

THE MAN WHO TRANSFORMED AIRPORT LOUNGES

BY OLIVER CHRISTOPHER GOMEZ

Song Hoi See is not a man who immediately stands out in a crowd. Yet his stature belies a steely determination and an expert eye for detail. He possesses the ready smile of a service industry veteran and energy levels that would put people half his age to shame.

A seasoned traveller, Song has whittled away countless hours in transit all over the world. But back in the 1980s and earlier, airports were little more than “glorified bus stops”, as he is fond of putting it, and hours-long transits were torturous affairs. As an investment banker, he could not afford to be disconnected from the global markets, even in transit. “It was a really bad experience for me, trying to get any work done in an airport,” he says.

The experience took a toll on him. But more importantly, it planted the seeds of a lucrative idea in the back of his mind.

“I realised just how uncomfortable and tiring the entire transit process was. Transit periods could last tens of hours and you were just stuck in an uncomfortable seat. Hotels were available outside the airports, but you could never book a room in less than 24 hours. There was a real gap to be filled here,” says Song.

These little observations, built up over years of international travel, convinced him that there was an untapped, multibillion-dollar opportunity in the independent airport lounge and lounge management business.

In 1998, he started the world’s first independent airport lounge. Known as Plaza Premium Lounge, it was situated at the then newly opened Kuala Lumpur International Airport. The lounge provided a range of services to passengers in transit, including dining, meet and greet services, relaxation and massage treatments and shower facilities. The services were available to all passengers, regardless of their affluence or flight class.

Today, Plaza Premium Lounge is available in more than 150 locations at 36 international airports. This privately held, Malaysian-led business serves millions of weary travellers in 16 countries, and counting.

The brand is now the mainstay of global travel. But back in 1998, an independently managed airport lounge business was unthinkable. The world’s first ever airport lounge dates back to the 1930’s with American Airlines being one of the first to pioneer the concept. It offered airport lounge services exclusively to their commercially important passengers (CIP).

“Economy class passengers were never perceived as being qualified for these services. This was the prevailing mentality in the travel industry for decades,” he says.

When Song first talked to airports, they were adamant that lounge services were only for CIPs. “This stigma had been long entrenched in the airline industry. I had to persuade the airlines to look past this,

and that was not easy,” he says.

But he proved all the major airlines wrong and made an emphatic business case with KLIA. Plaza Premium Lounge KLIA was a runaway success. Song had proved that there were potentially millions of travellers who wanted to avail themselves of the kinds of services he aspired to provide. Unsurprisingly, the first 10 years of Plaza Premium Lounge were characterised by rapid expansion to other international airports.

“Airports are highly controlled businesses. Of course, if you have existing relationships [with the right people], you can easily make inroads into the business. However, I had none of these connections. I was not part of the travel and service industries when I started Plaza Premium Lounge. The onus was on me to bring real value to the airports that I wanted to penetrate,” says Song.

Over the last 20 years or so, international airports have intensified their competition with one another in trying to attract more passenger footfall. Plaza Premium Lounge was a shot in the arm for these airports. Not only was it a revenue stream sans operating costs for airport management, passengers were starting to plan their trips by taking into account the airports that had these facilities.

It took some convincing and a lot of knocking on doors but gradually, airlines began to recognise the business case. “Airlines are very reluctant to work with too many suppliers. They want to work with just one company that can provide consistent and high quality of service across all the airports in which they operate a lounge. After all, airlines do not want to risk souring relations with their many CIPs,” says Song.

As important as CIPs are to airlines, the fact remains that airport lounges are a costly endeavour. This is doubly true for the many airlines that operate such lounges throughout the world.

“These are airline companies. They make their money by providing flights, not operating lounges. To them, airport lounges are a cost centre. Further, if an airline only runs a handful of flights to a particular country, it would make even less sense for them to operate their own lounge in that country. They would much rather have somebody else take care of their customers,” says Song.

In 2008, Cathay Pacific was the first airline to outsource the operations of all its airport lounges to the Plaza Premium Group. It was the critical mass Song had been waiting for.

