

**A FEASIBILITY STUDY:**

**OPENING A LUXURIOUS BOUTIQUE HOTEL ON THE  
MALTESE ISLANDS**

SARAH MAE BEZZINA

A dissertation submitted to the Institute of Tourism Studies in partial fulfilment of the requirements for the Bachelor's Degree in International Hospitality Management (Hons.)

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**Institute of Tourism Studies, Malta**

**Declaration of Authenticity**

Student ID Card: **346598(M)**

Student Name and Surname: **Sarah Mae Bezzina**

Course: **Bachelor's Degree in International Hospitality Management (Hons.)**

Title of Dissertation:

**A Feasibility Study: Opening a Luxurious Boutique Hotel on the Maltese Islands**

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**SARAH MAE BEZZINA**

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## **Abstract**

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Boutique Hotels have been introduced as a growing trend of new concept lodging within the luxury segment. Globally, boutique hotels are competing within the same market as the world's top five-star hotel brands. This exploratory study delves into the specifications of a boutique hotel, how it is differentiated from the five-star hotels, the luxury sector, and the expectations of potential guests. The study is concentrated on the Maltese tourism sector and whether the opening of a boutique hotel within this competitive market would be feasible. The analysis consists of the participation of the general public, a local five-star hotel, a local boutique hotel, as well as a representative from the Malta Tourism Authority. The data was collected through a website-based questionnaire, where 574 respondents stated their expectations when staying in an accommodation establishment. Moreover, interviews held with operations managers of the five-star and boutique hotel provided insight information about the services and the facilities offered. The comparison between the two were then drawn. Lastly, the interview with the Malta Tourism Authority representative concluded with valuable knowledge about the industry and the success of boutique hotels within the Maltese Islands. Results show that five-star hotels and boutique hotels in Malta are quite similar and are within the same competitive market. Moreover, the most important key factors a new boutique hotel should focus on would be the location, the personalised service, and the overall uniqueness in design and experience. Nonetheless, with the issue of COVID-19, opening a new boutique hotel is not recommended, and therefore, one should postpone it to a couple of years to guarantee feasibility when it comes to finances. Overall, the findings portray a high level of importance for boutique hotels within the developing luxury segment in Malta's future tourism industry, which could be helpful insight for potential investors.

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## **CHAPTER 1: INTRODUCTION**

The hospitality and tourism industry in Malta has seen some changes and developments throughout the years, especially within its demand and supply which effected greatly the economy. For the vast majority of arriving guests, the main purpose for their stay is that of leisure tourism. This reflected in the expansion and development of accommodation establishments around the island (Central Bank of Malta, 2018). As figures depict, in 2014 a total of 13.5 million nights were spent in Maltese accommodations, which in total gained an expenditure of around €485 million. Such accommodations do not only include hotel-type establishments, but also private accommodations. This may include self-catering apartments, villas, farmhouses, and Airbnb. With the introduction of such accommodation types, competition within the market has arisen. Investors seek innovative and unique establishments that would gain popularity over other neighbouring properties. A strong international demand for modern and value-for-money accommodation is rapidly growing. The National Tourism Policy states:

*“Over recent times we have seen a growing demand for a high-level high-yield accommodation unit, which can be developed independently or within existing five-star establishments.”*

Changing trends causes the Maltese sector to evolve when referring to the size, pricing, booking, services, location, and facilities. Hence, establishments must keep up to date with the trends so that they would always keep on top of the game within this highly competitive market. Moreover, innovation, cost-efficiency and return on investment will determine their success (National Tourism Policy 2015-2020). Therefore, the rasion d’entre focuses on the feasibility of opening a boutique hotel in Malta, specifically within the luxury market.

During the past years, Malta’s tourism industry reached a record of 2.6 million inbound tourists, with an increase of 14.3% (Grant Thornton, 2019). Whether travelling for business or leisure, each individual planner needs to research and determine the place of accommodation to reside in. The decision is of importance because it has considerable effect on the overall experience. Within the Maltese Islands, one can opt for a number of different accommodation types. This all depends on preferences, style, and reason for travelling. The trend of boutique hotels has been around for 10 to 15 years and has also made its impact on the Maltese Islands with the opening of many of such establishments, especially within these past couple of years (eTurbo News, 2018).

The main competitors for a new luxurious boutique hotel would be the five-star hotels and other already existing high-class boutique hotels that focus their concept on luxury, sophisticated design and impeccable service. Therefore, the following are some limitations and research questions:

1. What are the inclinations for a holiday maker to opt for a boutique hotel in lieu of a five-star hotel?
2. How feasible is it to open a luxurious boutique hotel?
3. How many similar existing boutique hotels are located in Malta?
4. What level of luxury would the clientele expect and be willing to pay for?
5. Are boutique hotels profitable and do they generate a return on investment?

## **1.1 Purpose of the Study**

The purpose of this study is to identify whether it is feasible or not to open a new boutique hotel on the Maltese Islands, with the principles of luxury. The study will determine what this type of accommodation offering will consist of, and whether there is a demand for it. This is a very relative topic nowadays, especially since it is one of the most sought-after trend within the industry. The phenomenon of boutique hotels has been existing for the past 10 to 15 years, with its boom taking place only within the last few years. Boutique hotels invent new brands and compete in the market with the 'giants' of the industry, including the Marriott, Hilton and Corinthia hotels. As studies define boutique hotels, experience is mentioned along with the emphasis of detail in the design, service, and amenities (Klumbis, 2003).

The feasibility of a new boutique hotel will also depend on the already existing boutique hotels around the island, as well as the successful five-star hotels.

