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A case study on the emergence of boutique and lifestyle hotels

by

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Part One

Introduction

Lifestyle and boutique hotels entered hospitality landscape twenty years ago. When they arrived, they were competing with the larger brands and chains and at first struggled to stay competitive (Sears, 2016). However, these hotels were eventually able to survive, and then compete, and then excel in the hospitality industry. Over the last five years, the supply of lifestyle hotel rooms has now increased at a double-digit annual rate (Skinner, 2016). And in 2015, both segments of hotels generated room revenues of over \$13.7 billion (Skinner, 2016).

Lifestyle and boutique hotels have brought back the elements of architecture, design, and authenticity to give guests a desire to travel again, and to experience something new (Craig, 2016). This case study will explore the reasons why lifestyle and boutique hotels have become so successful. This study will be achieved by interviews with expert witnesses across the platform of lifestyle and boutique hotel brands.

Purpose

Lifestyle and boutique hotels have emerged over the last decade to successfully compete with larger brands that were previously considered unconquerable ‘giants’ in the hospitality landscape. The purpose of this professional paper is to conduct a case study investigating the factors that have allowed lifestyle and boutique hotels to challenge and out-perform their larger rivals.

Objectives

This case study will identify key differences between lifestyle hotels, boutique hotels, and established brands; and determine what has made lifestyle and boutique hotels successful over the past decade. It will also discuss the existing industry definitions of lifestyle and boutique

hotels, the history of these developments, the characteristics of these properties, the growth of these properties, concepts of their service levels, marketing techniques, most recent innovations, and the new emerging competition. Through expert witnesses, the factors leading to the success of these properties will be better understood.

Justification

Lifestyle and boutique hotels are a relatively new area of lodging. With a new generation of travelers beginning to stay at hotels for business and leisure purposes, these hotels have become a commodity to which the larger brands are attracted. With new technology at the hands of travelers, they are able to obtain more information about lifestyle and boutique properties than was available in the past and therefore they are able to take the chance on a new experience rather than an accustomed brand they may be used to from past stays.

Constraints

Because lifestyle brands are newer type of hotels in the hospitality industry, there is not as much literature or research available. The very definition of lifestyle and boutique hotels may be variable, and existing research may be situational rather than generalizable. Only a limited number of interviews can be conducted, making it difficult to minimize the biases provided by individual interviewees. The interviewees themselves also vary in qualifications and knowledge which could limit the value of their individual answers.

Part Two

History of Boutique and Lifestyle Hotels

The first boutique hotels are believed to have been opened in 1981 (Anhar, 2009). Two of the first boutique hotels in the world, The Blakes Hotel in London, and the Bedford Hotel in San Francisco, opened in the same year. The Bedford hotel eventually spun off into a series of 34-boutique hotel properties, currently operating under the flag of one of the most eminent players in the boutique world today, the Kimpton Group (Anhar, 2009). In 1984, Ian Schrager opened his first boutique hotel in the Murray Hill neighborhood in New York City. Schrager is credited for the initial emergence of boutique hotel concepts as his first hotel evolved into the Morgan's Hotel Group (Bagiran, Kurgen, Maral, Ozeren, 2011). Morgan Hotels operated under the philosophy that they would model each of their hotels after smaller, boutique shops as opposed to monolithic department stores (Rosner, 2015). This is similar to, but slightly different than the model that Bill Kimpton pioneered for the Kimpton Group, wherein boutique hotels focused on a theme for each hotel, based on the property's neighborhood and property's unique characteristics (Rosner, 2015). For example, one of the first Kimpton properties, the Clarion Bedford Hotel in San Francisco, was modeled after a British theme. Bill Kimpton referred that people are generally anxious and lonely on the road (Rosner, 2015). The intimacy and personalized service were areas that the hotels would focus on to help people feel less lonely. The goal was to have the hotel team be an 'on the road' family to the guest (Rosner, 2015).

It is harder to pinpoint the emergence of lifestyle hotels. For instance, there is no academic link to the first specific lifestyle property. Part of the reason for this is that the definition of a lifestyle brand is difficult to determine. W Hotels by Starwood claim to be the first design-led hotel, connecting to guests through its programming, which might make it a

lifestyle hotel; but some would argue that W Hotels grew too fast with 44 hotels and 12,000 rooms in a matter of a few years (Higley, 2015).

The Boutique and Lifestyle Lodging Association's (BLLA) prevailing opinion is that a lifestyle hotel is another variant of a boutique hotel (2016). In the section that follows, we further explore the pre-existing definitions of both sectors.

Defining Boutique and Lifestyle Hotels

A large variable that exists when studying the trends of boutique and lifestyle hotels is defining each of these categories and understanding what differentiates them from other hotels. Intrinsic to the definition of boutique and lifestyle hotels is an understanding of their strategies to set themselves apart from larger brands and understanding how they evoke customer retention. Specific boutique and lifestyle hotel strategies allow points of differentiation in an increasingly competitive marketplace (Day, Jones, Felitti, 2013).

Unfortunately, for the purpose of research and academics, one single definition of this subset of hotels does not exist. Ricca (2015) defines lifestyle brands as a prescribed franchise of products that are adapted to reflect current trends. Ricca defined boutique hotels as being unique in style, design-centric, and either independent or affiliated with smaller brand segments.

In a Delphi study by Day et al. regarding the emerging definitions of boutique and lifestyle hotels, they determined that boutique hotels are best characterized as small, stylish hotels that offer high levels of personalized and experiential service; while lifestyle hotels are described as innovative and provide more of a personal experience than 'branded' hotels.

In a study by Aggett (2007), a thorough investigation of the similarities between the United Kingdom's boutique properties was performed. The similarities she noted were differentiated designs, unpretentious service levels, highly individualized attention towards

travelers, smaller size, often times thematic in nature, and contemporary offerings. A study by Anhar (2011) agrees. Anhar defined boutique hotels by studying the major players in the segment and observed that there was distinction and warmth in service levels, a high level of design, and a strategy to make each stay unique for their customers.

According Dev, Plaschka, Verma, & Victorino (2005), the emergence of boutique hotels features properties with contemporary or minimalist décor while offering many additional lifestyle amenities. Bagiran, et al. (2011) identified boutique hotel characteristics in terms of scale of the enterprise (small scale enterprise), a high level of customized services, reflecting the personality and style of the owner, designer, or entrepreneur.

The title “lifestyle hotels” is derived from the phrase ‘style of life’ that was coined fifty years ago by Alfred Adler. It refers to the goals people shape for themselves and how they reach those goals (Laws & Thyne, 2005). Adler suggested that lifestyle can be viewed as a pattern of living which influences and is reflected by consumption behavior. This could be the manner in which people live, allocate their time, delegate responsibilities, or spend their money. Thus, ‘lifestyles’ (or lifestyle hotels) has a reciprocal meaning to the commercial entities who have an intricate understanding of lifestyle markets, and this understanding enables these entities to develop effective marketing and service strategies (Laws & Thyne, 2005).

Finally, a study by Kosar (2014) concluded that a clear definition for lifestyle hotels has not yet been defined. In fact, most times, the term lifestyle is synonymous for a boutique property. The Boutique and Lifestyle Lodging Association (BLLA, 2005) concluded in a study that a lifestyle property combines living elements and activities into functional design, giving guests the opportunity to explore experiences that they desire. The prevailing opinion, according to industry experts from BLLA and Kosar is that a lifestyle hotel is another variant of a boutique

hotel. In fact, there are some individuals from BLLA that have stated that the term ‘boutique hotel’ could eventually be replaced with the term ‘lifestyle hotel’.

However, despite the obvious similarities, one should note the current differences between the current existing definitions. With all of these definitions, the key features that are recognized among both hotel types are adaptive environments and service cultures, personalized services with focus towards the individual travelers’ experience, stylish design features with contemporary approaches, smaller in scale, and leading the industry through innovations. While the segments have different origins and subtly different definitions, ultimately lifestyle and boutique hotels are so similar in product offerings and service approaches, for the purposes of this study they will be considered one single hotel segment.

