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**Boutique Hotels: Small is Beautiful;  
if in good taste, it can also be very profitable!**

According to a recent publication of "HOTELS" magazine<sup>1</sup>, the Leading Small Hotels of the World announced that within a month after the September 11 attacks, their reservations had returned to normal levels and no mass cancellations of future bookings had taken place. Also, one of the more recent additions to the chain experienced a sharp increase of new customers.

What makes these hotels preserve their customers at a time when the hotel industry is hit from mass cancellations? Further, what made these hotels gain market share at the expense of chains of large luxury hotels, even before the September 11 events?

The answer is simple and comes in two words: *boutique hotels*.

Even though the definition of a hotel as a boutique hotel is somehow arbitrary, there are some features that are necessary in order to qualify as such. Usually, a boutique hotel:

- is small in size, e.g. 30-50 rooms by European standards;
- has style, and attention to detail is paramount;
- offers a "total product" which is the combination of material and immaterial pleasures. Very important in this respect is personal service and non-standardized decoration, which may include themed rooms, antique furniture, original paintings etc.

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<sup>1</sup> e-version, October 12, 2001



- is usually located at a convenient and, possibly, trendy location in city centers or a “hidden paradise” in a resort area.

Based then on the above features, which are usually marketed as an “experience” and an “image” rather than a specific dry “product”, a boutique hotel builds its own brand loyalty, and has the ability to set prices higher than the rest of the luxury hotel market.

In other words, a boutique hotel offers comfort and personal service, allowing the customer to have a homely feeling. He does not feel like another impersonal number behind a closed door in a long corridor, but a familiar visitor in a friendly place. It is, therefore, hardly surprising that, for some time now, boutique hotels have been making inroads into the upper socioeconomic classes, which are a lot more demanding but also much bigger spenders when traveling and staying at a hotel. A comparative study carried out in the USA between 1995 and 2000 showed that:

- the increase in demand for boutique hotels was 14% annually, against 4% for the classic type expensive hotels;
- in 2000, the occupancy of boutique hotels surpassed that of classic type expensive hotels and reached 74%;
- the average daily rate was \$210 for the boutique hotels against \$150 for the classic type expensive hotels, while the RevPAR for both categories was \$160 and \$118 respectively.

No wonder then, that:

- John Jarvis, former CEO of Hilton International recently stated:

“If I was running a global brand today, my biggest concern in each of the cities would be the boutique, lifestyle hotels. They are taking away some market share and will continue to do so as people become more adventurous, want change and grow bored with the same carpet in Paris, New York and Rome that some of the big chains offer”



- some of the big hotel chains reacted on the basis of "if you can not beat them, join them", creating special brands that address the needs of the specific market, e.g. Starwood's "W" Hotels.

The development of a successful boutique hotel requires a substantial initial investment in furnishings, equipment and decoration that can easily lead to extra costs of at least 50% in comparison to the initial investment for a similar classic type expensive hotel. However, the return comes in terms of higher earnings per room, higher occupancy rates and significantly greater customer loyalty.

Parallel to the development of boutique hotels, various niche hotels have also developed, like art hotels, spa hotels or gourmet hotels etc.

Another variety can be considered the small "all-suite" hotels that have none of the exquisite decoration or styling of the boutique hotels but offer Value for Money in the form of a fully equipped modern suite rather than a simple room.