

the boutique hotel

Fad or phenomenon?



Where the 'funky chic' of so-called boutique hotels really started: Blake's, Roland Gardens, London SW7

When is a boutique hotel not a boutique hotel? With special research by Locum consultant **Kirsten Lea**, **Locum Destination Review** looks beyond the hotel market's fragmentation to coin an alternative description for this, its healthiest sector.

A helpful definition?

Everyone seems to disagree on the subject of boutique hotels: on what is and what is not; on where they are to be found and where not; on their best pricing policy and the true economics; on their fashion status or long-term promise. In particular, on what to call the market sector.

On two issues, most commentators agree. So-called boutique hotels look in better commercial shape than traditional chain hotels. And it all started, as so many trends do, in London. Twenty years ago, in a South Kensington side street, Anouska Hempel made her name, more famously than ever she had as an actress, with Blake's. It had about 50 rooms, some of them as small as broom cupboards, a dauntingly cool bar, and the blackest hole of a restaurant that any one ever overpriced in this often overpriced city. And if you were a rock and roll figure or an actor under 50, you stayed at Blake's if you were anyone.

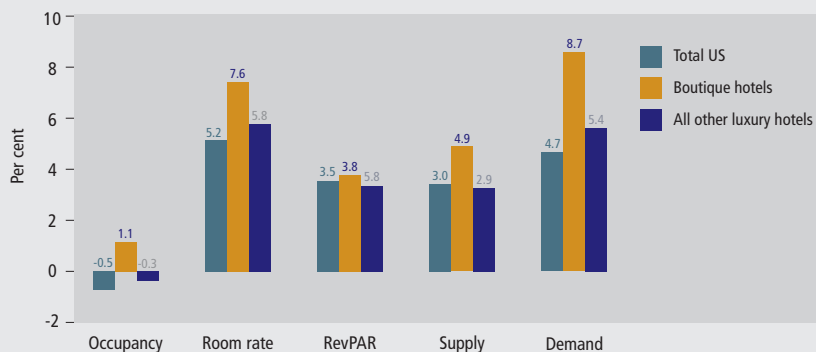
Around this time, Tom Wolfe had written a little-regarded essay in *Rolling Stone* magazine, entitled 'Funky Chic'. (This piece was greatly overshadowed by its predecessor, 'Radical Chic', which satirised New York's über-liberal elite as it entertained Black Panthers in the Bernsteins' palatial home, but in its way it described a more important and lasting phenomenon.) Funky chic was a disease that spread, Wolfe asserted grandiloquently, from Chelsea's famous Club Dell Arethusa around the world, via Paris to California's Troubadour and Whisky-a-Go-Go (where Elton John was really launched). If Wolfe had stayed his hand, he would have seen his disease find its fullest flowering in New York's Studio 54, the now notorious base camp for assorted cokeheads, entertainment entrepreneurs, and its notable founders, Steve Rubell and Ian Schrager.

In a similar way, the funky chic of so-called boutique hotels spread from Blake's (via Paris' L'Hotel in Rue des Beaux Arts with its Oscar

Boutique *n* a small shop or department of a store, selling (esp. fashionable) clothes or accessories, [French]

Oxford English Dictionary

Boutique hotels vs total US and all other luxury hotels
Average annual change in performance ratios 1995-2000



“Strangely enough, (for boutique hotels) demand seems to increase as supply rises and it falls when the rate of growth in new properties slows down.”

Mark Lomanno, President,
Smith Travel Research

Wilde pedigree), to achieve fame and fortune on America's West Coast at LA's Mondrian, and in New York's definitive first statement, Morgans (est. 1984, prop. I Schrager). Life imitating art, hospitality imitating rock and roll.

American commentators find it easier to define the boutique hotel and classify it as a market sector than do its British exponents. Olga Polizzi (profiled later in this issue) accepts that her Hotel Tresanton might be described as such but doubts whether the boutique's most quoted progenitor actually creates boutique hotels. 'Schrager's not really boutique. Individual, different, but not boutique as far as I'm concerned. Boutique means small, quite small rooms and quirky in a cottagey way'. Would she describe, along with some commentators, Hotel du Vin as a boutique? 'No. I'd call it a good chain! Its founder, Robin Hutson, is not so sure either. 'I don't know what it (boutique) means, actually. I don't know what we call ourselves but boutique is closer than most things, though it's not brilliant! (There is a suspicion that Hutson had a better description of this hotel sector in his original company name, but more of that anon.)

So if soi-disant boutique hoteliers find the description less than optimal, why use it? For three reasons. Because it provides some common currency and thus permits debate. Second, because it is widely used in the US, the world's biggest hospitality market. Third, because, as a result, market data has been collated and analysed on the basis of a defined US hotel market sector.

