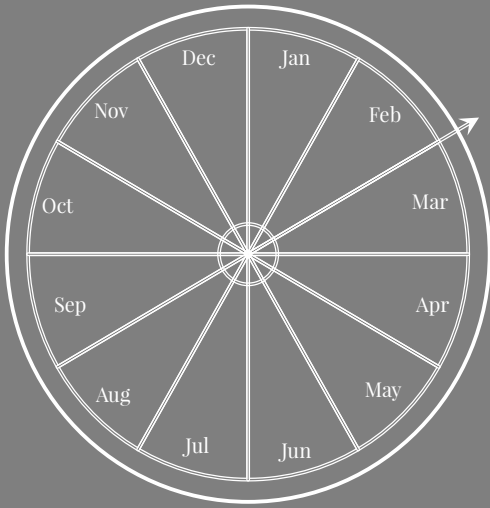


B



Volume 40: January/February 2024



Notes

Pointless loyalty

Luxury boutiques & the move for rewards

Sector updates

Recent news and commentary



Knowledge.
Perspective.
Passion.

Barton

info@barton-consulting.co.uk



POINTLESS

LOYALTY

One of the arguments against (or for, depending on your viewpoint) boutique hotels is that they don't foster loyalty in guests. Besides wishing to relive the experience itself, which is still a compelling reason, there is little other motivation to return. You *may* be remembered, service might be a little more personal, but you don't get anything tangible for it. This is obviously worse if the stay itself didn't live up to hype or expectation.

With a behemoth hotel loyalty program like Marriott Bonvoy, which has six luxury brands under its umbrella, it's nigh on impossible to travel to one of the top 50 destinations in the world and not find a hotel suitable for your needs in their collection of 500 properties. And the fact that when you stay you get 'something' beyond the experience draws loyalty – or at least, that type of guest who cares about loyalty.

Of course, part of the charm of boutique hotels is that they *don't* attract people who like chain hotels. They tend to attract people who dislike copy and paste, inauthentic hospitality experiences. People who prefer character, smaller properties, individuality, and the absence of a corporate dead-hand. Whatever crossover there is between points-junkies and boutique lovers largely centres around the separation of business and leisure travel: high-end business travel is strongly correlated with chain hotels, even if the guest personally prefers a boutique experience.

For the wealthiest, hotel loyalty schemes seem to matter very little. In our studies, most HNWI individuals don't seem to value formal, point-based systems. Room upgrades are nice, but the idea of diligently collecting rewards to get free nights here and there is anathema to this cohort. Far too insignificant and far too much effort.

Secondly, for such people, for whom status is a daily expectation and not a perk, the idea of progressing through the ranks of various precious metals merely to get a slightly improved, marginally more personalized experience is laughable. Many of the establishments they frequent outside of these international brands offer a level of service far above them.

But some argue that formally rewarding loyalty is an expectation for all, including wealthy guests. Why else would Four Seasons Hotels and Mandarin Oriental – arguably two of the more exclusive luxury chains - introduce Elite programs for frequent guests?

Of course, the content of these programs is another matter. 'Complimentary breakfasts' at hotels with an ADR of over \$1000 seems a bit of an insult. And a late check out, whilst useful, actually commercialises the relationship and hardly emphasises VIP status. Worse still though is the offer of 'free premium internet' as an elite perk. The formalisation is part of the issue: the 'guarantee' of getting something removes the sense that it is an 'over and above' service.

“...For the wealthiest, hotel loyalty schemes seem to matter very little. In our studies, most HNW individuals don't seem to value formal, point-based systems...”

This brings us back to boutique hotels, where such formal rewards don't really exist. Or at least, not until recently.

Hilton Hotels recently announced that they have entered into an exclusive partnership with Small Luxury Hotels, in which all of Hilton's customers will be able to book, earn and redeem points for stays at participating properties in the SLH community of 560 luxury boutique hotels.

In this exclusive partnership, Hilton has replaced Hyatt, which follows on the back of Hyatt's acquisition of Mr & Mrs Smith last year, through which Hyatt promises “direct access through hyatt.com to Mr & Mrs Smith's collection of luxury and boutique hotels...” and “...even more rewarding stays”, implying that Smith hotel stays, as they did with SLH, will provide Hyatt members with rewards.

“We're thrilled to begin this win-win relationship with Hilton as it brings exciting possibilities for both brands,” said Shaun Leleu, chairman of Small Luxury Hotels of the World. “Hilton customers, including Hilton Honors members, gain access to our unrivalled collection of exceptional boutique hotels, while our properties enjoy amplified reach to a loyal and discerning audience. It's a game changer for independently owned hotels on a global scale.”

