
The boutique and lifestyle hotel report 2015

Edited by Sue McKenney



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Sue McKenney

THE EDITOR

Sue McKenney is the Director of Mckenney Research, which was established in 2011. Sue is the former Research Manager for Deloitte Corporate Finance Hotels team, a position she held for over eight years. Prior to this, she worked as Research Manager for Travel & Tourism Intelligence, researching, writing and editing publications such as Travel & Tourism Analyst, Travel Industry Monitor, Country Reports and The International Hotel Industry Report: Corporate Strategies and Global Opportunities, second edition. Sue also has over ten years hands on experience in the hotel industry. She holds a MSc. in Tourism Management from Sheffield Hallam University.

Introduction

After decades of brand standardisation, in which leading hotel companies such as Marriott International, InterContinental Hotels Group (IHG), Hilton Worldwide and Starwood Hotels & Resorts Worldwide provided consumers with a consistent product, the boutique concept was launched during 1980s and what started as a niche product has over the last thirty years become a global phenomenon.

This report aims to bring some clarity to the global boutique/lifestyle hotel sector, starting by looking at some of the key innovators of the boutique concept, who each in turn brought something to the sector.

The difficulties in defining the sector are considered and given these difficulties, the main characteristics of the boutique hotels are reviewed, giving examples how they differ from the standard hotel product.

The concept of boutique hotels and added value is discussed. Boutique hotels are often not just about developing a new hotel product, but this development has often led to them adding value not just to the building but also the neighbourhood it is situated in.

Hotels as an investment vehicle have grown in importance over the last decade or so, and despite of the global economic slowdown, investment in the sector has continued, the report provides details on recent transactional activity in the sector.

Also new for this edition of the report is a discussion on social media and its usage in the boutique and lifestyle sector.

Finally, trends and issues that impact the industry are discussed.

This is followed by 'boutique brand bytes', snapshots of many of the boutique companies /brands/concepts. They are broken down into boutique/lifestyle brands, resorts, global brands, design-led brands, eco-friendly, health conscious and budget boutique hotel companies.

Characteristics

Seeing that it is so difficult to define exactly what is a boutique hotel, then it may be easier to discuss the characteristics that these product have in common.

City location¹³ – Good locations for boutique hotels are not determined only by manner of convenience, but also by the trendiness and chicness of the respective neighbourhoods. Most existing city boutiques are located in ‘happening’ cities such as New York, London, San Francisco and Miami. However, in recent years more and more companies are targeting other smaller cities that still have strong potential for boutique hotels; cities with vibrant economies and high-end residential areas but just has standardised hotel inventories. The style and design of city boutique properties are different to that of its resort counterparts. Technology has a strong focus either with lighting and music or technology that is provided for the guests (such as in-room DVD players, flat screen TVs, cordless phones, and high speed internet access. The entertainment in the boutique hotel is also important in creating a lively, chic and trendy atmosphere. Entertainment is not just live music and performances, but the idea of a boutique hotel is entertainment in its own nature; hip restaurant, lounge, and bar; its theme or decor.

Resort location¹⁴ – boutique hotels in resort destinations are exotic, small and intimate. These hotels give their guests the chance to explore the local feel without sacrificing luxury. Although location is just as important in resort destinations as in city destinations, the word ‘trendy’ has a different designation in this matter; if location should be centrally in the case of city boutique hotels, trendy resort boutique are generally well-hidden, tucked away in deserted corners. Often the more difficult a destination is to reach, the more fashionable the location is considered. In boutique resort destinations, service is generally more important than it is in boutique city destinations.

Size – does it matter? Many industry commentators feel that size is an important factor when determining a boutique hotel. However, they appear to range from very small in double figures up to more than 600 rooms.

Some argue that it is difficult to over the personalised service that the concept is renowned for at such high levels of rooms in the 400 to 600 range. For example Marriott’s Autograph Collection ranges from 3,000 room The Cosmopolitan Las Vegas to a 15-room retreat.