## **1.2 Themes**

The main themes of the feasibility study of opening a luxurious boutique hotel, include:

### **1.2.1 Luxury**

As defined by Horwath HTL within the report of future luxury travel (2011), nowadays luxury in hospitality focuses more on authenticity, the building of relationships with guests, the service offered, the sense of personalisation, uniqueness, and innovation in what is provided. Potential customers who aim to stay loyal to one establishment look for an experience which will fulfil their expectations and result in overall satisfaction. Hence, the definition of luxury is not all about the high price tag, but the attention to detail in producing and delivering the products and services offered.

### **1.2.2 Feasibility**

This study focuses on the feasibility of whether a luxurious boutique hotel would be successful in Malta. Therefore, the main focus is on sustainability and profitability of the proposal in relation to the target markets, the location, incurred costs, and finances. It is mostly beneficial for investors as it gives an indication of their return on the investment.

### **1.2.3 Return on Capital**

Another important theme is that of the return on capital. This is mostly beneficial to evaluate the efficiency of the company as well as the profitability gained by investors. Within this study, feasibility will be conducted, and therefore the return on capital will give an overview on how well the company may be handling the finances and generating profits.

#### **1.2.4 Average Room Rate**

The Average Room Rate is the income made by the hotel for each occupied room, depending on the time of the year. This is considered as an important measure for hotels because it can be used as a comparison tool with other competing hotels. Within this study, the average room rate can be determined based on the target market, the competing boutique hotels and five-star hotels, finances and the luxury service provided.

#### **1.2.5 Market Share**

The Market Share refers to the percentage that the potential luxurious boutique hotel will obtain from the total market, meaning how many of the target market will choose this boutique hotel over the competitors. Within this study, measures of how this boutique hotel can gain competitive advantage and attract the target market will be outlined.

#### **1.2.6 Boutique hotels in Malta, compared to other destinations**

Boutique Hotels around the world are all unique as each one focuses on a different theme that captures a specific market. Maltese Boutique Hotels mainly focus on the elements of tradition, culture, and the rich history. By including little details within the interior design, the uniqueness will be established, and it is differentiated from boutique hotels within destinations like Paris and Rome. Moreover, the service provided is also distinguished from other boutique hotels, more so if the employees are all of Maltese nationality and provides typical Maltese hospitality.

### **1.3 Limitations of the Study**

Some limitations of the study include the different classifications of boutique hotels such as the meaning, size and types, and also the accessibility of the sensitive data. When collecting questionnaires and conducting interviews, some boutique hotels may not be comfortable with disclosing information regarding their business. Moreover, with the current situation of the COVID-19, some businesses might not be able to answer some questions that are enclosed. Therefore, these are some points that might cause limitations on the study carried out.

### **1.4 Research Objectives**

The following are the objectives of this research:

- To identify whether a boutique hotel in Malta would satisfy the expectations of the current market, and what exactly customers are looking for and expecting when staying within an accommodation.
- To clarify the most important factors for a boutique hotel to be successful and therefore, feasible.

- To compare and contrast the different amenities and facilities provided by a five-star hotel and a boutique hotel in Malta, and identify whether they are within the same level.
- To highlight the importance of uniqueness in boutique hotels, when it comes to location, design, and service.

## **CHAPTER 2:        LITERATURE REVIEW**

### **2.1 Overview**

Chapter 2 includes eight main sections in total. The first section defines what is meant nowadays by boutique hotels, and its significance within hospitality in general. The second section explains hospitality in Malta throughout the years and its success with inbound tourism. The third section focuses on the neighbouring countries that are in direct competition to Malta and how a market area analysis is of great importance. The fourth section focuses on the current and upcoming hospitality trends that one needs to keep up to date about. The fifth section provides a definition of a differentiation strategy and how a boutique hotel needs to establish different design and management elements, create an experience to attract their guests and how then, the luxury sector will be targeted. Moreover, the importance of customer loyalty and how such can be retained is also mentioned. The sixth section outlines the main competitors of a boutique hotel on the Maltese Islands, which would include the success of Airbnb accommodations and other five-star hotels. The seventh section gives a description of the legislation and requirements when opening a boutique hotel. The eighth section concludes with the financial feasibility of opening a boutique hotel, including the return on investment, profitability and the forecast of income and expenses.

### **2.2 Defining Boutique Hotels**

Throughout the years we have seen the growth of the trend of boutique and lifestyle hotels, allowing this new concept lodging to be created. This has identified a new sector other than the brand standardisation created by big hotel chains like Hilton and Marriott. One can say that this is a global phenomenon because these can be found all around the world and the attention from investors and potential customers has increased. Although the constant development of such hotels, a proper definition of the term 'Boutique Hotels' has been lacked (Mintel, 2011) (Jones et. al, 2013).

Although the lack of a clear definition, the attributes which establish a boutique hotel would be the: location, size, personalised service, and uniqueness of the hotel. Moreover, the importance of creating an experience is also a key theme (Lea, 2002) (Jones et. al, 2013). Therefore, a definition for a boutique hotel can be, a small-scale hospitality establishment which its main characteristics include the location, the innovative design and the sense of personalisation for each stay, whereby a unique experience is created for each individual guest. A sense of culture, history and tradition can also be found within the building and the interior design of the Maltese boutique hotels.

#### **2.2.1 Location**

The boutique hotel's location is considered to be a key factors that attracts potential guests more and more. Different boutique hotels can be found in many different locations, it all depends on who the management wants to target, whether being business or leisure guests.

