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CEO Interview: Barry Sternlicht Is His Own Biggest Critic

Skift Take:

Being a perfectionist isn't always a bad thing, especially if Sternlicht's hotel history is any proof of that.

-Deanna Ting

Barry Sternlicht has a lot to be happy about these days.

Just minutes after we spoke to the former founder and CEO of Starwood Hotels, who is now the founder, chairman, and CEO of [Starwood Capital Group](#), Sternlicht officially opened his latest hotel, proclaiming it to be the "most exciting, greatest hotel I've ever done."

And with panoramic views of Manhattan and an enviable location in the heart of New York City's Brooklyn Bridge Park, it's hard to disagree with him.

But as you'll see in our following interview with Sternlicht, as happy as he is with his newest hotel, 1 Hotel Brooklyn Bridge, he isn't completely satisfied just yet.

For the billionaire real estate investor, everything is always a work in progress. There's always room for improvement. There's always room for more innovation.

Skift spoke to Sternlicht about what it's like to build a new hotel brand from the ground up today, how the industry has changed, and what hospitality needs to do today to avoid becoming just a commodity.

Note: This interview has been edited for length and clarity.

Skift: Well, it's been about [two years](#) since you opened the first [1 Hotels](#) property in South Beach, Miami. In that time, do you think things have changed a little bit with the brand? I know you mentioned that, when you first opened it, that 1 Hotels was more of a cause than a brand.

Sternlicht: Oh, it's still a cause. I think we're getting better at it. We keep learning from our mistakes.

This hotel, I think, is the greenest of the hotels because we got to build it from scratch. We reclaim water, for example. We do a lot of things that you can do with a new building to start out. Wanting to build a green building, with all of this glass, and having these systems that are state-of-the-art ... I feel that, from that perspective, I think this is our laboratory as a showroom.

It's just lots of little things that we didn't quite get right [before]. It's really a challenge to keep your designers focused on sustainable, renewable materials, and resources and they drift, you know, because they just wanted [something like this], and I tell them, "No, no, no, don't drift."

And even here, I think there are some things that are a little too perfect. It's a little too complicated, and nature is not perfect. I mean, in a way it's perfect, but it's also raw, and so I still want to do things that are ... well, you'll see the next hotel.

Skift: You mentioned mistakes, or things you wanted to do differently. Were those primarily just having to do with design or the overall guest experience?

Sternlicht: Both. Like in Florida, we used too much stainless steel, and I didn't catch it. I didn't see it before I saw it when it was installed, and that's a material I don't really want to see in our hotels.

On technology, we tried to actually leapfrog a lot of existing technology and develop our own customer relationship management software and we call it the "Field Guide." And it was too complicated for the guests, and it was probably a bridge too far for a startup. I thought it was, but we were pregnant, so we tried it, and the guests liked the concept, but we got with frustrated with it. So, the single control, which looked like an iPhone, handled everything in the room, including the order menus, and it was supposed to be backed by a

database, which would let us customize experiences to you. The database never showed up, and so we couldn't personalize the guest experience the way I would have hoped.

So here [at the Brooklyn Bridge hotel] we're using a different technology, and I tried it last night and it seems to be working well. But you know, you can do the design, you can do the attitude, but in today's world, we really need to learn to anticipate our guests' needs. Technology will let you do that, but you have to have a system.

Some of the systems in these arcane, heritage, legacy systems, some of them in the hotel industry — I ran [Starwood Hotels](#), as you know — they're not really flexible. You have to do what they say as opposed to what we'd want to know about you. And you would like me to know about you; it's not supposed to be like Big Brother.

It's supposed to be you love tomato juice, and you love it every time so when you come, you order it, and I want to get it in your room and I want to [know to] ask, "You want tomato juice in your room?" It's the software that drives the hardware of the box and it helps our staff really make you feel like you're our only guest and, at the end of the day, if we're going to achieve the rates we want to achieve, and the occupancy is in the performance and the brand, we have to get both sides right.

I think we're making up for our service flaws with tons of enthusiasm. And they're super dedicated staff and it's interesting because, if you read our reviews on TripAdvisor, people love our design but they love our people, and that's really exciting for me.

Skift: 1 Hotels was really marketed as an eco-luxury brand, and I remember when hotels were really jumping on the eco bandwagon ...

Sternlicht: I was one of them.



A living room suite at the new 1 Hotel Brooklyn Bridge. Source: 1 Hotels

Skift: But now it's been at least almost a decade now since that's happened. Do you think a lot of consumers just expect things to be eco-friendly or is it still a challenge for them to find those types of experiences?

Sternlicht: Unfortunately, I'd say that, in general, I don't think it's a [desire] for the mass travelers; it's still not a selection criteria, and [that's also] because I think a lot of hotels went "green" for cost. We decided we weren't going to wash your towels, and we said we were, you know, "We're doing it for eco." We were saving money.

