An Analysis of Marketing Strategies of Boutique Hotels in Thailand

การวิเคราะห์กลยุทธ์การตลาดของโรงแรมบูทิคในประเทศไทย

Sanchai Kiatsongchai
Terdchai Choibamroong

Abstract

This study aimed at analyzing current marketing strategies of boutique hotels in Thailand. The semi-structured interview with 35 hotel personnel, including the hotel owners, the general managers and the marketing staff in Chiang Mai, Bangkok, Trat, Nakhon Ratchasima, and Surat Thani provinces during October – December, 2013. The results revealed that most boutique hotels in Thailand adopted marketing strategies as follows: product differentiation, high service quality, quick responsiveness, partnership, pricing, e-marketing, advertising, corporate social responsibility, promotion, and customer relationship marketing. Further study should emphasize the evaluation of marketing strategy effectiveness.

Keywords: Boutique hotels, marketing strategies, marketing mix

1 A partial study of Ph.D. Dissertation in Integrated Tourism Management, Graduate School of Tourism Management, National Institute of Development Administration (NIDA)
2 Ph.D. Candidate in Integrated Tourism Management, Graduate School of Tourism Management, National Institute of Development Administration (NIDA)
3 Ph.D., Associate Professor, Graduate School of Tourism, National Institute of Development Administration
บทคัดย่อ

การศึกษานี้มีวัตถุประสงค์เพื่อวิเคราะห์กลยุทธ์การตลาดในปัจจุบันของโรงแรมบูติคในประเทศไทย โดยใช้การสัมภาษณ์แบบกึ่งมีโครงสร้าง กับเจ้าของโรงแรม ผู้จัดการทั่วไป และพนักงานการตลาด จำนวน 35 คน ในจังหวัดเชียงใหม่ กรุงเทพมหานคร ตราด นครราชสีมา และสุราษฎร์ธานี ระหว่างเดือนตุลาคมถึงมีนาคม พ.ศ. 2546 ผลการศึกษาพบว่า โรงแรมบูติคในประเทศไทยใช้กลยุทธ์การตลาดดังนี้ กลยุทธ์การสร้างความแตกต่างของผลิตภัณฑ์ การตอบสนองลูกค้าอย่างรวดเร็ว การสร้างพันธมิตรคู่ค้า การกำหนดราคา การตลาดอิเล็กทรอนิกส์ การโฆษณา ความรับผิดชอบต่อสังคม การส่งเสริมการตลาดและการสร้างความสัมพันธ์กับลูกค้า ส่งผลให้ได้รับคำชม สำหรับงานวิจัยในครั้งต่อไป ควรมีการศึกษาถึงประสิทธิภาพของกลยุทธ์การตลาดของโรงแรมบูติคในประเทศไทย

คำสำคัญ: โรงแรมบูติค กลยุทธ์การตลาด ส่วนประสมทางการตลาด

Introduction

Lodging or accommodation business has long been playing an important role supporting the growth of tourism industry. Different types of accommodation for leisure have been developed and created to serve the more complicated demands of tourists. Although the need for value-for-money accommodation is increasing by lower and middle segments, the demand for luxurious accommodation and new experiences is notably escalated (Ryan & Trauer, 2005). Guests of the hotel are now expecting hoteliers to provide them with a unique experience, excitement as well as entertainment in terms of action, emotion and aesthetic of the place they plan to stay (Aggett, 2007; Freund & Munsters, 2005). This changing need inspired many investors to build a hotel which not only serves as a temporary shelter while traveling, but also uplifts the visitors’ soul and spirit with unique and
personalized services, state-of-the-art facilities with thematic physical amenities and environment for high-spending guests. It is rather known as boutique hotel.

Boutique hotels are believed to emerge during 1970s to 1980s (Albrecht & Johnson, 2002; Rutes, Penner, & Adams, 2001; Victorino, Verma, Plaschka, & Dev, 2005). During the emergence period, there were various specific accommodations known by different names with unique characteristics, i.e. bed and breakfasts, home stays, guesthouses, farm stays, health farms, country inns, stately homes, wilderness or nature lodges, and boutique hotels or inns (McIntosh & Siggs, 2005). In Thailand, Kasikornbank Research Center (2012) has analyzed the prospect of boutique hotel business in Thailand that consumers’ needs in accommodation selection while travelling have changed from luxurious 4–5 star rating hotels to more personalized service and distinctive designed accommodation (Ministry of Tourism and Sports, 2011) diffusing cultural or architectural into the properties and service.