In 2001, Anhar stated how one significant factor and priority in a boutique hotel's guest list is the location. Business guests will be attracted within the city centre while leisure guests will be attracted within the city centre and also within villages. This all depends on the personality of the potential customers and the reason for their visit.

Nowadays, the importance of location is not only for convenience, but as Olga's 2009 studies show, it is also a matter of trendiness. In Malta, when the capital city, Valletta, was announced as the European Capital of Culture in 2018, a trend of opening boutique hotels right in the centre took place. An influx of such renovations occurred. Although these establishments are mostly popular within the central towns and cities such as Valletta, St. Julian's and Sliema, many tourists also opt for boutique hotels within the quieter towns of Malta, including Mosta, Imdina and some even in Gozo. It all depends on the ambience and atmosphere that the guest wants to experience. Despite the different locations, a theme that most boutique hotels portray and have in common is that they all try to target their guests with the charm of the traditional Maltese culture.

### **2.2.2 Size**

Another unique aspect of boutique hotels is the size compared to other hotels. These provide a small, warm lodging experience with a taste of the local way of living. The "*style, dissimilarity, warmth and intimacy*" are key factors that differentiates a boutique hotel from any other accommodation type, making it even more unique. A boutique hotel may have as little as a single digit room to around a 100 rooms, with most of them being smaller than those of large-scale chain hotels, but are still equipped with the essential in-room amenities including mini-bar, internet, telephone, television, and air conditioning. Hence, guests in-house may sometimes reach 200 guests (Olga, 2009).

The 43<sup>rd</sup> article conducted by the Turkish Ministry of Culture and Tourism in 2005, claimed how boutique hotels should consist of at least ten rooms where a sense of uniqueness would be found when it comes to structural property, design of architectural décor and the skilled managerial employees that offer personalised service (Kurgun et. al, 2011).

As of 2016, the Malta Tourism and Travel Service Act, defined a boutique hotel as a small tourism accommodation with a restricted number of rooms of up to a maximum of 50 units. Nonetheless, a number of hotels in Malta distinguish themselves as being 'boutique hotels' with a total number of more than 50 rooms.

### **2.2.3 Personalised Service and the Experience**

Boutique hotels are known for offering a more personalised service, especially since they cater for fewer people and for a specific market. This is considered as a luxury which heightens the experience and which makes the guests feel more appreciated and taken care of. Some examples of facilities that may be found in boutique hotels include in-room baths, private pools, packages specifically for weddings and honeymoons, and different types of activity packages which may include art, cooking and any other traditional activities (Olga, 2009).

Also, the human resource process of boutique hotels is of great importance. This is because it is essential that all employees enhance a positive connection with the guests by being friendly, knowledgeable, hardworking, and positive all the time. Studies by Callan and Fearon in 1997 show how the turnover rate of employees is very low in boutique hotels since the most highly skilled and motivated people are typically chosen. Their aim would be to create an experience for the guests and exceed their expectations, while always being able to handle any issues with an appropriate manner. Being a smaller type of establishment, the employees would know who the guests are and hence, the importance of name recognition should be enforced for a more homely experience. This is an upper hand over large-scale hotels and it should be taken advantage of (Lea, 2002).

Some boutique hotels also offer on-site dining experiences, with a high-class restaurant and a sophisticated lounge bar area. Occasionally, these are also open for the public (Gray, 2012).

#### **2.2.4 Uniqueness**

A number of different facilities may make a boutique hotel unique. This may include the emphasis of high-tech facilities within the rooms that would attract potential guests. Most boutique hotels focus on providing a mix of highly modern and contemporary design with technological features (Forsgren & Frenchetti, 2004). An example of such a boutique hotel located locally would be Hugo's Boutique Hotel. Other boutique hotels focus more on comfort by promoting a place to escape from the normal routine and any social activity (Olga, 2009). Moreover, the unique architecture, aesthetic, and unique interior design also make any boutique hotel stand out from its competitors.

In 2006, Nobles explained how the special and different thing about this type of accommodation establishment is the way it is furnished according to a particular theme. Moreover, aspects such as colours, lighting and music also make a difference to the whole atmosphere. Hence that is why boutique hotels are known for creating a new and unique product to the market. Brennan (2011) explains how many boutique hotels try to be innovative by creating a unique concept in each and every guest room. By doing so each guest will experience a different concept with every visit. At the end of the day, every boutique hotel wants to portray its uniqueness which will help to differentiate from the strong competitors. Therefore, it is of great importance for such establishments to build a strong brand which will help to advertise and put out their name and message to their target market (Pass, 2018).