Emergence of boutique and lifestyle hotels

Despite the subtle differences in specifically defining the segments, each of the areas continue to see substantial amounts of growth in inventory demand, average daily rates (ADR), occupancy levels, and Rev Par index, specifically over the last decade (Ricca, 2015). Their service scores have outranked hotels in their competitive sets year after year, proving that experiential travel is an area worth exploration by today’s generation of traveler. In addition to service concepts that further allow customers to explore their specific interests, specific marketing to those demographics and service innovations that cater to their target customers has only assisted with the growth of these segments.

Growth

The growth of the boutique and lifestyle hotel sectors within the hospitality industry has been one of the most watched trends in recent years (Day et al., 2013). Collectively, these two hotel sectors are an \$11.5 billion industry and are still growing, according to a report by the

Highland Group (Sullivan, 2015). Demand has increased for boutique and lifestyle hotels, especially over the last six years, clearly since the recession (Sullivan, 2015). For properties with 300 rooms and under, demand grew at an annual average pace of nearly 20% from 2009 – 2016- far above the rate of overall US hotel’s demand growth of 4.2% (STR Global, 2016). After decades of brand standardization, in which chains such as IHG, Marriott, and Hilton provided consumers consistency in lodging products across the marketplace, there is growing attention to differentiated offerings in the lodging sector (Skinner, 2016). The growth of both of these categories has become a national phenomenon.

Ricca reports that boutique hotels’ RevPar (revenue per available room) in 2014 was \$64,439, while lifestyle hotels was at \$46,483- both segments 6.7% ahead of all other chains’ growth in the same year (Ricca, 2015). Occupancy levels for these segments are growing at double digit increases year after year, averaging at 13% (Trotter, 2014). The growth in both supply and revenue for these segments as compared to other hotel segments across the US is staggering. The massive growth of these segments raises the question as to why customers are preferentially selecting these hotels instead of the established chains.

One battleground of particular interest in the industry is repeat business. Despite the fact that customer retention is highly competitive among hotels, the majority of properties in the lifestyle and boutique categories have no customer rewards program to incentivize travelers with points or miles. Nevertheless, these properties have success with new and repeat customers (Ricca, 2015). This is contrary to the previously-accepted theory that loyalty programs are necessary to drive repeat business. The question then becomes, what other variables might be influencing repeat business. One variable that may be important in customer retention and loyalty could be the role that customer service plays, which, as previously noted, is a defining

characteristic of boutique and life style hotels. In 2010, the Market Metrix Index conducted a customer satisfaction survey among 35,000 travelers. Within that survey, the Joie de Vivre boutique brand outranked all other upper-upscale properties in terms of customer service, beating out competitors across all of the more established brands (Lincoln, 2011).

Service concepts

It is widely agreed that consumers' purchases are strongly influenced by their emotions. (Barsky & Nash, 2002). Emotions regarding hotels and hotel stays can vary by types and intensity. For example, a sterile interaction with an efficient but impersonal front desk agent can create a specific type of emotion with a guest; while a comfortable-feeling lobby with inviting hosts, a pleasant scent, and upbeat atmosphere may invoke a different type of emotion. These experiences are created through interactions with either the physical product of the hotel or the level of service offered by the employees. Therefore, the emotional responses created by hotel products and services enhance our understanding of satisfactions and our ability to predict guest loyalty (Barsky & Nash, 2002).

According to an interview conducted by Trejos (2017) with top boutique and lifestyle hotel chain CEOs, Two Roads Hospitality's Niki Leondakis said that, "...boutique and lifestyle hotels that want to be a success today pride themselves on creating an experience for individual travelers. They center around influencing guests' emotions in a positive way that will make them want to return and never look anywhere else." (Trejos, 2017, p. 1)

Because boutique and lifestyle hotels are normally smaller in scale and cater their services around individual travelers as opposed to large groups, they have more of an opportunity to evoke positive emotions and experiences, which could lead to more customer loyalty. From the moment a guest walks through the door of a lifestyle or boutique property,

they are invited to experience something different that they may not have experienced at a larger chain hotel. Once they interact with an employee, that employee has the ability to personalize each experience – not by following a brand standard, but by interacting with the guest, understanding their needs, and customizing their response (Trejos, 2017, p. 2).

Much of the success for boutique and lifestyle hotels focuses on their marketing techniques over the last two decades to bring the hotels to the forefront of consumers' minds when choosing those properties over other larger chain hotels (BLLA, 2015). Arguably the image of the hotel will be derived in part from the technical and functional components of service, allied with any marketing promotion that takes place (Ryan, 1991). Equally, the success of any marketing effort in the long term will not solely rest of the initial numbers attracted to the hotel, but the ability of the hotelier to convert first time users into repeat guests as much as possible (Ryan, 1991).

One of the effective techniques for inspiring hotel loyalty is expressive forms of service (Barsky & Nash, 2002). In a study by Berry, Parasuraman, and Zeithaml (1985), they identify ten factors of expressive service, which are: reliability, responsiveness, competence, access, courteous, communication, credibility, security, understanding the customer, and tangibles. Boutique and lifestyle hotels are able to make each customer experience unique and customized by interacting with each of these factors of service, and by being able to form their own sets of hard and soft service standards for each guest. As mentioned above in the definitions of these properties, two key characteristics of these hotels are adaptability (specific to customers) and personalized service- both of which could draw from the ten factors identified in this study.

Customers in every industry are constantly presented with choices. Many of their choices are consistent and meet their expectations; but in today's climate, customers desire and are

demanding more innovative alternatives (Dev, Plaschka, Verma, & Victorino, 2005). Lifestyle and boutique properties pride themselves on creating an experience that is catered to the individual traveler's needs. By adapting to those needs, they have created a service culture unlike anything a standardized brand can offer. Travelers today do not exhibit past behaviors (from previous decades) to stay loyal to a brand based on a rewards program. Instead, travelers are choosing hotels that add value to their experiences (Dev et al., 2005).

In a study by Kandampully & Suhartanto (2000), the relationship between quality of lodging, customer satisfaction, and the resulting effect on customer intentions to recommend those hotels to future guests was measured. Their findings suggest that customers' intentions to recommend the hotel is a function of their satisfaction with the service experience. Thus, it can be concluded that there is a positive correlation between customer service satisfaction and the end result of customer loyalty.

Without high levels of customer service, there cannot be customer loyalty. Without personalized and customized service, the art of customer service itself can be lost among a field of what's expected rather than what's extraordinary. Travelers have started to choose customer service and experiences over reward points programs. Travelers are choosing somewhere that individualizes and personalizes their experiences, which is why boutique and lifestyle hotels are seeing such notable growth.

Marketing and Experiential Travel

An organization's image is an important variable that positively or negatively influences their marketing activities. Image is considered to have the ability to influence customers' perception of the goods and services that are offered (Kandampully & Suhartanto, 2000). Image is considered to influence customers' minds through the combined effects of advertising, public

relations, physical image, word-of-mouth, and customer experiences (Kandampully & Suhartanto, 2000). Entrepreneurial marketing and building of a brand image, has received little to no academic attention at boutique and lifestyle hotel brands until recently. It is known for that for boutique and lifestyle hotels, their marketing has relied primarily on their hotels' image and how that image is perceived (and experienced) by the customer. The image is then reinforced through the customer's ability to share those experiences on social sites and review platforms, such as Trip Advisor- thus generating a word-of-mouth marketing (Trejos, 2017).

Lwin and Phau (2011) investigated the marketing appeal among boutique and lifestyle properties. From their findings, they determined that boutique hotels use emotional appeal to target their customers. Emotional appeals are one of the most common strategies used by advertisers to draw the audiences' attention and liking toward the brand and its product because they have a positive effect on consumers' reactions (Lwin & Phau, 2011). Research has found that emotional appeals and customer's reactions to the marketing has a direct relationship of the customers' attitude toward that brand of hotel, and also makes those messages more memorable (Lwin and Phau, 2011). It follows that for boutique and lifestyle properties to focus their marketing strategies on attitudinal factors in order to evoke customer loyalty, as these hotels do not have specific rewards / points programs. Each experience that is made more memorable increases the chance of the guest returning. The hotel should attempt to communicate a set of positive beliefs about the consequences of staying at the property (Bok & Buttle, 1996). Once this positive word-of-mouth is developed, the overall marketing campaigns will positively be effected.

