

BLLA's 2018 Sentiment Survey Result Analysis

The Boutique and Lifestyle Lodging Association has spent the better part of the last decade identifying, representing and championing boutique hotels. One of the many ways BLLA services the boutique community is through our industry research. We serve our members and the boutique community by arming its professionals with the insider knowledge needed to succeed.

This survey has been crafted for Boutique & Lifestyle Hotels and brands for the purpose of collecting feedback relating to your business perception, the focus, direction and challenges you face with the goal of accumulating data on this important sector.

Through our associations membership network, which boasts over 1,000 properties worldwide, we are able to gather, analyze and share data that is sure to see your property reach continued success. Our inquiries are based off of the movement we see year after year in our niche of boutique hospitality. From technology, to food and beverage, marketing to amenities, there are a plethora of moving parts that can help or hinder a hotel's performance. The keenest of boutique professionals have their ear to the ground at all times.

With this survey we do our absolute best to relay this information back into the community to stimulate growth with knowledge and inspiration.



Survey Demographics

The majority of those who responded were from North America, at 87.5% of responses; and the second largest cohort was based in Europe, which made up 12.5% of the survey responses.

Of the hoteliers who participated in this year's survey, approximately 63% were small boutique properties with 1-50 rooms; approximately 13% answered 51-100 rooms, 101-150 rooms and more than 150 rooms, respectively.

Almost half of the survey responses were from properties in urban city settings; a third of respondents were based in the country or mountain; 10% were in spa resorts; and a smaller cohort

categorized their environment as 'other'.

Analyzing the Results

The data gathered from the BLLA Hotel Sentiment Survey allows us to answer questions any keen hospitality professional should be asking themselves. 'What might my biggest challenges in 2019 be?', 'What trends should I pay attention to, and implement?' or 'What areas are going to be prime for new market development?'

All these questions and more are dissected in our annual survey. The boutique sector is boundless, but with rapid expansion comes its challenges. As the official association for boutique hotels all around the world, we realize the awesome responsibility of

arming our boutique family with the analysis of their industry, and how best to proceed.

Big Chains

Have you noticed the explosion of imprint brands lately? If that is not a testament to how massive the boutique space has gotten, and how much potential there is, I don't know what is. They are realizing that touting their properties as boutique attracts a new type of demographic to your brand. Contrary to popular belief, travelers actually enjoy novelty. In years past, a "copy, paste" approach worked well (and still does in some demographics) for hotel mega-brands. However, the pendulum has swung, the future now and travelers want innovation. "I believe they have places a

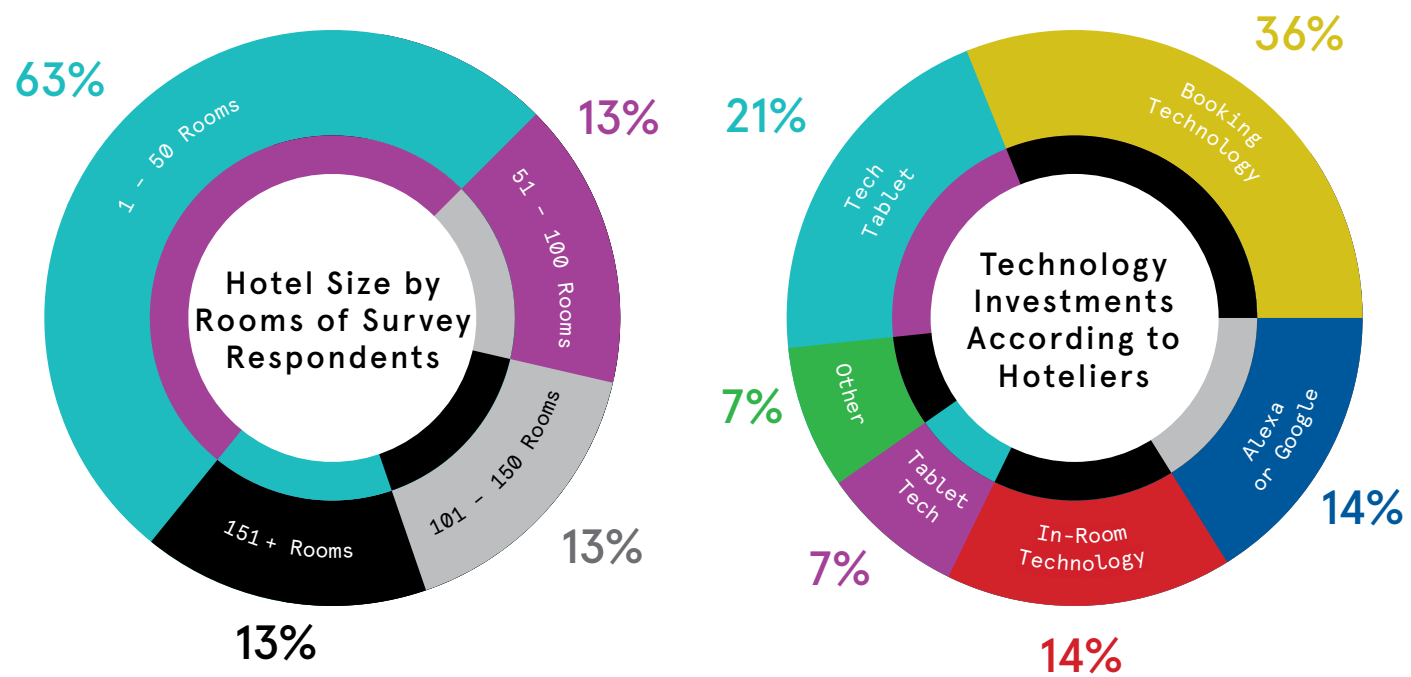
greater value on individuality and the guest experience" answered on respondent.