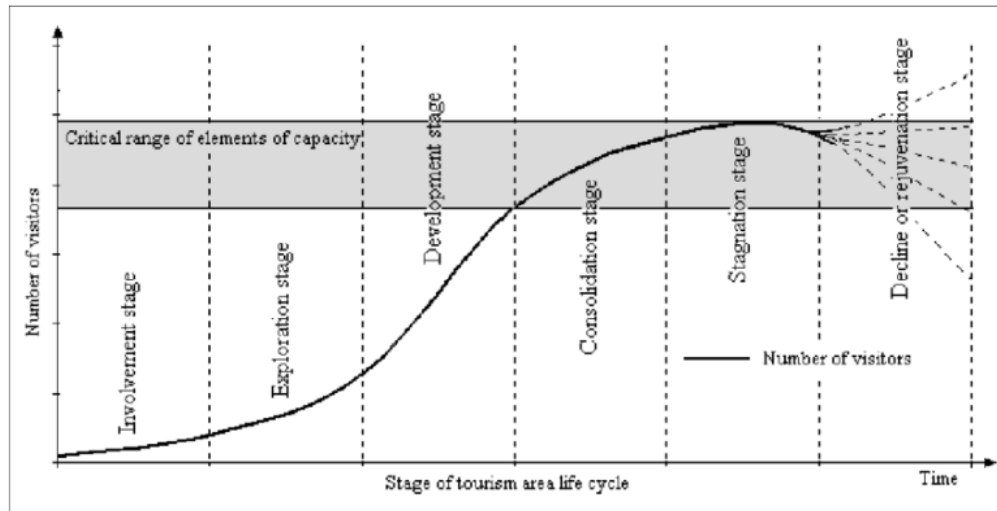
### **2.3 Hospitality in Malta**

The development of the hospitality industry in Malta was identified in the late 1950s as a new sector for economic development. The government invested in improving the touristic areas, such as the beaches, increasing promotional adverts that would help to reach a wider audience, and initiating more aircraft movements. Moderately, Malta has seen an increase in tourists arriving, and with the adoption of a grant programme, businesses are encouraged to open up new hotels around the island.



Silvio Attard, in his article 'The Evolution of Malta's tourism product over recent years' published in the Quarterly Review 2018 of the Central Bank of Malta, explained how Butler's tourism destination life cycle model depicts the evolution of Maltese tourism.

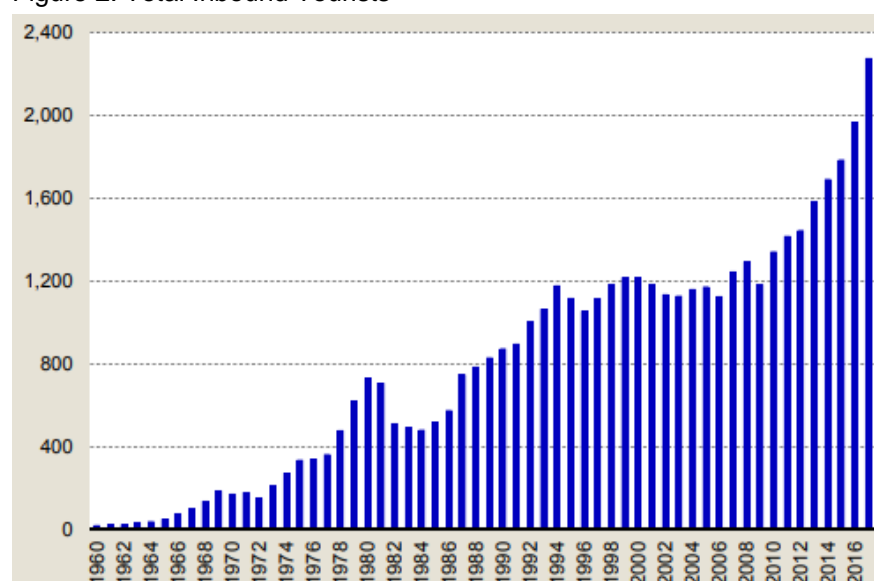
Figure 1: The Tourism Area Life Cycle Model



Source: *The Theory of Butler 1980*

Figure 1 explains how initially, a small number of tourists visit a particular destination because of something specific, such as the Maltese beaches and history. Then, the locals see an opportunity for business to provide a service to the arriving tourists, such as accommodation and transport. Then, large-scale companies see an opportunity and decide to open their business as well, which will bring along an increase in tourists and job opportunities. Eventually, the number of tourists will start to decline when it reaches the stagnation stage and when carrying capacity is reached. Here, rejuvenation of the tourist product is important or else the number of visitors might continue to rapidly decrease.

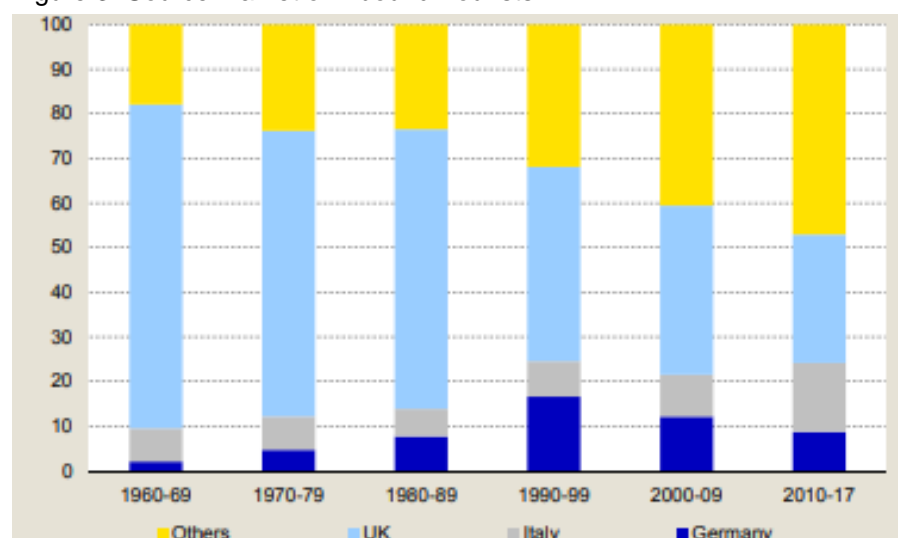
Figure 2: Total Inbound Tourists



Source: *Central Bank of Malta 2018*

Nonetheless, Figure 2 shows the number of Total Inbound Tourists coming to Malta from the 1960s through to 2016. Malta had suffered from a sharp decline in the 1980s after a slowdown from UK visitors to all Southern European countries. Fortunately, at the end of the decade the losses were reversed, and growth in tourism took place once again. Figure 2 shows the very strong growth within the industry during the past decade as Maltese tourism experienced the rejuvenation stage. The main source market of inbound tourists changed throughout the years. Figure 3 below expresses how in the 1960s, UK visitors dominated the market, but throughout the years these figures dropped, and the biggest percentage of tourists consisted of those coming from outside the UK, Italy and Germany.

