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An Exploratory Study of the Boutique Hotel Experience: Research on Experience Economy and Designed Customer Experience

For the degree of Master of Science

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AN EXPLORATORY STUDY OF THE BOUTIQUE HOTEL EXPERIENCE:
RESEARCH ON EXPERIENCE ECONOMY AND DESIGNED CUSTOMER
EXPERIENCE

A Thesis

Submitted to the Faculty

of

Purdue University

by

Lilu Gao

In Partial Fulfillment of the

Requirements for the Degree

of

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To my beloved parents, Yong Gao and Haijing Zheng. I dedicate this thesis to you for your unconditional love and support.

Also, to my grandparents, Kai Zheng and Minhua, Sheng.

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ABSTRACT

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Boutique and lifestyle hotels (BLH) have relied on their experiential nature to differentiate themselves in a competitive market place. The present exploratory study is intended to clarify boutique and lifestyle hotel manager perceptions regarding the creation of the boutique/lifestyle hotel experience as a business strategy. This exploratory analysis utilized a framework of customer service and constructs of the experience economy model. The empirical segment included website-based surveys of a total of thirty-eight boutique and lifestyle hotel general managers, owners, and other operations and corporate managers. To understand the boutique/lifestyle hotel experience, the researchers examined manager perceptions concerning the importance of the customer experience, physical environment and customer service environment, three elements of experience differentiation, and intended behavioral responses. The researchers applied analysis of variance (ANOVA) and the Pearson product-moment correlation coefficient for data analysis. Results showed that the customer service environment played a prominent role in design and management elements, differentiation in customer service environment was the chief approach, and a customer experience that focused on esthetics was the ideal boutique and lifestyle hotel experience. Overall, the findings explained the

importance of environment stimuli to the boutique and lifestyle hotel experience, provided insight into the experiential nature of a BLH and offered notable implications for hotel marketers.

CHAPTER 1. INTRODUCTION

Experience is “an event or occurrence which left an impression on someone” (Oxford English Dictionary, 1989). It involves the interaction between an individual and an event (Pine, 1999). Customer experience is the sum of all experiences a customer has with a supplier’s products or services (Carbone, 1994; Hirschman, 1982; Kumar, 2000). Pine and Gilmore (1998) found that differentiation in customer experience allowed firms to create more sustainable returns and to charge premium prices. One of the most successful applications was the boutique hotel. Original boutique hotels appeared in the 1980s in London, New York and San Francisco (Anhar, 2007; Brights, 2007). During the growth of this segment, they offered innovative products and services and creating unique customer experiences (Victorino, Verma, Plaschka, & Dev, 2005). Since 1990s, the boutique hotel category has maintained the strong growth within the lodging market. They typically differentiate themselves from mainstream hotels by use of emotion, uniqueness, personal service, home-comfort, value added, quality, and/or actual service provided (Aggett, 2007; Lim & Endean, 2009; McIntosh & Siggs, 2005). In some cases, like boutique hotels, lifestyle hotels also differentiate themselves on similar dimensions. The focus of the present study is on the experiential nature that boutique hotels and lifestyle hotels share, rather than the differences between the terms “boutique” and “lifestyle.”

As the boutique and lifestyle hotel segment continues to grow, one of the challenges is maintaining the unique boutique and lifestyle hotel experience in terms of delivering an exceptional customer experience. To meet this challenge, it is first essential to identify the long-term strategy. It is also crucial to examine the design and management elements under this strategy, in addition, to identify the type of boutique and lifestyle hotel experience. Only then, it is possible to examine whether the designed boutique and lifestyle hotel experience could lead to sustainable customer loyalty.

2.1 Key Terminology

- Boutique Hotel: Referred to as a hotel segment, it originated in the 1980s in London, New York, and San Francisco (Anhar, 2007; Brights, 2007). It typically is differentiated by the following characteristics: 1) not part of a chain; 2) urban location; 3) small in size; 4) historical building; 5) individual in design; 6) with a superb quality restaurant; 7) uniqueness; and 8) personal service (Aggett, 2007; Lim & Endean, 2009; McIntosh & Siggs, 2005).
- Experience or Experience Items/Elements: Events or occurrences that created an impression on individuals (Pine, 1999).
- Staged Experience: Designed experience with management involvement.
- Consumer Experience: Multidimensional takeaway impression or outcome, based on the consumer's willingness and the ability to be influenced by physical and/or human interaction factors (Carbone, 1994; Hirschman, 1982; Kumar, 2000).

- **Boutique Hotel Experience:** Designed boutique hotel experience with management involvement, including both physical environment and customer service environment designs.
- **Differentiation Strategy:** Integrated set of actions taken to produce goods or services, differentiating the company from its competitors (Porter, 1980; Subramaniam & Venkatraman, 2001).
- **Physical Environment:** Messages delivered to customers through visual, auditory, olfactory, and touch sensations (Bitner, 1992; Schmitt, 1999).
- **Customer Service Environment:** Subjective perceptions evaluating the interaction between guests and employees; companies are encouraged to improve the service conception through human resource management.
- **Experience Economy:** New experience-based business stage after goods economy and services economy. Experience is more highly valued when stimulating customers to spend money and time on goods and services to create memories through the following: 1) education; 2) entertainment 3) esthetics; and 4) escapism (Pine, 1999).
- **Education/Educational Experience:** Participants must gain knowledge and skills from experiences through actively engaging the minds of consumers.
- **Entertainment/ Entertaining Experience:** “The action of occupying a person’s attention agreeably; amusement” (“The Oxford English Dictionary,” 1989). It usually consists of passive involvement of a consumer. Pine and Gilmore defined entertainment as “passively absorbed through the senses” (Pine, 1999), making people laugh or enjoy themselves.

- Esthetics/ Esthetic Experience: An individual immerses himself/herself but remains passive; usually refers to consumer interpretations of the nature and/or created physical environment.
- Escapism/ Escapist Experience: Escapist experience is defined as the degree to which individuals are wholly engrossed in an activity.
- Intended Behavioral Responses: Management's desired customer future purchase behavior and customer recommendations to others, which constitute customer loyalty.

2.2 Purpose of the Study

The intent of the present study was to identify the boutique hotel experience under the principles of the “experience economy,” to determine boutique hotel environment stimuli and to explain how hotel marketers differentiate themselves. A number of reasons make such a study worthwhile. First, the boutique hotel phenomenon has existed for over two decades with very little research about it. Second, Hempel, the creator of one of the original boutique hotels noted, Pine and Gilmore’s “Experience Economy” had a marked effect on the development of the boutique hotels concept (Boutique Hotel in the US–July 2011, 2011). However, no previous research identified the boutique hotel experience by applying the principles of the “experience economy.” Third, previous studies suggested boutique hotels emphasized design, a sense of spectacle and amenities (Klumbis, 2003), but no previous research identified boutique hotel design and management elements. Fourth, previous studies suggested boutique hotels usually differentiated themselves by providing unique customer experiences. Little research showed evidence concerning boutique hotel differentiation strategies.

2.3 Research Objectives

The objectives of this research are as follows:

- to identify the perceived importance of design and management elements to boutique and lifestyle hotel differentiation strategy;
- to examine the perceived importance of hotel design and management elements to the delivery of the boutique hotel experience;

- to clarify the most important experiential realms to boutique hotel management; and
- to discover the relationships between boutique hotel design and management elements and intended behavioral responses.

2.4 Significance of the Study

Facing globalization, competition has been shifting the focus from differentiation in production, and service to differentiation in customer experience. The challenge was ensuring effective management and design in terms of delivering a memorable customer experience. The present study tackled this challenge by examining boutique and lifestyle hotel design and management practices in terms of delivering a memorable customer experience.

Boutique and lifestyle hotels (BLH) have been a terrific example of differentiation in customer experience. Yet, existing academic research about BLH was very recent and limited. In addition, the definition of the boutique and lifestyle hotel remained controversial in recent years. There needs to be a greater attention on boutique and lifestyle hotel studies. The present study's results enriched the definition of the boutique and lifestyle hotel, building a foundation for future studies.

Furthermore, previous research had addressed several frameworks of the customer experience in the hospitality industry, but little research analyzed the environment stimuli in the hotel experience from a management perspective. The present study was one of the first to utilize the framework of the customer experience to explore the boutique and

lifestyle hotel environment stimuli from a management perspective, offering valuable insights for future research.

The concept of the experience economy had profound significance concerning the development of BLH (*Boutique Hotel in the US -July 2011*, 2011). However, no previous research investigated the boutique hotel experience bundled with principles of the experience economy; the present study was the first study that identified the boutique and lifestyle hotel experience with the principles of the “experience economy.” The results also enriched implications about the experience economy in hospitality generally.

In addition, the present study was the first one that provided evidence about boutique hotel differentiation strategy in the customer service environment. The researchers provided evidence about how boutique hotels develop customer loyalty by environmental stimuli.

Overall, the present research explored the boutique and lifestyle hotel experience in an encompassing view of the customer experience and principles of the experience economy. Results enriched the existing definition of boutique hotels and enhanced the experiential concept in lodging. The understanding of boutique and lifestyle hotel experiential elements from a management perspective helps prepare for future management strategies.

CHAPTER 2. LITERATURE REVIEW

2.1 Overview

Chapter 2 contains six sections. The first section is a review of existing definitions of the boutique hotel in academia. The second section provides a holistic view of the term *experience* to understand the boutique and lifestyle hotel experience better. The third section provides background information about hotel differentiation strategies in general, creating a better understanding of the success of the boutique and lifestyle hotel and giving a basic explanation about how boutique and lifestyle hotels differentiate themselves. The fourth section reviews design and management elements, divided into physical environment and customer service environment. In the fifth section, to have a good command of principles of the experience economy, the researchers evaluated the concept and principles of the experience economy. The sixth section concludes with a discussion of the concept of customer loyalty.

2.2 Defining Boutique and Lifestyle Hotels (BLH)

2.2.1 Academic Definitions of Boutique Hotels

There had been no agreed upon definition of “boutique hotel” in hospitality. Selected definitions of the boutique hotel in academic journals from 2005 and 2009 are shown in Table A. Previous studies suggested that, different from mainstream hotels, boutique hotels were always highlighted by emotion, uniqueness, personal service, home-comfort, value added, quality, and/or actual service provided (Aggett, 2007; Lim & Endean, 2009; McIntosh & Siggs, 2005).

2.2.1.1 Functional Elements

Location and size were emphasized as the most important functional elements in the selected definitions of boutique hotels. Other functional elements emphasized included the building, restaurant quality, and rating (Aggett, 2007; Lim & Endean, 2009; McIntosh & Siggs, 2005). The study by Aggett (2007) suggested that location was the main factor in the boutique hotel customer purchase decision. Boutique hotel guests were usually looking for hotels located in the center of the city or urban areas; travelers preferred to spend less time travelling to their destination. As a result, the majority of boutique hotels were found in urban areas (Aggett, 2007; Lim & Endean, 2009; McIntosh & Siggs, 2005) Size had been discussed consistently in the previous research. The key consideration questioned if there was a specific range for the number of rooms in boutique hotels. Boutique hotels were usually less than 100 rooms and most of them were smaller than mainstream hotels (Erkutlu & Chafra, 2006; Lim & Endean, 2009). Usually small in size, the boutique hotel had functional support that made it easier to deliver personal service, make guests feel at home and provide better host-guest interaction

(McIntosh & Siggs, 2005). Yet, with the increasing size of boutique hotels in recent years, more recent study has suggested no maximum limit on the number of rooms in boutique hotels (Lim & Endean, 2009). The present researchers asserted that size was not significantly important with the development of boutique hotels.

2.2.1.2 Experiential Elements

From the previous research, uniqueness and personalization were the chief experiential elements in definitions of boutique hotels. Uniqueness in physical environment and services have been regarded as the most distinguishing characteristics of boutique accommodations, followed by “personalization,” emphasizing “personal service,” “personal touch,” and “personal attention,” showing the significance of human interaction. Other important elements included emotions, individual attention, quality, design, intimate surroundings, value added services, and actual services provided (Aggett, 2007; Lim & Endean, 2009; McIntosh & Siggs, 2005).

Design utilized as a differentiation strategy had been considered an important element from previous studies (Aggett, 2007; Freund de Klunmbis, 2005), embodied in both physical environment and human interaction. The experiential elements of warmth, intimacy, uniqueness, and individualization were indicated in boutique hotel design. Boutique hotel design had undertaken the comprehensive elements of art, culture and history into account as being differentiated, stylized, and/or with unique buildings and furniture (Aggett, 2007; Albazza, 2003; Drewer, 2005). Experiential elements were considered as the core of differentiation of boutique hotels from other hotel segments.