Experience – most boutique/lifestyle hotels aim to offer the guest some type of ‘experience’. Bjorn Hanson, global hospitality leader for PricewaterhouseCoopers, said that experience is mostly being aimed at younger generations, with more natural materials and fabrics, food geared toward “grazing” rather than dining, a greater emphasis on technology and common areas that offer guests a variety of places to congregate. (Even when tethered to their laptops, Mr. Hanson says, younger travellers seek out social environments more than their elders¹⁵)

Schrager defines boutique as an approach and attitude. He places the emphasis on entertaining his guests by creating a theatrical atmosphere that attracts all the senses: through architecture, design, colour, lighting, art and music.

Architecture and design – style, distinction, warmth and intimacy are key words in the architecture and design of boutique hotels which appear to attract a set of consumers looking for something different to fulfil their needs. Boutique hotels are not standardised, they are individual and unique. They often have a theme and this runs throughout the whole hotel even to different guest bedrooms all designed along a similar theme.

Service – boutique hotels feels that what differentiates them from standard hotels is the connection that hotel guests experience with the staff. Personalised service is considered to be a key aspect.

Target market – customers are generally in their early 20s to mid-50s, with mid to upper income averages. Some have different target markets, for example Ian Schrager aims his products at creative people.

¹³ HVS International, The Definition of Boutique Hotels; 2001

¹⁴ HVS International, The Definition of Boutique Hotels; 2001

¹⁵ The New York Times; Hotel as Lifestyle, May 2007

IHG classifications

Research for IHG by the futures company suggests several new types of traveller classifications²²: These are:

- **The new global explorers** – over the coming decade new explorers will become more regionally diverse as more people from CIVET countries (Colombia, Indonesia, Vietnam, Egypt and Turkey) and Africa start to be able to afford to travel.
- **New family groups** – Across the globe the traditional family unit is becoming more fluid in structure. Demographic shifts that have long been shaping social units in mature markets are extending to emerging markets. In Asia, women are increasingly marrying later and putting their careers first. In Western markets, extended family travel – traditional in emerging markets – is becoming more common.
- **Younger 'laptop and latte' workers** – with Millennials making up more of the workforce, this generation is now challenging the norms of business spaces in hotels. Often with no set location, no set hours, these younger business travellers are used to not having an office, and they do not mind sharing work spaces as long as they have some privacy. In the coming years, there will be growing demand for 'laptop and latte' working lounges in hotels, where these new business travellers can enjoy the company of fellow travellers while getting work done.
- **Expansive midlifers** – the appetite to travel is great among this group, often to make up for the more limited travel opportunities before gap years and cheap flights were common. This group of travellers does not want to be identified purely by their age. Revolutionary medical research, healthier lifestyles, longer working lives and technology have resulted in an expansion of the mid-life period and, as a result, age is increasingly just a number to the over 50s.

INDUSTRY INSIGHT: There is a lot of marketing hype surrounding the changing needs of different generations of consumers. Marketers come up with all sorts of fancy definitions about what Generation Y or Millennials want.

When the surface is scratched, however, it seems younger guests want pretty similar things to all other guests – a good night's sleep in a comfortable bed and an effective shower. The main development in the past decade or so is that Wi-Fi is now as high on the list as the shower and bed.

Source: Hotel Analyst Perspective, Issue 23, November 2013

INDUSTRY INSIGHT by Chris Bown: There are signs that the simplistic concentration on Millennials, Gen X and Gen Y is being replaced by a more finessed look at today's hotel customer. Defining people by their age is now starting to look old hat: Generator Hostels says their customers are "young at heart" rather than actually young – and they could be staying in a W hotel the next week, if they fancy something more highbrow. Similarly, Accor boss Sebastien Basin says he invested in trendy French brand Mama Shelter after staying there himself – and not feeling like a fish out of water.

