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# The Popularity of Boutique Hotels

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**H**otels built in the 19th century and through the mid-20th century were very much like people. Each hotel had its own distinctive façade and a unique décor, but more importantly, each had its own personality that was impossible to copy elsewhere. People would stay only at a particular property when visiting a certain city because of the personal attention that they received there. Guests were all known by name and employees were aware of their individual tastes and preferences. Great effort went into personalizing service to the highest degree possible. This did not last long, however.

During the second half of the 20th century, the lodging industry underwent a subtle but certain change in concept. In fact, this concept first originated in the manufacturing industry—that of line production, which was first initiated at the Ford Motor Company, where it proved to be very successful. This heralded a change in focus from individualized attention to mass production, which led to enhanced productivity and greater economy of scale. Most industries immediately adopted this concept. The hotel industry too found it to be more profitable to put up rooms that were easy to construct, easy to maintain, and easy to duplicate rather than create high-cost, one-of-a-kind rooms that can be very expensive to maintain and refurbish. This led to the rise of several hotel brands that offered similar rooms and services throughout their chain. This was an attempt to standardize their offering so that guests knew what to expect when they walked into any of that brand's hotels. This also enabled hotels to set up centralized purchase systems and departments that

would buy for the entire chain, thus receiving more competitive prices, greater bargaining power with vendors, and less administrative activity at the individual hotel level. This led to significant savings, a portion of which was then passed on to guests.

As time passed, a segment of travelers became weary of hotel rooms that all looked the same and had no character, and started seeking other options. In an attempt to capture this market niche that was willing to pay higher for a differentiated product, a number of hotels entered the market with a different product offering. These hotels offered unique styles and a high degree of personalized attention. And most importantly, each property had a character of its own. These hotels were soon called “boutique hotels” and the name stuck to them. A study of hotel room rates in New York City found that while average room rates for all hotels was \$186.00, the average rate for boutique hotels in the city was \$216.00.

Boutique hotels are able to achieve such high rates due to a number of different factors. First, they target a more influential segment of travelers who are ready to pay more for a better product and who are willing to try out different hotels offering different experiences. As this segment pays higher rates, they obviously expect more personalized service. Boutique hotels might provide old-fashioned personal service, but this is not possible without the state-of-the-art property management systems that are used to track and record guest preferences, right from the type of room they prefer to the way they like their eggs cooked for breakfast. The availability of this information empowers hotel employees to provide the high degree

of personal attention that is expected of them.

Guests who walk into such hotels are greeted by name if they have stayed there before and might even receive enquiries as to the welfare of their spouses and children. To guests who may have resigned themselves to disinterested front desk personnel constantly asking them for their reservation confirmation numbers at check-in, such a welcome comes as a pleasant surprise. Boutique hotels constantly aim at surprising and delighting their guests in this manner throughout their stay at that property.

It is therefore no surprise that boutique hotels have done very well and the concept has become very popular. As a testimony to this statement, half a dozen boutique hotels have opened up over the last year in Manhattan alone, adding approximately 1,000 rooms to the total supply. Projects that are underway are expected to add another 1,800 rooms to the supply in 2001. Another significant development was the decision by Starwood Realty Trust, which owns the Sheraton and Westin brands, to develop boutique hotels under the name “W Hotels.” In the last two years, Starwood has opened 13 such properties throughout the United States, and this number is expected to increase.

As the number of boutique hotels accelerates, competition will also rise, and these hotels will have to target their market segments more aggressively. While there might be a move towards more competitive pricing, hotels are expected to focus on differentiating their product offering rather than reducing prices for a segment that is not price-conscious.