BLLA has supported and reinforced the notion through our many years of hosting educational conferences and market research. Our speakers hail from the companies setting trends in boutique daily. They have long remarked on the market switch, due to all kinds of factors like the changing economy, dominance of social media, and changes in consumer demographics.

Whatever the impetus, the shift has begun, and it is not slowing. Every day, another corporate hotel group announces their venture into the fun world of boutique and lifestyle properties.

"It's luxury if it exceeds your expectations"

Respondents all agree – true luxury comes down to service. "Luxury is providing a high touch level of experience, anticipating guests needs, and servicing them in style", one respondent said.



Maintaining Our Independent Spirit

We asked our members how they think boutique hotels best maintain their independent spirit as compared to bigger chain brands. The answers ranged from, "Maintain local staff" to "redefine the concept of a hotel." We couldn't agree more. One of the reason boutique flourishes is our daringness to innovate where others see risk. More replies echoed the sentiments, "deliver a high-quality experience with original thought and personality, not through canned consistency."

Boutiques work so well because they tell a story; the personality of the property should be reflective of its environment and help maintain its individuality. Hoteliers should remain dedicated to conveying that story but stay open minded. There are benefits that come with inclusion in a larger collective of lodging amenities. Finding the balance

between independence and inclusion will see the longevity of our sector, even in the face of big brand "boutiques".

Development

When you tackle the establishment of a new market, the ratio of new market development compared to renovations must be examined. Of our respondents, just north of 60% stated their preference for a majority renovation in the setting while just under 40% felt the opposite, thinking new construction is ideal for new market development.

Differentiation

The Airbnb influence cannot be denied. For many hoteliers, the lodging solution poses a major threat and disruption to the status quo. The threat of novel lodging accommodations sparks an increased focus on the need to differentiate. However, many others are seeing the opportunity

in the dominance of co-living, temporary lodging, or room-sharing platforms. When asked how they planned to adapt to this new-found competition, one respondent simply replied, "Use Airbnb." If you can beat 'em?

Other professionals plan to aim a renewed focus on their existing clientele to ensure return visits. Another touched on utilizing social media to retain their key demographic.

Design and Technology

Boutique properties have the unique ability to test and implement solutions swiftly due to their tightly-knit operations. We have long been tackling the topic of room technology, how it shapes guest experiences, and how over tech-ing your property can actually hinder guest experiences.

The majority of those surveyed relayed an intention to focus on

design and art in order to keep their property set apart from the rest of the pack. When asked about specific technologies, the majority of responses showed the number one focus will be booking technologies, with 36% of the vote.

Definition of Luxury

How do hoteliers and proprietors of boutique establishments define luxury in 2018? When asked, our respondents all answered with the same frame of mind. Luxury comes down to service. "Luxury is providing a high touch level of experience, anticipating guests needs, and servicing them in style", one respondent said. Another replied, "it is luxury if it exceeds your expectations."

We personally love the ambiguity in the reply as it speaks to the unlimited opportunity we as professionals in the world of boutique hospitality are presented with.



Of respondents planned to expand – 80% set their expansion to happen within six months.

Hotel of the Future

When asked what the hotel of the future looks like in their minds eye, the respondents surveyed all touched on the demand for highly designed properties with either lots of communal or co-living spaces. Also discussed more than once was the likely increase of micro-hotels, servicing very niche geography and demographics. The proliferation of these highly specialized lifestyle properties does not appear to be slowing any time soon.

External Factors

Competition and customer behavior were at the top of the list when asked about external factors that could negatively impact a business' bottom line. 80% attributed their largest concerns to this category. Following that, factors like weather or macroeconomics were provided as the largest concerns.