For the larger hotel groups, the desire must be to create a portfolio of brands that feeds this desire to be corporate one day, informal at the weekend; all are connected to the same loyalty programme, and hopefully will meet the guest's differing needs.

But the proliferation of brands risks confusing the customer. And it gives greater opportunities for the behaviour of the younger generation – as noted by research studies – to be less concerned about brand loyalty.

Hilton is heading for a dozen brands in the market; the others look to be following suit. Over at IHG, while new brand Even Hotels has been added, the new regional brand Hualuxe is about to start rolling out in China, designed around a regional culture. The coming months will tell whether this revised approach delivers.

Source: Hotel Analyst Perspective, issue 5, February 2015

²² The new kinship economy: From travel experiences to travel relationships, 2013

Memorable failures

Hilton's lifestyle brand Denizen

A legal battle between hotel chains Hilton Worldwide and rival Starwood Hotels & Resorts Worldwide, which included allegations of corporate espionage and stolen trade secrets, ended in a settlement that cost Hilton some bruising concessions.

Hilton, which was accused of pilfering proprietary information about Starwood's successful W hotels in order to build its own luxury boutique chain, agreed to stay out of that market segment until January 2013. Hilton also agreed to let an outside monitor make sure it returned any stolen files and other documents to Starwood. Additional terms of the settlement were confidential, but the New York Times reported that Hilton also agreed to pay Starwood US\$75mn.

Starwood alleged in a lawsuit that when its former employee Ross Klein left the company in 2008, he took thousands of pages of documents to help Hilton launch a lifestyle brand similar to Starwood's W chain. In 2009, Hilton CEO Nassetta hailed Klein as a "creative genius" when the company announced the concept for a chain of sophisticated, upscale hotels to be called Denizen.

Starwood sued in federal court in Manhattan for misappropriation of trade secrets, accusing Hilton of using stolen materials to quickly launch its new brand. The lawsuit alleged that during his final days at Starwood, Klein used a personal laptop to download thousands of pages of company data, including demographic studies, financial reports and other records related to plans for W hotels. The lawsuit also alleged that 44 executives at the highest levels of Hilton had read the stolen materials before launching Denizen.

After the lawsuit was filed in April 2009, Hilton ditched the Denizen brand and fired Klein after 11 months on the job. Hilton disclosed that it had received a grand jury subpoena requesting any Starwood materials in its possession that may have come from Klein or another Starwood employee, Amar Lalvani. Criminal charges were not filed.

In the settlement, Hilton agreed to several concessions. Among them: Hilton will not launch any luxury boutique hotels in the next two years in areas where it had planned to launch Denizens, and it will not compete with Starwood in the luxury boutique hotel business for two years. It also said it would refrain from hiring any Starwood executives or managers for two years. And it agreed to submit to supervision by a court-appointed monitor, who is to ensure that Hilton returns any stolen materials and does not use any information in such materials for strategic purposes²⁸.

Le Méridien Art and Tech

Art + Tech was the brainchild of former Le Méridien chief executive Juergen Bartels who believed that business travellers were tired of staying in similar rooms no matter where they travel and would like to see hotels with more individuality and design flair.

Bartels worked on the Méridien project since November 2000, shortly after Britain's Compass Group, owners of Méridien and other hotel chains, decided to divest its hospitality businesses. Nomura, a Japanese investment bank acquired Méridien. With financial backing of approximately US\$1.3bn, Bartels wanted to push Le Méridien into what some call the boutique segment, but he chose another word. "We want to occupy the territory of cool hotels around the world," said Bartels²⁹.

The dramatically different Art + Tech room, which offered the increasingly sophisticated traveller the ultimate in innovative luxury with a touch of flair. The Art + Tech room concept was underpinned by the use of technology and meticulous detailing. The creation of a space that will not only provide luxury accommodation but an environment that will engage and surprise the customer.

