

# CASUALLY TO THE TOP

Casual, lean, and highly efficient – the Munich-based Ruby Group is breaking new ground in the hotel market with its “Lean Luxury” philosophy. With a streamlined structure and a focus on the essentials, the brand, founded in 2013, offers a modern, affordable take on the luxury hotel experience. The Otto family has held a 25 percent stake in Ruby since 2019. In an interview with #FutureForward, founder and CEO Michael Struck reveals how Ruby is also growing during the pandemic, why ECE is a role model for him, and why his guests don’t care about golden faucets.

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*“In our key growth markets, ECE can play an important role for us as a strong and experienced development and investment partner.”*

## Mr. Struck, the coronavirus hit the hotel industry hard. How has the pandemic affected Ruby?

The lockdowns have indeed cost Ruby a lot of money. Fortunately, we are well financed. Nevertheless, it’s certainly a difficult time. On top of that, acquiring financing for hotel property development projects has become considerably more difficult. This is a challenge for our development partners, and we are supporting them as best we can. Fortunately, thanks to the way Ruby is positioned and our existing partners, we’ve actually managed to accelerate growth so far. Many challenges are not new to us. As a young, new player, we always had to be very persuasive – including in talks with our development partners’ banks. And for many on the team, this crisis has also been a process with which they have continued to grow.

## So will Ruby recover quickly?

We already experienced a very fast and above-average recovery at our hotels after the first lockdown. We had over 50 percent occupancy again at times, while the market was still averaging 25 to 30 percent. That demonstrates the strength of our concept. We offer a low initial price point on the market and a fantastic price-performance ratio to go with it. That helped us a lot. We are counting on the fact that we will also now recover extremely quickly as soon as the restrictions gradually ease.

## Are you anticipating a post-pandemic boom?

I think we’ll have to differentiate. The recovery will vary depending on the stage and hotel operator. As long as we’re still dealing with a medical crisis and we haven’t yet achieved herd immunity, the demand profile of the first wave of the recovery will remain in place – with advantages for locations with a higher percentage of leisure travel and national guests. The exciting question is what will happen during the economic crisis that then follows.

## What are you expecting?

In this regard, we can refer to historical experience. For example, after the financial crisis, budget and mid-scale hotels recovered much more quickly and even became stronger as a result of the crisis, because demand shifted from the upper segments – for both business and leisure travel. Hotels in central locations of major



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cities recovered quickly and for the long term. When a market weakens and guests have choices, they choose the more central location, which saves them a great deal of time and gives them many more options. Our strategy focuses precisely on these central locations and offers starting prices of less than 100 euros in Germany and Austria, less than 120 pounds in the UK, and less than 200 Swiss francs in Switzerland, i.e. below the standard price thresholds that increasingly become budget limits in times of crisis.

## Will the pandemic cause any fundamental changes in the hotel industry?

I believe that companies will reduce nonessential business travel. However, it is important to know that 70 percent of all business trips are day trips anyway. In other words, they never appeared in our hotel revenues at all. In addition, it is likely that a large percentage of employees will continue to work from home. This may mean that people no longer necessarily live where they work. Many employees will travel and need to stay somewhere overnight on the days they have to be physically present at the office. This may generate additional demand for hotel rooms.

## Are you continuing with your strategy of expanding into major European cities? Or are you even considering locations further afield?

We were already strongly focused on the United States before the crisis. We intend to grow there and also at other non-European locations as soon as the recovery in demand and financing situation make it reasonable to do so. At the moment, of course, hotel property development is hampered in all of these markets. Moreover, we can’t allow the pace of growth to overwhelm our structures and processes. But I do see a huge opportunity for Ruby in the medium to long term, as our “affordable luxury” segment is still one without a single dominant player. We aim to be one of the leading brands in this segment over the long term, and to achieve the economies of scale that go hand in hand with market leadership.