2.2.2 Lifestyle Hotels

Others (Intel, 2001; Rosen, 2009; Stellin, 2007) used the term Lifestyle Hotel Brand to describe the new brands being developed by major chains to capture elements of the boutique hotel experience. These new lifestyle hotel brands include Indigo (IHG), Hyatt Place (Hyatt), NYLO XP (NYLO), Denizen (Hilton), Edition (Marriott), Element and Aloft (Starwood). In an increasingly competitive marketplace, hotel companies are seeking to achieve competitive advantage through highly differentiated offerings to specific target markets.

As of yet, there was no clear definition for lifestyle hotels. Lifestyle hotels offered sophisticated products and services to specific market segments, in which people shared tastes, income level, hobbies, attitudes, values and lifestyle. Usually, they were said to be the next generation of boutique hotels. Sometimes, Lifestyle hotels fall into the boutique hotel segment.

Research by The Boutique & Lifestyle Lodging Association (BLLA) indicated that lifestyle hotels offered “more ancillary services” and focused on “wellness and life-enrichment.” Characteristics used to describe lifestyle hotels included “innovative, personal, contemporary and modern,” while boutique hotels focused more on unique design, personalized service or “technology touch” (“What is a Boutique Hotel? Research White Paper for Defining Boutique and Lifestyle Lodgings,” 2012). Like boutique hotels, lifestyle hotels usually differentiated themselves in their experiential nature. The present study will only focus on the experiential nature they share rather than the differences between them.

2.3 Defining Experience

There were different schemes and classifications regarding the term *experience*. The Oxford English Dictionary (1989) described the noun as “practical contact with and observation of facts or events” or “an event or occurrence which left an impression on someone.” Conceptually, it had the limitation of space and time between the producer and the consumer of the event (Ek, Larsen, Hornskov, & Mansfeldt, 2008). As a verb, it was defined as “live through an emotional sensation.” From this definition, there was no limitation of space or time. The term had been used frequently in different situations as either a noun or a verb. The existence of the word *experience* from different industries offered distinctive explanations.

Table 2.1 Definition of Experience

	Definition	Reference
Experience	“Practical contact with and observation of facts or events” or “an event or occurrence which leaves an impression on someone.” “Live through an emotional sensation.” A mental process regarded as part or further development of service. It is more memorable, intangible and immaterial than services.	Oxford English Dictionary (1989) (Pine, 1999; Sundbo, 2009)
Staged Experience	Designed experience with management involvement	
Customer Experience	Multidimensional takeaway impression or outcome, based on the consumer’s willingness and the competency to be influenced by physical and/or human interaction factors	(Carbone, 1994; Hirschman, 1982; Kumar, 2000)

In service industries, experience occurs not only within the event; the integrated experience process could comprise planning at home before the event, participating in the event, and telling friends or feedback afterward (Ek, et al., 2008; Erdly & Kesterson-Townes, 2003). This broad definition fully explained “an emotional sensation” of a

consumer through the event. In consumer and marketing research, experience occurred when consumers search for and consume products (Holbrook, 2000). In experience-oriented industries, experience was regarded as a mental process (Sundbo, 2009). It could be treated as part or further development of service (Pine, 1999; Sundbo, 2009). However, some characteristics of experiences other than services were memorable, more intangible, and less material than services (Pine, 1999; Sundbo, 2009). As noted, an experience was valued because it was intangible, sensational, and memorable (Pine, 1999).

A customer experience could be either positive or negative. Successful companies know how to manage a customer experience (Berry, Carbone, & Haeckel, 2002). The involvement of management actually helped divide the experience into two categories: wild experiences and staged experiences (Scott, Laws, & Boksberger, 2009). Wild or natural experiences were the ones that customers felt from an event; the wild experience could be positive or negative. The other experience, the staged experience or designed experience, involved management. However, not all of the experiences could be managed; companies needed to emphasize those that could be further designed and developed. Successful firms knew how to offer desired experiences to their target clientele to promote customer centricity (Erdly & Kesterson-Townes, 2003). The emphasis was on management for the connection between experiential offerings of companies and needs/wants of customers (Scott, et al., 2009).

Most of the research had agreed to define an experience from a holistic perspective. A consumer experience was the multidimensional takeaway impression or outcome, based on the consumer's willingness and competency to be influenced by physical and/or human interaction factors (Carbone, 1994; Hirschman, 1982; Kumar,

2000). Previous research presented dissimilar dimensions. Some researchers divided the customer experience into the physical environment and social surroundings such as interaction with employees and consumers (Arnould & Price, 1993; Wakefield & Blodgett, 1996). Schmitt (1999) divided consumer experience into five dimensions: sensory experiences (sense); affective experiences (feel); creative cognitive experiences (think); physical experiences, behaviors, and lifestyles (act); and social identity experiences (relate) (Schmitt, 1999). The present study examined the designed physical environment and social surroundings, along with customer potential behaviors based on a staged experience.

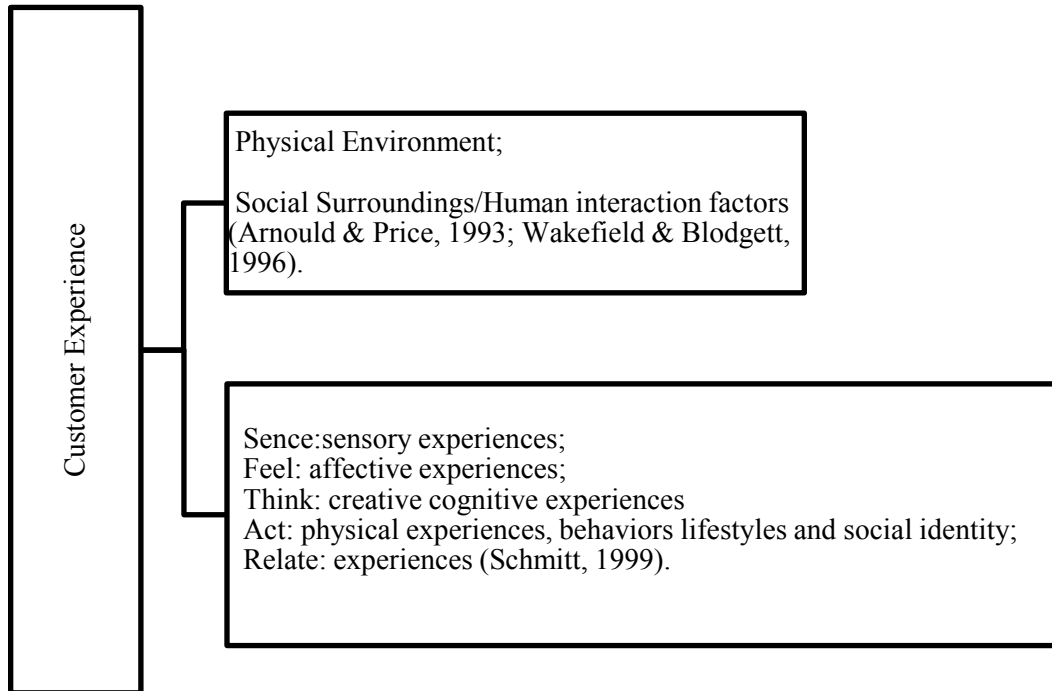


Figure 2.1 Customer Experience

2.4 Differentiation Strategy

Porter (1980) introduced three generic strategies to gain competitive advantage, cost leadership, differentiation and niche strategy. These three strategies were defined by two dimensions: strategic scope and strategic strength. Strategic scope measured the size and composition of the target market, while strategic strength focused on the company's core competency. He suggested that appropriate usage of differentiation strategy was focusing on consumers who are not price sensitive and are emphasizing uniqueness in products or services. Miller (1986) further suggested that there were production-innovation differentiation and market differentiation. Production-innovation differentiation was emphasizing a product, service, or design innovation. Marketing

differentiation was building a unique product image or branding through marketing practices.

More recent literature suggested that pursuing differentiation strategies involved taking an integrated action to produce unique products and services to charge premium prices (Subramaniam & Venkatraman, 2001). The core was uniqueness. That could be achieved through various factors, including products, technology, design, customer service, or others. The purpose of utilizing a differentiation strategy was to meet various consumer segments. In economics, product differentiation referred to a process of differentiating products from competitors. The process involved differentiating the products/services from both the competitors and the firm's own products (Chamberlin, 1933). Differentiation of products and services resulted in the vertical and horizontal entry barriers of potential entrants, reducing buyer bargaining power. In horizontal differentiation, products were offered at the same price; consumers were not clear about the quality, and compared them by different varieties. In vertical differentiation, products were offered at the same price point, and consumers were aware of product quality, and chose the highest quality. By pursuing such a differentiation strategy, the firm was able to build its customer loyalty and charge a higher price. Pine and Gilmore (1998) found that differentiation in customer experience could lead to more sustainable development.

In the lodging industry, products usually were referring to both the hotel's physical environment, location, size of the room, physical facilities, and the service environment, personal service, interaction between employee and guests, or interaction between guests. For a competitive edge, successful hotel companies differentiated themselves by providing extraordinary customer experiences, which created and led to

more sustainable differentiation (Pine, 1999). Intercontinental Hotels Group PLC (IHG) started to use “sound strategy” nearly a decade ago to improve customer experience. The strategy of Intercontinental Hotels had been approved in 2005; after a few years of research and analysis, a sound strategy called “In the Know” was proposed. Sound Strategies (Ltd) are using sound as primary drivers with special design and development and involvement with other communication strategies. Presently, sound strategies are becoming one of the hottest trends in hospitality industries. Visual strategy has been gaining attention, too, in recent years. For instance, the concept of “blind” meals has been designed to attract meeting business. A “dark restaurant” is intended to enhance customer dining experiences by blocking sight, thus, increasing the sense of taste. The customer experience of the visual sense was decreased by dining in the dark (Barclay). After a few years, this idea was enhanced by hotels and restaurants worldwide. These innovative strategies helped enhance the customer experience by providing unique and differentiated options.

2.5 Design and Management Elements

Previous research showed that hotels staged experiences in various ways. According to Carbone and Haeckel (1994), there were two types of context cues: mechanics and humanics. Mechanics were generated by things, referring to sights, smells, tastes, sounds, and textures (i.e. landscaping, quality of materials, and lobby music). In contrast, humanics are derived from people (Carbone, 1994). Mechanics usually referred to the physical environment, typically humanics usually referred to human interaction. In hospitality, human interaction mainly referred to the customer service environment. To

stage desired customer experiences, hotels need focus on both physical environment design and customer service design. The present study explored the hotel design and management elements in these two dimensions.

2.5.1 Physical Environment

Physical environment was a multi-dimensional construct composed of a variety of multi-sensory items. According to research by Walls' (2009), physical environment was divided into design, facility upkeep, and physiological constructs. The term ambience was usually used to describe the physical environment, described as “ the air surrounding a sphere” (Kotler, 1973). Previous literature suggested that ambience could be experienced (Bitner, 1992; Heide, Lærdal, & Grønhaug, 2007). Physical design and decoration were highlighted as drivers of ambience; therefore, hotels sought design experts to improve the ambience of their hotel properties. Heide's study (2007) found that ambience was perceived as a competitive advantage. Properly designed ambience could improve guest satisfaction and could be beneficial to building the guest-host relationship. Heide's study also revealed that hotel managers had paid a great deal of attention to details, such as the aroma of coffee, the fragrance from an open bakery, candlelight, and homemade pottery with herbs. The attitude to offer the best guest experience was highlighted despite whether staff was overworked or lacked sufficient numbers. Yet ambience could be a risk when it was overdone. The ambient elements reported in luxury hotel settings included comfort, cleanliness, elegance, landscaping, air quality, security and safety, lighting, color, odor, temperature and humidity, noise, and music (Shaw, 2002).

