

CASE STUDY

Boutique Hotels

Currently, there is no one definition of a boutique hotel; however, most people think of a boutique hotel as a small, upscale hotel with a hip environment where the customers feel connected to the staff.

The beauty of the boutique segment is that it provides a wide range of opportunity for developers. Unlike the name implies, boutique properties no longer have to be small to fit into the category; they can have hundreds of rooms. What hotels do need to have to enter into the expanding segment is panache, some roster of unique features, services, or amenities that sets them apart and easily confirms that sense of exclusivity upon guests by association.

—*Stefani C. O'Connor, Executive News Editor, Hotel Business, 10/06*¹

Even though people seem to disagree on the definition of boutique hotels, most commentators agree that they have four major defining characteristics.

First, as a general rule, boutique hotels put more emphasis on design and architecture than traditional chain hotels.² Incorporating cutting-edge design and décor and featuring celebrity architects and designers' work, boutique hotels look very distinctive inside and outside. These interior and exterior designs create the "personality" or "identity" of each hotel.³ For example, each guest room in Library Hotel in New York City has a different theme, such as romance and music. The goal of these hotels is to create a unique, intimate, and stylish environment that makes every single stay different, even for repeat guests. Boutique hotels try to entertain their guests by creating a theatrical atmosphere that attracts all the senses through the use of design, color, lighting, aroma, and music.⁴

The second common feature is superior personal service.⁵ Intimacy and familiarity between hotel staff

and guests are emphasized; for example, a warm, caring attitude on the part of management and staff is encouraged, and staff members acknowledge guests by name.⁶ Also, boutique hotels are known to provide a higher quality and wider range of guest amenities; such hotel properties surpass the standard amenity set by providing whimsical offerings such as stuffed goldfish, pillow menus, and complimentary candies and nuts. Technology is also widely used to enhance the cutting-edge design, fashionable image, and convenience. Every room has high-speed Internet access, a flat-screen TV, a DVD player, and other latest technological gadgets.⁷

The third feature is the number of rooms. Most commentators agree that boutique hotels should not exceed 150 rooms to maintain the intimacy between the guests and the hotel staff, and the personalized attention by the staff. Recently, however, there seems to be no upper limit on the maximum number of rooms; for example, among properties operated by Ian Schrager, Paramount Hotel has 594 rooms, and Hudson Hotel has 821 rooms.⁸

The last characteristic is the market that is attracted to boutique hotels. These hotels generally target customers who are in their early twenties to mid-fifties, in the mid- to upper-income brackets. Also, these hotels' corporate accounts include media, fashion, entertainment, and advertising companies that are attracted to the trendy design and lively atmosphere.⁹

Although boutique hotels might vary in many aspects, they can be grouped into two types based on their location.¹⁰

The first type is city destination hotels. These hotels are in urban edgy and chic neighborhoods in major cities like New York, London, San Francisco, and Miami. However, even though many boutique hotels are still located in major cities, more companies have recently been targeting less cosmopolitan

¹ Richard Miller and Kelli Washington, *Hotels and Reports 2007*, (Georgia: Richard K. Miller & Associates, 2007).

² Lucienne Anhar, "The Definition of Boutique Hotels," HVS International, December 13, 2001, January 29, 2008; <http://www.hospitalitynet.org/news/4010409.print>.

³ Jones Lang Lasalle Report.

⁴ Anhar, "The Definition of Boutique Hotels."

⁵ Paula Drayton and Kristy Rodwell, "Boutique Hotels: An Australian Perspective," September 2001, January 29, 2008; http://www.hotel-online.com/Trends/Andersen/2001_BoutiquePerspective.html.

⁶ Harry Nobles and Cheryl Thompson, "What Is a Boutique Hotel?" December 2001, January 30, 2008; http://www.hotel-online.com/News/PR2001_4th/Oct01_BoutiqueAttributes.html.

⁷ Peter Jones, "Boutique Hotels," October 18, 2004, March 2, 2008; <http://hotel-online.com/Views/1000.html>.

⁸ Ibid.

⁹ Jones Lang Lasalle report.

¹⁰ Anhar, "The Definition of Boutique Hotels."

cities. Unlike traditional hotels, proximity or convenience is irrelevant for boutique hotels, but they are often located in cities with vibrant economies that are media or big fashion capitals to best attract their target market.

The second type is resort destination hotels. Located in well-hidden deserted corners of islands or mountains tucked away from the world, these hotels are smaller, more intimate, and less technology-focused. Unlike city destination hotels, the guest experience is based not on having cutting-edge technology, but on excluding it. Also, the more difficult it is to reach the destination, the more fashionable the location is considered. The goal of these hotels is to provide the ultimate “get away from it all.”

QUESTIONS

1. What are the operational challenges associated with developing new boutique hotels?
2. What can we learn from the mass customization of tangible goods (e.g., Lands' End or Dell) that can be applied to the mass customization of services (e.g., boutique hotels)?
3. How can boutique hotels maintain a consistent/standard level of service without compromising their unique/personalized service mission?

Source: This case study was developed by Melissa Reich and Ho Jung Kim under the guidance of Rohit Verma.