## What role does the acquisition of existing hotels play in your growth?

Up until now, we’ve achieved strong growth through the conversion of existing space – be it office or retail space that we converted into hotels together with our partners. Operating existing hotels has not been a significant driver of our growth to date. But that’s currently changing. Existing hotels are now coming more and more into focus and are a way to get past the financing bottleneck in the hotel development market – because existing owners and their banks naturally have a common interest in bringing a crisis-proof and strong operator on board. >



**What makes Ruby attractive to investors right now?**

The first question that needs to be asked is how crisis-resistant is a concept? Our initial price point and price-performance ratio are two aspects very much in our favor. Many investors see this as well. In addition, Ruby designs and builds in a more modular fashion, we use space more efficiently. This reduces all floor space-driven overheads. We use human resources more efficiently than our competitors because we have fewer permanent employees on the clock. Our business model is highly digitalized and centralized, which means that we can handle all of the processes behind the scenes more efficiently. All of this means that, from an investor's perspective, we offer a completely different risk profile than our hotel competitors.

**The Otto family holds a 25 percent stake in Ruby. What do you find so appealing about this partnership?**

Ruby is a passion for my team and me that we would like to pursue for life, if we can. That's why the long-term perspective is so important to me, as I feel it is to the Otto family. This is the only way we can achieve our vision of becoming the global leader in the segment. And this is the only way we can stand in front of our employees and rekindle this passion in them again and again. So the long-term view is absolutely essential. The owner-operated family business is the second aspect. This has to do with responsibility. It has to do with

identification. It has to do with making decisions quickly. We operate on the principle of moving into new markets quickly, trying out new product features and new locations, and then testing. And if something doesn't work, we test something else. In other words, an iterative strategy process that requires quick decision-making as well as entrepreneurial courage – and discipline. Synergies on the real estate side are the third factor. In our key growth markets, ECE can play an important role for us as a strong and experienced development and investment partner.

**What particularly sets your "Lean Luxury" philosophy apart? Who is your target demographic?**

Ruby is designed for travelers who define luxury by the extent to which it enriches them internally. Our target demographic isn't so much looking for status attributes like a golden faucet, a marble lobby, or ballroom-sized rooms. Feeling inspired is more important to them. That the atmosphere reflects as much individualism as they feel about themselves. A place with soul and character, with tangible local roots, centrally located, as a gateway to the most exciting places in the city. In addition, we offer extremely comfortable beds for a great night's sleep, highly ergonomic rooms, and streamlined booking, arrival, and departure processes. And we do this at a lean price point by eliminating everything – from the point of view of our target clientele – that is superfluous or unimportant, by planning and building efficiently in terms of space, and by organizing our human resources extremely efficiently behind the scenes – above all through centralization and automation.

**How important is sustainability in this context?**

Sustainability is second nature to us – as it is to our guests. Our food is almost completely organic. We prefer local products and suppliers, and avoid waste and plastic as far as possible, such as by using reusable containers, for example. From a technical standpoint, this ranges from heat recovery to intelligent indoor climate and shading control to water-saving technologies.



**In some locations, such as Hamburg, you also offer coworking spaces. What's the idea behind this?**

Our hotels have had libraries in them from the very beginning. Over time, we noticed that an increasing number of guests liked being able to work undisturbed in this atmosphere. We analyzed the coworking market and found that we could occupy an interesting niche with Ruby – workspaces with individuality and a boutique hotel atmosphere featuring a layout and equipment that is perfectly geared to the requirements of the creative elite. Operating these coworking spaces results in synergies with our core hotel business, and the same is true for development. By combining these two uses – hotel and workspaces – we qualify for more projects and can use space even more efficiently overall.



● The "Ruby Louise" in Frankfurt, Germany, with its large rooftop terrace.

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**Do you see the leisure property segment as a promising future opportunity?**

Yes, that was always part of the plan. In fact, we are currently exploring the possibility of getting started even earlier than previously envisioned. As a result of recreational products coming back faster in the recovery phase after the first lockdown, the investment market has opened up to the idea of resort hotels. And there is indeed an interesting niche for us here. There are namely only a few affordable luxury providers in the leisure sector. Another advantage for us is that so far, there are only a few resort hotel operators that are suitable for the investment market.

**What are the most important things you expect as a hotel guest?**

A hotel has to adapt to me and my needs, I don't want to adapt to the hotel. This starts with the booking process. Then the next step: is the check-in process in fast and efficient? Are all the controls in the room intuitive – lighting, air conditioning, the bathroom? A comfortable bed is extremely important to me. And I love hotels that are unique.

**Where do you see Ruby at the end of the twenty-twenties?**

As the leader in the affordable luxury segment. As one of the most sought-after employers in our industry. And as a highly profitable company. //