A study suggested that music had the greatest influence on consumers when they had low cognitive and high affective involvement with the environment. Yet it had less effect when customers were purchasing with high cognitive involvement (Bruner Li, 1990). Another study conducted in Spain confirmed that, in the hotel setting and the restaurant setting, guests had high affective involvement with the environment if service quality increased positive affective responses, thus increasing customer loyalty (Gracia, Bakker, & Grau, 2011). The previous study also revealed that if the music and the given scenario were highly congruent, consumers would spend more money. Milliman's (1986) study indicated that consumers would spend more time and money with slow-tempo background music when dining in restaurants. Similarly, one study had found that consumers spent more money on wines where there was classical background music (Areni & Kim, 1993). Based on such evidence, boutique hotel managers were encouraged to use proper music, highly congruent with the hotel scenario to enhance the consumer experience.

A study examining the scenario in the hotel lobby revealed that color had the most significant effect on the overall impression of the hotel lobby among the atmospheric elements of color, lighting, layout, style, and furnishings (Countryman & Jang, 2006). The hotel color trend had been paid a lot of attention in recent years, which mirrored architecture, fashion, and product design.

2.5.2 Customer Service Environment

The customer service environment mainly refers to employee management, which effectively improves human interaction with customers. A previous study had suggested

that the consumer experience includes both physical environment and human interaction with employees and consumers (Carbone, 1994; Hirschman, 1982; Kumar, 2000). The ideal customer service environment in a hotel setting created a positive emotional connection between employees and customers, making the experience more memorable (Pine, 1999). Successful consumer experience design, maximizing the effect on service encounters, could create loyal customers (Yuan, 2008). Thus, companies need to focus on environmental dimensions, particular internal responses, and employee and consumer behaviors (Bitner, 1992). According to a study by Walls (2011) concerning customer experience in luxury hotels, four important dimensions were defined in human interactions with employees: attitude, professional behavior, proactive service, and appearance.

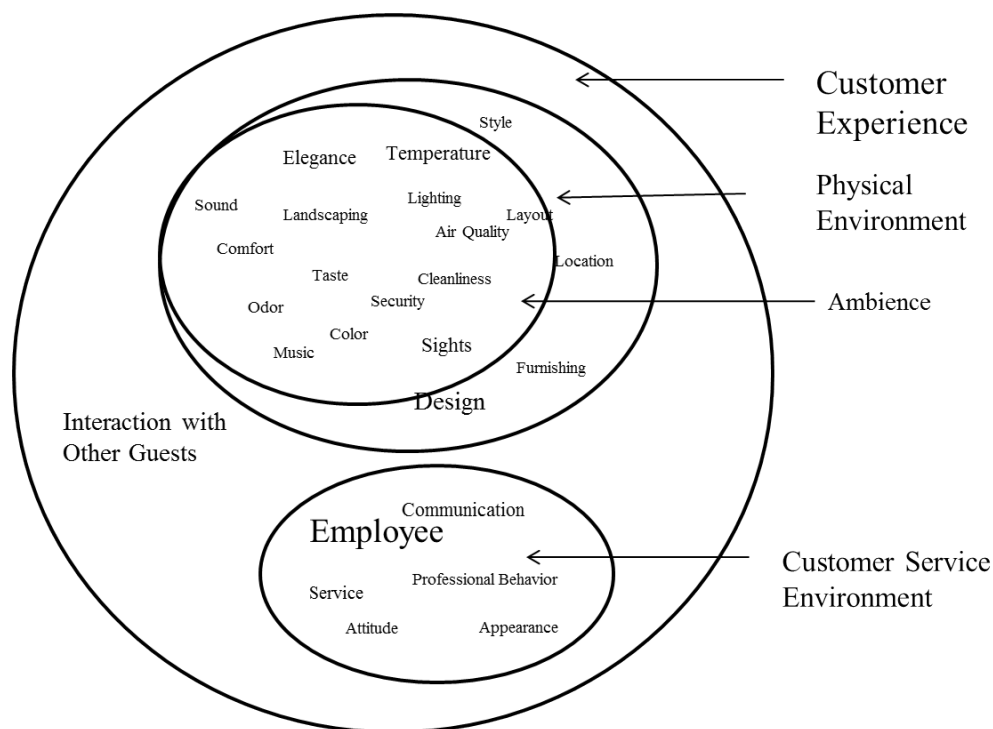


Figure 2.2 Constructs of Customer Experience

2.6 Experience Economy

Pine and Gilmore (1998) introduced the concept of the experience economy, as a new stage of business after the goods economy and service economy. The world market had moved forward to an experience-based economy after the service-based market, especially in hospitality and tourism. Because commodities, products or services were no longer enough to satisfy customers, the competitive market required companies to differentiate themselves through experience. Some “service” companies were taking steps forward into the experience economy by offering to exchange valuable resources with people who wanted to exchange time, in the form of experiences, with money (Ellis & Rossman, 2008). Experience was more highly valued when stimulating customers to

spend money and time on goods and services to create memories. The earlier stage of the service economy was said to solve customer problems; the experience economy stage was seeking to give customers a mental tour (Sundbo, 2008).

From a framework of the experience economy, economic offerings were transferred from service to experience. The economic function is developed from delivering service to staging an experience. Both tangible and intangible products could be staged. In this concept, sellers were stagers, but buyers were guests rather than just clients. The nature of offering was not just intangible service but memory. Experience-oriented companies were delivering personal experiences more than customized services. Over a period, the next stage of delivering products or services on demand was revealed (Pine, 1999).

Pine and Gilmore (1999) addressed five principles to stage an experience: theme the encounter; “stay in character”; “customize to the individual”; “mix in memorabilia”; and “stimulate multiple senses during the encounter.” An integration model of the staging experience was identified for “park and recreation management, research, and education” based on the “technical performance” factor and the “artistic performance” factor (Ellis & Rossman, 2008). A previous study in the lodging industry showed that within the new stage of the experience economy, consumers were expecting better quality accommodations. Three innovation strategies were addressed by managers as a response to that, namely “flagship projects, event-led strategies and encouragement of small incremental gains,” requiring the improvement of delivery and service performance (Morgan, Elbe, & de Esteban Curiel, 2009). Experiential marketing suggestions from King’s (2002) study listed: focus on brand image of the destination, direct engagement

with the customers, two-way consumer communication channels, emphasis on mass customization marketing and delivery capabilities, innovation and promotion of holiday aspiration and needs of key customers, and change in the relatively passive promotional role including greater intervention, facilitation, and direction in the conversion process (King, 2002).

2.6.1 Four Types of Experiences

Four types of experiences/four dimensions (realms) were proposed in the concept of the experience economy by the level and form of customer involvement in business offerings and on absorption and immersion in the experience (as depicted in Figure 2.3). For example, the customer could actively participate in a product trial or passively participate in hotel activities. The horizontal axis corresponded to the level of guest participation. Along the customer participation axis, entertainment and esthetic dimensions reflected passive participation; whereas educational and escapist dimensions showed active participation. Customers who passively participated in hotel activities had less influence on experiential offerings. Conversely, customers who actively participated in hotel activities had more influence on experiential offerings. In the educational and entertaining dimensions, consumers had a higher level of absorption, whereas consumers immersed themselves in the esthetic and escapist dimensions.

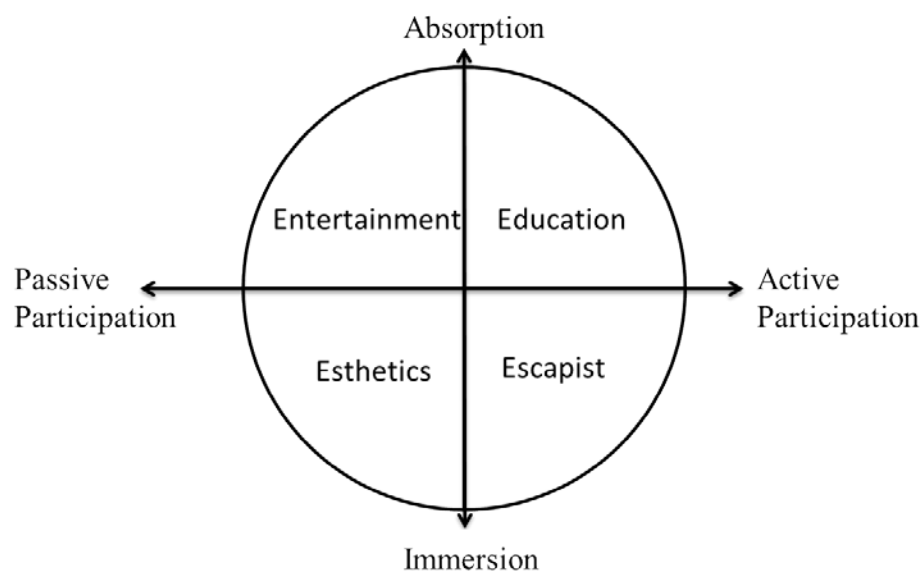


Figure 2.3 Experiential Realms (Pine, 1999)

Oh, Fiore & Jeoung (2007) evaluated the four realms of the experience economy by developing a measurement scale in the bed-and-breakfast segment of the industry. The study's survey instrument was subjected to reliability and validity of the four experience dimensions by examining the relationship between the four experience dimensions and four criterion constructs of arousal, memory, overall quality, and guest satisfaction (Oh, Fiore, & Jeoung, 2007). Results showed the concept of Pine and Gilmore's four realms of the experience economy also could be applied to a practical framework within lodging. The esthetic dimension was shown as an important realm. The education and entertainment realms were not statistically significant concerning the four criterion constructs (Mathwick, Malhotra, & Rigdon, 2001). Pikkemaat, Peters, Boksberger, and Secco explored the experience economy in wine tourism, showing consistency with the

result that the esthetic experience was the most important expectation (Pikkemaat, Peters, Boksberger, & Secco, 2009). In addition, Pikkemaat et al.'s (2009) study showed that education and escapism were the least important experiences.

2.6.1.1 Education

In the framework of the experience economy, education required participants to gain knowledge and skills from experiences through actively engaging the mind of consumers. A consumer gained general or specific skills and knowledge through educational experiences within the destination. Education was absorptive and active. In other words, consumers played a vital and active role in the customer experience. The impression left by consumers could be "I have learned something," "the experience made me more knowledgeable," "it was a real learning experience," or "it stimulates my curiosity to learn new things" (Oh, et al., 2007). In hospitality, firms could deliver an educational experience to their customers in various ways. For instance, a local restaurant could offer an educational experience by providing hands-on cooking classes, perhaps with special events, such as wine tasting. Alternatively, a B&B could offer an educational experience by letting customers taste farm life, such as bread baking in an outside oven or making homemade applesauce.

2.6.1.2 Entertainment

Entertainment defined by the Oxford English Dictionary (1989) is "the action of occupying a person's attention agreeably; amusement." Passive involvement of a consumer was part of it. Pine and Gilmore (1999) defined entertainment as "passively absorbed through the senses." Entertainment was making people laugh or enjoy themselves. Typical implications included live concerts or shows. In a restaurant, servers

could entertain customers by singing to them. The impressions left on consumers could be “the hotel onsite activities were amusing,” “the entertainment was captivating,” and/or “onsite activities were entertaining.”

2.6.1.3 Esthetics

The esthetic dimension was defined as “individuals immerse themselves but remain passive.” The esthetic dimension usually referred to consumer interpretations of the physical environment, either natural, or created. For example, sightseeing activities reflected an esthetic experience; the hotel’s landscape or interior design also offered an esthetic experience. This dimension reflected the influence of the physical environment on customers. Bitner (1992) created a concept of *servicescape*, which examined the effects of physical surroundings on consumers. The impression left with a hotel customer by an esthetic experience could be “the setting of the hotel was attractive” and/or “the setting of the hotel pays close attention to design details.”

2.6.1.4 Escapism

An escapist experience was defined as the degree to which individuals are completely engrossed or absorbed in an activity. It involved much greater immersion than entertainment or educational experiences with more active participation in activities. The typical applications of escapism were theme parks, adventure lands and simulated destinations (Pine, 1999). The impression left by customers could be “ I felt I played a different character here,” or “the experience let me imagine being someone else” (Oh, et al., 2007). Staying at a hotel itself can be an escapist experience, not just a place to sleep. The hotel could be a substitute home or the ultimate escape from daily life (Klumbis, 2003).

2.7 Customer Loyalty—Intended Behavioral Responses

The intended outcome of differentiation in experience is to increase customer loyalty. Loyalty was described as a biased, behavioral response (Chamberlin, 1933). Another definition described by Oliver (1999) was “a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, causing repetitive same brand or same brand-set purchasing, despite situational influences and marketing efforts”. In particular, it usually referred to customers’ further purchase decisions or customers’ recommendations to others. By loyal customers, it created linking networks with some potential customers such as friends, relatives, reviewers online, or other means. It was regarded as the essential part of a business’ success.