In a separate study by Bok and Buttle (1996), they determined that customers made their patronages decision principally on the basis of their expectations of an experience during a

service encounter. The marketing of boutique and lifestyle hotels has recently centered around the words of ‘experiential travel’. The goal of these properties is to offer their guests more thoughtful and transformative experiences (Del Campo, 2014). Not only do the hotels offer a sense of place and belonging through creative design features and often times thoughtful amenities, but the hotels also need to consider what experiential pieces connect them to a local community or neighborhood. “Consumers are starting to see that there are other experiences out there,” says Kim Bardoul of the Atlanta-based consulting group, the Highland Group, “Even on a business trip- guests will want to explore the local community.” (Sullivan, 2005, p. 170).

Smith Travel Research (STR, 2016) Global showed an increase of tourism being stimulated by the individual traveler. That individual traveler has an interest in a wide range of activities offered at destinations which appeal to personal self-images or lifestyle concepts evoked and promoted by the hotel itself (Law & Thyne, 2005). With more and more guests looking for experiential travel, this concept needs to be defined just as much as the concepts of hotels themselves. Experiential travel could perhaps be defined as an experience that will impress friends and family with a post on a Facebook or Instagram page (BLLA, 2015). These types of impressive experiences offered at boutique and lifestyle hotels have made the ‘formulaic’ hotels of larger brands less desirable than ever before (BLLA, 2015).

The marketing of these properties not only target leisure individual travelers, but also try to attract a broad range of travelers, from families to millennials to business travelers. Boutique and lifestyle brands are searching for discerning travelers who are of means, but who are budget conscious and do not want to sacrifice their experiences for their value (Del Campo, 2014).

Recent innovations

Service innovations are crucial, especially as a brand or a segment of new products are being launched. This is especially the case for boutique and lifestyle properties. The systematic standardization of hotel products eventually launched a counter-movement inspired by customers that were searching for more innovative hotel offerings (Aggett, 2007). These travelers eventually migrated to the boutique and lifestyle hotel brands, because they did not cater to a mass audience, were more intimate, innovative, and included elements of surprise (Aggett, 2007).

An analysis of products and services that have been successful showed that predictors of success can be attributed to product / service characteristics, strategy characteristics, process characteristics, and marketplace characteristics (Bitner, Gremler, & Zeithaml, 2013). Because a boutique / lifestyle property is not bound by brand standards, it has the flexibility to meet customers' needs by customizing their services and products more so than their competitors, fulfilling the need of product / service characteristics. Their strategy characteristics can be fostered by their human resource department with training for their employees emphasizing a more personable approach and through employee empowerment to allow them to deliver greatness and exceed expectations. Their process characteristics are displayed by personalized marketing campaigns to target their specific demographic of customers. And finally, these types of properties are being developed in more urban locations, which cater to their target demographic as well, thus resulting in marketplace characteristics.

Boutique and lifestyle hotels have been called a radical innovation to service offerings among the existing landscape of branded properties (Trejos, 2017). Most of the hotels offer new services for markets that have truly not experienced a product level such as these before. In

addition to these ‘major / radical innovations’ of service, boutique hotels have also offered service improvements and style changes as compared to the existing market of hotels.

Design-centric and experiential travel definitions aside, boutique and lifestyle hotels can be defined as purely innovative. Customers are now seeking more innovations for service that they have not experienced before. A study by Dev et al. (2005) concluded that service innovations do matter when a guest is selecting a particular type of hotel. Service innovations now have more of an impact on lodging choices than ever before. From a customer’s perspective, the hospitality market is perpetually inundated by many similar, often easily substitutable service offerings (Dev et al., 2005). For the boutique and lifestyle brands, this provides a significant opportunity for those properties to individualize their service levels and stand out among their competitors. Customers value personalized service. Customer loyalty can be therefore nurtured through providing consistent personalized services throughout the hotel (Kandampully & Suhartanto, 2005).

An example of a branded service innovation in the boutique and luxury hotel sector is evident in the development of the Tommie brand by Two Roads Hospitality. The brand offers small, compact rooms with less than 150 square feet; but an open working space in the lobby to encourage socialization among their guests and target millennial travelers (Two Roads Hotels, 2017a). Another example of a brand innovation is the Graduate Hotel brand by AJ Capital Ventures, which are being built on smaller college campuses across the US. These hotels are themed to the local college or university in which its associated (Graduate Hotels, 2016). Other examples include Aurora’s Express Hotel in Fairbanks, Alaska, offering hotel rooms on renovated retired train cars, or Sweden’s Ice Hotel, made entirely of ice and snow (Swedek, 2013).

Innovation at boutique and lifestyle also includes innovations in total lifestyle experiences, meaning stylish designing, stimulating programming for hotel stays, thoughtful and localized amenities, world-class dining, and entertainment options (Del Campo, 2014). An example of this total lifestyle experience is evident in the newer Equinox Hotels, where they describe the hotels as the science of fitness and wellness meeting the art of travel (Equinox, 2017). Every design element within the hotel focuses on a new area of fitness and wellness for the guest.

Food and beverage options in smaller hotels were limited up until recently, where boutique and lifestyle hotels have innovatively led the way with incorporating food and beverage offerings into their standards. Most hotels will now include full service bars, and some even rooftop lounges, which has also been a fast-growing trend among the boutique and lifestyle segment (Bardoul, 2014). Hotels have also been transitioning to bringing it outside restaurant chefs to operate their food and beverage departments throughout the properties. An example of this would be award winning Chef James Buben operating the Kimpton Hotel food and beverage operations for Hotel George after operating several famous DC area restaurants (Kimpton Hotels, 2016).

A final innovation category for boutique and lifestyle hotels would be the area of technology. Advancements such as retinal scan door entries or keyless smartphone door entries have become something that has intrigued travelers over the last several years (Zekri, 2016). Programs such as Checkmate and HotSOS, which allow guests to text their preferences to the front desk prior to check-in are now expectations in many boutique and lifestyle hotels across the globe (Zekri, 2016).

Emerging Competition for Boutique and Lifestyle Hotels

In response to the growing popularity of boutique and lifestyle hotels, the larger chains have now started offering their own ‘soft brand’ properties (Sullivan, 2015). A soft brand allows a previously independent hotel to carry the flag of a larger brand; but still develop their own unique personality to cater to guests in more of an individualized approach. Some of these brands include Autograph Collection (AC) and Moxy by Marriott, Canopy and Curio by Hilton, and Centric by Hyatt (Sullivan, 2015). Over the last eight years, supply for the soft branded lifestyle hotels grew at a compound annual average rate of 17.8%. At the end of 2016, this translated into roughly 208 hotels in the United States alone with 35,000 rooms (STR Global, 2016).

Most times soft brands under a larger chain’s umbrella (such as Marriott / Starwood, Hilton, or Hyatt) are referred to as ‘collections’ rather than their own brand, allowing properties to maintain their own identities. In fact, much is made of the individual authentic nature of these properties, which explains the frequent use of the word ‘collection’ to describe them. In rolling out the Autograph Collection, Arne Sorenson, Marriott President and COO, spoke of the “distinct life experiences” that these hotels would offer (Serlen, 2014, p. 4). Similarly, Dianna Caughan, global head of Curio, described the properties chosen as “embodying the fabric of their local community” (Serlen, 2014, p. 4).

Whereas larger chains pride themselves on consistency in their product, often times they are unable to adapt to current trends, as to not sway from their brand standards. Specifically, to make changes within marketing or community involvement, larger brands will have to get permission from the larger parent companies, who may eventually want these changes to benefit the brand on a larger scale. Sometimes the soft branded hotels may be more stylish and design-

centric; but usually the larger brands carry this design type out among all their properties within a certain chain. Finally, there may be innovations that arise from certain chains (for example, Hilton's lowest price guarantee); but there are very few properties within a brand that can separate themselves from the 'pack' in order to individualize service and provide more of a personalized, experiential form of travel.