“So, in addition to managing our own Plaza Premium Lounges, we expanded into managing other airlines’ branded lounges. And we have been doing this successfully for the last 10 years,” he says.

Soon, this led to Plaza Premium Group managing co-branded lounges. “In recent years, we have partnered American Express to manage a co-branded airport lounge in Hong Kong, Sydney and Melbourne. This is for Amex’s top-tier users. Now, I also build airport lounges for [major airline alliance] SkyTeam’s members,” says Song.

“Whenever people say that I am competing with the airlines, my answer is always ‘no’. Airlines love me because I complement their services and help keep their costs down.”

In August, he achieved another milestone. He launched an on-site airport transit hotel at klia2, appropriately named Aerotel. The brand is just over two years old and was first introduced at Changi Airport in Singapore. The klia2 location is the company’s fourth airport transit hotel.

“In my nearly 20 years of operating Plaza Premium Lounges, I was able to make even more observations and conduct thorough research into the behavioural and spending patterns of our customers. People have many subtle and unspoken requirements. If there isn’t a product or service to meet these requirements, people will just suffer through it. But the moment you pioneer a solution, people will definitely go for it,” says Song.

In this regard, Aerotel is quite different from the more popular Plaza Premium Lounge. The lounge is where a passenger can sit and rest for a couple of hours, says Song. But thanks to his penchant for quiet reflection and careful observation, he noticed distinct types of travellers whose needs were not being taken care of yet. First are the passengers in transit.

“If they have transit times of about four hours or more, and particularly right after a very long flight, they may need a quiet place to sleep. Yes, we have the Plaza Premium Lounge, but it may be uncomfortable to sleep there. This class of passenger wants a proper room, but does not want to have to pay for a full day. However, hotels only charge in blocks of 24 hours, regardless of how many hours you use the room. So, this niche — providing hotel facilities at sub-24-hour blocks to weary travellers — was something I knew we could get into,” says Song.

There are also passengers who arrive at their destination airport very early in the morning after a particularly long flight. Unfortunately, hotel rooms that have been booked in advance are not always available when needed. “Now, the passenger has to wait between 5am and 12.30pm before they can make their way to the hotel. Having been on a long flight, they now have a seven-hour wait ahead of them before they can get to their room to shower and rest,” he says.

The third type of passenger is the one who lives a few hours away from the airport, but needs to catch a very early flight. “Can you imagine how early you need to wake up for a 6am international flight? You would need to be ready to leave your house at 1am or so. Now, with our Aerotel service, a passenger can simply check in at 10pm the night before, enjoy a full night’s rest and wake up well in time for the 6am flight,” says Song.

Everything about Aerotel (and Plaza Premium Lounge for that matter) is meticulously thought out with the passenger’s comfort a top priority. “Passengers in transit have very specific requirements that traditional hotels cannot serve. They do not want a



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"After our meal, I would routinely ask them for their observations of the buffet. I asked them to observe where the cheaper, more filling food is situated. Then, I would ask them to notice where the more premium items such as seafood and the meat selections are located. How would they arrange the buffet if they were in charge of the restaurant? I would have them explain their rationale to me and together, we would have a discussion about the restaurant," he says.

"Everybody can do this, but you must put it into daily practice. Observe your surroundings and engage in mental mapping. With enough practice, you will eventually be able to develop an expertise in your chosen industry."

Key to training one's powers of observation and mental mapping, however, is looking out for what Song refers to as "efficiency gaps". "Whenever I am invited to lecture to students, one thing I always tell them is to 'look for crises'. When there is a crisis, there is an efficiency gap," he says.

"Observe the problem, draw a mental map of all the inefficiencies you notice and branch out from each of these inefficiencies with a series of solutions. If all you do is copy what others are doing, you will never be successful, much less lead the market. I love a crisis. When there is a crisis, I am always compelled to study it."

Speaking of crises, Song found himself in the investment banking industry in the early 1980s. Following a period of study and a few short working stints in England, he ended up at the Lehman Brothers office in Hong Kong. "I hated investment banking," he admits.