There were several ways to develop customer loyalty. To satisfy customer needs and wants, firms were required to pursue differentiation strategies to meet various customer segments. Some service companies provided a loyalty program. However, company loyalty was said to be more sustainable loyalty than that to a program. To develop company loyalty, an emotional connection between the company and customers need to be developed. Within experience- or service-oriented industries, emotion was described as “emotional responses during the consumption experience or interaction with products or service” (Westbrook, 1987). The environment created an affective customer experience, including moods or emotions (Isbell, 2007; Morris, 1989). In social cognitive processes, both moods and emotions gave individual signals in the surrounding environment and allowed them to respond to a certain event (Frijda, 1986). Moods diffused positive or negative feelings so that they were not tied to a specific target, but

emotions were more specific reactions to specific targets. Ultimately, the affective customer experience motivated potential behaviors, developing customer loyalty.

2.8 Summary

Chapter 2 documented background information of the boutique hotel and the concept of *experience*. Differentiation strategy was the crucial strategy for boutique hotel firms. From a design perspective, a boutique hotel's design and management elements included the physical environment and the customer service environment. With the concept of the experience economy, the boutique experience could be classified into one of four experiential realms: education, entertainment, esthetics, and escapism. The designed environment created an affective experience (emotional connection) between the boutique hotel firm and its guests. Ultimately, the affective customer experience motivated potential behaviors, developing customer loyalty.

CHAPTER 3. METHODOLOGY

3.1 Overview

Chapter 3 documents the research method and procedures used in the present study. In the following sections, the researchers outlined the research approach, the steps used to execute the design, data collection, and statistical analysis. A quantitative website-based survey was deployed. All data were collected, encrypted, and electronically stored. The final statistical analysis was conducted using Statistical Package for the Social Sciences (SPSS), and results are present in Chapter 4.

3.2 Restatement of the Purpose and Research Objectives

The purpose of the present exploratory study was to explore the extent of boutique hotel management's understanding of the consumer experience and its contribution to boutique hotel experience design. The research objectives included: 1) to identify the perceived importance of design and management elements to boutique and lifestyle hotel differentiation strategy; 2) to examine the perceived importance by hotel management of design and management elements to the delivery of the boutique hotel experience; 3) to clarify the most important experiential realms to boutique hotel management; and 4) to discover the relationship between boutique hotel design/management elements and intended behavioral responses. Considering that this study contained several new concepts, in addition to multiple scales and dimensions, a quantitative website survey was utilized to meet research objectives.

For the first and second objectives, three elements of differentiation were captured based on the hotel's design and management elements. In particular, three elements of differentiation included differentiation in the external environment, differentiation in the internal environment and differentiation in the customer service environment. A fixed multi-dimension scale of customer experience, including both the physical environment dimension and the customer service environment dimension, was responding to hotel management of design and management elements based on the literature review.

Four dimensions, namely education, escapism, esthetics, and entertainment under principles of the "experience economy" were responding to "experiential realms." To meet the third objective, the researchers asked hotel managers a series of questions based

on the four dimensions concerning the most important experiential realms to boutique hotel management.

To meet the fourth objective, a fixed model of behavior responses was employed to identify the intended customers' behavioral responses. The researchers discovered relationships between design and management elements and intended behavioral responses. These relationships would help explain how boutique hotel managers create an emotional connection with customers through physical and customer service design.

3.3 Description of Research Design

A website-based survey was administered to participants to gather the data for the study. It was an economical, efficient, and accurate method of collecting data based on changing technology, which required careful designing and planning (Parsons, 2007). The study used a list-based survey with a program participant list (Couper, 2000). Compared to other aural presentation-based survey methods, a website survey mainly relied on prints, allowing respondents to take it at their own pace (Parsons, 2007). With technology support, a website-based survey allowed systematic design to obtain responses that are more accurate. The study used Qualtrics as the survey software to collect the data. The generalized survey tool was user-friendly and powerful to handle a complex survey design.

The self-administrated survey was based on the assumption that respondents to a self-administrated survey involve both cognition and motivation. Considering responding to a questionnaire as a social exchange, respondents were more likely to respond and complete the survey if they believed it was rewarding to do so (Dillman, 2007). Based on

this social concept, to motivate participants to achieve satisfactory response rates, participants were informed that a copy of the results of the study could be delivered to them if requested. The design of the survey followed the procedure of Tailored Design, the development of survey procedures by utilizing knowledge of sponsorship, the survey population, and the nature of the survey to maximize the quality and quantity of responses (Dillman, 2007).

A website-based survey included its own fundamental assumption that the survey participants were computer users and had access to the Internet since Web surveys are computer-based and delivered via the Web (Best, 2004). All participants in the present study were hotel marketers and businesspeople. The survey consisted of two sections. The first part collected data based on research objectives; the second part collected other demographic variables. Overall, the online survey average completion time was 10 minutes.

3.3.1 Survey Instruments

The present exploratory research consisted of several rating scales to capture the study's main variables, namely boutique hotel design and boutique hotel differentiation strategies, management elements (i.e., physical environment and customer service environment), experiential realms, and intended behavioral responses. With the quantitative approach, the perceived importance for most statements was captured on Likert-type response scales ranging from 1 to 7: 1 (not at all important), 2 (very unimportant), 3 (somewhat unimportant), 4 (neither important nor unimportant), 5 (somewhat important), 6 (very important), and 7 (extremely important).

To capture the major objectives, a multi-dimension scale was developed in response to boutique hotel design and management elements, including the physical environment (external and internal) and the customer service environment. More detail follows. A physical environment scale was developed based on the modified Mehrabian and Russell model (M-R model) in terms of environmental stimuli (Mehrabian & Russel, 1974). An additional item of “location” was added based on previous literature review about boutique hotels. In particular, hotel location, external architectural design, and external environment were included in the category of the external environment; hotel’s interior architectural design, interior decorations and personal artifacts, materials used in the hotel facilities, arrangement of hotel furnishings, layout of the hotel, cleanliness of the hotel, odor/scent of the hotel, indoor temperature of the hotel, music played in the hotel, and the lighting schema of the hotel were included as the internal physical environment; a total of 13 statements were included. A modified service environment scale was employed from Wall’s (2009) study. Specifically, 12 items were included for this scale. Three differentiation strategies were identified based on design and management elements, including each differentiation strategy in the external physical environment, the internal physical environment and the customer service environment. More detail will follow. An experience scale from Oh, Fiore and Jeoung’s (2007) study was utilized to test experiential realms (Oh, et al., 2007). Specifically, four statements comprised each realm. The order was disrupted in the survey. An additional constant sum scale was captured to test the experiential realms further. Participants were asked to allocate points (from 0 to 100) to each statement with a sum of 100 points. The intended behavioral response scale was captured based on the M-R model too. Five statements were included in the scale.

3.3.2 Selection of Participants

The present study's data collection process contained three phases. Within all three phases, participants were selected by the purposive sampling method (Trochim & Donnelly, 2006).

In the first phase, a list of 64 individuals who participated in previous studies was identified. Those participants included executives of boutique hotels from ownership, corporate level management, property level management from individual hotels, and corporate executives from chain hotels with an identified boutique hotel brand within the group. In the second phase, three chain boutique hotel groups were identified as potential participants, including Kimpton Hotels, Joie de Vivre Hotels, and Thompson Hotels (*Boutique Hotel in the US -July 2011*, 2011). In the third phase, the researcher used content analysis to filter the hotels by key words on their official websites. During part of the process to identify participants, those hotels where websites contained key words such as individual, unique, intimacy, and design, were usually found to be boutique hotels on various hotel review websites by customers. The researchers included them as potential participants. A subsequent section provides information that is more detailed about these three phases.

Invitations to participate were extended to 259 individuals, including senior executives of boutique hotels from ownership, corporate level managers and property level managers from individual hotels and hotel groups identified by the researchers in cooperation with BLLA. A nonprobability sampling method resulted in a 14.67% response rate. A total of 259 individuals were invited to participate; 38 completed the survey.

3.3.3 Data Collection Procedure

Before data collection, written approval of the study was granted by the Institutional Review Board (IRB) of Purdue University. Potential survey respondents were sent an introductory e-mail through the internal email system of the Qualtrics. The email included an invitation to individuals to participate in the study through a survey link.

To assure informed consent for study participation, the following concepts were integrated into the introductory email communication.

1) Participation: Participating in this study is strictly voluntary. Participants could stop participating at any time during the survey without penalty. Participants are free to skip any question they do not wish to answer. All responses will remain anonymous, and no responses could be linked back to the participant. The survey will take less than 15 minutes to complete.

2) Confidentiality: If the participant agrees to participate in the study, he/she will be asked to answer several demographic questions, some information about the company, and specific questions regarding the topic. Participants will not have to provide any personal identifiers; however, if they would like to receive a copy of the study's results, they may provide contact details in order to receive a report at the conclusion of the study. All information received will be kept confidential. The data will only be seen by the researchers; the researchers will only report aggregate information, and no individuals or companies will be identified.

3) Contact information was given in the event of further questions.

4) An unsubscribe link was contained at the end of the email.

Data collection was composed of three phases. The total length of time of the data collection was 47 days. The first phase started on May 16, 2012, and the last phase ended on July 2, 2012.

In the first phase, a list of 64 individuals who participated in previous studies was identified. The 64 participants included executives of boutique hotels from ownership, corporate level management, property level management from individual hotels, and corporate executives from chain hotels with an identified boutique hotel brand under the group. The first invitation email was sent to this list on May 16, 2012, with the information concepts above. The second reminder email was then sent three days later, to the potential participants who did not respond to the survey at that time. The researchers filtered out email addresses of those who did not wish to be contacted again. The last reminder email was sent one week later after the first email, with a closing time of the survey included.

In the second phase, three chain boutique hotel groups were identified as potential participants, including Kimpton Hotels, Joie de Vivre Hotels, and Thompson Hotels (*Boutique Hotel in the US -July 2011*, 2011). The second phase started on June 2 and ended on June 15. To acquire potential participants' contact information and approval and increase response rate, telephone calls were made to each individual hotel property of these three boutique hotel chains. First, the researchers found the phone numbers of each individual hotel property from their official websites. Second, the researcher called each individual hotel property to speak to the general manager. Third, for the managers to connect with the researcher, the following content was provided through the telephone call:

- 1) self-introduction and introduction of research organization;
- 2) introduction and purpose of the study; and
- 3) request of the manager's email address to the survey link.

A new list of potential participants was compiled during the second phase. Then the email survey procedure provided in the first phase followed. On average, three attempts were made to each individual hotel property to contact the managers.

The third phase started on June 16 and ended on July 2. This phase started based on a website of a hotel association in New York City. Its membership included over 260 of the finest hotels there. The researcher filtered the hotels by key words from their official websites. First, large chain hotels were filtered for the list except for their identified boutique hotel brands. Second, hotels with "boutique hotel" as a key word contained on their official website were identified as potential participants. Third, hotels with "unique," "ultimate," or "personalized" as key words on their websites were identified as potential participants. Fourth, hotels, reviewed as "boutique hotels" on various hotel review websites, were identified as potential participants as well. Then, a new list of potential participants was compiled during the third phase. The email survey procedure provided in the first phase followed. On average, there were attempts to contact each individual hotel property to communicate with the managers.

3.4 Statistical Analysis

Methods used to answer objectives one through four included analysis of variance (ANOVA) and Pearson product-moment correlation coefficient. Data were exported from

Qualtrics into SPSS for data analysis. A one-way ANOVA was utilized to test for significant difference of the means between groups to determine the perceived importance of variables. To test means of hotel design and management elements, the external physical environment = 1, the internal physical environment = 2, and the service environment = 3 were identified as factors; responses of these three groups were included as dependent variables. To test means of experiential realms, education = 1, entertainment = 2, esthetics = 3, and escapism = 4 were identified as factors; responses in four groups were included as dependent variables. Prior to conducting the ANOVA, assumptions for the use of ANOVA were tested. The researchers applied the Welch statistic with an adjusted F instead of the ANOVA table when the assumption of homogeneity was not met. Tukey's range test was conducted for the follow-up multiple comparisons of means when all assumptions were met, while the Game-Howell test was conducted for the follow-up multiple comparisons of means when the assumption of homogeneity was not met. The Pearson correlation coefficient test focused on the relationship between one dependent variable and one or more independent variables. Pearson correlation coefficient, sometimes refers to Pearson's r, measures how strong the linear relationships are between random variables between -1 and +1.