The US track record

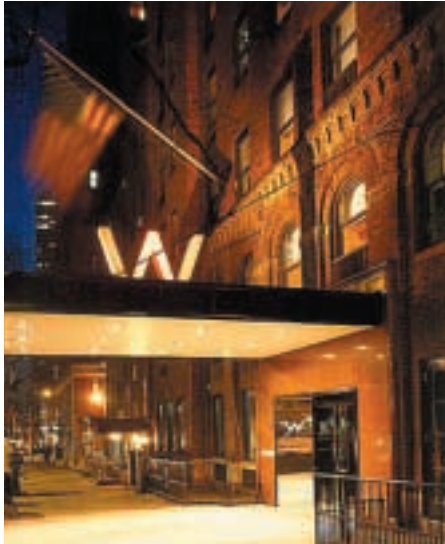
Architecture NOW ('Better business through design ...') predictably defines the boutique hotel from a design standpoint: 'Boutique hotel has become shorthand for a hotel with a high-concept design and

unique atmosphere! It goes on, inevitably, to cover the boutique hotel as 'micro-city ... as fantasy environment ... as a lifestyle ... as the ultimate merge (sic) of design and fashion! More helpfully, Mark Lomanno, the President of Smith Travel Research, produces valuable economic analysis of the market sector defined as follows:

'On December 31 2000, there were 163 properties containing more than 38,000 rooms in the STR database that met the somewhat rough definition of boutique hotels. Included in our sample were W Hotels, Kimpton Hotels, Ian Schrager Hotels, and any independent properties with an adr more than \$150 and 150 to 400 rooms. Since a particular group of hotels can only be identified in our database by size, price level, location, and chain-affiliation or independent ownership, a better definition of boutique hotels can be derived from the information on the internet:

- Appeal to leisure and business travellers, particularly women.
- Although some are small (Blake's Hotel has only 51 units), several have more than 400 rooms. Most are between 150 and 200 rooms.
- All stress homelike atmosphere, highly personalised service, and distinctive style with generous amenities including easy access to the internet.
- For the more sophisticated traveller, they are the "right" place to stay!

On the basis of this definition, Lomanno calculates that boutique hotels in the US have significantly outperformed other luxury hotels on all dimensions except supply over the five years to end-2000. (See Table 1). Most important, on yield (what the industry calls RevPAR) the boutique hotel index climbed from 233 in 1995 to 281 in 2000, whilst the yield index for other luxury-priced hotels grew only from 181 to 185. Over the same period, boutique hotels' dollar



(W at 39th Street and Park Avenue, pictured)

'I like the vibe. This feels more like a real bar.'

(On W and other imitators)

'It drives me crazy that I've come up with this idea and people are trying to make billions off of it.'

Both from Ian Schrager, hotel proprietor (but not of W)



share rose more than 18 per cent in relation to all luxury-priced hotels.

No wonder that last year Hilton opened its first 'lifestyle' hotel at the Trafalgar and Le Meridien announced global plans to open 5,000 'Art and Tech' bedrooms, each with electronically controlled beds and plasma televisions. They are playing catch-up with Starwood Hotels' W mini-chain, whose success is at the heart of Smith Travel Research numbers. Whether or not the other major chains will truly understand the key to success in the boutique hotel sector is a moot point. Somehow, W has leapt the cultural chasm which separates its informal, atmosphere and lobby buzz from its *grande dame* parent, the Westin chain. Can the others?

If they, too, understand that this sector's growth is about *attitude*, and if, therefore, they embrace *cultural* change, then perhaps they can succeed. (They might be well advised to spin off separate, virtually independent divisions to achieve their goals, however.)

Is the boutique a designer phenomenon?

The risk chains face is in equating the boutique hotel with the designer hotel. Leading-edge design is often a characteristic of this new and healthy hotel baby, but it is not by any means the whole story. Lumping 'design' and 'boutique' together misses the point. This sector actually reflects all the fragmentation tendencies of consumer markets - especially those for premium-priced goods - the world over. The reason for the sector's growth is the reason for its fragmentation: individuality. This individuality - of guest, of proprietor, of site, of staff, of hotel atmosphere - is reflected in design, but it may well not be *driven* by design.

It is an easy elision, an easy error to make, confusing the role of design. Olga Polizzi may well be right to judge Schrager's hotels as too big to be boutiques, and Schrager himself clearly loathes the description 'hip' which many use for boutique hotels, but the camp followers see Schrager as the leader of the boutique movement, the analysts base their sector definitions on his hotels, and observers just point at the Royalton, Sanderson and Hudson, connected as they are by Philippe Starck, and 'eureka' becomes 'design'.

Schrager has a more interesting point to make about his hotels: 'I like the word subversive. The idea is to do something contrary, something that violates the status quo, and as long as it is well-executed it works. If it's not well executed, then it's just trendy.'

