

Erwin Jager of Barrows Hotel Enterprises

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin. I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity and many other investors for early stage and growth companies. I hope you enjoy this episode. Investor Connect is a 501 C three non-profit dedicated to the education of investors and startups for fundraising. Please consider donating \$100 to the program to help others in their investor and entrepreneur journey. You can find the Donate button on the Investor Connect org website. Hello, this is Hall Martin with Investor Connect. Today we're here with Erwin Jager, chairman and CEO at Barrows Hotel Enterprises. Barrows is a family owned private company established in 2008 with a successful track record in property investment, development and strategic land promotion in the Middle East, Africa and the USA. Erwin, thank you for joining us.

Speaker2: [00:00:58] Welcome, thank you for having me.

Speaker1: [00:01:01] Great. So tell us more about your background about before investing in early stage companies.

Speaker2: [00:01:07] Well, it's actually a funny story. I quit at a young age, which school I was around 13 years old and well, I started selling roses door by door. In my younger years, I was always working very hard in different jobs as I was not going to school. I was supporting myself financially and yeah, just get the best out of it and that time. We talk about early nineties, mid 90s, and I finally, I need to go to the military, which I did. And then after that, I stopped working and starting. Finally, my own company and my company called Street Furniture, was a company specialized in airport equipment. And that company I sold in 2008 and actually with the defense came out of that company. I started my company in Dubai called Barrow's, which is actually means an aero bar. My last name stays for Hunter in English, so I don't think that's so there's the name coming from. So that's in a nutshell, actually how we started with bears.

Speaker1: [00:02:21] Great. So what excites you right now?

Speaker2: [00:02:25] Oh, well, actually, the idea that you create something out of nothing and the fact that the hotel guest, they are always using your concepts in the hotel they're visiting, so

everything what you put in it, they like it or not and almost everything what you try to do, it comes out within within within rate of guest experience. They like it or not. So you can change it in the way the customer needs it and the customer appreciates it. And that is every day that the biggest goal, even if it's in operation side of the hotel, even if it is in the development side of the hotel, it's quite wide. You can use it every day.

Speaker1: [00:03:12] Great, well, you see a lot of investors and a lot of startups out there. What's your advice for people investing in startups? What do you tell them to do before they write that check?

Speaker2: [00:03:21] Well, actually don't manage the company, but leave that to the management that is actually the most important rule. I think what I have to say in that matter and just help them to form, to perform better, to help them with the financial and operational directions. Don't sit on that chair, you know, just help them with your network during the investment period. And most of all, let them make their own mistakes, both in life, as in business, without moments to fail. You will never be. Have a moment to grow. So the moment you succeed will be much more appreciated than when all goes smooth and automatically. A customer always want to do business with with a human and get recognized and that go guest experience. So yeah, don't sit on the chair of the of the management, but just stay on the underside of the investor. That is your that's your position.

Speaker1: [00:04:21] Great. Then the other side of that table, what's your advice for people running startups? What do you tell that founder to do before they go out to raise funding?

Speaker2: [00:04:30] Yeah. Well, it's not always that easier because every every company is different. Every entrepreneur is is having his own feelings and in my own mindset. But yeah, I say always but always stay focused on the guest experience. That's always key. New customers and returning customers. They are key for every day. Never lose that focus on spirit. Focus on the finance, day in and day out. Check your cash flow every day and hire the best CFO you can find. Last but not least, never listen to good to be true stories. Build your company on your own ideas, your feelings and your trust without trusting yourself, your concept, or even your employees. Your company will not succeed. You keep your company costs as low as you can and save as much as you can. You will need it to invest and to stay independent as long as possible.

You know, you can always sell shares from your company, but you gave a part of your key away, so keep it as long as you can in your own pocket. And the longer your company exists, normally your company gets more, more value. So the moment you save earlier, that's the best investment you can have on a longer term.

Speaker1: [00:05:49] Right. So how do you see the industry evolving from here?

Speaker2: [00:05:53] Yeah, well, our industry is climbing up as many other industries after the pandemic. The industry was hit hard, very hard and so many hotels needed to close the doors and fire their employees worldwide. Today we are very happy that the hotels are reopening again and travellers are able to travel again and slowly. The world trade is start moving back in rhythm, so it will take years to overcome this heavy period. But at the end, the world community has learned a lot from it. We are more patient. We listen better to each other. We try to make the best out of it, even in a bad moment in time. So the industry is moving on right now and everybody is very positive. We are actually selling at this moment a lot. So we have a good time during COVID. We had a good good year as well because we are not only selling hotels and developing hotels, but we do the hotel advisory to the management as well. So in crisis moments. They hired my company to help them through the to the crisis period. So yeah, we are quite positive actually at the moment. We have to see it for the longer run. But at the moment, yeah.