CHAPTER 4. RESULTS

4.1 Overview

Chapter 4 presents the findings of data analysis on the primary research objectives and additional research results. A total of 48 surveys were recorded. Among them, 38 were completed. Data were mainly collected from the United States, representing the boutique hotel segment of the industry. Major results respond to the research objectives.

Demographic Characteristics

4.1.1 Classification of Position

A total of 48 subjects participated in the present study; 38 completed the survey. Among them, 53% were general managers and 10% were owners, as shown in Table 4.1. Other operations managers included one Managing Director, one Senior Sales Manager, one Director of Rooms, one Director of Housekeeping, one Director of Front Office and two Front Office managers. There were also seven corporate managers, including two Chief Executive Officer (CEO), one Regional Vice President, one Vice President of Sales & Marketing, one Chief Marketing Office, one Vice President responsible for Global branding, and one Development Assistant to the Chairman.

Table 4.1 Classification of Position

	Participants	N	Percentage (%)
Operation	General Manager	20	53
	Owner	4	10
	Others	6	16
Corporate	Vice President or Senior Executive	8	21

4.1.2 Length of Position

The results of length of position are presented in Table 4.2, showing that 43% of participants stayed in their positions five years or less, 19% stayed 6 to 10 years, 8% stayed 11 to 15 years, 5% stayed 16 to 20 years, and 8% stayed 21 years or more.

Table 4.2 Length of Position

Length in Position	N	Percentage (%)
5 years or less	16	43
6 -10 years	7	19
11 – 15 years	3	8
16 – 20 years	2	5
21 years or longer	3	8
Unanswered	6	16

4.1.3 Distribution of Countries

In terms of home countries of participants, 65% were from the United States, 8% were from United Kingdom, 5% were from China, and 3% were from Italy, as shown in Table 4.3.

Table 4.3 Distribution of Countries

Countries	N	Percentage (%)
United States	24	65
United Kingdom	3	8
China	2	5
Italy	1	3
Unanswered	7	19

4.1.4 Location of Hotel

With respect to the hotel location, 59% were downtown, 5% were suburban area, 8% were seaside, and 14% were in other areas. None of them was located in an airport or resort areas, as illustrated in Table 4.4.

Table 4.4 Location of Hotel

Hotel Location	N	Percentage (%)
Downtown	22	58
Suburban	2	5
Seaside	3	8
Others	5	13
Unanswered	6	16

4.2 Testing of ANOVA Assumption

In the analysis of variance (ANOVA), the researchers tested three assumptions, including independence, normality and homogeneity. First, in terms of the first assumption of independence, the researchers confirmed that all of the groups were independent of each other ($p < \alpha = 0.05$). Second, to test normality, the researchers examined a QQ-plot and the result suggested that the assumption of normality was met. Third, to test the assumption of homogeneity, Levene's Test was utilized to check the hypothesis that the variances of different groups were equal. As demonstrated in Table 4.5, results suggested that the hypothesis was rejected ($p < \alpha = 0.05$) in design elements, differentiation strategies and intended behavioral responses. The assumption of homogeneity in design elements, differentiation strategies and intended behavioral responses was not met. Thus, the researchers decided to utilize the Welch statistic with an adjusted F for these three variables instead of the ANOVA table in later analysis.

Table 4.5 Test of Homogeneity of Variances

Levene Statistic	Statistics	Significance
Delivery of customer experience	1.293	.259
Design and management elements	8.466	.000
Differentiation strategies	28.556	.000
Experiential realms	4.193	.007
Intended behavioral responses	18.509	.000

4.3 Perceived Importance of Design and Management Elements to Boutique and Lifestyle Hotel Differentiation Strategy

The first objective of the present study was to identify the perceived importance of design and management elements to boutique and lifestyle hotel differentiation strategy. All questions under this objective were conducted by 7-point Likert-type response scales.

First, the researchers examined manager perceptions regarding the importance of customer experience in differentiating the hotel from competitors. Respondents were asked to rate the question in the survey: “How important is the customer experience in differentiating your hotel from your competitors?”

Second, three elements of differentiation were captured based on the hotel’s design and management elements. Specifically, three elements of differentiation included differentiation in the external environment (D-EE), differentiation in the internal environment (D-IE) and differentiation in the customer service environment (D-CE). Ultimately, the researchers discovered relationships between the hotel’s design and management elements and their corresponding differentiation strategies.

4.3.1 Response of Customer Experience in Differentiating the Hotel from Competitors

As demonstrated in Table 4.6, the average score of customer experience in differentiating the hotel from its competitors was 6.61. 92% of managers rated the importance of the customer experience in differentiating the hotel from competitors either very important (16%) or extremely important (76%).

Table 4.6 Descriptive Statistics for the Importance of Customer Experience in Differentiating the Hotel from Competitors

	Level of importance	Frequency	Percentage (%)	N	Mean
Customer experience - Differentiating the hotel from competitors	2 (very unimportant)	1	3	38	6.61
	5 (somewhat important)	2	5		
	6 (very important)	6	16		
	7 (extremely important)	29	76		

4.3.2 Three Elements of Experience Differentiation

The 7-point scale ratings were conducted to examine the importance of three elements of experience differentiation. Three elements were rated by participants, including differentiation in the external environment (D-EE), differentiation in the internal environment (D-IE) and differentiation in the customer service environment (D-CE). As demonstrated in Table 7, participants most valued differentiation in the customer service environment ($M = 6.92$).

Since the assumption of homogeneity was not met for three elements of experience differentiation, the researchers applied the Welch test with an adjusted F to test the significant differences between items. Welch test results (dependent variable = weighed scores in all groups; independent variables included differentiation – external environment = 1, differentiation – internal environment = 2, and differentiation – customer service experience = 3) supported the descriptive statistics result with a

significant $p < 0.05$. At least one of the differentiation strategies was statistically different from the others, shown in Table 8.

The follow-up Game-Howell test with an adjusted F ratio was utilized to test further the mean differences between groups, focusing on the mean differences between group 3 and the other two groups. Results were significant ($p < .05$) in that the mean of D-CE was significantly different from the means of D-EE and D-IE. Based on results, the researchers concluded that differentiation in the customer service environment was identified as the most important differentiation element for boutique hotels.

Table 4.7 Descriptive Statistics for Comparison Scores Concerning the Importance of Differentiation Strategies

	N	Mean
Differentiation – External environment (D-EE)	36	5.39
Differentiation – Internal environment (D-IE)	36	6.03
Differentiation – Customer service experience (D-CE)	36	6.92

Table 4.8 Test for Means of Differentiation Strategies

	Statistics		Significance	
Welch	41.166		.000	
	(I) Category	(J) Category	Mean Difference (I-J)	Sig.
Games-Howell	D-CE	D-EE	1.528	.000
		D-IE	.889	.000

4.3.3 Relationships between Design Elements and Customer Experience in

Differentiating the Hotel from Competitors

A Pearson coefficient was applied to measure the relationship between manager perceptions about design elements and the importance of customer experience in differentiating the hotel from competitors. Boutique hotel design and management elements included the external and internal physical environment and the customer service environment. Results that are more descriptive will be provided in the next

section. The Pearson correlation coefficient ranged from -1 to 1. The direction and magnitude measured the strength of relations and their positive or negative correlations. As demonstrated in Table 4.9, there were existing moderate relationships between manager perceptions on the internal environment and customer experience in differentiating the hotel from competitors ($r = .417$, $p = .009$), and between the customer service environment and customer experience in differentiating the hotel from competitors ($r = .343$, $p = .038$).

Table 4.9 Correlation Results between Design Elements and Customer Experience in Differentiating the Hotel from Competitors

Variable		Customer experience in differentiating the hotel from competitors
External environment	Pearson Correlation Coefficient	.218
	Sig. (2-tailed)	.189
Internal environment	Pearson Correlation Coefficient	.417**
	Sig. (2-tailed)	.009
Customer service environment	Pearson Correlation Coefficient	.343*
	Sig. (2-tailed)	.038

** Correlation is significant at 0.01 level (2-tailed).

* Correlation is significant at 0.05 level (2-tailed).

4.3.4 Relationships between Design Elements and Three Elements of Experience Differentiation

The researchers applied a Pearson correlation coefficient to measure relationships between independent variables (design elements) and dependent variables (three elements of experience differentiation). As demonstrated in Table 4.10, each represented the bivariate correlation value of hotel design elements and its corresponding differentiation element. The results showed a strong correlation ($r = 0.787$) between the external

environment and its differentiation element ($p = .000$). In addition, there was a moderate positive correlation ($r = .337$) between the internal environment and its differentiation element ($p = .045$). The relationship between the customer service environment and its differentiation element was not statistically significant ($p = .330$).

Table 4.10 Correlation Results between Design Elements and Differentiation Elements

Variable		Differentiation – External environment
External environment	Pearson Correlation Coefficient	.787**
	Sig. (2-tailed)	.000
Variable		Differentiation – Internal environment
Internal environment	Pearson Correlation Coefficient	.337*
	Sig. (2-tailed)	.045
Variable		Differentiation – Customer Service environment
Customer Service environment	Pearson Correlation Coefficient	.167
	Sig. (2-tailed)	.330

** Correlation is significant at 0.01 level (2-tailed).

* Correlation is significant at 0.05 level (2-tailed).

4.3.4.1 Centered-score Regression

The present study concluded a control variable, including the participant's controlling power in the external environment, the internal environment and the service environment. To involve the controlling power variable, an interaction term was added to the regression, as follows:

$$Y = b_0 + b_1X + b_2Z + b_3XZ + e$$

Whereas:

X = raw score of design elements- the mean,

Z = raw score of the controlling power- the mean,

b0 = intercept when $X = 0$ and $Z = 0$

b1 = coefficient of X when $Z = 0$

b2 = coefficient of Z when $X = 0$

b3 = coefficient of the interaction effect, XZ

Table 4.11 Centered-score Regression Tests

Dependent variable	Independent variable	Unstandardized Coefficients		t	Sig.	R Square	F
		B	Std. Error				
Y ₁	X ₁	.942	.141	6.687	.000	.814	20.936
	Z ₁	.248	.143	1.734	.092		
	X ₁ Z ₁	.181	.123	1.471	.151		
Y ₂	X ₂	.530	.127	2.675	.012	.535	4.269
	Z ₂	.241	.198	1.210	.235		
	X ₂ Z ₂	.791	.338	2.340	.026		
Y ₃	X ₃	.165	.048	1.181	.246	.061	.692
	Z ₃	-.105	.153	-0.685	.498		
	X ₃ Z ₃	.190	.398	.478	.636		

Y₁ = D-EE, Y₂ = D-IE, Y₃ = D-CE; X₁ = EE, X₂ = IE, X₃ = CE; Z₁ = controlling power in EE, Z₂ = controlling power in IE, Z₃ = controlling power in CE.

Results revealed that managers' controlling power had no influence on relationships between management/design elements and their differentiation elements (as shown in Table 4.11).

4.4 Perceived Importance by Hotel Management of Design and Management

Elements to Delivery of the Boutique Hotel Experience

The second objective of the present study was to examine the perceived importance by hotel management of design and management elements to delivery of the boutique hotel experience. Hotel management of design and management elements

referred to the physical environment and the customer service environment. The perceived importance of each of the four dimensions was assessed using 7-point Likert-type response scales.

First, the researchers examined manager perceptions on the importance of customer experience to the success of a hotel. Respondents were asked to rate the question in the survey: “How important is the customer experience to the success of the hotel?” Second, the researchers identified the most important boutique hotel design and management element. Respondents were asked to rate two questions representing physical environment and service environment. A physical environment scale was developed based on the modified Mehrabian and Russell model (M-R model) (1974) in terms of the environmental stimuli. An additional item of “location” was added based on previous literature review of boutique hotels. For analysis, the researchers divided physical environment into the external environment and the internal environment. Hotel location, external architectural design, and external environment were included in the external environment. The hotel’s interior architectural design, interior decorations and personal artifacts, materials used in the hotel facilities, arrangement of hotel furnishings, layout, cleanliness, odor/scent, indoor temperature, the music played, and the lighting schema were included as internal physical environment. A modified customer service environment scale was selected from Wall’s (2009) study. Specifically, 12 items were included in this scale.