**CANADIAN LODGING OUTLOOK**  
**HVS INTERNATIONAL - CANADA**

May 2001	Number of Rooms	Occupancy Rate (%)		Average Room Rate (\$)		RevPAR (\$)		Room Supply % change	Room Demand % change
		2001	2000	2001	2000	2001	2000		
Nova Scotia Area	1,119	63.1%	63.9%	\$77.28	\$73.09	\$48.76	\$46.70	0.0%	-1.1%
Halifax, NS	2,286	77.8%	79.6%	\$120.84	\$120.81	\$94.01	\$96.16	0.0%	-2.2%
Montreal, QC	14,291	70.5%	74.6%	\$136.16	\$126.95	\$95.99	\$94.70	0.5%	-5.0%
Quebec City, QC	3,600	71.4%	76.9%	\$124.64	\$117.09	\$88.99	\$90.04	0.2%	-6.9%
Quebec Area	3,752	58.9%	55.9%	\$81.49	\$77.73	\$48.00	\$43.45	0.0%	5.4%
Toronto Downtown	11,959	74.8%	79.3%	\$175.64	\$173.53	\$131.38	\$137.61	0.3%	-5.4%
Toronto North/East	6,445	73.5%	76.4%	\$110.08	\$111.58	\$80.91	\$85.25	1.4%	-2.5%
Toronto Airport/West	8,322	73.4%	80.4%	\$121.21	\$117.58	\$88.97	\$94.53	4.3%	-4.8%
Ottawa, ON	7,236	77.3%	81.7%	\$135.56	\$124.48	\$104.79	\$101.70	-1.5%	-6.7%
Ontario East	4,628	62.4%	65.3%	\$95.70	\$90.02	\$59.72	\$58.78	1.2%	-3.2%
Niagara Falls, ON	5,383	62.7%	63.6%	\$115.37	\$103.28	\$72.34	\$65.69	2.1%	0.5%
Ontario Southwest	5,072	61.0%	63.1%	\$96.48	\$92.19	\$58.85	\$58.17	0.4%	-2.9%
Ontario North	4,313	58.4%	60.2%	\$86.71	\$81.86	\$50.64	\$49.28	0.7%	-2.3%
Ontario Central	6,887	61.1%	62.4%	\$91.34	\$86.09	\$55.81	\$53.72	0.0%	-2.0%
Winnipeg, MB	3,230	63.3%	62.1%	\$92.83	\$87.28	\$58.76	\$54.20	1.1%	3.1%
Regina/Saskatoon, SK	3,584	64.6%	68.6%	\$80.48	\$77.58	\$51.99	\$53.22	2.4%	-3.5%
Calgary, AB	7,196	69.9%	66.9%	\$114.02	\$112.73	\$79.70	\$75.42	0.8%	5.3%
Edmonton, AB	5,054	63.0%	64.3%	\$88.83	\$85.89	\$55.96	\$55.23	0.0%	-2.1%
Alberta Area	5,171	60.6%	62.1%	\$82.16	\$78.08	\$49.79	\$48.49	3.2%	0.7%
Mountain Regions, AB	2,649	69.7%	72.6%	\$179.43	\$161.28	\$125.06	\$117.09	0.0%	-3.9%
Vancouver, BC	11,627	68.9%	68.6%	\$144.44	\$145.15	\$99.52	\$99.57	2.7%	3.2%
British Columbia Area	4,908	55.8%	56.6%	\$82.04	\$79.36	\$45.78	\$44.92	0.8%	-0.5%
Victoria, BC	2,700	64.4%	68.8%	\$122.52	\$115.48	\$78.90	\$79.45	0.0%	-6.4%
<b>Provinces</b>									
Alberta	20,070	65.7%	65.8%	\$109.14	\$105.44	\$71.70	\$69.38	1.6%	1.4%
British Columbia	22,083	62.9%	63.6%	\$128.88	\$126.82	\$81.07	\$80.66	1.1%	-0.1%
Manitoba	3,495	62.8%	61.8%	\$91.40	\$86.47	\$57.40	\$53.44	1.2%	2.9%
New Brunswick	2,701	62.8%	64.5%	\$90.24	\$83.45	\$56.67	\$53.83	0.0%	-2.7%
Newfoundland	1,521	69.6%	71.2%	\$104.79	\$98.28	\$72.93	\$69.98	0.0%	-2.2%
Nova Scotia	3,405	72.8%	74.0%	\$107.96	\$106.04	\$78.59	\$78.47	0.0%	-1.5%
Northwest Territories	INS	INS	INS	INS	INS	INS	INS	INS	INS
Ontario	59,806	68.8%	72.5%	\$124.75	\$120.79	\$85.83	\$87.57	0.9%	-4.2%
Prince Edward Island	784	53.6%	54.4%	\$83.49	\$90.69	\$44.75	\$49.34	0.0%	-1.6%
Quebec	22,082	68.8%	71.9%	\$125.80	\$118.31	\$86.55	\$85.06	0.3%	-4.1%
Saskatchewan	5,075	58.8%	63.6%	\$76.05	\$73.11	\$44.72	\$46.50	1.5%	-6.1%
Yukon Territory	748	50.8%	54.2%	\$80.73	\$81.49	\$41.01	\$44.17	0.0%	-6.4%
Canada	141,770	63.4%	65.3%	\$102.78	\$98.45	\$65.16	\$64.29	0.9%	-2.1%

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British Columbia Area	4,908	45.7%	46.9%	\$73.73	\$71.36	\$33.69	\$33.47	1.1%	-1.4%
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Yukon Territory	748	43.3%	41.2%	\$76.19	\$77.08	\$32.99	\$31.76	0.0%	5.0%
Canada	141,770	55.9%	56.5%	\$97.76	\$92.17	\$54.65	\$52.08	1.2%	0.2%

## CANADIAN LODGING OUTLOOK

### DEFINITIONS

Occupancy:	The ratio of total occupied rooms to total available rooms.
Average Room Rate:	Defined as room sales divided by the total number of rooms occupied.
RevPAR:	The application of a hotel's average occupancy to its average room rate and a true indicator of the property's ability to generate revenue. It is calculated by multiplying the occupancy by the average room rate.
Number of Rooms:	The total number of rooms at participating hotels.



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