Tourism Authority of Thailand (2012) or TAT has realized the growth and importance of this type of accommodation by creating a webpage listing boutique hotels around Thailand and compiled a book titled ‘Best 100 Boutique Hotels in Thailand’ by voting campaign activity. Furthermore, Kasikornbank Research Center (2012) claimed that boutique hotels in Thailand will benefit from the growth of ageing or senior tourists who are more wealthy, travel more and seek for new experience. However, managing boutique hotels in Thailand successfully, especially small-scale properties, managers or property owners should critically consider their capabilities in terms of service design and delivery, financial foundation, management and marketing strategies targeting at target market.

Nevertheless, boutique hotels also need to compete with other type of accommodation in maximizing their occupancy rates. Marketing strategies are, then, put into action by selecting and analyzing a hotel facilities and target market,
and by formulating marketing strategies for products which will satisfy the needs and wants of target groups (Radisic, Perisic, & Berecic, 2010). Lin and Wu (2008) also stated that the hotel ventures should adopt one from a diverse range of marketing strategies to enhance increased revenue and profits because the ability of the business firms to create and utilize marketing strategies enable the firms to effectively adapt to their changing business environment (Esteve–Pérez & Mañez–Castillejo, 2008; Wernerfelt, 1984; Wu, Lin, & Lee, 2010).

In relation to hotel marketing research, various studies have focused on the impact of marketing on business performance and the contribution of marketing strategies (Luo, Sivakumar, & Liu, 2005; Moriarty, Jones, Rowley, & Kupiec–Teahan, 2008). Another stream of thought pays attention to the impact of marketing orientation or marketing effectiveness on hotel performance (Cizmar & Weber, 2000; Sin, Tse, Heung, & Yim, 2005). However, only large and affiliated hotels are spotted, while marketing strategies in small and new emerging hotels are slightly conducted. It is, thus, interesting as well as vital to thoroughly study the current marketing strategies employed by boutique hotels in Thailand in order to attract their target market. The results of this study will allow the boutique hotel entrepreneurs to further evaluate their current marketing strategies.

**Boutique Hotel Characteristics**

Boutique hotel is believed to exist during 1980s when Anouska Hempel designed Blake’s in London (Caterer Search, 2005; Lim & Endean, 2009; McDonnell, 2005). The other term is later mentioned as HIP or Highly Individual Place. Apart from boutique or HIP, Lim and Endean (2009) stated in their article that there are various terms widely used to describe these types of hotels which are town house hotel, lifestyle hotel, designer hotel and hotel du
charm. These terms could be categorised and named as specialist forms of accommodation (Morrison, Pearce, Moscardo, Nadkarni, & O’Leary, 1996). It could be said that European tourists are seeking not just an accommodation to stay, but are also seeking for experiences (Caterer Search, 2005); as such, boutique hotels are growing and expanding in many countries in Europe (McIntosh & Siggs, 2005), especially UK where boutique hotels were originally existed.

This trend of accommodation has expanded to the Asia–Pacific region but in low numbers due to unclear definition, perceived by both hoteliers and guests (Mintel, 2002). Some newly built hotels name themselves as boutique following some typical criteria, i.e. service characteristics, individual design, location and facilities (Lim & Endean, 2009). The confusing definition of boutique hotels can raise questions in the mind of guests on what to expect when staying at this type of hotel; while hotel owners might get confused about which group of customers is their target market and what tangible and intangible aspects to offer guests.

McIntosh and Siggs (2005) propose five characteristics to differentiate between boutique and traditional hotels: unique design and theme of the hotel, personalized service, homey feeling, high quality of service, physical location, and the knowledge and culture of the service providers. Simultaneously, Horner and Swarbrooke (2005) underline five prominent characteristics of boutique hotels; small scale with a friendly environment, unique design of facilities, amenities and appliances, unique identity, modern style designed with a remarkable concept, and personalized service though unnecessarily with full service facilities.