4.4.1 Response of Customer Experience to Success of the Hotel

As demonstrated in Table 4.12, the average score of customer experience to success of the hotel was 6.76. 97% of managers rated the importance of the customer experience to success of the hotel either very important (11%) or extremely important (87%).

Table 4.12 Descriptive Statistics for Comparison Scores in the Importance of Customer Experience to Success of the Hotel and in Differentiating the Hotel from Competitors

	Level of importance	Frequency	Percentage (%)	N	Mean
Customer experience - Success of the hotel	2 (very unimportant)	1	2	38	6.76
	6 (very important)	4	11		
	7 (extremely important)	33	87		

4.4.2 Most Important Dimension of a Boutique Hotel's Design and Management

Elements

In the present study, boutique hotel design and management elements included the external and internal physical environment and the customer service environment. The descriptive statistics for comparison scores in the importance of the boutique hotel's external environment, internal environment and service environment are shown in Table 4.13. Three items were included in the internal physical environment, 10 items were included in the external environment, and 12 items were included in the customer service environment. Results revealed that, overall, the customer service environment obtained the highest average score ($M = 6.68$).

Table 4.13 Descriptive Statistics for Comparison Scores in the Importance of the Boutique Hotel External Environment, Internal Environment, and Service Environment

Design and management elements	N	Mean
Hotel location	38	6.03
Hotel's external architectural design	38	5.08
Hotel's external environment	38	5.37
Total (External environment)	38	5.49
Hotel's interior architectural design	38	5.68
Hotel's interior decorations and personal artifacts	38	5.79
Materials used for hotel facilities	38	5.63
Arrangement of hotel furnishings	38	5.71
Layout of the hotel	38	5.82
Cleanliness of the hotel	38	6.89
Odor/scent of the hotel	38	6.11
Indoor temperature of the hotel	38	6.00
Music played in the hotel	38	5.18
Lighting schema of the hotel	38	5.82
Total (Internal environment)	38	5.86
Employees treat guests with respect	37	6.86
Employees are consistently courteous to guests	37	6.89
Employees are friendly	37	6.92
Employees conduct themselves in a professional manner	37	6.86
Employees conduct themselves in a manner that reflects the character of the hotel	37	6.70
Employees have proper communication skills	37	6.68
Employees understand guests' specific needs	37	6.78
Employees give individual attention to guests	37	6.68
Employees can recognize guests' names	37	6.41
Employees provide delightfully unexpected services	37	6.49
Employees dress in a manner that reflects the character of the hotel	37	6.35
Employees are well groomed	37	6.57
Total (Service environment)	37	6.68

To test the differences between means in each group, ANOVA was applied to examine the perceived importance by hotel management of design and management elements to delivery of the boutique hotel experience. Independent variables included the physical environment (external environment = 1, internal environment = 2) and the service environment/human interaction (service environment = 3) that hotels created to deliver a unique customer experience. The weighted scores of these three groups were included as dependent variables. Since the assumption of homogeneity was not met, the

researchers utilized the Welch statistic with an adjusted F rather than looking at the ANOVA table.

As demonstrated in Table 4.14, at a 95% confidence interval, the Welch result was significant; at least one of the group means was significantly different from the others. Then we were interested in the mean differences between the service environment (SE), and the external environment (EE)/internal environment (IE). Since the ANOVA assumption was not met, the Games-Howell test was utilized for follow-up testing. The Game-Howell results were shown to be significant in both comparisons. Based on such results, the service environment was regarded as the most important boutique hotel design dimension.

Table 4.14 Test for Means of the Importance of Hotel Design Elements

	Statistics		Significance	
Welch	39.818		.000	
	(I) Category	(J) Category	Mean Difference (I-J)	Sig.
		IE	.91918	.000

4.4.3 Relationships between Design Elements and Customer Experience to Success of the Hotel

A Pearson correlation coefficient was computed to measure relationships between manager perceptions on design elements and customer experience to success of the hotel. Shown in Table 4.15, the researchers identified a moderate relationship between manager perceptions regarding the internal environment and customer experience to success of the hotel ($r = .460$, $p = .004$).

Table 4.15 Correlation Results between Design Elements and Customer Experience to Success of the Hotel

Variable		Customer experience to Success of the Hotel
External environment	Pearson Correlation Coefficient	.265
	Sig. (2-tailed)	.108
Internal environment	Pearson Correlation Coefficient	.460**
	Sig. (2-tailed)	.004
Customer service environment	Pearson Correlation Coefficient	.280
	Sig. (2-tailed)	.093

** Correlation is significant at 0.01 level (2-tailed).

4.5 Most Important Experiential Realms to Boutique Hotel Management

The third objective of the present study was to identify the most important experiential realms to boutique hotel management. Experiential realms included education, entertainment, esthetics, and escapism within the concept of the experience economy. The researchers applied an experience scale from Oh, Fiore and Jeoung's (2007) study to meet this objective. In particular, four statements were included for each realm. Results indicated the most important experiential realms to boutique hotel management.

After comparing the descriptive scores and significant differences between realms, the researchers also discovered relationships between experiential realms and the delivery of the boutique hotel experience. In addition, relationships between experiential realms and boutique hotel design and management elements were determined. These results provided further insights into the research objective.

4.5.1 Descriptive Results

The scale to explore participants' perceptions of experiential realms was utilized from Oh (2007)'s study. The 7-point scale ratings were utilized in survey. To reduce method variance, the order of items was randomized. Descriptive results revealed that esthetics ($M = 5.83$) was ranked highest among the four realms, shown in Table 4.16. ANOVA results showed significance ($p < \alpha = 0.05$) between groups, demonstrated in Table 4.17. The follow-up Turkey's range test result showed that all groups were significantly different from each other, supporting the descriptive results. Thus, esthetics was regarded as the most important experiential realm based on participants' perceptions.

Table 4.16 Descriptive Statistics for Experiential Realms

	N	Mean
Consumers learn a lot during the hotel stay	32	5.28
The hotel experience makes consumers more knowledgeable	32	5.37
It is a real learning experience for consumers	31	4.84
It simulates consumers' curiosity to learn new things	32	4.97
Total education (I)	31	5.10
The hotel on-site activities are amusing	32	4.38
On site activities are entertaining	32	4.59
Activities on site are fun	31	4.55
The entertainment is captivating	32	4.44
Total entertainment (I)	31	4.50
The setting of the hotel pays close attention to design details	32	5.87
The setting of the hotel is attractive	32	6.00
Consumers feel pleasant just being here	32	5.84
Consumers feel a real sense of harmony	32	5.59
Total esthetics (I)	32	5.83
The experience lets consumers imagine being someone else	32	4.62
The experience lets consumers feel in a different time or place	32	5.06
Consumers feel playing a different character here	32	4.16
Consumers completely escape from daily routine	31	5.10
Total escapism (I)	31	4.72

Table 4.17 Test for Means of Experiential Realms

	F		Significance	
ANOVA	9.604		.000	
	(I) Category	(J) Category	Mean Difference (I-J)	Sig.
Turkey's range test	Esthetics	Education	.72329	.038
		Entertainment	1.32812	.000
		Escapism	1.11038	.000

4.5.1.1 Additional Question for Constant Sum Scale

In addition, the constant sum scale (100 in sum) was developed to identify the experiential realm further. The constant sum scale (100 in sum) was utilized as a rating to examine participant perceptions of the importance of experiential realms. Descriptive statistics results shown in Table 4.18 revealed that education (M = 40.26) and escapist (M = 32.45) scored highest.

The Welch test (dependent variable = weighted scores of experiential realms; independent variables include entertainment = 1, education = 2, esthetics = 3, escapist = 4) revealed that at least one of the group means was significantly different from the others (as shown in Table 4.19). To test further the differences between means for each group, the Games-Howell test was utilized since the assumption of homogeneity was not met. Results showed that there was no significant difference between education and escapist. Therefore, both education and escapist were regarded as the most important experiential realms.

Table 4.18 Descriptive Statistics for Experiential Realms in Constant Sum Scale

	N	Mean
Guests are entertained; guests are engaged by performances. (Entertainment)	34	12.82
Guests are informed in that they learn about the hotel, local culture, and history or some other points of interest. (Education)	34	40.26
Guests are enriched by environments involving the senses. (Esthetics)	34	15.41
Guests feel an escape. They are engrossed by the hotel experience in a way that transports them from the everyday. (Escapism)	33	32.45

Table 4.19 Tests for Means of Importance of Experiential Realms in Constant Sum Scale

	Statistics		Significance	
Welch	41.166		.000	
	(I) Category	(J) Category	Mean Difference (I-J)	Sig.
Games-Howell	Education	Entertainment	28.441	.000
		Esthetics	24.853	.000
		Escapism	7.810	.558

4.5.2 Relationships between Design Elements and Experiential Realms

The researchers applied Pearson correlation coefficient to test relationships between design elements and experiential realms. As demonstrated in Table 4.20, the results showed moderate relationships between esthetics and internal environment ($r = .587$, $p = .000$), and between esthetics and customer service environment ($r = .413$, $p = .019$).

Table 4.20 Correlation Results between Design Elements and Experiential Realms

Variable		Education
External environment	Pearson Correlation Coefficient	.172
	Sig. (2-tailed)	.354
Internal environment	Pearson Correlation Coefficient	.122
	Sig. (2-tailed)	.512
Customer service environment	Pearson Correlation Coefficient	-.045
	Sig. (2-tailed)	.811
Variable		Entertainment
External environment	Pearson Correlation Coefficient	.013
	Sig. (2-tailed)	.944
Internal environment	Pearson Correlation Coefficient	.148
	Sig. (2-tailed)	.425
Customer service environment	Pearson Correlation Coefficient	.038
	Sig. (2-tailed)	.837
Variable		Esthetics
External environment	Pearson Correlation Coefficient	.322
	Sig. (2-tailed)	.073
Internal environment	Pearson Correlation Coefficient	.587**
	Sig. (2-tailed)	.000
Customer service environment	Pearson Correlation Coefficient	.413*
	Sig. (2-tailed)	.019
Variable		Escapism
External environment	Pearson Correlation Coefficient	-.086
	Sig. (2-tailed)	.644
Internal environment	Pearson Correlation Coefficient	.126
	Sig. (2-tailed)	.500
Customer service environment	Pearson Correlation Coefficient	-.037
	Sig. (2-tailed)	.842

** Correlation is significant at 0.01 level (2-tailed).

* Correlation is significant at 0.05 level (2-tailed).

4.6 Relationships between Boutique Hotel Design and Management Elements and Intended Behavioral Responses

The last objective of the study was to identify the relationship between boutique hotel environment stimuli and intended behavioral responses. The researchers applied an intended customer behavioral responses scale from Mehrabian and Russell's model (M-R model) (1974). Participants were asked to rate the intended customer behavioral responses captured in 7-point scale ratings. Descriptive results showed the important, intended behavioral responses. Then the researchers discovered a relationship between boutique hotel environment stimuli (including external, internal and customer service environments) and intended behavioral responses to meet this objective.

4.6.1 Important Intended Behavioral Responses

The intended behavioral response question was captured by the 7-point scale ratings. As demonstrated in Table 4.21, participants ranked "customers recommend the hotel to others in personal conversations" highest (M = 6.88), followed by "customers continue patronage and customers will return to the hotel for future lodging needs" (M = 6.84), and "customers recommend the hotel online" (M = 6.72), respectively. With the ANOVA test, independent variables included five categorical variables (customers continue patronage and customers will return to the hotel for future lodging needs = 1; customers spend more in the hotel during their stay = 2; customers stay longer in the hotel during their current stay = 3; customers recommend the hotel online = 4; customers recommend the hotel to others in personal conversations = 5); dependent variables included weighed scores in all groups.

Table 4.21 Descriptive Statistics for Behavioral Responses

	N	Mean
Customers continue patronage and customers will return to the hotel for future lodging needs (1)	32	6.84
Customers spend more money in the hotel during their stay (2)	31	5.65
Customers stay longer in the hotel during their current stay (3)	32	5.66
Customers recommend the hotel online (4)	32	6.72
Customers recommend the hotel to others in personal conversations (5)	32	6.88

As the assumption of homogeneity was met, the Welch test was significant, shown in Table 4.22. The follow-up Games-Howell test revealed that group 5 was not significantly different from group 1 ($p > .05$) and group 4 ($p > .05$). As a result, the researchers concluded that all the following statements were the most important behavioral responses:

- 1) Customers continue patronage, and customers will return to the hotel for future lodging needs;
- 2) Customers recommend the hotel online;
- 3) Customers recommend the hotel to others in personal conversations.