I was one of those companies. I ran Starwood, so, I think the customer got that. It was like what we call "painted green," as opposed to "be green."

So here we are [with 1 Hotels], from the ground up, and we're going to start [being green from the start]. All of our hotels will be LEED certified. The first two were both massive renovations to existing assets, so a lot of compromises had to be made.

I was very surprised when Miami got a Silver rating from LEED because it was such a difficult box. It had an old system, and it was hideously expensive to replace some of it, so we spent a ton of money, but we didn't replace everything, so I was really pleased.

Here, I think we'll set a new standard, but a lot of this stuff, isn't just the materials. A lot of this furniture was made locally, and the locavore [movement is reflected here]. The food will be grown locally, and the stones are sourced locally. Like this beautiful white stone [Sternlicht pointed to a large bar area on the second floor of the hotel, with ridged white marble], you might think is from Italy, but it's from here. I think we're getting better, and we're doing a better job, and now I have to run it really well.

I also think our customer self-selects. Just like people wanted to be at W because they wanted to be cool, now I think as we grow, people say they stay at the 1, and it says something about you. Not everyone will care, but we're just trying to make it incremental. Europeans care a lot more than we do, and we're going to get there, we're going to care. Despite the current administration, we're going to care.

Skift: You have such a history of developing such iconic hotel properties. Do you think of 1 Hotels as almost like the W, but more grown up?

Sternlicht: Yes, exactly.

Skift: This hotel is fairly symbolic of the way that people's expectations of hotels have changed, and also cements Brooklyn as a new center in New York City. Do you feel that way too?

Sternlicht: Yeah, I mean think USA Today said Brooklyn was the hottest neighborhood in the country, and that was probably nine or 10 months ago now.

Yes, I thought this was a really cool spot to launch your best product you've ever done. What I love about it is how original it is. You haven't seen it before, so people will come here and their jaw should be on the ground.

The W is for me in my 30s, and this is for me later in my life, right? My children all were involved in environmental studies in school, and when I was coming up with what was I going to do, that influenced me.

That's why I came up with the word 'One,' you know, "one world, we're responsible for each other," and said "the world didn't need another brand, it just needed a better one." I never get to use that line, which I made up.

It gives us a center of gravity, it gives us a cause, it gives us a rallying cry. Yes, so this is my upscale W. It's still chic and cool, but it's sophisticated, and it's just more expensive. I don't think we sacrificed much of anything here. So, this is like the Four Seasons of eco.



The lobby of the 1 Hotel Brooklyn Bridge. Source: 1 Hotels

Skift: Is there anything in particular about this flagship property that you're most excited about or most proud of?

Sternlicht: Well, I have to be excited about a location right on the water. You know, this is a ridiculous panoramic view. Somebody was telling me this morning, "How many places can you wake up and see the entire length of the Brooklyn Bridge and the Statue of Liberty?" And in between is this magnificent skyline of Manhattan, and the river itself, and all along a six-mile park. So, you can come here and feel like you're in the country, practically, and you're five minutes from Manhattan.

And then I think the building itself — we have a beautiful ballroom and a great pre-meeting space. We're going to have a gorgeous spa, a beautiful urban spa, which you don't typically see. We have a gym, we'll have the screening room, we'll have this amazing restaurant,

three-meal-a-day. And then the café, and an outdoor café, and we'll have bikes lined up. I mean, this is going to be pretty much everything you could want in a hotel, will be here. There will be something for everybody.

I was giggling this morning — you might have seen the yoga class in the conference room. I can't imagine that we can't provide something that you'd want here. So, I think we're blessed, advantaged, and it's not an accident that we have all this meeting space, and I think we're going to be really popular,

We did an event for J.P. Morgan, actually we did the Robin Hood Investors Conference here, and I was one of the four organizers of the conference. They already booked a million dollars of business here. They loved it. They booked it, [and they told me] this is getting away, without getting away. Right? It's perfect.

Skift: Did your early days in the hotel industry help you to prepare to develop this type of brand or to develop a property like this? How did all of those elements come together here?

Sternlicht: You have cumulative experiences. But the core of comfort, which is what I think some people miss in hotels, I took that into Starwood Hotels, and I just carried it into here.

I think we're not trying to, as I said when we started, people shouldn't have to wear burlap and eat carrots, in a green hotel. They should be able to take some of what we do home with them. Our research shows that our guests are doing that. A majority of them say they've changed something that they do at home. That's fantastic. So, that was like, a dream, I'm surprised it's actually happened but, I think we just make people a little more conscious.

You know, there's no plastic. I hated all the waste of a hotel, the little plastic bottles you throw away, all the glass we consume, and all the aluminum ... And again, I think this is really pretty, but it's a little complicated, so it's okay because we've built a beautiful flagship

for Brooklyn. But what we're doing in Sunnyvale and Cabo and China will be totally different.