Yet investors and owners have still found soft brands to be very attractive investments. Soft brands allow these investment groups to retain independent status and identities for their properties, but still gain access to a wealth of distribution platforms and marketing materials from the larger chains. "Creating soft brands has been a way for hotel companies to grow without having to compromise the standards of their traditional brands and at the same time generate additional revenue." Said Bjoran Hanson, clinical professor from NYU (Serlen, 2014, p. 3).

Soft brands allow for more of a compromise for not only owners and investors, but for travelers as well. It gives travelers the chance at experiencing innovations and experiences from boutique and lifestyle properties; but it also gives them their loyalty points as well. Hanson goes further to note how consumers' view of traditional brands have changed over the years. "There was a time when these brands' rigorous standards were highly valued by travelers, but these standards can be a negative today, especially to younger travelers. Some travelers still like their frequency of points, but not the sameness associated with brand standards. Soft brands are a way for a hotel company to have flexibility without having to sacrifice loyalty." (Serlen, 2014, p. 3).

Part Three

It is the intent of this study to assess the best practices of some of the most prominent boutique and lifestyle hotel brands in today's environment and determine what has helped these hotels to succeed among the established giants of branded properties. This research is of significance because it focuses on the feedback of top executive leaders and Chief Executive Officers within the hospitality field, specifically focusing on boutique and lifestyle hotels. Leadership is a key pillar of success for any type of organization. Leadership is focused around creating organizational goals and weaving those goals around creating a company's culture and guiding future success of that organization (Cobb, 2015). The leader distinguishes between vision, which describes where a company is headed, and mission, which articulates why the company exists (Fuller, 2005). The process of creating both a vision and a mission involves strategic leadership of creating goals and objectives for their organization and having the ability to put those into motion (Fuller, 2005). Within this study, we look specifically at areas where hospitality leaders have crafted and executed their own strategies to make their organizations some of the top performing ones in their field.

Defining a case study

The first case study of diseases was presented 2300 years ago by Hippocrates (Bonoma, 1985). Since then, science has proceeded along two divergent paths of knowledge. One path involves formulating theories based on empirical consequences, and controlling situation events in order to observe the validity of empirical deductions (Bonoma, 1985). The second path is one less traveled, but will be used in the case study that follows. This scientific path is equally as valid and involves reasoning from individual and naturally occurring observations (Bonoma, 1985). From those observations, one can generalize toward inductive principles.

The case study in the research that follows refers specifically to the qualitative field of study. In order to achieve this aim, this study adopts a qualitative research method of interviews where the research aim is both exploratory and descriptive (Ashford Writing Center, 2016). Exploratory research design gains importance when previous research on a topic is limited (Bagiran et al., 2011). The construction of this case study was constructed from multiple data sources, often relying heavily on verbal reports or personal interviews. This specific study is distinguished from other qualitative methods in that it involves numerous other data sources to serve as a means of perceptual triangulation (Bonoma, 1985). There will be a wider understanding of the success of the businesses model for boutique and lifestyle hotels by studying their growth, market performance, innovations, and emerging competitors.

Like many qualitative methods, this case study is limited in part by the researcher's interpretation from the personal interviews, significations of events, information, and perceptions of objective reality (Bonoma, 1985). Unlike some of qualitative forms of research, this case draws upon many other data sources to triangulate these perceptions for a broader concept. This case study will attempt to provide an in depth analysis of a research topic that does not have much academic research, it will provide important insights of the emergence of boutique and lifestyle hotels, and it will counter-point prevailing assumptions of these hotels (USC Libraries, 2017). The case study will be guided by a process model of discovery which leads to a clinically validated theory of the emergence of the boutique and lifestyle brands.

Methodology

Prior to receiving internal review board (IRB) approval for the interviewing of human subjects, a list of questions were developed that focused on four major categories of consumer trends, personal priorities, innovations, and emerging competition. A total of seven open-ended

response questions (see Appendix A) eventually selected which were felt to best determine the success of lifestyle and boutique hotel companies.

Once UNLV IRB approved these questions and the sampling method, interview applicants were then selected that met the established criteria as follows:

- A person that was a leader on the executive committee (corporate office level and above) in a boutique and lifestyle hotel brand.
- A person who was employed by a boutique and lifestyle hotel chain with over ten years of tenure.
- A person who was employed by a boutique and lifestyle brand that had shown positive revenue streams over the past decade.
- A person whose employer was considered an innovator in the boutique and lifestyle sector from other competitors in the market, as defined by BLLA (2016).

Six interviewees were selected from the following hotel chains:

- Two Roads Hospitality: a joint venture between Commune Hotels and Resorts and Destination Hotels in 2016, now the largest boutique and lifestyle hotel brand in the world (Two Roads Hotels, 2017b).
- Kimpton Hotels & Resorts: the first boutique hotel in the US, now operating over 40 boutique properties in the US (Kimpton, 2017).
- Equinox Hotels: formerly solely a fitness and wellness company, Equinox will open their first lifestyle hotels in the US in 2018 (Equinox, 2017).
- Morgans Hotel Group: recognized as one of the first leaders and innovators of lifestyle hotels, Morgans now operates four lifestyle brands of hotel collections across the globe (Morgans Hotel Group, 2016).

- Autograph Collection, by Marriott: Marriott's first venture in the boutique segment, by allowing hotels to maintain their own independent identity while carrying the brand flag (Marriott Hotels, 2016).

Applicants agreed to the IRB consent forms and interviews were conducted in 30 minute sessions.

Results

Data in this study was analyzed using descriptive analysis methods normally used in qualitative research studies. During the first stage, the data was transcribed onto written sheets from recorded data. During the second stage, the responses were analyzed for consensus and conflicting opinions and trends.

Consumer trends

Consumer trends specific to hospitality continue to evolve day in and day out building upon trend-lines that have persisted throughout the course of the industry's history (Ting, 2017). When it comes to the hospitality industry, trends can be both ephemeral and everlasting. Specific to 2016, the hotel industry's trends focused on mergers and consolidations, direct booking wars, and the continuation of the evolving shift to boutique and lifestyle hotel brands (Longo, 2016).

A new generation of travelers. In regards to why consumers are now seeking more of a boutique and lifestyle hotel experience, most answers from interviewees centered around a newer generation of travelers with different expectations than the generations of travelers that came before them. All the responses used the word 'experience' several times as to what the guests were now seeking. Many of the executives made reference to several different generations of travelers seeking different products than what the generation before them may have sought. As

one interviewee observed, *“The younger generation of travelers are driven by experiences. The word ‘experiential’ may seem a bit cliché or a buzz word for those of us in this segment, but it is true. Guests’ purchasing decisions are now being driven by unique offerings and experiences. Families in the past used to stay together at places like the Grand Canyon at roadside motels or at beachfront properties when traveling to see the ocean. Those are the hotels that their parents chose for them. Now the hotel choice is more about creating the hotel itself into a destination. The hotel is no longer just a place to sleep. It’s about what our past travel experiences couldn’t give us. We are now searching for something more.”*

While another interviewee shared similar thoughts: *“Millennials, Boomers, and multi-generational travelers now feel the desperate need to disconnect from work for their well-being. I think we are going to see a bigger need for healthier cuisine and unique and novel offerings for wellness.”*

Social media. Some of the interviewees felt as if this shift of the younger generation of travelers preferring boutique and lifestyle hotels could perhaps be fueled by social media. Social media provides an outlet for a person to showcase an experience that perhaps their followers or friends and family have not even thought about exploring (Medina, 2017). A younger generation is often times fueled by having the chance to experience something that couldn’t ordinarily be found by anyone online, and boutique and lifestyle hotels have provided an outlet for that need (Milburn, 2005).

One interviewee commented, *“A major factor is the shifting demand fueled by the younger generation of traveler, who are not satisfied with staying at just another generic, brand-name hotel, but are instead seeking a unique travel experience. With the rise of social media, today’s consumer is well informed and “fear of unknown” is erased, as they can research in*

advance, therefore not limiting themselves only to the established brands. Consumers, just like most humans, have a need to feel special and unique, and boutique and lifestyle hotels fulfill those needs, not just by their unique and one-of-a-kind product, but also by customer service that is tailored and developed in a way to treat each consumer as an individual, and not as just another preferred or loyalty guest.”