The "art" of Art + Tech described a minimalist, modern setting in bold but simple colour palettes with art such as etched glass designs over the bed and twisted metal chandeliers overhead. The "tech" half of the concept includes free-standing plasma-screen televisions with video and music on-demand as well as on-line billing. The rooms also offer free high-speed Internet access; electronic "do not disturb" and "service" display screens outside the room; electronic lighting controls for any mood; and an in-room safe that could store and recharge a laptop.

Art + Tech rooms, used modern styling much different from the usual Méridien look. Plasma screen televisions, power showers, and 100-gram bars of soap figured into the design. Bartels believed these rooms, of which there were to be 5,000 installed among Méridien hotels throughout the world, would be a boon to the group's image and profitability.

Those hotels that were given the Art + Tech concept continue to operate, however the ambitious roll out plans were severely impacted by the downturn caused by 9/11, which led to the Le Méridien brand being sold to Starwood Hotels & Resorts in 2005. There was also negative press coverage regarding the fact that the Art+Tech rooms were not practical particularly for housekeeping.

28 <http://articles.latimes.com/2010/dec/24/business/la-fi-1224-hilton-starwood-20101224>

29 <http://www.travelweekly.com/Travel-News/Hotel-News/Bartels--cool--with-new-image-for-Le-Meridien/>

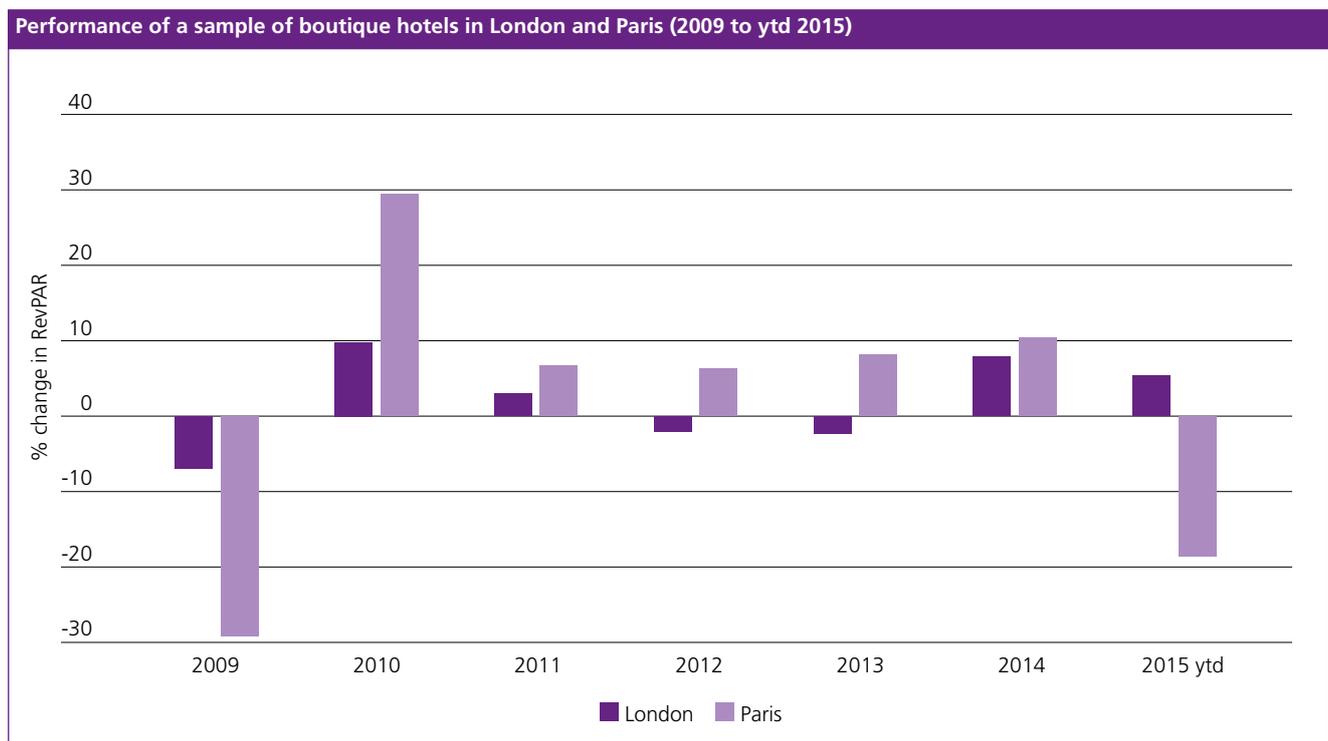
So how do boutique and lifestyle hotels perform?