To quantify the role of design, listen to Schrager's General Manager at the Sanderson. He has been quoted as saying, 'We are in the entertainment business', and, watching his barmen play the exhibitionists on both sides of the counter, you take his point. Beyond entertainment, the design plays a role in justifying high rack rates but only so far. 'I can only sell the design once. Everything behind has to work for somebody to come back a second time. The place needs a personality, the staff need to have a personality, the design element can pay if you do everything else right' Some might think Schrager hotels extreme and certainly most of the Sanderson's guests come from media, fashion and film industries but, like the slightly more modest St Martins Lane, they also come from more traditional worlds like banking and pharmaceuticals. The key to the guest profile seems to be that, like the hotel itself, the guest is an individual and, suit or no, an individual that can spell attitude.



'I build my hotels to put people in the spotlight, it is all about exhibitionism.'

Ian Schrager, owner

London: the world's most 'complete' hotel market

Beyond Schrager's hotels and within a more accessible price range come properties that seem to justify the boutique description more accurately: the Covent Garden in Monmouth Street, myhotel in Bloomsbury, the Pelham in South Kensington, the Franklin in Egerton Gardens, the Portobello in Notting Hill, and the Charlotte Street, also where you would expect it to be. These hotels all feel more boutique-ish by virtue of their size as well as their informality and pricing. (Think £150 or thereabouts per night, as opposed to at least another £100 per night in Schrager's hotels, or Conran's Great Eastern or the Ongs' bequests, the Metropolitan or Halkin.) Each of these establishments shares design flair, townhouse chic, and less-than-Establishment ambience, but they are all different, all individual. The typical example of this atypicality is the one that has had the most press coverage: myhotel, lower case et al.

This Bloomsbury hotel has defined its own niche, far away from the glitz of nearby Berners Street. This is a place which 'moves at the pace which suits each individual guest', in the words of its owner, Andy Thrasyvoulou. A place that epitomises that questionable description 'lifestyle hotel' but takes it a stage further; whereas other lifestyle hotels might offer areas for stress relief and relaxation, myhotel is dedicated to this in its entirety. Hence the original Feng Shui expertise from William Spears (one wonders how Conran and Partners worked their designs around that ...). Hence the

Yo Sushi restaurant and the Far Eastern tradition, also adopted by W, of one point of contact for the individual guest's needs. Hence the 'oasis of calm' definition applied by every other travel writer. myhotel's General Manager, Christopher Oates, puts it thus: 'This is "my", which to each individual means "yours."' Inscrutable for some, but you know what he means.

Andy Thrasyvoulou has made a lot of myhotel's spiritual character in the past but has been (well) advised not to allow this to dominate myhotel's projection. In fact, the branding techniques which he practices provide lessons that most of the hotel industry could usefully study. mystory, as he puts it, is an exemplary brandstory, reflected yet again in myhotel's latest product development - myplace - an 80-square-metre penthouse comprising apartment and studio, where we find 'a fusion of spirituality and technology'. Here you can choose to have a butler, choice of room aroma, personal chef, beauty treatments, cosmetic mini-bar, fitness equipment, even musical instruments. (As the outstanding myhotel press people say: myplace 'is certain to be particularly popular with the many bands and celebrities that already frequent myhotel'). Just fill in 'the unique mypreferences form ... so successful in making myhotel guests feel so welcome' and you are all set for 'an individually tailor-made experience that is completely in tune with your needs'.

Soon, myhotel will face the challenge confronting all successful independents: how to replicate success in new sites, how to stay individual as you multiply. Thrasyvoulou is ready, with sites, branding and an individual's passion, but the London hospitality economy since September 11th has caused him and his backers to take a breather.

UK examples of the US-defined boutique hotel market

The Sanderson Hotel	Hotel Tresanton	myhotel Bloomsbury	Hotel du Vin
50 Berners Street London W1	St Mawes Cornwall	11-13 Bayley Street London WC1	The Sugar House Narrow Lewins Mead
Owner: Ian Schragger Hotels Inc.	Owner: Olga Polizzi CBE	Owner: Andrew Thrasyvoulou	Owner: Robin Hutson, Gerard Basset (plus directors)
Designer: Philippe Starck	Designer: Olga Polizzi CBE	Designer: Conran Design Partnership	Designer: Mr & Mrs R Hutson
Opened: September 2000	(Re-)Opened: June 1998	Opened: March 1999	Opened: November 1999
Rooms: 150	Rooms: 26	Rooms: 76	Rooms: 40
Entry price: £340	Entry price: In season £250 Out of season £150	Entry price: £170	Entry price: £109
			• 3rd of 4 now open

Sources: Michelin Red Guide 2002; Locum Destination Consulting

A new financial picture

This is the first major downturn here in a decade, with Foot and Mouth, US recession and international terrorism all conspiring to depress hospitality revenue. Yet, whereas many an overpriced London restaurant and many a traditional, luxury hotel has been emptied, it is likely that the accessible, so-called boutique sector will have weathered the storm better than others. Outside London, occupancy levels and revenues at Hutson's Hotels du Vin and Polizzi's Tresanton demonstrate graphically how robust this hotel type really is.