While touching on the same topic of experiences, another interviewee commented in regards to emotions and thoughtfulness, *“Customers know more now than ever before that we are the hotels that can deliver the degree of thoughtfulness that they are looking for. We are giving them the emotional moments that keep them wanting to return. We are the hotels that are delivering upon the promises of service to create lasting impressions.”*

Other interviewees focused their answers on the consumer being able to find something different to share with the friends and family: *“Customers are now looking for something that’s new and different where they can experience these things before all of their friends. They are looking for hidden gems which allow them to experience things they couldn’t find elsewhere themselves or through an internet search engine. This is where the boutique and lifestyle hotels come into play. We fulfill that void. We allow customers to find what they’ve been missing by staying at the larger big-box hotels from the past that they may have become accustomed to.”*

Reviews on social platform review sites, such as Trip Advisor, Google, and Yelp, have also affected traveler buying decisions from hearing from other people that have the same expectations as they do prior to their travel. One of the executives noted, *“Consumers are now able to see and pursue a wealth of information on their destinations, which is generated by other travelers’ feedback, along with real reviews by real users and not simply hotel provided*

testimonials. Social media has changed our world. Travelers want to be doing something and experiencing something they can brag about to their friends.”

A final comment on social media and the sharing of experiences included, *“On social media, it’s become almost a competition. Everyone thinks they are a foodie or travel blogger now. That has developed into a trend itself to where everyone wants to be the first of their friends to discover something new and different.”*

Technology. In addition to the desire for something different and social media trends, technology has also effected traveler buying decisions. While technology fits hand in hand with social media, technology has played an important role for this segment in terms of creating loyalty. Boutique and lifestyle hotel leaders have prided themselves on keeping the transactional interactions on the front and back end of a guest stay rather than during the guest’s stay itself. For example, creating transactional tasks for the team members of researching the guest preferences ahead of check-in, then spending their time catering to those personal preferences during the guest stay, and then completing transactional items- such as email marketing- to approach the guest after check-out.

One of the executives commented on how loyalty has become less transactional than ever before: *“Loyalty across all types of hotels has traditionally been treated as transactional. The trend that I’ve seen is that we know more now due to modern technology and data systems. Loyalty programs are being redesigned by our segment to focus more on relationship management. Utilizing the information the guests share with us to create personalized engagement and moments of appreciation that go beyond anything points or redemption programs could ever create.”*

Future Trends. Over the next ten years, each interviewee had their own thoughts of how the segment of boutique and lifestyle hotels would continue to develop. Expansion into the boutique and lifestyle segment with specific hotels that cater to lifestyle segment, such as art or wellness, was a concern of most of the executives; as was room-sharing competitors, such as Air Bed and Breakfasts (AirBNB) and Vacations Rentals By Owner (VRBO).

An interviewee expressed, *“The term ‘lifestyle hotels’ still has a lot left to be defined. I think in the future there are going to be more hotels that focus around a certain lifestyle aspect- for example, 21C hotels around art or Equinox Hotels around wellness. There will be more of expanding brands into other spaces to meet the personal needs of travelers. I think we will also see the needs for our hotels to stay relevant within the space of Air BNB, VRBO, and other OTA [online travel agency] channels beginning to offer their own experiences.”*

As the consumer trends continue to be further investigated and defined for the boutique and lifestyle hotel segment, the executives understood that the soft brand inventory from larger companies were going to be even more aggressive. As this happens, the interviewees spoke about continuing to understand their customer and define the identities for their own hotels:

“I believe that the giant brands are going to continue to push soft brands and start to steer away from their traditional mainstays to keep up with the customer demand for the boutique and lifestyle segment. These segments may or may not shift more toward limited service to perhaps cater to more opportunities for developer money.”

And a second comment of, *“We need to continue to become famous for our brands. We are still a growing segment for the boutique and luxury world. It’s critical that our owners, investors, lenders, and associates are aligned in service expectations and brand elements. We need to work very hard over the next decade to keep our brands fresh and relevant.”*

Lastly, in regards to consumer trends, executives expressed the need to current on the research of these trends due to the increasing competition and changing demographics of travelers. Many expressed worries that without staying current with consumer trends, that the brands could lose market share to newer or more in-tune competitors.

A response from one of the interviewees in regards to competitors included, *“As witnessed by the big brands’ aggressive and continuous immersion into the boutique and lifestyle segment, it seems obvious that this segment is here to stay. Future evolution is geared toward even more granular data-mining, in an effort to understand the consumer on truly an individual and personal level.”*

Best Practices

Leaders recognize that future success of hospitality and tourism will come from different existing practices as the industry continues to evolve for a new generation (Hogan, 2010). Best practices serve as a framework for several organizations that highlight some of the most efficient ways to conduct business. Best practices can also determine industry benchmarks for measuring success and for implementing new standards of excellence. Some specific hospitality firms are known for their best practices, which have won them awards for best in class distribution systems and levels of service (Investopedia, 2016). Most leaders are very open for sharing some of their best practices, while other practices are kept more as trade secrets (Investopedia, 2016).

Priorities. In terms of priorities, each executive had their own agenda and priorities. A common theme however was that service enhancements and personalized touches was of importance for each interviewee. Specifically, the executives stressed the importance of encouraging their hotel staff to give personalized touches and giving the employees the freedom to go beyond preconceived standards to create memorable experiences.

One interviewee answered questions in regards to priorities as follows, *“Our hotels have three main priorities which contribute to our success: the unique design of the properties brought in by influence of the local communities, the freedom given to each property to develop their own sense of service culture, and the decision to invest in the latest industry technology products to understand our guests’ needs.”*

Another area of priority for the interviewees was creating perceived value of guest stays by delivering on promises of experience. This has been accomplished for these hotels by creating different levels of discovery and personalized customer engagement.

One interviewee noted, *“Regardless of the boutique or lifestyle hotel, these hotels are a sum of all of their parts. The cumulative customer experience across the guest journey is what shapes a collective perception of our hotels in the market. For us, we have always tried to create perceived value, impress guests with that perceived value during their first stay, and then wow them with follow up engagement.”*

While another interviewee had similar thoughts, *“A priority of ours is never forgetting that the customer always has the need to discover. We bring things to our guests that they can’t find anywhere else without our help. We make things relevant to our culture and brands. We make our interactions an element of discovery each step of the way.”*

An opinion shared by all interviewees was the priority of hiring the correct associates at the start of a hotel launch. The correct employees can deliver on promises made by a brand’s identity, and can also fit the overall culture of the hotel and community. For these executives, they want the hotel stays to feel as if the guest is being immersed in the neighborhood and local culture; and one of the first ways to convey this message is through the employees that are hired. Two interviewees answered similarly when it came to hiring the right people for their hotels:

“Much of our success has centered around optimizing the opportunities that each of our hotels has presented. This includes marketing, distribution, public relations; but also – just as important: hiring the right associates that are passionate about the same things that we are.”

The second interviewee responding with, *“For us, hiring the right people is a top priority. We need employees that live and breathe our brand culture. We don’t train our team members to say certain phrases, rather we want them to speak from their hearts and let their personalities shine through each interaction. We must make our service interactions unique.”*

Challenges. In terms of challenges, many of the interviewees expressed the same concern of boutique and lifestyle hotel companies growing too quickly and possibly losing their personal touches. They warned their own competitors within the boutique and lifestyle segments of growing too quickly themselves, as to not lose their own identities through the expansion process.

“For us, I think we have to be careful that we don’t get ahead of ourselves and grow too fast. There is such an important need to cater to each individual traveler. I don’t want to get to the tipping point where we are too large to be artful or creative- or to lose our single point of view. It’s a very delicate balance,” stated one executive.

Other executives expressed that a challenge remains to establish credibility within their brands so that they can continue to try and build customer loyalty. Retention and guest recognition were popular discussions within each interview. Knowing that most of the hotels did not have their own loyalty programs offering incentives, such as airline miles or hotel points, the hotels have had to creatively stay ahead of the larger brands in developing ideas to keep guests loyal to their properties.