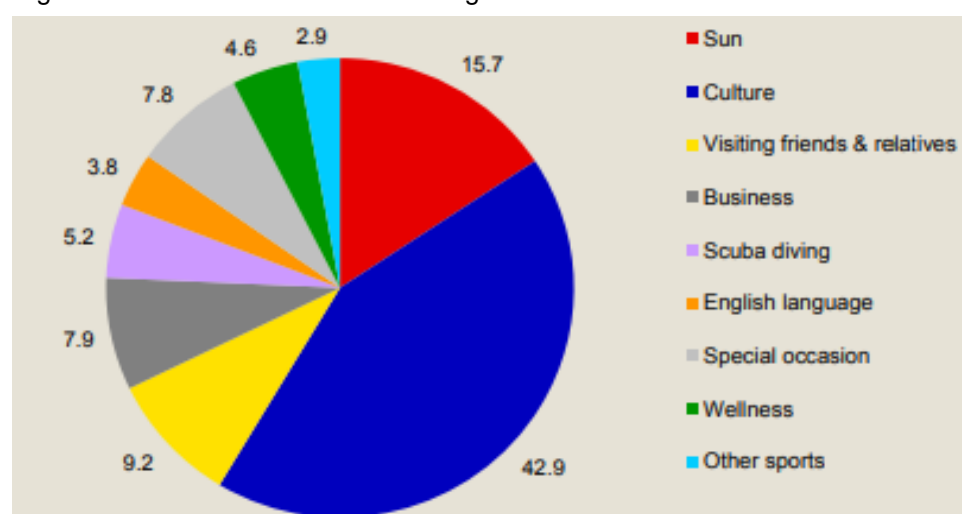
Figure 3: Source Market of Inbound Tourists



Source: NSO 2017

As published by the Malta Tourism Authority and the National Statistics Office in Figure 4 below, the main motivations for tourists to choose Malta are mainly for leisure purposes with an increase of 1.5% from 2010 to 2017. Travelling for business purposes seemed to decrease by 0.9% from 2010. The top 3 motivations include the culture, the sun and sea and visiting friends and relatives.

Figure 4: Main Motivations for choosing Malta



Source: MTA & NSO 2017

## 2.4 Neighbouring Countries and Market Area Analysis

Being an island in the Mediterranean Sea, Malta mainly focuses on targeting countries within the vicinity. In Table 1 below, numbers show how the United Kingdom still dominates the market and how inbound tourism from the United States are gradually increasing throughout the years with a total of 47,170 in 2018.

Table 1: Inbound Tourism by country

<b>Rank</b>	<b>Country</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>1</b>	United Kingdom	487,714	525,996	559,987	560,893	640,570
<b>2</b>	Italy	262,631	282,815	315,223	363,668	390,607
<b>3</b>	Germany	143,053	141,855	156,786	193,033	226,966
<b>4</b>	France	125,511	127,953	144,804	176,371	213,299
<b>5</b>	Spain	42,285	47,237	55,023	75,511	99,046
<b>6</b>	Poland	N/A	N/A	70,563	89,335	96,362
<b>7</b>	Belgium	31,399	35,937	41,759	73,429	70,191
<b>8</b>	Netherlands	44,697	44,962	52,642	64,000	57,355
<b>9</b>	United States	22,402	25,887	26,454	35,758	47,170
<b>10</b>	Switzerland	31,797	35,293	40,504	44,065	45,572
	<b>Total Foreign Tourists</b>	<b>1,689,809</b>	<b>1,783,366</b>	<b>1,965,928</b>	<b>2,273,837</b>	<b>2,598,690</b>

Source: NSO 2019

Nonetheless, MHRA president, Tony Zahra (2019) expressed how new challenges are arising within competing countries and new entrants within the lodging sector. Zahra mentioned Turkey and Egypt as the main competitors because they are now capable of reaching a larger number of inbound tourists than Malta. Although these countries were not considered safe due to terrorist attacks within the last couple of years, they are now back into the market reaching figures at a very competitive rate.

Konrad Mizzi (2019) also expressed how,

*“Boutique hotels are now a reality, and the surveys show that these are occupying a similar space to four- and five-star hotels. Some tourists are choosing such types of accommodation instead of others.”*

Therefore, the demand for such lodging accommodation is existent. (Costa, 2019)

Malta has now moved beyond its traditional image of just the sea and sun preferred destination to the broader sectors of English-language education, cultural and historical tourism, activities such as scuba-diving, hiking, conferences and business travel. An increase in air travel transportation, the cruise tourism segment, and investments to renew facilities such as the Malta International Airport project, have been a steppingstone to achieve record-high number of tourists visiting the islands (Malta-Profile, 2017).

## 2.5 Hotel Market Trends

Today's increase in globalisation has led to a significant influence on the performance of organisations. Hence, such businesses, especially in the tourism and hospitality industry, need to have a greater understanding of their customers' behaviour. Trends can be helpful to adjust the products and services offered according to the future wants and needs of potential guests. This will enable more tailor-made experiences which will in return enhance the competitive advantage. Therefore, the understanding of trends is of great importance because:

1. It will allow the management to view a situation with a different perspective while keeping the guests' views at the centre of importance.
2. It will allow the organisation to oversee and predict coming changes in the behaviour of the guests.
3. It will secure future business and provide more opportunities to further develop.
4. It will enable the organisation to be more proactive and creative to enhance profitability and growth.