While various studies identified common characteristics of boutique hotels as being design and decoration, location, history, small-scale, personal service, unique, ownership, provision of restaurant, and leisure facilities in terms of value added (Callan & Fearon, 1997; Caterer Search, 2005; McIntosh & Siggs, 2005; McNeill, 2009; Rowe, 2003; Swig, 2002), Lim and Endean (2009)
divided the array of characteristics into aesthetics facets, (i.e. style, location, type of building and design) and operational facets (i.e. ownership, classifications and grading, number of employees, and services).

In conclusion, characteristics of boutique hotels are properties with cultural heritage or distinctive design (uniqueness), located either in tourism districts or scenic landscapes, privately owned (small scale) or chain (large scale), high service element with personalized attentiveness, and state-of-the-art facilities.

Marketing Strategy

This topic will elaborate upon emergence and development of marketing strategy concepts. There are only a few solitary concepts developed since the 1950s which later became the basis of today’s marketing strategy (Shaw & Jones, 2005). These concepts are Smith’s product differentiation and marketing segmentation, Borden’s marketing mix, and Dean’s skimming and penetration.

Smith (1956) initiated ‘product differentiation’ and ‘market segmentation’ strategies, the earliest use of the term ‘marketing strategies.’ Product differentiation dealt with bending demand to the requirements of supply. In other words, the firms try to differentiate or distinguish their marketing mix from those of rivals, especially in a mass market where it is believed that customers’ demands are homogenous and individuality is ignored. The real concept of product differentiation was to position a particular brand to be distinctive from competitor’s, in the targeted customers’ mind, in a situation where supply and demand are relatively similar. To be different, the product or service would be changed technically through new designs, better ingredients, new packaging, and more exciting services or even technological assisted service. Consequently, differentiation could mean both physical differences such as physical characteris-
tics or lower price and perceived difference such as a more appealing image or impressive brand logo.

Market segmentation was a concept based on the work of Alderson in 1937 who recognized heterogeneity in supply and demand, and the work of Robinson in 1933 who divided markets into sub-markets relating to price elasticity and claimed that the least elastic market could be charged the highest price and vice versa. Market segmentation can be defined as a division of a heterogeneous market into several analogous sub-market groups by common characteristics such as age, gender and career (Shaw, 2012). An appropriate analogy could be that differentiation strategies are meant to maintain a layer of the market cake, while market segmentation is an attempt to protect one or more pieces of cake (Smith, 1956).

Skimming strategy starts when a business offers a product with a high price and gradually reduces the price after attracting the least price sensitive markets, boosting demand at each price level (Dean, 1951). This strategy concept is effective since customers differ in terms of their personal and social characteristics, i.e. income, social status, and price sensitivity. However, the heterogeneous market segments also share common characteristics.

Penetration strategy, on the other hand, is an attempt into a competitive market with initial low prices at the introductory phase to quickly gain sales volume and market share. Even though income is reduced, it deters competitors’ entry, due to low profit margins. However, Shaw (2012) discusses how this strategy not only applies the ‘P’ for pricing mix strategy, but also incorporates the promotional strategy to enhance its effectiveness in penetrating the market.

The marketing mix concept was introduced by Borden (1957) who proposed the first marketing mix checklist with twelve parts: product planning, pricing, branding, personal selling, advertising, promotions, packaging, display,
servicing, physical handling, channels of distribution, and fact finding and analysis. Each section consists of more than two-dozen subsections. Later, McCarthy (1964) adapted Frey’s (1956) The Effective Marketing Mix with Borden’s by reducing the checklists into 4Ps which are product, price, place and promotion. With the simplification of McCarthy’s marketing mix, it appears in many management and marketing texts. Not surprisingly, most marketing strategies involve these ingredients of marketing mix.