“For us one of the biggest challenges today is getting customers to come to us directly,” said one executive, *“There are far too many channels now that take customers out of the brand’s control to engage with them in regards to their interests. Because of these multiple existing channels, choice ends up sometimes being made on price or location versus quality or experience. If we are going to be leaders within our segment, we are going to have to figure out better ways of owning the customer relationship to help them understand the benefit they will receive with coming directly to us.”*

Another interviewee echoed the need for guest retention: *“The biggest challenge for us is always guest retention and recognition. When opening a new hotel, there is always a challenge for guests that have never heard of you prior to building your own reputation in that market. Pricing is always a challenge as well. You come into a new market and position yourself appropriately against the competitive set where you think you fall, but the customer may think you fall somewhere else entirely. Finally, there is a challenge of trying to convey your properties’ stories to the guest. We need them to see the value immediately to retain the guest for the future.”*

Although guest loyalty grows for these segments of hotels, the amount of inventory and demographics of the traveler continues to shift, causing a challenge to continue to personally cater to customer’s needs. In staying cognizant to those needs, there will always be the challenge of keeping true to the positioning of the hotel and authentic to the culture to which the hotel had originally built upon.

In speaking about the authenticity, two of the executives had similar thoughts on their best practices: *“Our properties are two things- bold and consistent. You can’t do great things if you’re always trying to please everyone. To have best practices, you have to put a stake in the*

ground of what you stand for and not be afraid. Once you do that, then you have to be consistent the entire way through. Don't water down your approach. Be real. Be you."

The second executive noted, *"With new inventory and changing travel patterns- we know that growing our customer loyalty will be an ever-changing topic. It will be important not to homogenize our brands and make sure that they stay true to the positioning and brand promises that we have developed. It will be important to keep them purely defined."*

A final challenge that was discussed was the ability to continue to deliver results to owners and developers, so that they will continue to invest within the boutique and lifestyle properties. By delivering positive results year-over-year, developers will continue to see this segment of hotels as opportunities, instead of as previously viewed as risks.

An interviewee responded, *"Establishing a foothold, especially in the new market for a small company does require a studious amount of research. This is certainly a challenge for us. The market research we obtain is the single most important factor that will determine the eventual success or failure in the future. Combining this with the owners' expectations of immediate positive result does create a unique challenge for us- being that time is needed to stabilize and yet that time is seldom available."*

Innovations

Innovations represent a result and an outcome. It can be defined as significant, positive change (Berkun, 2013). Innovation is creating something that is eventually adopted by other people in order to solve issues and problems (Berkun, 2013). The hospitality industry is no exception to innovation. Hotels use innovation to maintain long-term competitive advantage (Tigu, 2015). In the past two decades, as market competition has intensified, innovation became

essential not only to an organization's performance, but to its very existence and survival (Tigu, 2015).

Expansion of the segment. Perhaps the largest innovation in the minds of these executives was the innovation of the boutique and lifestyle hotel itself. They were proud of the foothold that they have developed in major markets across the globe and they were proud that they had established themselves as legitimate competitors alongside brands that had been developed decades prior.

One interviewee commented in regards to their results: *"I am most proud of what we have done with lifestyle hotels to make them a legitimate competitor. We have understood the needs of customers and it shows by our revenue results. Lenders used to consider non-branded hotels a huge risk. Now they see us as opportunities. We have a way of competing against large big-box chains and giving them a run for their money when it comes to individual travelers. There will always be places for large groups, but now individual travelers are searching for more intimate hotels with curated experiences."*

Food and beverage. Another area of innovations discussed was the food and beverage partnerships that most of the interviewees' hotels had established. By establishing popular food and beverage concepts, it has given their hotels the ability to be more locally immersed with their neighborhood by bringing in locals as well as tourists. Also, within these partnerships, it allows the properties to target a new area of food-driven travelers, which specifically choose their hotels due to the restaurant or bar relationships.

An interviewee shared some of their experiences with food and beverage innovations, *"Our hotels have done a great job partnering with strong food and beverage partners in our local neighborhood and cities that already have a strong clientele following of their own. We*

have made our hotel lobbies the local hot spots in terms of food offerings. It allows our teams to merge the chef's clientele with our own and set us apart from larger chains which may not have a food and beverage following."

Technological advancements. Technology, specifically mobile related activities, is a key area of innovation for all the boutique and lifestyle hotels. As more guests depend on apps for social media, review sites, texting communication and hotel bookings, the hotels within this segment have had to continue to change their own platforms to cater to the mobile demands of the customer.

Two executives shared similar thoughts on recent technological advancements. The first interviewee commented, *"Our optimization of social media, text messaging apps, and other communication channels to create a whole new experience for our guest allows us to deliver something they were never expecting."*

While the second interviewee shared, *"We have utilized so many mobile innovations lately, such as keyless door locks to mobile check in. The advancement of third party systems for our industry as a whole has allowed us to change the way that we handle all guest requests. This is a great source of information, which allows us to cater to those individual guests even more so than before."*

Emerging competition

As defined previously in this study, competition for the boutique and lifestyle brands is growing at more rapid pace than ever before. The larger hotel brands have seen the growth in revenue streams to these two segments [lifestyle and boutique hotels] and have begun developing their own strategies and soft-branded chains to compete with them and a changing demographic of customer (Serlen, 2014). Soft brands are now in the spotlight in the eyes of investors across

the globe, giving them access to larger chain's marketing platforms, loyalty programs, and customer databases, but allowing the hotels to maintain an independent standing (Serlen, 2014).

These executives interviewed expressed the need to maintain a consistent point of view within your own brand of hotels. Many were worried that by being held to larger 'parent brand' standards, the soft branded hotels would not be able to have their own personalities within their specific marketplace.

One of the interviewees shared, *"This is the larger brand's way of taking hotels and organizing them into a portfolio where they may see a fit. These are simply brands of one without a consistent point of view. There are not real parameters around them other than carry the chain flags and potentially price points. Travelers used to be points and loyalty program driven, where having the chain flag was important, but now they expect an experience. It's simply the price of admission."*

Authenticity. During other interviews, the belief was expressed that soft branded hotels would not be able to exhibit true authenticity to their community. When asked to further detail authenticity within a community, the executives spoke of 'unscripted customer service'. This was described as empowering their employees to do whatever it takes to meet a customer's needs and exceed expectations to try and gain loyalty throughout their stays. When speaking about the soft branded competition, the interviewees didn't feel as if loyalty was as much of a priority (as it was to the independent hotels) due to the rewards programs in place at most larger brands.

There were two specific comments from interviewees in regards to choices being offered from the larger brands. The first comment included, *"I believe that many of these larger chains and their attempts at boutique and lifestyle will eventually fall short on with how truly local and original their experiences feel. As larger brands attempt to replicate what our hotels have been*

doing for decades, we, as hotel operators, may see some positive halo from the additional awareness they create as guests investigate what a genuine boutique or lifestyle hotel stay is like and then find us.”

While the second comment echoed, “We are clearly in a global culture that has given travelers a plethora of hotel choices- now basing those choices for them on demographics, psychographics, and individual preferences. The big brands have proven to us as leaders (of boutique and lifestyle hotels) that we are on the right track, and that individuality and authenticity of boutique and lifestyle brands are here to stay. Where the bigger brands will struggle is that we have created uniquely different experiences for each hotel based on that hotel’s DNA. I’m not sure they have been as ‘authentically immersed’ as we have been in order to create unscripted service, which doesn’t center around a chain’s standards.”

Corporate structure. Corporate structure of the larger branded hotels’ soft brands was an area that each interviewee expressed concern for when speaking about the long-term success of this emerging competition. Corporate structure and guidelines are what the independent boutique and lifestyle hotels have tried to steer away from in order to allow each of their hotels to develop their own identities and personalities. A few executives felt as if the corporate structure as implemented from the larger parent brands would prevent the newer soft brand of hotels from being original or authentic.

One executive shared concerns from previous service experiences, “From the time when Starwood created W Hotels, brands seem to be copying and pasting existing boutique and lifestyle companies’ ideas while somehow trying to fit them into their own corporate structure. With this, the service levels often times come across as forced, yet today’s customer is too savvy and well informed not to understand that. Regardless, the big brands have seen the revenue

numbers from the boutique and lifestyle segment and knew they had to be much more involved than they were before. For long term success of these, I believe that some brands will allow these new additions to their collections to remain unique, while others will soon lose what made them unique in the first place, thus morphing back into the corporate culture of before.”