Lehman Brothers' ultra-competitive and toxic work environment is now well documented and Song bore the full brunt of it. "Although I was deemed a fast rising Asian in an international investment bank who constantly outperformed my peers, it did take me some time to be made senior vice president of investments in the Hong Kong office."

The punishing hours, office politicking and isolation endemic in big cities like Hong Kong finally convinced him to walk away. "Working in an environment like that changes you for the worse. You become prone to saying and doing things that you end up regretting later. I finally decided to walk away from investment banking in 1990," he says.

A BILLION REASONS TO WALK AWAY

Song has been in the airport lounge business for 20 years now, having almost singlehandedly created a new subsector in the travel industry.

"Consumers are more affluent and their tastes are becoming more refined. Where once the best thing about an airport was simply being able to watch planes on the runways, today's international airports are all about creating memorable experiences for passengers."

Flying is more than just a mode of transport, he adds. It is a lifestyle — one that is no longer the exclusive domain of the rich and famous.

At 62, he remains in the business because he wants this to be his legacy.

He has had plenty of opportunities to sell. Private equity offers have come in thick and fast. "The last offer I received came sometime last year. A private equity firm offered me US\$1 billion to sell outright. I rejected that offer, and all the previous ones, out of hand. I am still a *kampung* boy. I don't care for private jets and lavish lifestyles. I am still more comfortable having a *roti canai* at my local *mamak* than fine dining. And I don't need the money. This business is my baby," he says.

"There are thousands of international airports in the world today and I am operating in less than 5% of the market. My 20 years of slogging amounts to just this tiny sliver of a multitrillion-dollar industry. The scope for growth here is tremendous, but I know that even the next three generations of my family will not be able to capture the whole market." **E**

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swimming pool or a large fitness centre. They also do not require particularly large meal selections. However, the rooms need to be soundproof, have top quality mattresses, a selection of firm and soft pillows and shower facilities with strong pressure and hot water," he says.

TO LOOK, BUT NOT SEE

It takes patience and practice to observe patterns and distil insights. Laser focus and keen powers of observation are not inborn. These traits are developed, often unconsciously, over a period of years, decades even. A self-confessed extrovert, Song is nonetheless able to silence his thoughts and simply take in his surroundings, sometimes for hours at a time.

He started small, quite literally. The second youngest in a family of 13 siblings, he is the quintessential Malaysian *kampung* boy. Everyone lived under one roof in a village in Sungai Udang, Melaka. Home life was boisterous, to say the least, and the family had to make every ringgit count.

"My father came from Guangzhou, China, while my mother was a local. They ran a simple *kedai runcit* in the village, selling daily provisions to the locals in the area. We were just about self-sufficient," says Song.

Village life was simple and in those pre-internet days, children had to make their own fun. In fact, Song made his own toys.

He and his siblings would go hunting for spiders in the bushes. Then, they would pit the arachnids against each other and keep the eight-legged combatants in discarded matchboxes.

A football was just balled up bits of paper wrapped

in tape. Fun also came in the form of stealing *rambutan* from neighbouring farms and fishing in the padi fields. Having fun (without getting caught) took some prep work, foresight and planning.

"People look, but they don't see. Now more than ever, technology and cost reductions allow us to fill needs and solve problems," says Song.

"When you are sitting down somewhere, you should engage your mind in something the management gurus refer to as 'mapping'. Observe people around you, notice a problem or something in your surroundings that appears out of place, and mentally map out the problem," Song suggests.

It is hardly typical behaviour, but he confesses to spending hours at a time in top-tier hotel lobbies. "All I do is observe what is going on around me. I sit down in a place where I have the view of the entire lobby," he says.

"I notice the architecture and colour combinations in the space. What about the use of furniture and shrubbery? Do they match the space's overall aesthetic? How do I feel in this space? Am I comfortable or do I feel stifled, somehow 'rushed'?"

"In certain environments, you tend to feel quite at ease and comfortable, whereas in other spaces, you sometimes feel quite uneasy. We never take the time to notice these subtleties, so we never question the feelings they give us. But it was in these quiet moments that my best solutions were created."

The art of observation has proved so successful that Song spent a lot of time developing this skill in his own children. When they were young, he enjoyed taking them out for buffets.