



Making a name: Lexis Hibiscus attained international fame when it set a Guinness World Record with its swimming pools.

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THE hospitality industry, particularly within the high-end space, is largely dominated by international brand names. And the landscape for local players isn't getting any rosier.

More and more well-known hospitality chains are making their entry into the market and the development of dedicated tourism clusters like Desaru Coast in Johor are filled with global high-end brands.

Lexis Hotels & Resort, a Malaysia-based hospitality group, is muscling in its own brand of hospitality experience. Instead of going head-to-head with industry giants on its luxury offering, it has carved a niche for the brand with its unique value proposition, one that focuses on location, personalised facilities and consistent renewal and upgrading of its facilities based on customers' feedbacks, says president Mandy Chew.

For instance, personal pools in every room, new restaurants based on guest profiles, new facilities and upgrades in many of its resorts are planned to offer its guests a convenient and unique experience.

Its efforts have increased interest in its hospitality offerings.

Lexis currently operates four hotels and resorts in Malaysia including its flagship property, the Lexis Hibiscus Port Dickson, which costs RM400mil.

Lexis Hibiscus attained international fame when it set a Guinness World Record as having the most number of swimming pools and the highest number of villas over water in a single resort. It is ranked as one of the most high profile resorts in the country.

At the moment, markets such as Singapore, Hong Kong and China make up the majority of Lexis' overseas guests, with the ratio of local to overseas guests at 45:55. It aims to increase its marketing and promotion campaign to attract better customer diversity, looking towards European and other Asian markets as

Building on Malaysian p

Hospitality group leads the way in developing local talents for the industry



Taking the lead: Chew says the hotel may add more rooms in Port Dickson given its dominant presence there.

the platform for growth.

Lexis' main partner is the KL Metro Group, a Malaysia-based construction and property development group, which develops and owns all four properties under Lexis' management.

The company's first city hotel, Imperial Lexis in Kuala Lumpur, is due to open in 2020 and Chew notes that the group is also looking to adding another hotel in Port Dickson.

"As Lexis already has a dominant position in Port Dickson, adding more rooms there makes sense. It will always be a popular getaway due to its strategic location and well developed infrastructure.

"Nowhere else can Klang Valley residents get a similar short getaway as offered by this popular tourist resort town an hour south of Kuala Lumpur,"

Chew explains.

In total, Lexis has more than 1,450 rooms under its management currently.

According to Chew, the company may consider adding in another sub-brand that caters to the 4-star category.

But its priority, for now, will be to expand its 5-star hotel portfolio as it offers better margin and higher gross revenue, says Chew.

Looking at MICE

Lexis, which was founded in 2006 and co-owned by Chew and two other partners, has over the years proven its worth in delivering results that reflect its operational, cost and human resources management efficiencies.

It recorded a turnover of more than RM200mil in 2017 and has an average gross operating profit of more than 40% for its existing hotel portfolios. This is much higher than the industry average that mostly ranges around 30%, Chew says.

But the hospitality industry is cyclical in nature, with peak travel and holiday seasons being offset by a relatively longer period of low demands. The challenge here, says Chew, is to fill the properties, especially large ones like the Lexis Hibiscus, during the non-peak seasons.

"This is the time when the MICE (meetings, incentives, conferences and events) and the group travel markets become the mainstay and we have to be very active in attracting corporate events and clients.

"We have to think out of the box to optimise our facilities to fill the rooms and this is where having new attractions and constant upgrading plays a part,"

she says.

Marketing and branding prowess also play an important role in making the hotels work as a MICE destination.

Success in this area will distinguish whether a property is well-managed or not, she adds.

Riding on its Lexis Hibiscus fame, the company has begun to attract the attention of property owners and investors from outside the country. Chew says Lexis has been approached by property owners and developers locally as well as from regional countries, including Taiwan and South Korea, to manage their hotel and resort properties.

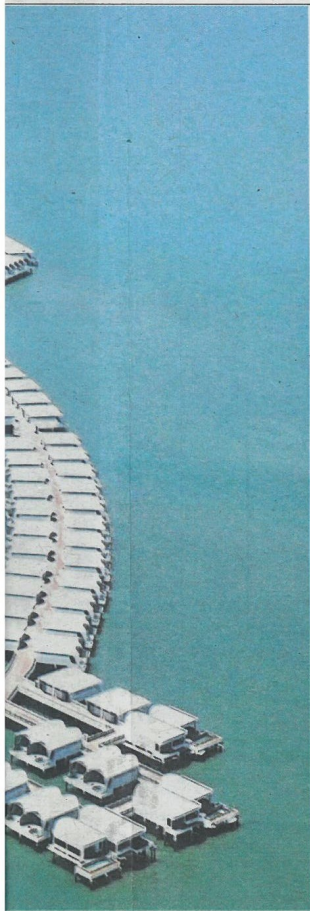
Many are keen to collaborate with the group or tap on the hospitality management firm's expertise in managing iconic hospitality assets. But Lexis is selective about the type of property, location and asset ownership structure it manages to maintain its competitive advantages, she says.