Their performance questions the traditional bankers' view that this is a big city phenomenon. Rich Rohrbach, a senior vice president of Credit Lyonnais, cites the usual criteria for backing ventures in this sector: provable or defensible cash flow, strong management, good location, upper price points. He adds that 'a lot of times the level of commitment and brain cells devoted to that particular asset is higher because it's a smaller company and they have more energy poured into it'. However, he restates traditional location logic: 'You might not want to do it Detroit. They're more a New York, Chicago, San Francisco thing! How about Winchester, Tunbridge Wells, Bristol, Birmingham, Leeds or St Mawes, Mr Rohrbach?

Another finance man, David Twardock, president of Prudential Mortgage Capital Company, raises traditional supply and demand issues. 'The only concern I would have is if there are too many brands out there, that people are driving development in order to get more product in the market place, and overdevelopment can result out of that dynamic.' Point taken, Mr Twardock, and such an issue of competition has indeed caused one Robin Hutson to avoid a particular town (such as Leeds, which already had a 42 The Calls and a Malmaison). But, macro-economically, Mark Lomanno at Smith Travel Research has shown, via regression analysis, a good (76 per cent) fit between supply and demand for his defined boutique hotels, where *demand increases as supply rises, and falls when the*

rate of growth in new properties slows down. As you might expect it is not the same picture for luxury-priced hotels overall.

In other words, this is a new sector that does not obey all the old rules. Secondary locations work and supply-driven growth is still available. What is more, technology is allowing premium rates with less intensive service and lighter payrolls. In the context of cold macro-economic blasts, the market may feel chillier than it did but this sector remains attractive. Beyond overall market factors, the chief risks lie in expansion and the strain this places on entrepreneurs and the ethos of individuality; in renewal, because if this type of hotel stands still, it loses appeal; and in the value on offer, as some are tempted to stretch beyond their accessible, 'volume prestige' price points.

In search of individuality

The more that Establishment hotel chains see their market shares shrink, the more they will try to replicate the successes of the so-called boutique sector. And the more they will try to achieve this through design and product details, rather than true individuality, personality and culture.

As ever, the independent sector shows the way for the multiples. It happens in music, film, fashion, cuisine, television, in just about every pursuit of leisure and culture for cash. Independence of *spirit* matters, even when independence of *ownership* no longer holds. (The ethos is still visible at Virgin Airlines, though not Virgin music; still at Oddbins but not Bottoms Up; still there at W hotels, but Malmaison?) Facing this issue - the culture of individuality - will be the multiples' biggest challenge.

Some observers believe it is design that drives this sector. Not so; Hotel du Vin is almost anti-design and a market leader. Others see age segmentation as the key, but the attraction of this sector is as much to baby boomers as Generation Xers, and its appeal to women is probably a more crucial demographic bias in a less patriarchal

business world. People talk about 'lifestyle' but this, like design, is another self-limiting, soon-to-be-dated label. The sector does have fashion appeal but with longer legs than any fad. (To plagiarise Cecil Beaton: 'Fashions change but fashion, like the poor, is always with us!') Ian Schrager sounds a touch cute when he declaims, 'You are where you sleep', but he is stating a truth of consumer marketing. Guests are choosing hotels where they *feel* right, as individuals.

The much-respected voice of the US hotel establishment, Jeff Weinstein (Editor-in-Chief of *Hotels* magazine) defines the sea change in classical terms: 'It is time to take notice of what has become a mature industry and the changing preference of customers.'

What the Americans call boutique hotels now define a prosperous niche: 1 per cent of total industry rooms, 3 per cent of total industry revenue. The sector is here to stay, longer than the term 'boutique', we suggest. The word 'boutique' suggests smallness and fashion too overtly, and perhaps too much femininity to boot. This sector represents a distinct shift away from norms, sameness, uniformity, the mainstream. The man who coined the best term for this market has now, kindly, stopped using it as the name of his company. In the era of a Prime Minister who plays a Fender guitar (and whose wife

earns more than him), Robin Hutson had it right when he set up The Alternative Hotel Company. Since that title is now available - thank you, Robin - we propose that the sector previously known as the 'boutique hotel market' be re-named 'the alternative hotel market' and keep its doors open to individual hotels with attitude.



"This is 'my' which to each individual means 'yours'."
Christopher Oakes, General Manager