In data provided by STR Global on boutique hotels in the two key markets of London and Paris, it can be seen that over the past six years in both markets, occupancies have remained around 75-79% mark for London, and have risen slowly between 2009 and 2013 to 78% in Paris.

Both markets registered a decline in RevPAR in 2009 due to the economic slowdown, London's decline was driven solely by a drop in ADR of 9%, while Paris saw a fall of 29% driven by both decreasing rate and occupancy.

Since 2010, Paris has seen growth year on year in RevPAR however, ytd 2015 figures give a RevPAR decline of 19% driven by 16% drop in ADR. This was attributed to the dramatic events at Charlie Hebdo and Porte de Vincennes. The impact was particularly visible in the most prestigious categories of boutique and luxury, where the mostly-foreign clientele preferred to postpone travel.

London, on the other hand, registered good RevPAR growth during 2010 to 2012, but after declines in RevPAR in 2012 and 2013, 2014 saw a return to positive territory, with an 8% increase in RevPAR, driven primarily by rising average rates.



Source: STR Global

In a recent survey by PKF Hospitality' Research, the superior performance of the boutique class is evident.

At the national level in the US, boutique space reflects an occupancy premium of approximately 13%. The boutique sector also exhibits strong growth in RevPAR. In 2012, 2013, and 2014 RevPAR is trending at 6.3%, 7.4%, and 8.8%, respectively, exceeding national averages, for the sector at large, in the last two years.

The demand in growth for boutique rooms is predicted to exceed the growth for traditional hotel rooms and the growth in demand for boutique hotel rooms will continue to exceed the growth in supply through 2015 with RevPAR premiums continuing through 2017.

Boutiques offer owners another distinct advantage. While comparable in payroll expenses and income from room rental and food and beverage, boutiques spend, on average, \$7,564 in marketing per available room each year compared to \$8,620 for branded hotels. This savings largely results from the avoidance of marketing fees levied by national brands for access to their reservation platforms³¹.

31 <http://www.thefreelibrary.com/Boutique+hotels+reaching+new+heights.-a0357262820>

Social media

Introduction

Social media refers to the means of interaction among people in which they create, share, and/or exchange information and ideas in virtual communities and networks. Another definition from Andreas Kaplan and Michael Haenlein define social media as “a group of internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user-generated content.” Furthermore, social media depends on mobile and web-based technologies to create highly interactive platforms through which individuals and communities share, co-create, discuss, and modify user-generated content. It introduces substantial and pervasive changes to communication between organizations, communities, and individuals³².

Traditional advertising methods are not considered appropriate for the new global online community. It is all about communicating the brand rather than advertising. And the methods used to get this message across are changing. The focus is now on social networking, on sites such as Facebook, and Twitter.

However, this is not just a fad, it is already considered a large market and one which can prove to be a legitimate way to conduct business for hotels.

