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Keith 'escapes' to hospitality business

Entrepreneur invests corporate earnings in vacation venture

By Robert Baun

The Business Report

FORT COLLINS —Richard Keith is back in the game.

The one-time Rocky Mountain Region Entrepreneur of the Year left Center Partners Inc. in May after nurturing the company from a start-up in 1997 to 2,500 employees upon his departure. When Keith left, he also pocketed a tidy profit from selling Center Partners to British conglomerate WPP Group Plc.

He's folded some of that income into a new venture — Keith's third start-up in Fort Collins in 12 years — which launches Dec. 1.

Round three for Keith, 48, is called Private Escapes, a high-end timeshare proposition aimed directly at the vacation tastes of affluent society.

Keith describes Private Escapes as the vacation equivalent of a country club, in which a limited roster of members pays fees to use facilities that are intentionally underutilized.

Except the facilities are not golf courses and tennis courts. Private Escapes offers vacation houses, cabins and condominiums for its members.

"In vacation real estate today you've got one of two options," Keith said. "You can acquire a timeshare, in which you've got two weeks in prime time ... The second option is to buy a vacation home."

The conventional timeshare means access is limited. The vacation home requires the cost of maintenance and upkeep and the pressure of taking your holidays in one location.

Private Escapes, said Keith, is a "concept between the two extremes."

Keith's asking members to pay \$65,000 up front to join Private Escapes. With the membership fees Private Escapes will purchase vacation homes in a variety of destination resorts or popular cities. Members can then use the vacation homes as desired.

Initially, Keith intends to sign 25 charter members and buy properties in 10 different locations: Breckenridge; Steamboat Springs; Lake Tahoe, Nev.; Las Vegas; San Diego; Scottsdale, Ariz.;



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SPARTAN BEGINNINGS — Richard Keith shows off the new headquarters space for Private Escapes, a company that will sell memberships in vacation home timeshares.

North Carolina's Outer Banks region; Cabo San Lucas, Mexico; Manzanillo, Mexico, and Rome.

Long-range plans call for about 400 members and 65 properties in up to 25 different locations.

The entry fee should allow Private Escapes to acquire vacation properties in the \$400,000-\$500,000 price range, he added.

The key to keeping members happy is availability. For that reason, Private Escapes plans a scant 38 percent average occupancy.

"That means 62 percent of the property is waiting for somebody to use," Keith said.

Proven model in place

Keith expects the target market for Private Escapes are households that earn at least \$250,000 a year. Keith notes that, according to a report by American Affluent Research Society, there are 11 million households in the United States grossing \$270,000 or more.

In addition to the entry fee, members will pay annual dues and a nightly rate when they use the vacation homes.

The payback? Easy access to your choice of vacation properties and honey-glazed treatment from Private Escapes.

The company will employ a host or hostess to serve each property. When members reserve a given Private

Escapes property, they can also ask for specific supplies to be ready when they arrive, "Right down to the Honey Nut Cheerios they want for breakfast," Keith said.

Hosts or hostesses will pick up ski lift tickets, buy Las Vegas show passes or make restaurant reservations for the yet-to-appear guests. "It's the full concierge level of support," explains Keith said.

Keith doesn't take credit for the Private Escapes idea.

Since 2001 he has been a member of a similar vacation network, called Private Retreats, which catered to even higher-end customers — the entry fee is \$250,000 and annual dues are \$9,000. When Keith left Center Partners, he asked Private Retreats founder Rob McGrath if "there was a place for me in the firm."

McGrath took Keith on as interim chief operating officer in May. Keith soon approached McGrath with the plan for a lower entry point and McGrath invited Keith to start Private Escapes, using the Private Retreats model.

McGrath has even signed a buy-sell agreement, in which he has the first right of refusal to acquire Private Escapes from Keith.

The Private Retreats experience tells Keith he's onto a winning concept.

Private Retreats is "very profitable," Keith said. "I've looked at its margins

enviously."

The overall timeshare industry is also on the rise. According to the American Resort Development Association, the timeshare industry experienced a 7.6 percent increase in net sales last year, or \$4.1 billion.

Success doesn't quell "butterflies"

If Private Retreats' success is a guide, Keith believes he can build up to 400 members for Private Escapes within two years. Once the 400 limit is reached, a second Private Escapes would be set in motion with another cap of 400 members. If that happens, Keith expects to employ at least 50 people — many of them as reservation agents — at the company's downtown Fort Collins headquarters.

Keith recently leased 4,000 square feet in the former Armory Building, 314 E. Mountain Ave.

The now-empty building appears to be rejuvenating for Keith.

"The start-up is either in your blood or it's not," he said. "This absolutely turns me on — the humble beginnings."

Keith started the Apple One Employment Services, a temporary employment agency, in 1991. He sold Apple One, which had made the Inc. 500 list of fastest-growing companies, in 1996 to Corestaff Services. Keith was a co-founder of Center Partners, a call center business, which was then sold to WPP Group in 1999 — a transaction that would yield a return of 2,400 percent on Keith's initial investment.

Keith continued with WPP as an executive for the company, heading up its call center services division. Keith's work with the company was recognized in 2002 when he received the Ernst & Young Entrepreneur of the Year Award for the Rocky Mountain Region.

With Private Escapes, Keith has also drawn from his former management team at Center Partners. Karen Siwek, who is executive vice president of real estate and finance for Private Escapes, and Ed Powers, executive vice president of operations, are both Center Partners veterans and are minority partners in the new company.

In his return to entrepreneurial status, Keith admits, "the butterflies are there."

However, not many startups begin with a ready exit strategy.

"It's kind of fun to start a business with a built-in buyer," Keith said. "I haven't done that one before."