Skift: The hotel industry has changed quite a lot in the past 20 years. And it's also become, in some ways, a lot more crowded. There are so many different brands out there, a brand for every lifestyle, which I know pioneered at Starwood. But would you agree with the statement that it's more challenging to develop new brands or concepts in this current climate?

Sternlicht: I think commodity brands — you know, this idea that you need two brands that, I guess, are only differentiated on price — that is a very crowded market. And the brands have exploded. Some of the brands were here but in the old days there were things called radius restrictions. So, if you built your [Hilton Garden Inn](#) or your [Courtyard by Marriott](#), you could prevent another one from being built within 10 miles of you. The brands gained the power back and eliminated those, so now, in Manhattan you'll find 15 Courtyards and 22 Hilton Garden Inns. It's almost a pure commodity, and it has loyalty through the programs but not to the hotels.

And so I think [Airbnb](#) is the real issue for those guys, because it's not really saying anything about them. That's why they say Millennials don't buy things, they buy experiences. This brand is an experience. You can't do the things you can do in this hotel in an Airbnb. You can't go to the spa, you can't go to the gym, you can't have a big meeting, you can't go to the movie theater, you can't have a cocktail or hang out with fun, interesting, dynamic, creative people. We're like the upscale [Soho House](#), in the hotel space.

The business has gotten very competitive and very challenging, but what's interesting is that our first three hotels, including the [Baccarat](#), are all beating their competitive sets in revenue, even though there's not a giant company behind them. We don't have global sales offices. We have amazing word of mouth, great TripAdvisor reviews.

I think the first two [hotels], people really love. I mean, [the] New York [1 Hotels property] is so cute. People go over and over and people stay 10 times, and they just go back. The comments are incredible about the hotel, and we were handicapped because the rooms are small, and here our rooms are bigger. And there's some really cool things in this hotel, the view, the windows, unbelievable. So, it was fun.

Skift: You mentioned Airbnb. I don't know if you saw the news that broke this morning but [Airbnb officially acquired Luxury Retreats](#), which is based out of Montreal and specializes in really high-end villa rentals, or private homes, so it definitely signals their move into the luxury space.

Sternlicht: They dominate the home rentals. And that's not really our customer. So, I think for vacations and retreats, they are the go-to guy. And that's going to be super valuable for them. I still think the business traveler doesn't want to deal with that. And it's all about length of stay.

The average hotel stay is 1.3 nights, which is a pain in the neck to go check into somebody's home. But for longer stays, extended stays, I do think that they've reorganized an industry. Most people don't understand that most of the inventory was already available for rent, it's just been organized in a new distribution channel.

Skift: A few weeks ago I got to interview Ian Schrager, whom I know you know very well, and he told me that he felt like hospitality today was [too much of a "me too" industry](#). I wanted to ask you if you agree with that statement, and if you do, what are the ways that you think the industry can be more innovative and not so much like a commodity?

Sternlicht: The industry, and this was true when I ran Starwood, it's got a blessing and a curse. What they do at a hotel in Tokyo doesn't impact you in your hotel in New York City. So that's the curse. You're not as forced to innovate. It's not innovate or die. It's not that way. In a way, it should be that way. The industry should always be challenging itself.

But Ian's right, and I think that's, again, about differentiating your product, making it not a commodity, making people think it's a three-dimensional brand, it's not just in and out, it's not just my frequent night stay and I want to go home. It's really an experience. And whether you like the way our candles smell or our shampoo smells, we really have focused on all the little details to de-commoditize the stay. And it's interesting that people really support it. People really are interested.

And not everyone's interested, not everybody's interested in W, and not everyone's interested in green, and then some people don't want paper. Why do people spend \$1,000 a night when they could stay at a hotel for \$169 a night? Because they can, and they like it, and it's comfortable, and they are rewarding themselves for whatever success they had in their lives, however they got it.

I think that Ian is right. But if that's what everybody does, then that's what the customer expects. So for us to step out of the that into something different, which is what we're trying to do, and I think what Ian's trying to do, is how we compete against bigger things, and bigger companies with bigger reach, more global customers.

We have to get companies like J.P. Morgan, which I'm sure has to deal with every hotel company on earth. So they're leaving those frequent-stay programs to come here, because they just think it's a better product for their employees, and it says something about J.P. Morgan. They like what we're doing, and so they want to wow their employees and clients, and that's what we're here for.

Skift: Can you tell me a little bit more about your expansion plans for 1 Hotels, or what you have planned after this?

Sternlicht: Yeah, we have three [hotels] we've announced: Mexico, Cabo San Lucas in the harbor; Sunnyvale, which is in Northern California; and Sanya, China, which is on the beach, in what is the resort area of China. And then we have about a half a dozen that we're working on behind that we haven't announced. We're trying to get a hotel in major

gateway cities, and then also over in Europe. We need to be in London, Rome —that's going to be super fun — Milan, [it'll be] killer.