

## The Rise of Boutique Hotels in Africa

Across the world there has been a noticeable trend in the hotel market, where customers are being more adventurous when selecting hotel accommodation, leading to rise in “experience travellers” and indeed, to the rise of the boutique hotel. The concept is often credited to Ian Schrager, and was a direct response to the perceived impersonal nature of larger branded hotels and consolidation in the industry was leading to fewer brands to choose from.



Boutique hotels have been credited with increasing performance, commanding higher ADRs, having stronger demand during periods of economic downturns, as well as typically generating higher profit margins.

The first generation of boutique hotels had many similar characteristics. They were often housed in historical buildings a few blocks from the perceived centre of the hotel business in a strong hotel city. In recent years, such hotels have mainly been built as “new-builds”, without the charm of antiquity, previously associated with that market segment. Indeed, they have thrived because of their modernity, fashionableness, style and technological equipment.

Demand for such hotels tended to be concentrated on the more established markets, for example New York, London, Miami or Paris, but recently we have started to notice a clear trend to provide such hotels in various African locations. Growth of groups such as Latitude and City Blue show that there is demand in the market place for quality hotels that do not always follow the traditional blue print for hotel development.

The base business model of Latitude has been to develop a superior product on a smaller scale than most hoteliers would consider, but to hedge the risk by combining it with other compatible property uses, like serviced offices and private members clubs.



Nick Brown, the CEO of Latitude Hotels explained their success. *“Firstly, we identified the missing segment within each local market, the area where demand was not being catered for. Then all we needed to do was to ensure we provided the type of experience required, through excellent customer service. Never ever forget the strength of a smile from a receptionist, waiter, or house keeper in our business”.*

Vernon Page, the CFO of City Blue said *“At City Blue Hotels we have always been true to our primary driving force, which is careful selection of locations. We adapt the size, quality and non-accommodation facilities, depending on local demand, but we never compromise on the quality of the actual location”.*

At Hotel Partners Africa we anticipate that more of these city-based Boutique hotels will be developed, although it will take good management to ensure that they are successful. One of the key reasons branded hotels have traditionally been more successful than non-branded hotels in Africa has been the quality of management. These new “boutique chains” are showing the all the professional management skills of the larger brands, but applying it on an “individual basis”, making their business model a success. However, our worry is that some of the potential new entrants will not have the base management skills in place to ensure their schemes have the same level of success.