Table 4.22 Test for Means of Behavioral Responses

		Statistics		Significance	
Welch		11.029		.000	
	(I) Category	(J) Category	Mean Difference (I-J)	Sig.	
Games-Howell	5	1	.03125	.997	
		2	1.22984	.000	
		3	1.21875	.000	
		4	.15625	.773	

4.6.2 Relationship between Design Elements and Intended Behavioral Responses

To test relationships between design elements and intended behavioral responses, the researchers applied Pearson correlation coefficient. As previously mentioned, the design elements include external environment (EE), internal environment (IE), and service environment (SE). As demonstrated in Table 4.23, results were significant as follow,

- 1) Between the external environment and customers continued patronage, and customers will return to the hotel for future lodging needs ($r = .383$, $p = .031$);
- 2) Between internal environment and customers continued patronage, and customers will return to the hotel for future lodging needs ($r = .398$, $p = .024$);
- 3) Between internal environment and customers recommend the hotel online ($r = .703$, $p = .000$);
- 4) Between internal environment and customers recommend the hotel to others in personal conversations ($r = .661$, $p = .000$).

Table 4.23 Correlation Results between Design Elements and Intended Behavioral Responses

Variable		Customers continue patronage, and customers will return to the hotel for future lodging needs
External environment	Pearson Correlation Coefficient	.383*
	Sig. (2-tailed)	.031
Internal environment	Pearson Correlation Coefficient	.398*
	Sig. (2-tailed)	.024
Customer service environment	Pearson Correlation Coefficient	.229
	Sig. (2-tailed)	.207
Variable		Customers spend more money in the hotel during their stay
External environment	Pearson Correlation Coefficient	.053
	Sig. (2-tailed)	.778
Internal environment	Pearson Correlation Coefficient	.213
	Sig. (2-tailed)	.249
Customer service environment	Pearson Correlation Coefficient	-.144
	Sig. (2-tailed)	.477

Table 4.23 Continued

Variable		Customers stay longer in the hotel during their current stay
External environment	Pearson Correlation Coefficient	.222
	Sig. (2-tailed)	.222
Internal environment	Pearson Correlation Coefficient	.297
	Sig. (2-tailed)	.099
Customer service environment	Pearson Correlation Coefficient	.171
	Sig. (2-tailed)	.349
Variable		Customers recommend the hotel online
External environment	Pearson Correlation Coefficient	.347
	Sig. (2-tailed)	.052
Internal environment	Pearson Correlation Coefficient	.703**
	Sig. (2-tailed)	.000
Customer service environment	Pearson Correlation Coefficient	.223
	Sig. (2-tailed)	.220
Variable		Customers recommend the hotel to others in personal conversations
External environment	Pearson Correlation Coefficient	.349
	Sig. (2-tailed)	.050
Internal environment	Pearson Correlation Coefficient	.661**
	Sig. (2-tailed)	.000
Customer service environment	Pearson Correlation Coefficient	.158
	Sig. (2-tailed)	.388

** Correlation is significant at 0.01 level (2-tailed).

* Correlation is significant at 0.05 level (2-tailed).

CHAPTER 5. DISCUSSION, IMPLICATIONS, LIMITATIONS, AND FUTURE STUDIES

5.1 Overview

The present study explored the boutique hotel experience and had achieved the main goals of this study. The four objectives in this study included: 1) to identify the perceived importance of design and management elements to boutique and lifestyle hotel differentiation strategy; 2) to examine the perceived importance by hotel management of design and management elements to the delivery of the boutique hotel experience; 3) to clarify the most important experiential realms to boutique hotel management; and 4) to discover the relationships between the hotel design and management elements and intended behavioral responses.

Overall, the differentiation in customer service experience was found to be the most important differentiation strategy from managers' perspectives. The customer service environment was identified as the most important management/design dimension in the boutique hotel experience. In terms of experiential realms, the esthetics was the ideal customer experience delivered by boutique hotels. In addition, there were existing significant relationships between design and management elements, including the external environment, the internal environment, and the customer service environment, and intended behavioral responses.

5.2 Perceived Importance of Design and Management Elements to Boutique and Lifestyle Hotel Differentiation Strategy

95% of managers (M = 6.61) rated either 6 (very important) or 7 (extremely important) that customer experience was important for boutique hotel firms to differentiate themselves from competitors. Findings also showed that differentiation in the customer service experience was the most important differentiation element for boutique hotels (more important than differentiation in the physical environment). Pine and Gilmore (1998) found that companies that differentiated themselves in customer experience could develop sustainable returns and it allowed them to charge premium prices. However, not every company should differentiate itself in customer experience. “Experience” companies like boutique hotel firms delivered innovative products and services, and created unique lodging experiences to meet high-end customer desires and demands (Victorino, Verma, Plaschka, & Dev, 2005).

Differentiation was all about being unique. For boutique hotel firms, unique customer experience could create vertical and horizontal entry barriers of potential entrants, reducing buyer bargaining power. It was important that boutique hotel managers always kept that in mind. Differentiation in customer experience was the foundation for all of the integrated actions firms were going to take. And it directed boutique hotel firms for long-term sustainable development. In addition, the result showed consistency with McIntosh & Siggs’ (2005) study that the customer service experience was the key to differentiate the boutique hotel.

5.3 Perceived importance by hotel management of Design and Management Elements to Delivery of the Boutique Hotel Experience

97% managers rated the importance of the customer experience to success of the hotel either very important (11%) or extremely important (87%). It stated that from management' perception, customer experience played an essential role in hotel's success. Then the researchers identified three dimensions in terms of delivery of experience. Results showed that the customer service environment was the most important design and management dimension (more important than the physical environment). Results were consistent with previous studies concerning boutique hotels that service, including personalized service and actual service provided, was an important element (McIntosh & Siggs, 2005).

Though the customer service environment was identified as the most important management and design dimension, several interesting findings about the physical environment were determined through the present research. First, the researchers revealed that the internal physical environment could predict manager perceptions about the importance of customer experience to success of the hotel and differentiating the hotel from competitors. The physical environment had proven its ability in positioning the company, differentiating the company from its competitors, or customers' satisfaction with service (Bitner, 1992). Results confirmed the boutique hotel's internal physical environment's prominence in delivering customer experience for success of the hotel and conveying prominence among its competitors. Second, the researchers revealed that manager perceptions of the external environment could predict the importance of differentiation strategy in that environment. Manager perceptions of the internal

environment, likewise, could predict the importance of differentiation strategy in that environment. Results further confirmed the physical environment's role in the company's strategy.

5.4 Most Important Experiential Realms to Boutique Hotel Management

Esthetics was identified as the chief experiential realm for boutique and lifestyle hotels. First, descriptive results showed that esthetics was the most important experiential realm from manager perceptions. Second, the present study discovered a significant relationship between the internal physical environment and esthetics ($r = .587$, $p = .000$), confirming that this realm highly reflected the influence of the physical environment on customers (Pine, 1999). A moderate relationship also was found between the customer service environment and esthetics ($r = .413$, $p = .019$). It showed an ideal esthetic experience relatively more involved with internal environment and customer service environment influence. The authors presented results showing consistency with Oh's (2007) study in the bed and breakfast industry and Hosany's (2010) study in the cruise industry that esthetics was the most important experiential realm.

A different result from the 100-point allocation question showed that education and escapist were the most important experiential realms. Potential explanations could be 1) the limited sample size; 2) the use of different scales with complex concepts; and 3) managers' inconsistent perceptions about the desired customer experience.

5.5 Relationships between Boutique Hotel Design and Management Elements and Intended Behavioral Responses

Previous literature suggested that customer loyalty included customer purchasing decisions and recommendations to others. The present study determined that the boutique hotel's most desired behavioral responses included 1) customers continue patronage and customers will return to the hotel for future lodging needs; 2) customers recommend the hotel online; and 3) customers recommend the hotel to others in personal conversations.

Results showed that from the boutique hotel management perspective, both external and internal environments could predict customers' continue patronage and customers would return to the hotel for future lodging needs. In addition, the internal environment could predict customers' recommendations of the hotel to others in personal conversations and customers' recommendations of the hotel online. These findings are consistent with previous studies that the physical environment can influence customer behaviors in the service industry (Baker, 1987; Bitner, 1986, 1992). Results identified the roles of design and management elements to develop customer loyalty in that the physical environment played a more important role in terms of developing customer loyalty than the customer service environment.

5.6 Other Findings

The present study contained several exciting findings in addition to the major findings. For the first time in hospitality research, the researchers confirmed that from boutique hotel manager perceptions, the customer experience is important to both the success of the hotel and in differentiating the hotel from competitors.

Previous studies suggested that the majority of boutique hotels were found in urban areas (Aggett, 2007; Lim & Endean, 2009; McIntosh & Siggs, 2005). In the present study, 59% hotels were located downtown. Furthermore, the location was identified as the most important physical environment element from the perspective of managers. The researchers agreed that most boutique hotels were located in urban areas, and the location was an important element for boutique hotels to deliver a unique customer experience.

5.7 Implications

5.7.1 Theoretical Implications

The present study revealed that both the physical environment and the customer service environment were the important elements in terms of boutique hotel design and management. The customer service environment was rated relatively more important than the physical environment. The physical environment was emphasized by the link with the esthetic experience. Design and management elements composed the boutique hotel experience, including the esthetic experience and other experience, creating an emotional connection between employees and customers. As a result, customer loyalty was developed.

Considering all factors related to a designed customer experience together, the researchers proposed the framework illustrated in Figure 5.1.

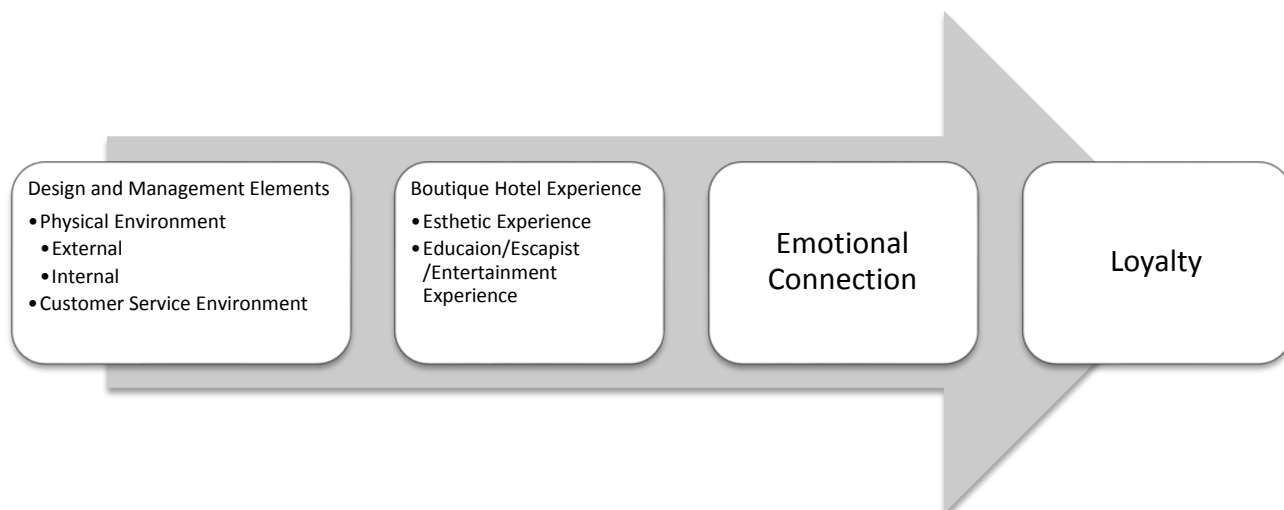


Figure 5.1 Theoretical Implication

5.7.2 Practical Implication

The present study contributed to boutique hotel managers' understandings about how to build customer loyalty by a memorable experience through boutique a hotel's physical and customer service environment design, and usage of the differentiation strategy. From the design's perspective, the present study provided a measurement tool to managers about the physical environment design and the customer service environment design. In order to create a desired customer service environment, an emphasis on human resource management was required. Interaction between employees and consumers was an effective way to create an emotional connection. A memorable experience of consumers could be achieved by receiving employees' courtesy or cordiality. Even though the design and the uniqueness were important dimensions in terms of delivering a unique customer experience, customer service was the differentiator. It provided more insights for hotel marketers to develop marketing strategies.