(National Tourism Development Authority, n.d.)

Table 2 below, identifies the four main categories of trends:

Table 2: Categories of Trends

<i>CONTEXTUAL DRIVERS</i>	Influential	Behaviour & Attitudes that influence others.
<i>ESTABLISHED TRENDS</i>	Shaping	How consumers are reacting and altering their behaviour to deal with other drivers.
<i>EMERGING TRENDS</i>	Inspiring	Niche or which are not yet widespread.
<i>FADS AND FASHIONS</i>	Trendy	Not long existence and may change quickly.

Source: National Tourism Development Authority n.d.

Colaco (2020) has identified 2020 to be the year for “*optimised travel and hotel experiences*.” Hospitality Tech News reported results that show how 83% of holidays were already pre-booked in 2019. This shows how customers are more enthusiastic about travelling. Because travelling is easier and more accessible nowadays, travellers are bored of just sun and luxury. They want to participate in an experience with fonder meaning and unique aspects which they can add to their travel bucket list. As Global Web Index (n.d.) explains, 50% of the travellers are hungry to learn about the culture, traditions, and history of the holiday destination. Moreover, they are more willing to share content of the unique experiences that would reflect the particular country (Colaco, 2020).

In 2018, a research conducted by Epsilon resulted in 80% of consumers stating that they are more likely to purchase a particular brand that offers personalised experiences. Moreover, guests want to experience a unique travel product that provides both psychological and physical satisfaction. These may include sports, health or medical, adventure, recreational, cultural, pleasure, religious and adventure tourism. A trend that will continue to develop is that of building more online communities. This includes all web-based platforms that help companies and organisations to communicate with potential and existing customers. Examples include company websites, social media pages and other travel websites that enable hospitality facilities to be transparent and informational, including TripAdvisor. Although word-of-mouth is still very powerful, these online marketing tools enables daily interactivity. Moreover, information like age, occupancy and gender can be considered as valuable insights that help organisations to keep up to date with their target market activities to better their services (Gilbert, n.d.). Martech Advisor (2016) stated how approximately 70% of companies believe that their “*credibility, brand exposure, and awareness*” significantly improved through their online communities.

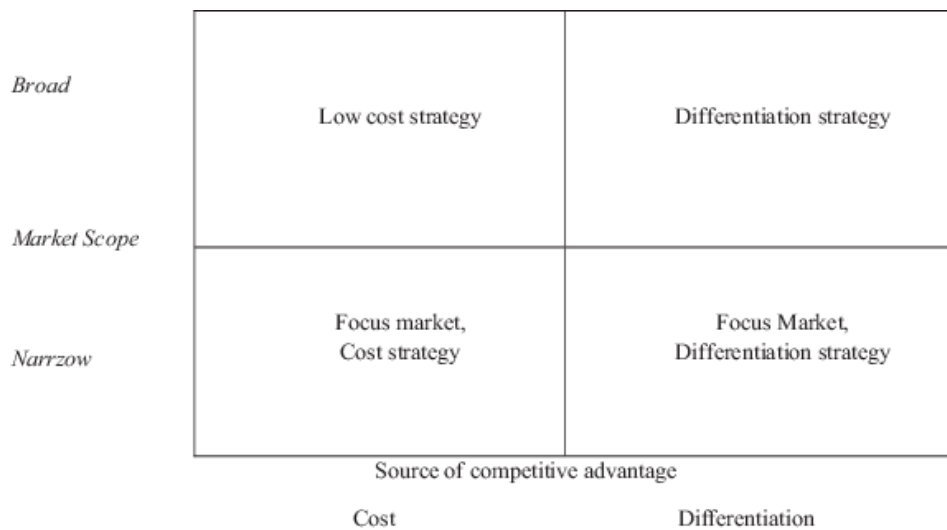
Another issue and concern around the world is that of sustainability. It is of great importance that hospitality organisations actively participate in ‘Green’ acts. This will kill two birds with one stone, with the positive environment impact, more hotel guests would be willing and attracted to the products and services offered (Gilbert, n.d.). The Cambridge Institute for Sustainability Leadership expressed how in 2019 “*tourism contributed about 5% to global greenhouse gas emissions*” and also how it is expected to grow by a further 130% by 2035. As expected, technology will continue to develop and hold its importance within the market. The trend of mobile technology and platforms that enables guest loyalty and branding, has influenced hotels to create a mobile application. Such applications can enhance guest preferences through online chatting with employees, requests, and a mobile room key (Gilbert, n.d.).

To conclude, hoteliers cannot risk into falling in the trap of only focusing on the sales and profits that they want to gain; they need to first focus on changing their landscape according to the current demand. This will prevent them from falling behind the very rigid competition (Colaco, 2020).

## **2.6 Differentiation Strategy**

As mentioned beforehand, global competition is increasing within the hospitality industry and companies are investing in gaining competitive advantage by creating unique and current services and products. Hence, a differentiation strategy is to be set up. In 1994, Porter explained how companies try to be distinctive by selecting the most important and demanding attributes that a customer would look for before purchasing. The differentiation is different according to the product or service being sold and therefore, can be based on; the product or the service itself, the delivery selling system, and the marketing approach, besides others (Putra et. al, 2018). Porter (2015) established 3 strategies that can help organisations gain competitive advantage, as seen in Figure 5 below. These are Cost Leadership, Differentiation and Focus.