Political Landscape

The government shapes much of what we as business people are

able to accomplish. When the subject of the current administration was broached, about 50% of respondents said they believe the impact of the current administration was a negative one for business owners. However, just under 40% are in agreement that there has been no discernible impact, positive or negative. One person did note the potential positives for consumers. Of those who chose to extrapolate on their opinion, a decrease in US tourism and increased difficulty paying competitive wages were given as reasons they believe the current administration would hinder their professional success.

Competitors

of last year's survey, most hoteliers see the threat of competition most from other independent lifestyle and boutique properties. The next largest perceived threat stems from the boutique imprints of mega brands. These consist of chains like Moxy hotel by Marriott, Andaz by Hyatt or Kimpton Hotels by IGH.

One respondent touched on the possibility of the threat from the hostel niche in the years to come.

Innovations

When asked which area they say boutique hotels innovate most in, the answer was a resounding, "Experience, experience, experience!". Our hoteliers relayed the demand for experiences facilitated by the property. Over 63% stated they saw the most room for innovation in this area of hotel offerings. Today, you can go camping at a hotel in New York, or rock climb at another in Reno. The offerings run the gambit and will vary depending on the location of the property, demographic of its patrons and pop culture trends.

Value, Performance and Profitability

As was the conclusion in 2017, the biggest cost pressure points mentioned were rising payroll at 38%. Closely following was a tie between cost of distribution and rate transparency due to online distribution.

Focus of business

The hoteliers challenge is one of balance. Hotels are big operations with lots of moving parts. By surveying our community of hoteliers, we're able to gather that sales and marketing activities are the most demanding part of operations. 62% said procuring their clientele and advertising their services commanded the majority of their resources, with refurbishments coming in a close second.

Competitive Advantage

When asked what makes their property/product stand out amongst the crowd, our contacts stated simply having the best the market has to offer is what has made them successful. 38% said them being outliers gave them a competitive advantage, while technology, location and price point all had about the same number of yes votes.

Social Media

An overwhelming 63% said they focus the majority of their social

media presence on Instagram. Visual content has proven itself time and time again as the number one way to engage people online. An engaged customer spends more, and eventually becomes an extension of the brand due to the nature of social media.

The continued utilization of the "free" advertising platform should come as a surprise to no discerning hospitality professional.

Bookings

For boutique hotels, we found their booking come overwhelmingly from their direct contact portals. Their website and phone lines remain the dominating way they receive bookings. However, this can likely be attributed to their dedication to and understanding of social media tools.

Costs

Nearly 40% of those surveyed stated their company is investing 20% - 30% of their expenses on

payroll. 25% replied with their payroll costs at or exceeding 40%.

As is consistent with our findings last year, 50% of our hoteliers responded their property invests 2-5% of their costs in sales and marketing. A light increase from the 40% of respondents in last year's Sentiment Survey. The next most populous category contained 25% of our respondents who answered with 2%.

Food and beverages

Half of the hoteliers surveyed listed Food and Beverage profits as accounting for 0-20% of their total revenue. This is in contrast with the figures we reported in 2017. The same number of respondents relayed F&B accounted for 20-30% of their profits. This points to a shift in focus for the revenue generating practices adopted by the hotels.

Expansion plans

100% of respondents planned to expand! 80% set their expansion

up to happen with 6 months of the release date of this survey. Hoteliers plan on adding retail spaces, and additional properties. We're an ambitious niche!

Conclusions

The Boutique sector is booming! The aforementioned insights will arm any industry professional with the knowledge they need to navigate the ever-changing world of boutique hospitality.

The responses we were able to collect point to a renewed focus on branding and messaging and storytelling. Clearly, our community knows the demographic they service, and it is clear by the answers submitted, they intend to maintain the practices that has raised our niche to previously unthinkable heights.

We're witnessing most hoteliers harness the power of social media through Instagram. The once humble picture sharing platform allows a brand to reach clients in more accurate, direct way than

ever before. The app allows a company to convey a comprehensive story to an audience (an audience with spending power) in an inexpensive, but more importantly effective way.

Sales has usually, and likely will command most of a company's operational resources. However, social media is freeing up time and capital previously spent on procuring clientele and is now able to be used in creative avenues that will help differentiate your property.

Where boutique hotels were once written off as a fad, the industry is not only flourishing, but has gone from influenced to influencer. The expansion plans relayed by the respondents of this survey only make up a fraction of the new development that is to take place in the near future, meaning boutique hasn't felt the demand dip since it exploded onto the hospitality scene some years ago. Pay attention, huge things lie ahead for boutique!