Several product strategies are proposed by different scholars (Ferrell & Hartline, 2008; Kotler & Keller, 2009; Shaw, 2012; Smith, 1956): branding strategy deals with product identification, customer comparison, product acceptance, and enhanced product loyalty; product differentiation strategy relates to creating differences in product offerings (features or other characteristics) from the firm’s competitor’s offerings; positioning strategy copes with creating a mental image of the product and its distinctive features in the customer’s minds that are either real or perceived differences; service differentiation strategy mainly covers the addition of valued services and improving service quality.

Price, according to Kotler and Keller (2009) and Khan (2014), is one of the most influential variables affecting customer’s buying decision. It is the value charged by the amount of money that customers are willing to pay for any product or service (Goi, 2009; Muala & Qurneh, 2012; Riaz & Tanveer, 2012). Pricing in marketing strategy can create difficulty in making price decisions. Riaz and Tanveer (2012) propose four pricing strategies extracted from various literature: cost-based pricing, or mark-up profit margin from cost; break-even pricing, determining the price to cover manufacturing and marketing cost or reach targeted profit; competition-based pricing, pricing based on competitors; and customer-value based pricing, pricing on perceived value of the product which should not exceed what customers perceive.
Place or distribution refers to the channels by which a product is distributed to the consumer (Goi, 2011). Specifically for hotel business, direct distribution channels are mostly used by the individual guests, whereas guests traveling in groups often use indirect distribution channels such as travel agencies, tour operators, computerized information systems, the Internet, and hotel representatives to access the hotel (Kotler, Bowen, & Makens, 2006; Radisic et al., 2010). The increase of Internet usage results in new, effective distribution as well as communication channels for hotel businesses. The Internet has induced e-commerce for small scale accommodations such as boutique hotels (Law & Hsu, 2006). It has created a direct connection between customers and boutique hotels all over the world in terms of searching for information and making reservations (O’Connor & Frew, 2004; Toms & Taves, 2004). Furthermore, the Internet affects the way that customers search, compare, and evaluate hotels before making a decision, because the emergence search engines such as TripAdvisor.com, Agoda.com, and Booking.com, including other social media (Lwin & Phau, 2013).

Promotion or marketing communication is a way where firms convey and share meaning between customers and sellers, individually or in groups (Ferrell & Hartline, 2008). It deals with sales promotion, advertising, personal selling, public relations, and direct marketing. These factors are strategically incorporated into integrated marketing communication or IMC to maximize the persuasive impact on current and potential customers. This communication program is vital in marketing strategies for three reasons (Muala & Qurneh, 2012): offering required information and suggestions, persuading potential or targeted customers of the value of a particular product or service, and motivating target customers to take action and make a decision at the anticipated period.
However, various authors advise additional mixes apart from the 4Ps i.e. market research (Borden, 1964), packaging (Nickels & Jolson, 1976), customer service (Lovelock, 1979), public relations (Mindak & Fine, 1981), participants, process and physical evidence (Booms & Bitner, 1981, & Collier, 1991), persons (Judd, 1987), service, processes and personnel (Palmer, 1994), sales induction–promotion (Waterschoot & Van Den Bulte, 1992), persons and presentation (Ellis & Mosher, 1993). Finally, the 7Ps model was introduced by Booms and Bitner (1981) for the service sector. Apart from traditional 4Ps, the three additional elements are participants, physical evidence, and process.

Participants or people refer to the service employees who produce and deliver the service as well as other customers (Khan, 2014). Personnel are also considered as a key element in a customer-oriented organization as well as a way to differentiate variables such as product, services, channel, and image (Kotler & Keller, 2009). The sixth P is physical evidence which refers to the environment in which the service and any related tangible goods are delivered to customers. This is important because customers normally evaluate the quality of service through the physical surroundings (Rafiq & Ahmed, 1995). Additionally, the appearance of staff can greatly affect customer satisfaction. The environmental decoration and design also significantly influence customers’ expectations of the service. Services normally cannot be displayed; therefore, firms should create a suitable environment to highlight their strengths to customers (Muala & Qurneh, 2012).