And what an audience. Hilton Honors has around 180m members whereas World of Hyatt has a comparatively smaller membership – around 10% of this.

Such partnerships have tempting benefits for the individual boutique hotels of SLH, attracting a massive audience of Hilton loyalists for

reasons beyond the promised experience, and they do correct that long-term guest complaint about the category: that you get nothing back from a boutique stay. However, they also spell trouble for the likes of SLH as an effective affiliation for such hotels. Yes, the massive membership of Hilton looks juicier, but how aligned are Honors members with boutique stays?

Perhaps these boutiques don't care: a bigger audience is a bigger audience. Surely being exposed to 180m points-junkies will bring some benefit? And besides, SLH will have properties in many locations where there isn't a luxury option from Hilton – which is highly likely as they have only a few luxury brands in their stable, and fewer than 100 properties.

But it doesn't really scream 'exclusivity' to rely on appealing to such an audience. And points, as mentioned earlier, don't tend to cut it for an elite audience. Those who come from such a membership base are more likely to be aspirational and occasional rather than habitual luxury users, similar to those who only fly in premium cabins when booking with Air Miles.

What this does spell is the increasing encroachment of such ecosystems into realms that have benefitted from their absence.

Tiered treatment may be the next step for boutiques in such arrangements, as it is with hotel group loyalty schemes such as Bonvoy or HHonors. But it is difficult ground for luxury to tread.

As one wealthy respondent recently opined in a study: *“I don't care about points and I don't like it when I get treated differently because I am only a Silver and not a Gold member. I just want to be remembered, I don't care about anything else.”*

Sector updates



Image: Mercedes Benz

Mercedes Benz, which announced in 2022 that it is stopping production of its lower-end vehicles such as the B Class and A Class, as part of a strategy to focus on higher-profit luxury vehicles, has been sitting on the announcement of an ultra-luxury sub-brand project called 'Mythus' since that time. Recently, Mercedes announced that the first Mythus vehicle will be launched next year. The new Mercedes-Mythus sub-brand is expected to be positioned as a new model variant, alongside the longstanding AMG and Maybach. The first vehicle launched will be a Mythus SL sports, hot on the heels of the 2025 Maybach SL. It is expected the three variants will be available across other luxury vehicles in future. Perhaps the most surprising news of all is that Mythus will be positioned *above* Maybach, which is currently Mercedes Benz's flagship sub-brand and one that Barton notes has significant credibility in its luxury heritage. The Mythus SL is expected to cost around \$350,000, significantly more than the Maybach SL's estimated price range of \$175,000 to \$225,000.

Raffles has been getting plenty of attention for its new London hotel, which featured in National Geographic's elite list of the 22 best hotels on earth for 2024, and it recently announced four new hotels, three of which will open this year. The first has already opened, and is a new hotel in Bahrain, the Raffles Al Areen Palace (image right) – the country's first all-villa property, with 78 private 1, 2, or 3 bedroom villas, all with private pools. Next up will be Raffles Jaipur in the spring, a surprisingly small property of just 50 suites, which shares a park with Accor sister brand, Fairmont. The third property to open this year will see Raffles return to its roots in Singapore, placing a new resort property of just 62 villas in Sentosa Island on the southern tip, overlooking Tanjong Beach (and, Barton notes, one of the busiest shipping lanes in the world. Yikes). However, its fourth destination – which opens in 2027 – will be in NEOM's Trojena Project in Saudi Arabia, a year-round mountain destination offering more scenic views of the mountain region.



Image: Raffles



Image: LVMH

LVMH is launching an entertainment venture to boost the marketing of its labels, overseen by a committee of executives led by LVMH heir Antoine Arnault and Anish Melwani, CEO of the group's North America operations. LVMH's links with – and faith in – contemporary entertainment culture figures (such as Pharrell Williams, appointed to head menswear design for Louis Vuitton) has been one of the more interesting strategies of luxury goods in recent years. LVMH said the aim was to collaborate with leading entertainment creators, producers and distributors to co-develop, co-produce and co-finance entertainment focused on premium film, TV and audio formats and featuring (in some volume, Barton expects) LVMH brands and products. The elite magic of Hollywood has proven attractive to brands wishing to expose their products and stories. *The House of Gucci*, released in 2021, reignited a fascination with the Italian house – as well as providing a major acting role for Kering-owner's partner, Salma Hayek. Is erstwhile model & actress Natalia Vodianova – wife of Antoine – about to appear in an LV biopic? Stay tuned.