Social media research

In this edition of the report, the boutique bytes also investigated which social media the different brands used on their websites. The results are listed below:

	Facebook	Twitter	YouTube	Pinterest	Instagram	Google+	Four Square	Weibo	Flickr
									
Boutique/Lifestyle – US									
Morgans Hotel Group									
Joie de Vivre Hotels									
Thompson Hotels									
Alila Hotels & Resorts									
Public									
Boutique/Lifestyle – Europe									
Red Carnation Hotels									
Firmdale Hotels									
Malmaison									
Hotel du Vin									
Derby Hotels Collection									
Sorat Hotels									
Franklyn Hotels & Resorts									
Eton Collection									
Chapter Hotels									

32 http://en.wikipedia.org/wiki/Social_media

Predictions for 2015

Boutique Hotel News give the following 'hot' trends for 2015:

Mobile payments – turn the moment of payment into a moment of delight

Those hoteliers planning to simply accept mobile payments in 2015 will fall behind the curve. Be first to embrace m-payments to facilitate new ways to share and split costs, increase competitive advantage and add a new dimension for hotel guests in the process.

2015 will be the year when mobile payment platforms and tokenisation become commonplace. In the US Apple Pay saw 1 million cards registered in its first three days after launch in the US and Starbucks now processes 7 million mobile payments a week. In addition, there are forecast to be 450 million mobile payment users by 2017, up from 245 million at the end of 2013.

Bill splitting, and the use of new forms of real-time tools and data to help consumers seamlessly share costs will be the millennial traveller norm. A recent JWT study found that 45% of millennials in the US & UK would like to use their mobiles to split bills with friends and not just for products, but services and experiences too.

Chameleon socialites

There has been a lot of research conducted to gain insights on consumers' social media behaviour patterns and changes in consumers' behaviour are happening continuously. Consumers around the world are constructing their own identities more freely than ever – some adopting different personalities based on the type of device and social network they're engaging with. They perceive the use of different channels as an integral part of their daily lives. Research into social media behaviour reveals that Twitter and Facebook users fall into 12 different social media personality types.

As a result, consumption patterns are no longer defined by 'traditional' demographic segments such as age, gender, location, income, family status and more. It's time to disregard the traditional (and tired) demographic models of behaviour. Yes, younger, affluent hotel guests are still (usually) the earliest adopters of innovations and change – take a look around a 'poshtel' or 'budget chic' hotel lobby and you'll see those guests in droves. But now successful boutique and lifestyle hotels and brands will transcend their initial demographics almost instantaneously with more personalised offerings. It will be interesting to see how recently launched brands looking to penetrate the sector like Vib by Best Western will engage their guests.

Sympathetic pricing

It has been seen that hotel guests will embrace spontaneous generosity and rewards for good behaviour, and how hotel brands can step in and provide essential public services. Sympathetic pricing is one more totally practical way to show that hoteliers are in tune and are willing to put their money where their mouth is to engage and drive greater long term loyalty.

Only 30% of global consumers think brands make a sincere commitment towards their customers say Edelman, October 2014. Booking.com's moneyback guarantee and Premier Inn's good night guarantees aren't the most sincere but it's a start – show you care and address an eternal guest concern (price) and link this to a personal or meaningful cause.

Hub community connections

Guests and boutique and lifestyle hoteliers will increasingly feel the need to connect with humanity and the hotel's local environment as guests become tired of the incessant bombardment of virtual stimuli – which is distracting in itself, and the pervasive mobile connectedness taking over their lives. Look for accommodations acting like community portals – think post offices; community centres; libraries; pubs, clubs and more host (or hosting groups) variations, introducing guests to popular local experiences that could become part of the hotel's approach to content marketing and story-telling.

Guest-Laning

Expect time-starved guests to demand accelerated physical service options, especially from hotel brands they extend their loyalty towards.

After a year where on-demand startups embracing the power of mobile found favour with guests around the world, where will demands around customer service head next?

More boutique and lifestyle hotel guests – accustomed to total empowerment, will expect those hoteliers that they give a lot of money to, and therefore often spend a lot of time with, to provide an optional fast lane through on-site wait times. And we're not just talking check-in, think the queue at the bar, food and beverage orders, premium dining areas and more, not forgetting how to make profits from these services. Take a look at the Disney experience and how theme parks manage 'guest expectations' to maximise profits and the feel good factor.