Chew says the group is receptive to approaches from strategic investors that can help the company expand its hotel portfolio and bring the brand to the regional market. It is open to partnerships and welcomes advisers or investors who have keen interest in the hospitality industry.

Separately, Chew says Lexis could also consider a listing exercise in the future to help finance potential asset acquisition and to raise the brand profile.

At the moment, Lexis is purely a hotel management company that manages third-party properties. However, Chew says the company could be acquiring or may construct its own properties in strategic locations to expand its portfolio.

Having seen its success in managing



ride

world class properties, Chew, a hospitality industry veteran with over 30 years of experience, says one of the group's main focuses currently is to develop local talents and fill the key positions within its hospitality portfolio.

Like most hotels, Lexis also has to deal with internal human resources and staff welfare to make sure the properties are run efficiently. This is one area that is a constant challenge for those in the hospitality industry, says Chew.

Lexis has made an extra effort to invest in areas such as adequate accommodation, health and food for its staff to keep its workforce going. This is necessary as competition for talents is not only limited to within the country, but also regionally. Thailand, being the market leader in the tourism industry, is naturally able to attract manpower from the surrounding countries. Many countries within this region also have competitive advantages with ample supply of relatively cheaper manpower to support their hospitality industries.

As such, Chew hopes to groom more local talents to bring the group forward so that it is not overly reliant on foreign talent alone.

"The industry has changed, and after more than 30 years in the hospitality line, I'm sure we have enough local talents to manage high-end establishments. We don't really need to have a foreigner as general managers anymore," she says.

It is not just an ideal saying for Lexis. Chew notes that the company has taken the lead in ensuring that its senior management teams, from the general manager right down to the department head at its 5-star establishments, are headed by local talents.



Ample room: Lexis has four hotels with more than 1,450 rooms under its management.



Looking into details: One of its unique value propositions is personalised facilities and upgrades based on customers' feedbacks.



Filling the space: Chew says getting the MICE market is crucial in ensuring that the hotels are occupied during non-peak seasons.

Making buy-to- lease work

THE buy-to-lease model is a relatively common trend in the property and real estate industry, particularly for commercial assets.

Under this scheme, the owner who has purchased the property will have to lease it back to the developer or property management company in exchange for rental returns.

The scheme, especially for serviced apartments that are used as hotel accommodations, can sound very attractive as they allow investors to reap the returns without the hassle of managing the property.

In essence, investors in the scheme are attracted to two possible returns: rental income and potential capital growth when the asset increases in value over time. The rental returns are either based on a guaranteed return model or a profit-sharing scheme.

Some of the recent hospitality-linked properties that are sold using this scheme include PTS Properties' luxury condominium hotel, The Pines Melaka, which reportedly comes with a leaseback return of 7.5% per annum for the first nine years and 9% for the following six years. Other notable ones include The Ruma by Ireka Corp Bhd and Angsana Teluk Bahang by Banyan Tree Group.

One of the main concerns with regards to such developments, however, is whether the developer will be financially capable of honouring their contractual obligation.

In the case of Lexis Hotels & Resorts, having worked closely with KL Metro Group, president Mandy Chew echoes the view that the buy-to-lease scheme is a good alternative for property investors, but the success will depend very much on the capability of the property management firm in delivering such returns.

"Any guaranteed returns will only be valid for a certain period of time. After that, any potential returns will be based on a profit-sharing basis.

"The key to keeping investors happy and to retain their confidence, is to manage the property efficiently enough to generate profits. The higher the margin means more can be shared with the investors," she says.

In fact, many of the investors in Lexis-managed properties, including its upcoming Imperial Lexis in Kuala Lumpur, are repeat customers, Chew points out. They are the same ones who had invested in Lexis Port Dickson some 12 years ago.

The company's first city hotel, Imperial Lexis Kuala Lumpur – developed by KL Metro Group – offers a similar investment concept.

But this will be another test for Lexis to demonstrate if it can maintain and replicate its sterling performances as it brings its management and services standard into a business hub away from the soothing sounds of the beach.