Figure 5: Porter's Competitive Strategy Diagram



Source: Porter 2015

When it comes to Boutique Hotels, one can say that it is a Focus Differentiation property. This is because it aims to target niche markets by understanding their need and developing a unique product for the particular market. Through this, strong brand loyalty is created, and competitors will find it hard to compete with (Bill, 2019).

When it comes to differentiation, Porter states the following strategies that a company can work on:

a. Product Differentiation

This occurs when a company creates and introduces a totally new product to the market. This can be done by changing *“features, performance quality, quality of conformity, durability, reliability, ease of repair, style, and design.”* In 2009, Hasan explained how differences in a product effects the stimulation of the memory and this will be appreciated more.

b. Service Differentiation

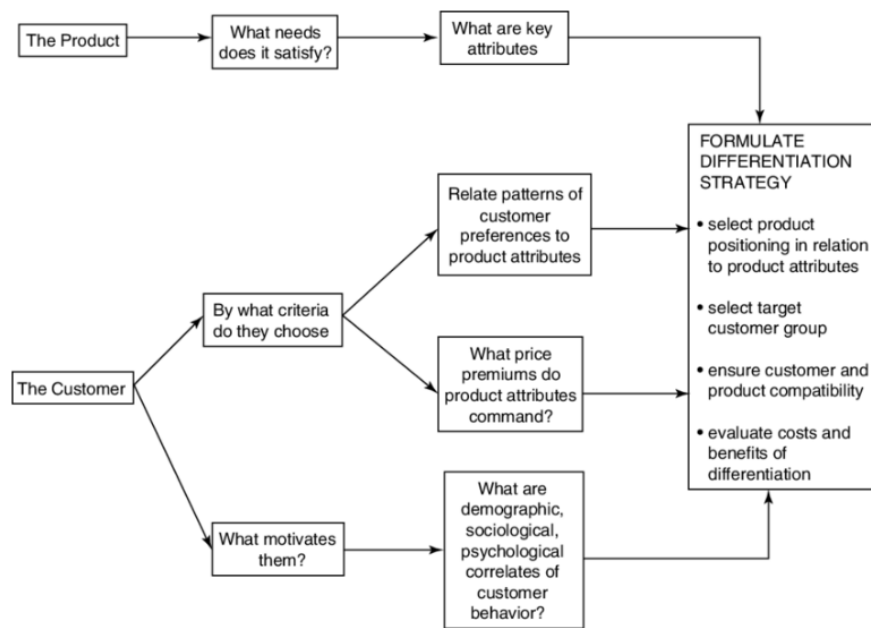
By providing a better service than your competitors, service differentiation will occur. By exceeding expectations of the quality of services, competitive advantage will be gained (Tjiptono, 2000).

c. Brand Differentiation

The brand image is essential for product selling. It enables the product to be clear and attractive amongst the competition. It also allows communication and information between the company and its customers (Zyman, 2000).

Figure 6 below, suggests a methodology that can be used by organisations to assess the market and to find a gap where they can differentiate. Here the market will be analysed and questioned for its needs. Organisations may also decide to focus on a niche market (Grant, 2002).

Figure 6: Identifying Differentiation Potential



Source: Grant 2002

In the hospitality industry, especially boutique hotels, the product is divided into:

1. Physical Environment, which includes location, size of room and physical facilities.
2. Service Environment, which includes personalised service and interaction.

### 2.6.1 Luxury Sector

With focus on the niche market of Luxury, Malta is being searched for such service. Wealth-X and Sotheby's International demonstrate how an increase in demand for luxury is a global phenomenon. Individuals who are wealthy are seeking luxury services in different locations. Malta was also mentioned in this report due to its strong economic and social growth.

The Maltese hotspots that are sought after all depend on the lifestyle of the individual. Nonetheless, locations such as Valletta, Sliema and St. Julian's stand out as being the midst of the island where all the activities take place. Also, most business, leisure and touristic activities are located within this neighbourhood or well connected with frequent transport links. Therefore, this makes it more likely to choose an accommodation situated there. For someone who seeks quiet and treasures privacy, a boutique hotel within villages such as Rabat would be ideal, with peaceful views of the countryside.

Luxurious boutique hotels are numerous opening within the capital city of Valletta, especially after the major completed projects which gave life and a boost to the city's artistic and cultural scene. Many are restoring old buildings and renovating them with a contemporary twist, giving the boutique hotel a unique design that many look for (Zammit, 2015).

In the 2018 Mediterranean Tourism Forum, the Prime Minister of Malta had addressed that Malta will be aiming to target more luxurious tourists and those who travel during the low season. He expressed how local companies are aiming to introduce the 6-star sector which will bring along more luxurious tourists who are willing to spend more. This is possible due to the upgrading of the hospitality sector and the country's infrastructure.

The previous Prime Minister Joseph Muscat (2018) also mentioned how *“we have seen a literal mushrooming of boutique hotels, offering consumers a no-frills accommodation but with its own unique selling points.”*

### **2.6.2 Design and Management Elements**

Lillian Connors (2017) established the two main concepts of boutique hotels, these being individuality and luxury. The practicality, style and attention to detail need to tell the story that the hotel and the owner wants to portray. This can be found in most of the boutique hotels all around the world, and especially those within Malta. The owners design the boutique hotel in a way that it is innovative and unique. Connors identifies important aspects within the accommodation:

#### **1. Lobby and Corridors**

This is an important feature because it is the first thing and the last thing that the guests will see when entering and leaving the boutique hotel. Therefore, it needs to have a welcoming, well-designed, and well-lit atmosphere. If possible, a seating area will also make the lobby an interactive place where guests can relax and meet up with their friends or colleagues. Moreover, the lift, if available, needs to be of adequate size to offer comfort, and equipped with signage to make the whole experience easier and safer. Here, the guests tend to inspect the little details and hence, the flooring, lighting and wall design needs to impress and be sophisticated. A small piece of furniture and some artwork always enhances the place with a homely and personal touch. Also, electrical services must be neatly hidden or incorporated with the whole design.