Major hotel company's lifestyle brands continued

Edition

EDITION

Ownership

Marriott International

Background

2012 – Edition brand was created by Marriott in partnership with boutique hotel pioneer Ian Schrager. First property was Istanbul Edition.

2013 – Edition London was opened.

2014 – Miami Edition opened.

Concept

EDITION Hotels marks the next chapter in the lifestyle hotel story. The new Brand is conceived by Ian Schrager in a partnership with Marriott International. It combines the personal, intimate, individualized and unique lodging experience that Ian Schrager is known for, with the global reach, operational expertise and scale of Marriott. This delicate balancing act will encompass, for the very first time, not only great design and true innovation, but also great personal, friendly, modern service as well as outstanding, one-of-a-kind food, beverage and entertainment offerings... "all under one roof". The authenticity and originality that Ian Schrager brings to this new Brand coupled with the global reach of Marriott results in a truly distinct product that sets itself apart from anything else currently in the marketplace.

EDITION is an unexpected, refreshing collection of individualized, customized, one-of-a-kind hotels. The brand showcases the best dining and entertainment options, services, amenities and offerings for guests and locals in the know.

Each hotel with its rare individuality, authenticity, originality and unique ethos reflects the best of the cultural and social milieu of its location and of the time. Although all of the hotels look completely different from each other, the Brand's unifying aesthetic is in its approach and attitude to the modern lifestyle rather than its appearance. EDITION is about an attitude and the way it makes you feel rather than the way it looks. Sophisticated public spaces, finishes, design and details serve the experience, not drive it.

Supply and development plans

3 hotels – London, Istanbul and Miami

Pipeline of 17 hotels (4,539 rooms). These include New York (2015), Sanya, China, Bangkok and Gurgaon, India (2016); Abu Dhabi, Shanghai, Wuhan, New York (2017); Hollywood and Bali (2018)

Social media



45,000 likes



5,499 followers



Loyalty programme

Part of Marriott Rewards.

Sustainability

Marriott's environmental goals are to:

- Further reduce energy and water consumption 20% by 2020 (Energy 20% per kWh/conditioned m²; Water 20% per occupied room (POR). Baseline: 2007).
- Empower our hotel development partners to build green hotels.
- Green our multi-billion dollar supply chain.
- Educate and inspire associates and guests to conserve and preserve.

Budget boutique hotels continued

Citizen M



Ownership

The operating company is owned by four owners, of which CEO Michael Levie is one. The real estate is financed by ABP Dutch pension fund and KRC Capital, a private equity firm backed by Rattan Chadha.

Background

Founded in Amsterdam in 2009.

CitizenM is doing to hotels what IKEA did for furniture: using prefabrication to lower costs, using a process called industrial, flexible and demountable. Every room in a CitizenM hotel is pre-assembled in a factory owned by the brand in Holland. Designed by the Amsterdam architecture office Concrete, the rooms arrive on-site nearly complete. Each hotel (so far, Amsterdam, Schiphol, Glasgow, and the two forthcoming London locations) is made up of hundreds of identical rooms that have been stacked to create the finished building.

Concept

A collection of innovative concept, citizenM is a hotel driven by one desire: to create affordable luxury for the people. By "the people," we mean a smart new breed of international traveller, the type who crosses continents the way others cross streets. This includes the weekenders, the suits, fashion baggers and affair havers. The explorers, adventurers and dreamers. Those who travel the world with big hearts and wide eyes. Those who are independent, yet united by a love of the five continents. Those in search of business, shopping or art. In short, everyone who is a mobile citizen of the world. Most likely, that also means you.

"to create a luxury contemporary hotel for the cost conscious traveller"

"affordable luxury for the people"

Supply and development plans

7 hotels open in London, Glasgow, Rotterdam, Amsterdam (2), Paris and New York.

Social media



135,000 likes



24,700 followers



FOURSQUARE