While most of the executives from independent boutique and lifestyle hotel operators were not worried about the over saturation of soft brands entering the space of their segment, one of the interviewees had a very viewpoint on this topic. As large mergers, such as Marriott and Starwood in 2017, take place, these new entities could drastically alter the marketplace through rebranding themselves. The executive stated, *“I believe that we [as soft branded hotels] will take a small portion of the business but never fully win over the lifestyle and boutique guests entirely. In terms of our short and long term success, the large brands are often times very concerned with multiplying too quickly. Historically, we have not given concepts enough time to develop our own identities before we have multiple hotels in the pipeline. Often times, that is out of our control. The issues of success for us are two-fold. On one hand, you have a guest seeking out a boutique and lifestyle experience- and now we have an answer for that. But then you will also have a guest that always seeks out the consistency from a branded hotel- and we have an answer for that. It will be interesting to see the impact of our merger this year (with Marriott and Starwood). This will fully impact our brands and the guest perception of those brands. At the moment, Marriott is going through a large redesign for all of their properties, where developers have coined the phrase “not your parent’s Marriott” as an effort to seek out a younger generation of traveler.*

Limitations and Recommendations for Future Research

This study was conducted only using six interviewees from major boutique and lifestyle chains across the globe. When identifying these leaders, some of whom are current CEO's of these companies, limited time was given to conduct the interview. With only 30 minutes per interview, questions had to be limited to stay within that time frame. Thus, in future research, if more time were permitted, more topics could be explored further in each of these areas of consumer trends, best practices, innovations, and emerging competition. Another intrinsic strength and limitation of this research is that the executives interpreted the questions how they saw fit. Executives may have addressed different sub-topics within a given question but there was no practical way to ensure that each executive addressed each question in exactly the same way.

It should also be kept in mind that the leaders interviewed in this study were specifically from boutique and lifestyle brands. For future research, a suggestion could be made to additionally interview leaders from other brands to gain their perspective on the changing landscape and determine how they have shifted their own strategies to remain competitive. Due to the varying background of each of these leaders, a researcher who may choose other respondents with different degrees of experience may generate different results compared to those in this study.

Because there are no studies that currently exist academically to study the specific emergence of boutique and lifestyle hotels in a qualitative interview method with top leaders, this paper could be seen as a pilot study for future research in this area. As brands continue to define themselves and more academic research is completed around the actual definitions of boutique and lifestyle hotels, there will be a clearer path for future research. There should also

be further observations of how these the segment continues to develop over time as the hotel industry continues to change with the new emerging generation of travelers.

Discussion and Conclusions

Experience and authenticity are two words that came up in each interview with the executives. The executives also emphasized customer discovery as an important topic. Executives spoke of the importance of being informed about their customers through individual and market research. With recent advancements in technology, hotels are able to understand their travelers' needs better than they ever have been in the past. Thus, the stays at boutique and lifestyle hotels become significantly less transactional, as long as what the hotel is offering in terms of experiences is fresh and relevant.

Social media is an area that has only helped these chains to stay educated about their guests, and then also give the guests a platform to promote the hotel and their experiences on a public forum. Social media has created more engagement with guests, and has increased the importance of connecting with guests during their stay to eventually result in what's ultimately free marketing for the properties.

The executives stressed the level of importance for community involvement and the need to be locally immersed to make their hotels' personalities seem more. Hiring the correct people that fit within that mold of authentic community connections was another area that was brought up by each executive. Employees that understand the hotel's goals, are the ones who can deliver upon the promises of personalized and authentic service to the guests in the future. Executives feel that because of the tremendous financial success of the boutique and life style brands, there

is risk of over growing or growing too quickly and losing sight of those promises, which is what made them attractive and unique to customers to begin the growth in this segment. From an independent hotel chain's standpoint, this can be controlled by slowing down the growth of new opening hotels; but for larger chains, such as Marriott, this growth is driven by lenders and developers, which could push the brands to grow too quickly.

In the interviews, the executives of independent chains were not positive for the future long-term success of soft brands by larger chains, because they felt as if the corporate structure and guidelines would force them into a service culture that wasn't authentic. Due to their lack of concern for the larger chains, most felt that because of the soft brand growth that it would perhaps benefit their own independent hotels' exposure within this segment rather than be significant additional competition. The larger chain individual continues to see soft brands as a valid opportunity to compete against the smaller boutique and hospitality hotels. While they understand, they may not be able to shift all revenue from this segment, the soft brands allow them to take a portion of the demand that they weren't able to in the past with homogenous hotel brands.

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Appendix A

Interview Questions:

1. Why do you feel the consumer is now seeking more of a boutique and lifestyle hotel experience?
2. What trends do you think are important in terms of more travelers preferring boutique and lifestyle branded properties?
3. How do you see boutique and lifestyle brands evolving over the next 10 years?
4. What are the most important priorities (or best practices) to which you attribute the success of your hotels?
5. What are some of the challenges and opportunities you have faced as you have developed your hotels?
6. What most recent innovations among your hotels are you most proud of?
7. With other 'giant' branded organizations trying to form their own soft brands of boutique and lifestyle hotels, how do you see those new hotels fitting in with the currently existing properties in this segment?
 - a. Do you have any thoughts on the short and long term success of these properties?

Appendix B

Interview Responses

1. Why do you feel the consumer is now seeking more of a boutique and lifestyle hotel experience?

“The younger generation of travelers are driven by experiences. The word ‘experiential’ may seem a bit cliché or a buzz word for those of us in this segment, but it is true. Guests’ purchasing decisions are now being driven by unique offerings and experiences. Families in the past used to stay together at places like the Grand Canyon at roadside motels or at beachfront properties when traveling to see the ocean. Those are the hotels that their parents chose for them. Now the hotel choice is more about creating the hotel itself into a destination. The hotel is no longer just a place to sleep. It’s about what our past travel experiences couldn’t give us. We are now searching for something more.”

“A major factor is the shifting demand fueled by the younger generation of traveler, who are not satisfied with staying at just another generic, brand-name hotel, but are instead seeking a unique travel experience. With the rise of social media, today’s consumer is well informed and “fear of unknown” is erased, as they can research in advance, therefore not limiting themselves only to the established brands. Consumers, just like most humans, have a need to feel special and unique, and boutique and lifestyle hotels fulfill those needs, not just by their unique and one-of-a-kind product, but also by customer service that is tailored and developed in a way to treat each consumer as an individual, and not as just another preferred or loyalty guest.”

“Loyalty across all types of hotels has traditionally been treated as transactional. The trend that I’ve seen is that we know more now due to modern technology and data systems. Loyalty programs are being resigned by our segments to focus more on relationship

management. Utilizing the information the guests share with us to create personalized engagement and moments of appreciation that go beyond anything points or redemption programs could ever create.”

2. What trends do you think are important in terms of more travelers preferring boutique and lifestyle branded properties?

“Customers know more now than ever before that we are the hotels that can deliver the degree of thoughtfulness that they are looking for. We are giving them the emotional moments that keep them wanting to return. We are the hotels that are delivering upon the promises of service to create lasting impressions.”

“Consumers are now able to see and pursue a wealth of information on their destinations, which is generated by other travelers’ feedback, along with real reviews by real users and not simply hotel provided testimonials. Social media has also changed our world. Travelers want to be doing something and experiencing something they can brag about to their friends.”

“Customers are now looking for something that’s new and different where they can experience these things before all of their friends. They are looking for hidden gems which allow them to experience things they couldn’t find elsewhere themselves or through an internet search engine. This is where the boutique and lifestyle hotels come into play. We fulfill that void. We allow customers to find what they’ve been missing by staying at the larger big-box hotels from the past that they may have become accustomed to.”

“Millennials, Boomers, and multi-generational travelers now feel the desperate need to disconnect from work for their well-being. I think we are going to see a bigger need for healthier cuisine and unique and novel offerings for wellness.”

“On social media, it’s become almost a competition. Everyone thinks they are a foodie or travel blogger now. That has developed into a trend itself to where everyone wants to be the first of their friends to discover something new and different.”

