming traditional hotels by a large margin. My belief was that if it worked well in gateway cities, such as New York and LA, it would work well everywhere. My idea was to create a boutique hotel brand at a price point affordable to a larger segment and targeted toward a wider demographic.

One thing that made this opportunity possible was the evolution of the Internet, which leveled the playing field for independent hotels and smaller brands by allowing customers to peruse hotels, see pictures, and select a hotel based on real information instead of defaulting to a particular brand. This made it possible to compete with big chains because guests had access to the same information on all the hotels competing in a market, and booking a reservation took just a couple clicks.

We launched the NYLO concept pre-recession, and it was always a part of the business plan to be more affordable. To create a brand that had the potential to grow across the country, we needed to be accessible to and designed for a wider demographic. It wouldn’t matter how well-designed, cool, and fun our hotels were if they were not at right price point for the given market.
“My idea was to create a boutique hotel brand at a price point affordable to a larger segment and targeted toward a wider demographic.” —Michael Mueller

We started in 2004 and spent three years in design and development, creating efficient buildings with less square feet per key. But this didn’t translate into smaller rooms; instead, we had less wasted space. We used efficient design and creative building techniques. Some processes we innovated and others we adopted.

We designed everything in the room. We wanted to cut costs but not sacrifice on design. We spent time up front to get manufacturing costs of these pieces down. But we spared no expense for everything the guest touches: mattresses, towels, and linens.

All of the planning and processes made the hotels quick and easy to build, which meant less time, general conditions expenses, and interest to carry. We designed from the perspective of an investor, because we were investors, having made the equity investment to build the first few hotels. When a hotel developer builds a branded hotel, they are typically required to add costly features that aren’t necessarily a good return on investment for the real estate, but that are good for the brand. We were both brand and developer/owner; unless a feature offered a return on investment, it didn’t get added.

To choose our first location, we did exhaustive market research, studying things like projected job growth, land and construction cost, new hotel supply in the pipeline, and existing hotel rates and occupancy. We narrowed it down to our top 20 markets and went searching for good sites. For the first hotel, we chose Plano, Texas, where we found an incredible master-planned office park called Legacy started by Ross Perot in a market that was well poised for long-term job growth, which correlates strongly with demand for hotel rooms.

We started construction on the first NYLO hotel in November of 2006 and opened in December 2007. Everything was great. We broke ground on our second hotel, in Warwick, Rhode Island, in July 2007, and our third NYLO hotel in April 2008 in Irving, Texas. The NYLO Warwick hotel opened in September 2008. That’s when the recession hit. Suddenly, it was the worst possible time to be building and opening hotels.

What came next was a testament to how sound our business plan was. If we hadn’t spent the time we did up front to design efficient boxes, we never could have survived. Hotels were hit as hard or harder than any other industry during recession. Travel is the first thing that gets cut, and you see it immediately. But we were the only boutique hotel in the markets where we were located. All we had to do was get our fair share. We were fresh and different; it was easier for us to steal share in a declining market than it would have been for a more traditional hotel.

NYLO
22 Years in the Making

1991
Michael Mueller joins Starwood Capital Group, a real-estate opportunity fund.

1996
Mueller joins Starwood Lodging (now Starwood Hotels and Resorts) as senior VP of Development and Acquisitions. He lays the foundation for W Hotels.

1998
Mueller is instrumental in Starwood’s acquisition of both ITT Sheraton and Westin Hotels, thereby making it one of the largest hotel companies in the world.

1998
From London, Mueller assumes responsibility for development for all of Starwood’s brands in Europe, Africa, and the Middle East.

2002
Mueller takes on responsibility for the development, acquisitions, and construction for the W brand globally.

2004
Mueller leaves Starwood to launch NYLO Hotels.

2007
The first NYLO Hotel location opens in Plano, TX.

2012
Another part of our success was our extremely vibrant food and beverage business, which has been part of our hotel since day one. We created exciting destination bars and restaurants within our hotels. Sixty to 75 percent of our bar and restaurant business is from non-hotel guests. The hotel business may have slowed down, but people kept eating and drinking.

A traditional hotel loses money at less than 55 percent occupancy. We make a profit at 40 percent occupancy. During those early years, we had to do hard things to survive, such as layoffs, lender negotiations, restructuring, and pay cuts. It was not nearly as fun as we had all hoped it to be. We had to change our focus from growth to survival. In December 2010, we did our final restructuring. We’re now on very solid ground and are back in a growth stage now, and just recently opened our fourth hotel, the NYLO Dallas South Side in August 2012.

Since we opened our first and second hotels, we’ve made some changes, but nothing the customer would notice. We are targeting more NYLO conversions today versus a focus on new-build hotels a few years ago. And with each new location, we’re adopting more eco-friendly methods. Our latest location is applying for LEED Certified Gold status.

We have a platform with a great team that is capable of doing a lot of different things. Before the recession, NYLO was very vocal about opening a number of hotels each year. We no longer focus on numbers of units/stores. I care about growing smartly and not overburdening our company. I care about doing this long term.
Lofty Goals | Profile Magazine

Lofty Goals: "The Foundation of855 Supply Chain Excellence"

(LSCM) companies, in particular, Joe Slota, Supply Chain Lead and Marcos Buelvas, Project Lead have worked with clients such as Merck, to help establish the strategic direction between supply chain business owners and the system owners that enable them.

“We look forward to future opportunities to support our clients as they look to unleash the value of their supply chains.”

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