As a whole, a boutique and lifestyle hotel (BLH) experience was more like an esthetic experience, closely linked with the boutique hotel's internal environment. It was all about *sense* (Pine, 1998). A customer walked into a themed boutique hotel with well-designed furniture, clean lobby, etcetera; aroma and music were commensurate with the hotel theme. That was all designed to let a customer become involved in an esthetic experience. The cruel thing was any failure in detail could possibly destroy the connection between the customer and the hotel; it was supposed to be a wholly immersive environment. This "created" reality should deliver the real to its customers. And this connection could predict consumers' patronage and recommendation. In order to do that, marketers should keep design and style in mind, and do it in detail.

However, the BLH experience was more complex than that. It also could be an escapist, an educational, or an entertaining experience. All of these experiences were not mutually exclusive. An entertaining experience could be added with onsite activities to make people laugh. With the educational experience, the boutique hotel learning experience required engaging the customer to be an active participant.

Facing competition, more chains created their own boutique hotel brands. The challenge for the chain is maintaining the quality of experience while trying to be boutique. Differentiation should not limit up to within the chains, also within the boutique hotel brand. Specifically, every individual property should differentiate itself in terms of physical design and service design.

5.8 Limitations of the Study and Future Study Recommendations

This was a comprehensive examination of the boutique hotel experience and its environment stimuli but, as with any research project, there were potential limitations. First, the methodology applied in the study cannot be generalized. Second, the research examined boutique hotel environment stimuli in the physical environment and the customer service environment; there may be other classifications. The physical environment included 13 items and the customer service environment included 12 items. There may, in fact, be other design and management items that contribute to the variance in environment stimuli. Third, the present study included several modified scales. Fourth, the present study recognized contradictions in two survey questions in terms of the experiential realm. In one way, the researchers tested the experiential realms by letting participants rate 16 items in response to four realms with disrupted order. The other way, the researchers tested the experiential realm by letting participants allocate 100 points with four descriptive statements in response to four realms. There could be other alternative ways to identify the boutique hotel experience. Fifth, the study identified the intended behavioral responses of 1) customers continue patronage and customers will return to the hotel for future lodging needs and external environment; 2) customers spend more in the hotel during their stay; 3) customers stay longer in the hotel during their current stay; 4) customers recommend the hotel online; and 5) customers recommend the hotel to others in personal conversations. There may be other intended behavioral responses that can be caused by an emotional connection between the hotel and customers. Sixth, despite time consuming data collection and difficulty in selecting

participants, the sample size was limited, potentially resulting in statistical biases. Seventh, most of the participants were from the United States; research findings may not be globally applicable. This was a comprehensive exploratory study. The researchers suggest future studies could provide more support for our findings from the customers' perspective. There were existing contradictions in two survey questions on defining the experiential realm; thus, the researchers suggest future research to provide additional evidence to support the results regarding the boutique hotel experience.

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LIST OF REFERENCES

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APPENDICES

Appendix A Appendix Table

Table A Selected Definitions from Academic Journals

Author	Definition	Theme
Alison J. McIntosh and Anna Siggs (2005)	Unique character, personalized, homely, quality, and value added, the importance of emotion were highlighted as being integral aspects of the boutique accommodation experience (McIntosh & Siggs, 2005).	<ul style="list-style-type: none"> ♦ Unique ♦ Personalized ♦ Homely ♦ Quality ♦ Value Added ♦ Emotion
Aggett (2007)	“Location, quality, personalized service, uniqueness, and actual services provided” (Aggett, 2007).	<ul style="list-style-type: none"> ♦ Location ♦ Quality ♦ Personalized service ♦ Uniqueness ♦ Actual services provided

Table A Continued

Hakan V. Erkutlu and Jamel Chafra (2009)	<p>“Boutique hotels differentiate themselves from larger chain/branded hotels and motels by providing personalized accommodation and services/facilities. Typically, boutique hotels are furnished in a stylish, sometime themed manner. With 3-100 rooms, most of them are 3-100 rooms, most of them are smaller than mainstream hotels, but they are usually equipped with telephone and wireless internet, air conditioning, minibars, and cable/pay TV. 24-h hotel staff attends to guests. Boutique hotels have on-site dining facilities, and the majority offer bars and lounges which may also be open to the general public” (Erkutlu & Chafra, 2006).</p>	<ul style="list-style-type: none"> ◆ Size ◆ Personalized accommodation and services/facilities. ◆ Design: stylish, themed manner; ◆ Facility; ◆ Restaurant
Wai Mun Lim, Mel Endean (2009)	<p>“Boutique hotels should include: are generally smaller in size, with less than 100 rooms; are not part of a large chain; are generally located in urban or city centers; will generally have a historical or other interesting aspect associated with the building; are individual in design with an emphasis on personal service; include a good quality restaurant as an integral feature; and are three-, four-, or five-star rated” (Lim & Endean, 2009).</p>	<ul style="list-style-type: none"> ◆ Size ◆ Individual ◆ Location; ◆ Building; ◆ Design; ◆ Restaurant; ◆ Grading

Appendix B Survey Letter

Dear _____,

Boutique and Lifestyle Hotels are an important sector of the lodging market but little research has been conducted to understand how boutique and lifestyle deliver their unique experiences to consumers. We are seeking your assistance with this important research study. We would like to ask you a series of questions about the “experience economy” strategies to differentiate your hotel.

Follow this link to the Survey:

Or copy and paste the URL below into your internet browser:

Participation:

Participating in this study is strictly voluntary. You may stop participating at any time during the survey without penalty. You are free to skip any question you do not wish to answer. All responses will remain anonymous and none of your responses can be linked back to you. The survey will take less than 15 minutes of your time.

Confidentiality:

If you agree to participate in the study, you will be asked to answer a few demographic questions and some information about your company along with some specific questions regarding the topic. You will not have to provide any personal identifiers, however, if you would like to receive a copy of the results of this study you may provide contact details and we'll be happy to send a report to you at the conclusion of the study. All information received will be kept confidential. The data will only be seen by the researchers, we will only report aggregate information and no individuals or companies will be identified in the report.

Contact information:

If you have any questions or concerns regarding this research, feel free to contact Dr. Jonathon Day at (765) 337-7270 or gjday@purdue.edu. If you have any question regarding approval of this study you may contact the Purdue University Institutional Review Board at Ernest C. Young Hall, 10th Floor, Room 1032, 155 S. Grant Street, West Lafayette, IN 47907-2114 or email, irb@purdue.edu.

Thank you for your participation!

Lilu Gao
Graduate Student
Dr Jonathon Day
Purdue Tourism and Hospitality Research Center
Follow the link to opt out of future emails:

Appendix C Survey

In recent years, boutique and lifestyle hotels have become increasingly important in the lodging sector. Despite their increased prominence, there has been little research into of this part of the market. This survey will examine the ways hoteliers these unique, competitive positions through careful attention to design, service and experience. The survey will take less than 15 minutes to complete. The survey is voluntary, and you may skip any questions. Only complete the survey if you are 18 years of age or older. The information you will provide will remain confidential and will only be reported in an aggregated format. We will be happy to provide you with a report of the findings of this study. If you wish to receive a copy of the report, you may provide contact details, and we'll send a report to you at the conclusion of the study. Thank you for taking the time to complete this survey.

Lilu Gao
Graduate Student
Dr. Jonathon Day
Purdue Tourism and Hospitality Research Center

Q1 Please share with us your opinions on the importance of the customer experience to your business.

	Not at all Important (1)	Very Unimportant (2)	Somewhat Unimportant (3)	Neither Important nor Unimportant (4)	Somewhat Important (5)	Very Important (6)	Extremely Important (7)
How important is the customer experience to success of your hotel? (1)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
How important is the customer experience in differentiating your hotel from competitors? (2)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q2 How much control do you have over the following elements of the customer experience at your hotel?

	None (1)	Little (2)	Some (3)	A Lot (4)
The external physical environment of the hotel including architecture, gardens and general surroundings (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The internal physical environment of the hotel including decor and ambiance (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The customer service experience (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q3 In your opinion, how important are the following physical attributes in creating a unique customer experience in your hotel?

	Not at all Important (1)	Very Unimportant (2)	Somewhat Unimportant (3)	Neither Important nor Unimportant (4)	Somewhat Important (5)	Very Important (6)	Extremely Important (7)
location (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
External architectural design (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
External environment (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Interior architectural design (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Interior decorations and personal artifacts (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Materials used in the hotel facilities (6)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Arrangement of hotel furnishings (7)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Layout (8)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Cleanliness (9)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Odor/scent (10)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Indoor temperature (11)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The music played (12)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The lighting schema (13)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q4 In your opinion, how important are the following service elements in creating a unique customer experience in your hotel?

	Not at all Important (1)	Very Unimportant (2)	Somewhat Unimportant (3)	Neither Important nor Unimportant (4)	Somewhat Important (5)	Very Important (6)	Extremely Important (7)
Employees of the hotel treat guests with respect (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employees of the hotel are consistently courteous to guests (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employees of the hotel are friendly (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employees of the hotel conduct themselves in a professional manner (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Employees conduct themselves in a manner that reflects the character of the hotel (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employees of the hotel have proper communication skills (6)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employees of the hotel understand guests' specific needs (7)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employees of the hotel give individual attention to guests (8)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employees of the hotel can recognize guests' names (9)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employees of the hotel provide delightfully unexpected services (10)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employees of the hotel dress in a manner that reflects the character of the hotel (11)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employees of the hotel are well groomed (12)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q5 How important are the following elements in differentiating your hotel from its competitors?

	Not at all Important (1)	Very Unimportant (2)	Somewhat Unimportant (3)	Neither Important nor Unimportant (4)	Somewhat Important (5)	Very Important (6)	Extremely Important (7)
The external physical environment of the hotel including architecture, gardens and general surroundings (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The internal physical environment of the hotel including decor and ambiance (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The customer service experience and interactions between staff and guests (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q6 Please allocate 100 points to indicate which of the following types of experiences you intend for your guests. (You may choose to allocate 0 to a type of experience. Please be sure your responses add to 100)

_____ Guest are entertained; guests are engaged by performances. (1)

_____ Guests are informed; they learn about hotel, local culture and history or some other points of interest. (2)

_____ Guest are enriched by sensual environments. (3)

_____ Guests feel a sense of escape. They are engrossed by the hotel experience in a way that transports them from the everyday. (4)

Q7 The following is a list of statements describing boutique hotel customers experience. Which of the statements best describe the experience you intend for your customers?

	Strongly Disagree (1)	Disagree (2)	Somewhat Disagree (3)	Neither Agree nor Disagree (4)	Somewhat Agree (5)	Agree (6)	Strongly Agree (7)
Consumers learn a lot during the hotel stay (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Consumers feel a real sense of harmony (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The hotel on site activities are amusing (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The hotel experience makes consumers more knowledgeable (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
On site activities are entertaining (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It is a real learning experience for consumers (6)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

The setting of the hotel pays close attention to design details (7)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The experience lets consumers imagine being someone else (8)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It stimulates consumers' curiosity to learn new things (9)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The setting of the hotel is attractive (10)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Consumers feel in a different time or place (11)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Activities on site are fun (12)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Consumers feel pleasant just being here (13)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Consumers feel playing a different character here (14)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

The entertainment is captivating (15)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Consumers completely escape from daily routine (16)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q8 When developing and executing the consumer experience of your boutique hotel, how important are the following customer reactions?

	Not at all Important (1)	Very Unimportant (2)	Somewhat Unimportant (3)	Neither Important nor Unimportant (4)	Somewhat Important (5)	Very Important (6)	Extremely Important (7)
Customers continue patronage, customers will return to the hotel for future lodging needs. (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Customers spend more in the hotel during their stay (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Customers stay longer in the hotel during their current stay (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Customers recommend the hotel online (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Customers recommend the hotel to others in personal conversations. (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q9 What is your job title?

Q10 How long have you been in this position?

5 years or less (1)

6-10 years (2)

11-15 years (3)

16-20 years (4)

21 years or longer (5)

Q11 In which country is your hotel located? (Select from the list)

Answer If List of Countries United States of America Is Selected

Q12 In which state is your hotel located? (Select from the list)

Q13 What is your hotel's location?

Downtown area

Suburban area

Seaside area

Airport

Resort area

Others

Q14 Optional: If you would like to receive a copy of our report, please enter your contact information below.

- Name
- Address
- City
- State
- Zip Code
- Country
- Email
- Phone
- Fax