3. How do you see boutique and lifestyle brands evolving over the next 10 years?

“The term ‘lifestyle hotels’ still has a lot left to be defined. I think in the future there are going to be more hotels that focus around a certain lifestyle aspect- for example, 21C hotels around art or Equinox Hotels around wellness. There will be more of expanding brands into other spaces to meet the personal needs of travelers. I think we will also see the needs for our hotels to stay relevant within the space of Air BNB, VRBO, and other OTA [online travel agency] channels beginning to offer their own experiences.”

“I believe that the giant brands are going to continue to push soft brands and start to steer away from their traditional mainstays to keep up with the customer demand for the boutique and lifestyle segment. These segments may or may not shift more toward limited service to perhaps cater to more opportunities for developer money.”

“We need to continue to become famous for our brands. We are still a growing segment for the boutique and luxury world. It’s critical that our owners, investors, lenders, and associates are aligned in service expectations and brand elements. We need to work very hard over the next decade to keep our brands fresh and relevant.”

“As witnessed by the big brands’ aggressive and continuous immersion into the boutique and lifestyle segment, it seems obvious that this segment is here to stay. Future evolution is

geared toward even more granular data-mining, in an effort to understand the consumer on truly an individual and personal level.”

4. What are the most important priorities (or best practices) to which you attribute the success of your hotels?

“Our hotels have three main priorities which contribute to our success: the unique design of the properties brought in by influence of the local communities, the freedom given to each property to develop their own sense of service culture, and the decision to invest in the latest industry technology products to understand our guests’ needs.”

“Regardless of the boutique or lifestyle hotel, these hotels are a sum of all of their parts. The cumulative customer experience across the guest journey is what shapes a collective perception of our hotels in the market. For us, we have always tried to create perceived value, impress guests with that perceived value during their first stay, and then wow them with follow up engagement.”

“A priority of ours is never forgetting that the customer always has the need to discover. We bring things to our guests that they can’t find anywhere else without our help. We make things relevant to our culture and brands. We make our interactions an element of discovery each step of the way.”

“Much of our success has centered around optimizing the opportunities that each of our hotels has presented. This includes marketing, distribution, public relations; but also – just as important: hiring the right associates that are passionate about the same things that we are.”

“For us, hiring the right people is a top priority. We need employees that live and breathe our brand culture. We don’t train our team members to say certain phrases, rather we

want them to speak from their hearts and let their personalities shine through each interaction. We must make our service interactions unique.”

5. What are some of the challenges and opportunities you have faced as you have developed your hotels?

“For us, I think we have to be careful that we don’t get ahead of ourselves and grow too fast. There is such an important need to cater to each individual traveler. I don’t want to get to the tipping point where we are too large to be artful or creative- or to lose our single point of view. It’s a very delicate balance.”

“For us one of the biggest challenges today is getting customers to come to us directly. There are far too many channels now that take customers out of the brand’s control to engage with them in regards to their interests. Because of these multiple existing channels, choice ends up sometimes being made on price or location versus quality or experience. If we are going to be leaders within our segment, we are going to have to figure out better ways of owning the customer relationship to help them understand the benefit they will receive with coming directly to us.”

“The biggest challenge for us is always guest retention and recognition. When opening a new hotel, there is always a challenge for guests that have never heard of you prior to building your own reputation in that market. Pricing is always a challenge as well. You come into a new market and position yourself appropriately against the competitive set where you think you fall, but the customer may think you fall somewhere else entirely. Finally, there is a challenge of trying to convey your properties’ stories to the guest. We need them to see the value immediately to retain the guest for the future.”

“Our properties are two things- bold and consistent. You can’t do great things if you’re always trying to please everyone. To have best practices, you have to put a stake in the ground of what you stand for and not be afraid. Once you do that, then you have to be consistent the entire way through. Don’t water down your approach. Be real. Be you.”

“With new inventory and changing travel patterns- we know that growing our customer loyalty will be an ever-changing topic. It will be important not to homogenize our brands and make sure that they stay true to the positioning and brand promises that we have developed. It will be important to keep them purely defined.”

“Establishing a foothold, especially in the new market for a small company does require a studious amount of research. This is certainly a challenge for us. The market research we obtain is the single most important factor that will determine the eventual success or failure in the future. Combining this with the owners’ expectations of immediate positive result does create a unique challenge for us- being that time is needed to stabilize and yet that time is seldom available.”

6. What most recent innovations among your hotels are you most proud of?

“I am most proud of what we have done with lifestyle hotels to make them a legitimate competitor. We have understood the needs of customers and it shows by our revenue results. Lenders used to consider non-branded hotels a huge risk. Now they see us as opportunities. We have a way of competing against large big-box chains and giving them a run for their money when it comes to individual travelers. There will always be places for large groups, but now individual travelers are searching for more intimate hotels with curated experiences.”

“Our hotels have done a great job partnering with strong food and beverage partners in our local neighborhood and cities that already have a strong clientele following of their own.

We have made our hotel lobbies the local hot spots in terms of food offerings. It allows our teams to merge the chef's clientele with our own and set us apart from larger chains which may not have a food and beverage following."

"Our optimization of social media, text messaging apps, and other communication channels to create a whole new experience for our guest allows us to deliver something they were never expecting."

"We have utilized so many mobile innovations lately, such as keyless door locks to mobile check in. The advancement of third party systems for our industry as a whole has allowed us to change the way that we handle all guest requests. This is a great source of information, which allows us to cater to those individual guests even more so than before."

7. With other 'giant' branded organizations trying to form their own soft brands of boutique and lifestyle hotels, how do you see those new hotels fitting in with the currently existing properties in this segment?

"We are clearly in a global culture that has given travelers a plethora of hotel choices- now basing those choices for them on demographics, psychographics, and individual preferences. The big brands have proven to us as leaders (of boutique and lifestyle hotels) that we are on the right track, and that individuality and authenticity of boutique and lifestyle brands are here to stay. Where the bigger brands will struggle is that we have created uniquely different experiences for each hotel based on that hotel's DNA. I'm not sure they have been as 'authentically immersed' as we have been in order to create unscripted service, which doesn't center around a chain's standards."

"From the time when Starwood created W Hotels, brands seem to be copying and pasting existing boutique and lifestyle companies' ideas while somehow trying to fit them into their own

corporate structure. With this, the service levels often times come across as forced, yet today's customer is too savvy and well informed not to understand that. Regardless, the big brands have seen the revenue numbers from the boutique and lifestyle segment and knew they had to be much more involved than they were before. For long term success of these, I believe that some brands will allow these new additions to their collections to remain unique, while others will soon lose what made them unique in the first place, thus morphing back into the corporate culture of before."

"This is the larger brand's way of taking hotels and organizing them into a portfolio where they may see a fit. These are simply brands of one without a consistent point of view. There are not real parameters around them other than carry the chain flags and potentially price points. Travelers used to be points and loyalty program driven, where having the chain flag was important, but now they expect an experience. It's simply the price of admission."

7a: Do you have any thoughts on the short and long term success of these properties?

"I believe that we [as soft branded hotels] will take a small portion of the business but never fully win over the lifestyle and boutique guests entirely. In terms of our short and long term success, the large brands are often times very concerned with multiplying too quickly. Historically, we have not given concepts enough time to develop our own identities before we have multiple hotels in the pipeline. Often times, that is out of our control. The issues of success for us are two-fold. On one hand, you have a guest seeking out a boutique and lifestyle experience- and now we have an answer for that. But then you will also have a guest that always seeks out the consistency from a branded hotel- and we have an answer for that. It will be interesting to see the impact of our merger this year (with Marriott and Starwood). This will fully impact our brands and the guest perception of those brands. At the moment, Marriott is

going through a large redesign for all of their properties, where developers have coined the phrase “not your parent’s Marriott” as an effort to seek out a younger generation of traveler.”

“I believe that many of these larger chains and their attempts at boutique and lifestyle will eventually fall short on with how truly local and original their experiences feel. As larger brands attempt to replicate what our hotels have been doing for decades, we, as hotel operators, may see some positive halo from the additional awareness they create as guests investigate what a genuine boutique or lifestyle hotel stay is like and then find us.”