Finally, Process or procedure is normally defined as the implementation of action and function to increase value for products. This is more important for services than for goods and should be done in a cost effective manner, while offering high advantages to customers. According to Pimpa Hirankitti, Panisa Mechinda, and Suwimol Manjing (2009) the pace of the process and the skill of the service providers are clearly revealed to the customer and affect customer satisfaction.
Research Methodology

This qualitative research employed a semi-structure in-depth interview with entrepreneurs of non-affiliated boutique hotels from 5 provinces representing main regions in Thailand where most boutique hotels located as listed on the Tourism Authority of Thailand’s Website, namely Chiang Mai, Bangkok, Trat, Nakhon Ratchasima, and Surat Thani, which consisted of 8 hotel owners (OW), 12 general managers (GM) and 15 marketing staff (MS) with voluntarily participated. Different market research has adopted in-depth interviews to probe complex information such as attitudes because it can contribute rich and interesting data (Law & Ng, 2011; Moriarty, Jones, Rowley, & Kupiec-Teahan, 2008). Semi-structured interviews allow the researcher more flexibility to gain information which emerges from the dialogue apart from predetermined questions (DiCicco-Bloom & Crabtree, 2006; Mason, 2004). Also, it is appropriate method to gain information for business research regarding small and medium enterprises and entrepreneurial marketing issues (Malhorta & Birks, 2003; Stokes, 2000). Questions regarding their current marketing strategies were asked following the framework of marketing strategies and were tape recorded. Hence, qualitative data were transcribed and analyzed by a content analysis technique which interview transcriptions were categorized into preset codes of marketing strategies extracted from the literature. Some interesting data emerged from the transcriptions revealed new findings.

Research Results

Marketing strategies currently employed by boutique hotel entrepreneurs in Thailand could be categorized into marketing strategies from the interview’s results as following.
1. Product Differentiation

Most of the boutique hotels’ interviewees raised this strategy at the top list. Each boutique hotel is distinctive and unique by its architectural design incorporating either unique local culture or modernity into their exterior and interior design of the buildings, facilities and amenities. Moreover, it was found that many small scale boutique hotels created the relaxed and “homey” atmosphere. Following excerpts are examples from the interviews.

“The hotel is designed distinctively with Thai modern style.” (GM1)

“With Lanna and Myanmar style temple, it is a unique theme of the hotel as it yields peace of mind atmosphere.” (OW3)

“...we can best provide guests with homey and relaxed atmosphere.” (MS14)

2. High Service Quality

Although most of the boutique hotels are small in scale, they mostly focus on the service quality offered to their guests. In terms of tangible aspect, many luxurious boutique hotels provide their guests with state–of–the–art facilities such as large flat screen TV, high speed Wi-Fi Internet, herbal welcome drink and premium spa and massage. Meanwhile, personalized service signified their distinctively high service quality in terms of intangible aspect; for example, 24-hour butler service and attentive and friendly service. The following statements exemplified their high service quality offering.

“With the Thai style boutique with small scale, we pay attention to the detailed service by high quality...” (GM12)

“...we offer Thai style hospitality with high service quality and a personalized service to every guest.” (MS1)
3. Quick Responsiveness

Staff are mostly well-trained to quickly respond to guests’ needs. Many boutique hotels operated with a high ratio of staff to guests and training to treat staff as their family members. The following quotes evidenced this strategy applied among the studied boutique hotels.

“Our staff are trained to be attentive to guests’ requests. Every staff is trained to quickly respond to guests’ needs.” (GM9)
“...they are alert to approach guests once they are in need of any assistance.” (OW4)

4. Partnership

Their limited service offerings from small scale by nature were eliminated by partnering with trustworthy, professional and high quality tourism-related businesses such as qualified tour operators, car rental, and premium spa and massage parlors. The following extracts demonstrated how they partnered with other service firms.

“We offer various activities such as tour packages, spa or even learning activities like yoga or Thai boxing which we have contract with our partnered tour operators and spa parlors.” (GM11)
“We provide extensive services and activities through our trusted and professional partners such as tour packages from tour operators and massage or spa packages from professional spa parlors.” (MS12)

However, some boutique hotels operated these additional services themselves as evidenced by

“We offer additional services such as package tour, spa package ......”(GM2)
“We provide high quality spa and massage......” (OW7)
5. Pricing

It was found that most of small scale charged their price higher than other type small scale hotel. Various interviewees reasoned that the price is charged based on their product value; while, others applied yield management by offering different prices depending on fluctuating seasons. The following statements were extracted from the interviews to evidence their pricing strategy.

