

## Big May Be Beautiful, but Boutique Is *C O O L*

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*The Hudson in Manhattan was recently voted the world's coolest hotel by Condé Nast magazine—closely followed by W in New York's Union Square. While wealthy American tourists still flock to the Dorchester, The Ritz or the George V in Paris, people in the know can be seen parking their Ferraris outside the Sanderson and The Colonnade in London or The Montalembert in Paris. At the same time, these new hotels are making record profits. The once-seedate world of exclusive hotels has been reinvented. What is going on?*

The answer is that pampering is passé. Sophisticated travelers now expect an experience. In the words of Ian Schrager, who developed the concept of London's St. Martins Lane, the hotel "represents the first hotel of the next wave—a hotel for modern people that crave something original, different and magical." The hotel's packed restaurants and bars would seem to endorse his view.

So why the shift toward boutique and designer hotels? First, some history. Hotels started out as lodges, accommodation for travelers on the road. They provided a bed and board, albeit in a range of different grades from the simple inn to the sublime Raffles Hotel in Singapore. With the advent of business travel, guests wanted a "home away from home." In-room televisions, mini-bars and beverage-makers became the norm. Holiday Inn created a worldwide design that promised uniformity wherever you stayed and became a virtual home for many frequent travelers.

With the growth in leisure travel, hotels became destination resorts in their own right, offering spas, activities, and entertainment. Today, consumers are interested in brands that complement their desired lifestyles and images. Why have a Philippe Starck bathroom in your loft apartment and then be forced to use some mock marble monstrosity straight out of the 80s when you stay in your very expensive city centre hotel?

But boutique hotels are not a victory of form over function—not only minimalist foyers and eclectic restaurants. They also provide a customer experience and a style of service that is technically excellent but also informal and a long way removed from that of the condescending maître d's who inhabit some grand dining rooms.

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This trend is not restricted to upmarket brands alone. Malmaison Hotels, voted U.K. Hotel group of the year in 1999, serves business guests in the north of England and offers in-room artwork, entertainment centres and “cool” CDs at a very reasonable rack rate. Their brand promises “hotels that dare to be different.” Their web site features a very cool virtual room tour, and their people have acquired a reputation for being friendly.

This shift is being fuelled by the continued growth in tourism and business travel as well as the increasing trend toward eating out and weekend breaks for affluent young professionals. In the U.K., for example, the hospitality market is forecast to grow by 50 percent to reach £14.6 billion by 2004, according to Euromonitor.

Even the large chains are bringing designer brands to market. Starwood, owner of the Sheraton and Westin hotels, launched its W brand in New York and since then has opened an additional 12 properties. Like the Ian Schrager properties, the W brand offers few clues to its ownership. The designer hotels set out to intentionally create a customer experience that is different and valuable. In a recent interview for the Financial Times, Barry Sternlicht, Starwood’s Chairman and CEO said, “ We find a Sheraton customer goes to a Sheraton and a W customer to a W. Our W guests are some of the most loyal we have.” As a result, margins are often far higher than for most traditional hotels.

So is the day of the grand old hotel over? No, there will always be a market for hotels like the Ritz-Carlton, The Dorchester, Raffles, and Fairmont Hotels, for example, because their attention to detail, opulence, and outstanding service are timeless. The experience they offer appeals to a different audience than the Ferrari set. Perhaps that is why you are more likely to see a Rolls Royce parked outside.

Hotels are finally waking up to the fact that they will be more successful if they are more intentional in targeting customers, understanding what these customers value, and then designing an experience that delivers it. Business trips are starting to be fun again.

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