Speaker1: [00:07:15] What's was the biggest change you think we'll see in the next 12 to twenty four months?

Speaker2: [00:07:20] I think that we will see the difference between financially strong hotels and hotels who are in need of money. We already see that every day they sent us emails to have a look over the shoulders to the cash position, to the business position to help them out with a better financial plan or with an investment. So in the next 12 months, we will see the yeah, the good hotels separated from from less performing hotels, and there are chances for us to win. Absolutely.

Speaker1: [00:08:00] Great. Let's talk about your investment thesis. What is it and what are your criteria for making an investment?

Speaker2: [00:08:07] Yeah. So first of all, the location, everybody in the industry is always saying location, location, location, but it's not only the location, but location is key. The brand is important. Management is important. The rating of your international brand is important. Is it a four star or is it a five star or even a three star? The type of the hotel? Is it a hotel? You should know hotel resort. How many restaurants do you have? What kind of other facilities and services are you having? And as well, the reputation in the market is very important. So we only invest in hotels with a minimum of 75 rooms, up to 300 rooms, and the hotel need to be minimum, a four star and maximum five star international rating. On the side of that, the management need to accelerate for minimum five years based on a positive cash flow. So that is that are the criteria for four for us. And then we see it.

Speaker1: [00:09:07] Great. Can you talk about what startups fit that thesis, you look for any examples of good companies?

Speaker2: [00:09:14] Yes. Well, most of our family hotels, hotels who are longer than 10 15 years in family hands, hotels operated by a small management teams without the right parties behind them. Hotels with owners without following up for the hotels or hotels were for sale for personal reason. It can be the force it can be to shareholders who just want to sell or one one to sell and the other don't have the money to buy the other out, so it can be completely different. And on the end hotel, what needs to be refurbished? That is for us at this moment in time. One of the biggest elements of what we are working with. We have a lot of hotel owners. After the crisis, after the pandemic, we say, OK, now I have to reopen my doors. I need to have an investment to refurbish my hotel, but I don't have the money for it. And how can I get it? So for us that there's a lot of business to win at the moment?

Speaker1: [00:10:19] Right, and so you see a lot of challenges in this space. What do you think is the main challenge that startups face in today's market?

Speaker2: [00:10:27] Yeah, we're talking after the pandemic, just create your own plan, follow the plan there yourself to get the best out of yourself every day again. The challenge is that a lot of hotel owners forget the power of the guest experience. Well, that is always the most important elements. It starts with hospitality and that it ends as well. From the moment you

book your hotel room or you book your reservation in a restaurant or even airline tickets. Then you have your your your guest moment and then you have to check out in your payment. Have you done your payment earlier? But it always begins with hospitality and it ends with hospitality. So the guest experience is always key. And yeah, those challenges are for the startup, very important to to keep in mind.

Speaker1: [00:11:17] But then what are the challenges for the investor in this space? What do you see them struggle with?

Speaker2: [00:11:22] Yeah, well, as I said earlier, never sit on the chair of the management. Many investors says, OK, I come with money, so I have the power and sometimes they misuse the power, and that is not good for the success of the company. So I think it should be more fair to say never sit on the chair of the management and investor needs to bring equity knowledge and the network. Those tools are key in every investment. The entrepreneur needs to use them wisely and carefully, but there is a complete difference between an investor and the management of a company.

Speaker1: [00:12:01] Great. So in the last few minutes that we have here, what else should we cover that we haven't?

Speaker2: [00:12:08] Well, I think it's it's it's like what everybody is saying at this moment in time. Keep safe, keep your distance to protect yourself and protect others. But most of all, take every day a lot of small steps. They are very important in a later moment in time. And by doing every day, a lot of small steps at the end, when you look back, you think, Oh, all those small steps were quite important for where I am today. So yeah, that's actually yeah, what I have to say about it.

Speaker1: [00:12:40] Right. Well, I think that's good advice. How best for listeners to get back in touch with you?

Speaker2: [00:12:45] Uh, very simple. You can drop us an email by sending to info at Barrow's Hotels dot com or visit our website WW w dot dot com.

Speaker1: [00:12:57] We'll include those in the show notes. We want to thank you for joining us today. Hope you have you back for a follow up soon.

Speaker2: [00:13:02] Thank you so much for having me. It was nice.

Speaker1: [00:13:09] Investor Connect helps investors interested in startup funding in this podcast series, experienced investors share their experience and advice. You can learn more at Investor Canaccord. Paul T. Martin is the director

Speaker3: [00:13:23] Of Investor Connect, which is a 501c3 nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.