“I can differentiate the hotel by upscale price as the hotel has unique character by design.” (GM1)

“We also offer special price and package during low season.” (GM4)

6. E-marketing

After extracting all interviews, it was discovered that the majority of boutique hotel’s bookings were made through online travel agents (OTA). Principal online travel agents were Agoda, Booking.com and AsiaRooms. Moreover, they also created their own Website which was a direct distribution channel and tried to encourage their customers to book through it. The excerpts below were examples from the interviews regarding this topic.

“70% of our bookings are from online travel agents such as Agoda and Booking.com.” (GM6)

“We rely heavily on online travel agents as we are very small scale accommodation.” (MS5)

7. Advertising

The results revealed that the majority of the boutique hotels integrated their communication channels with generally relied on online and social media as their prime channels; meanwhile, conventional communication means such as brochures and magazine advertisements were still adopted. The following quotes
exhibited the application of integrated marketing communication channels in their advertisements.

“*We mostly advertise through online channel with little percentage via magazine which less effective.*” (GM4)

“*we do heavily advertise through Internet and social network. However, traditional media such as magazines and brochure are still our other channels of communication.*” (OW6)

8. Corporate Social Responsibility (Green Marketing)

As part of the concept of corporate social responsibility (CSR), many boutique hotels exercised environmental scheme in their hotel operation. Results from the interviews found that some boutique hotels adopted green marketing in terms of environmental-friendly service program such as reuse of towels, water saving and environmental-friendly products. Statements below demonstrated their CSR strategy.

“...*we promote the hotel to be ecological-friendly hotel. Our amenities are selected from environmental concerned products.*” (GM9)

“*Our hotel focuses on environmental friendly concerns. Employees and guests are encouraged to help us save water, reuse of towels, etc.*” (MS9)

9. Promotion

From the interview results, it was found that many boutique hotels offered guests with promotional price for long stay, regular customers or contracted rate with tour operator. According to guests’ behavior, European tourists preferred to stay longer than other tourist nationals. The following excerpts from the interviews evidenced this strategy.
"We offer special price for regular customers or contracted rate with tour operator." (GM7)

“We offer a discount for long-stay guests who always stay up to two weeks or more.” (MS8)

10. Customer Relationship Marketing

The interview results revealed that many boutique hotels collected their guests’ information in order to keep contact by electronic channel or e-mail to inform them of the hotel’s movement, promotional news and even to send their guests’ present on special occasion. Moreover, this strategy was perceived by interviewee as a means to create loyalty and a word-of-mouth communication. The statements below affirmed their practice of customer relationship marketing

“We keep our customers’ record and always greet them on auspicious occasions with our special package offer information.” (GM10)

“CRM is in line with our policy to keep relationship with our guests in order to create loyalty and a word-of-mouth.” (MS10)

Conclusion

Small and single-owned boutique hotels in Thailand mostly adopt marketing mix concept into their marketing strategies to win their target market. Architectural perspective, interior design and cultural element normally amalgamate with their tangible and intangible products to differentiate their products from other forms of accommodation. Price is charged variedly depending on their product value perceived by guests, but normally at higher rate than other small scale hotels. Due to smaller scale, most boutique hotels rely heavily on online booking from online travel agents with an effort to encourage direct bookings through their own Website. Besides, online channels; for example, social media
play more important role to communicate with prospect customers in conjunction with conventional media such as brochures and magazine advertisements.

Remarkably, many boutique hotels apply corporate social responsibility concept as one of their marketing strategies, so called green marketing. The environmental concern scheme has been promoted worldwide and is capable of being a tool to attract customers. Additionally, many boutique hotels utilize customer relationship management as their marketing strategy in relation to integrated marketing promotion strategies to create bonding with their guests for revisit intention. Though CRM is usually practiced larger scale or chained hotels, advancement in information technology enables boutique hotels to enjoy this advantage.

References


