



SO MANY EGGS, SO MANY BASKETS: ADAM SCHWAB

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“At a top tier firm like Herbert Smith Freehills, so much rides on getting the details right”. Herbert Smith Freehills alumnus Adam Schwab, co-founded Luxury Escapes, ranked as Australia’s fastest growing company (twice) by The Financial Review and one of the world’s most exciting travel businesses.

Last October, Schwab took the surprising step of opening a physical storefront for Luxury Escapes, going from a digital-only business to operating a bricks and mortar store in Melbourne’s Little Collins Street. We are delighted to share Adam’s story with you.

In August Australian retail sales suffered their biggest fall in nearly five years, while all around once thriving shopping strips have become a veritable sea of ‘for lease’ signs and opportunistic pop-up shops. In such a doom and gloom commercial environment what sort of entrepreneur would take a chance on going from a digital-only business to opening a bricks and mortar store? Does Adam Schwab know something the rest of the world doesn’t?

Perhaps not, he says, but he prides himself on having a business model that is predicated on being agile and able to try new things. And quickly too. Which makes complete sense the moment you meet him. Schwab is a dynamo – he’s a marathon runner and one of Australia’s Top 45 Influencers, according to Men’s Style magazine in 2014, and in 2010 wrote a best-selling book, aptly titled, Pigs at the Trough. And he can speak more quickly than most people can even think. For his day job, Schwab co-founded Luxury Escapes, ranked as Australia’s fastest growing company (twice) by TheFinancial Review and one of the world’s most exciting travel businesses.

The former lawyer left Herbert Smith Freehills at the age of 25 to set up a backpacker apartments business with ANZ credit trader and school friend, Jeremy Same. There was no clear overarching plan in the early days, he says. “We did whatever we thought was the best move at the time,” he says. “We had no set playbook... we just wanted to be able to keep up with what professional services were earning at the same age.

“But if we were able to build a business that generated cash flow and profitability... That was the driving factor,” he recalls.

But having no plan is not the same as having no clue. Schwab says above all else their approach has always entailed a willingness to roll up the sleeves and put in the hard yards. “We’ve always been pretty gritty in how we operate,” he says. “We’ve been willing to do whatever it takes, it doesn’t matter how boring or uninteresting the job is. In the early days, we spent years putting together flat pack furniture and showing people through apartments, it was almost as manual as you could get, but it showed us the value of a business that could scale.”

They began with the apartments business, which morphed into corporate apartments, before adding a restaurant ordering company to the online mix and at every turn Schwab was happy to cover every area, handling customer support, finance queries, IT, product management and more in those early days.

He believes his legal background gave him invaluable experience when it came to running a business. “At a top tier firm like Freehills (legacy), you just can’t make mistakes... because so much rides on getting the details right. Apart from maybe medicine and probably engineering, no other professions have that kind of level of specificity required.”

His training also helped with bargaining. “You just don’t get bullied into negotiations or any kind of agreement.”



So when a firm like Luxury Escapes decides to come out of the digital space and open a retail frontage you can be sure Schwab has done his homework.

Last October, he and Same took the surprising step of opening a physical storefront for Luxury Escapes in Melbourne's Little Collins Street. There were some very specific reasons for doing so. "We've always found that touching customers directly is super effective," he says. "Graham Turner, who founded Flight Centre, calls his stores 'big billboards'. But one of the big issues we've always faced in the luxury escapes business is getting customers to trust us and see that it's not too good to be true. A lot of people see our advertising and say, 'That can't be right. How are you so much cheaper than Expedia?' That was a big driver of it. It's still early days and our aim was to take the store around the country rather than necessarily leave it in the Melbourne city permanently."

The store isn't the only physical manifestation of the brand. It's also supported by roadshows. Schwab discusses a recent event in Brisbane where a dozen or so staff members explained Luxury Escapes' modus operandi to more than 1000 travel devotees, some of who drove for four hours to see the show.

The key though is adaptability. "The nature of how we operate is we're always trying things. If something doesn't work, that's fine, but we want to be able to measure it." He describes the bricks and mortar store as "a \$100,000 experiment".

"We'll cover that in margin, and then obviously how we go in activations is what will determine what we do going forward."

Schwab's focus for Luxury Escapes is to continue to solve two problems - for its three million customers, and thousands of hotel partners across the globe. "For our customers, we make buying travel easy - instead of choosing between 50,000 hotels, with very little content - we spend a huge amount of time curating the very best travel packages, so our members can choose from 30 of the world's best holidays at any given time, with prices usually half of what virtually every other travel agent sells for."

For hotels, Schwab explains, "We are able to generate significant incremental profitability for our hotel partners - in essence, we're now a key marketing channel and have worked with virtually every big brand globally, from Park Hyatt, to One&Only, Kempinski, Four Seasons, Ritz Carlton and Hilton."

Of course, it has to be remembered that, while travel is increasingly organised online, the category still has a clear presence in high streets, via companies like the aforementioned Flight Centre. “It’s a huge business,” stresses Schwab. “They’re probably not growing like they did in the 80s, because they’re a much more mature business now, but they still have, I think, a \$20 billion turnover. They’re a giant in Australia.”

Luxury Escapes is much smaller (although growing at a fast clip, and in December, acquired the travel assets of the Catch Group), but its strong point is extremely high net promoter scores, says Schwab. “Our customers like us more than anyone else’s customers like them. So our net promoter score is 73, which means about 90 percent of our customers recommend Luxury Escapes to their friends, whereas the average in the travel industry is a 20 or 30.”

And when those customers can now visit a store modelled on a high-end airport lounge that promises free Wi-Fi, an on-site masseur, a barista, snacks, virtual reality goggles and a free BMW transfer service for members, the chances are those recommendations are only going to rise.