#### **2. Guest Bedrooms**

The bedrooms within a boutique hotel should be highly personalised with amenities that would be ideal for the guests to work, relax and sleep. The most important features would include comfortable beds and pillows, soundproof walls, blackout curtains and the perfect temperature. Regarding the ensuite bathroom, this should offer the guest a mini-spa experience with high-tech and modern bathroom appliances. If it allows, outdoor furniture including chairs, tables, deckchairs and maybe even a jacuzzi, would make the complete room standout.

#### **3. Dining**

Being a boutique hotel, space is an issue. Therefore, clever design and choice of furniture may be a challenge, especially when it comes to the dining areas where efficiency is always important. An all-day dining area may be convenient. This can be utilised as a breakfast room in the morning, and a fine-dining restaurant during the evening.

(Lillian Connors, 2017)



### **2.6.3 Defining Experience and Customer Loyalty**

The experience starts from the initial step of booking. The boutique hotel must offer an easy to reach booking platform, preferably directly through their own website. This can be done by providing an easily accessible, informative, secure, and fast platform. Moreover, contact by phone and email should also be fast and efficient. The experience continues right before the guests arrive. Here, communication is vital to let the guests know that the hotel is looking forward to accommodating them and asking whether they have any special requests to make their stay even more special. Social media is also very beneficial. James McComas (n.d.), the General Manager of a boutique hotel stated how:

*“It allows us to try and research guests prior to arrival. The sheer amount of information available in a well-managed system is staggering. Two guests can have completely different experiences in the same hotel, because the analytics of feedback and gathering of data allows us to tweak our service delivery to their preferences without them asking.”*

The experience for the guests continues when they arrive at the boutique hotel. Although the management would be focused on the service, the comfort and the cleanliness, focus should also be drawn on unique aspects that would help the hotel gain competitive advantage. This can be done by exceeding their expectations and making sure that the rooms look even better than advertised, as well as using pre-arrival information about the guests and providing something personalised. A tailored and memorable experience would include putting the guests at ease by being always available for their requests and delivering them with professionalism and genuinely.

During the post-stay, it is of great importance that the management collects feedback so that the boutique hotel will continue to improve and better its products and services. Boutique hotels can also create loyalty programs that would encourage guests to return and receive something for their stay (McComas, n.d.) (Rank Defender, 2017). In 2002, Reichheld defines loyalty as:

*“a loyal customer is one who values the relationship with the company enough to make the company a preferred supplier. Loyal customers don’t switch for small variations in price or service, they provide honest and constructive feedback, they consolidate the bulk of their category purchasers with the company, they never abuse company personnel and they provide enthusiastic referrals.”*

This theory suggests loyalty being a positive aspect and highlights factors like word of mouth, increasing revenue and familiarisation (Charania, 2011). Nonetheless, most loyalty programs are introduced through technology. This enables boutique hotels to foster the loyalty, reward members and encourage retention and development (Dorotic et. al, n.d.).

## **2.7 The Main Competitors**

Malta has a total of accommodation capacity of 50,000 beds and the plan for more developments within the hospitality industry is on-going, especially with the project of the first six-star hotel that will benefit Malta by introducing the upmarket segments and a higher market of high-spending tourists.

Additionally, constant refurbishment of the larger players within the industry also takes place. These include international hotel chains such as Hilton, InterContinental, Radisson, Corinthia and the newly opened Marriott. Although such players offer different products, they are still the boutique hotels' major competitors. As Malta Profile rightly states, the hotels in Malta are on an expansion course of refurbishing and modernising, and with some also expanding and adding additional rooms. Seeing that the tourism industry in Malta is on an increase, the MTA is emphasising on the requirements of standards. To optimise this industry, the MTA offers incentives to establishments to keep providing top quality services and products to their guests.

(Malta Profile, n.d.)

### 2.7.1 Airbnb

The Malta Hotel and Restaurant Association president, Tony Zahra (2019), emphasises on the challenge that hotels are nowadays facing with the new competition of private accommodations, including Airbnb. In Figure 6 below, Deloitte survey results portray how overall night stays had increased in 2018, with a decrease of 1.7% of nights spend in hotels, and therefore the merit going to the private accommodation sector.

Figure 7: Private Accommodation vs Collective Accommodation

#### Tourist arrivals (000's)



Source: Deloitte 2018

Zahra (2019) demonstrates Airbnb as *“the elephant in the room”*, not just for Malta, but for many cities that are facing this phenomenon. He states how:

*“We have to adopt a series of initiatives. In the end consumers look for value for money, so we should offer this ... We need to work harder to remain successful.”*

The previous Tourism Minister, Konrad Mizzi (2019), also stated how:

*“Airbnb is also a big trend, globally and in Malta. A lot of Maltese property owners are investing in this type of accommodation. This is a reality we must take cognisance of. We have to ensure they are adequately taxed, compliant and pay their landlords' insurance.”* (Costa, 2019)

Airbnb price, quality and supply can easily affect the profit and performance of boutique hotels. Guests like to compare and contrast the prices to the quality that is actually offered before booking their stay, hence this affects their decision-making (Singal et. al, n.d.). As previously explained in Figure 5, Porter's Competitive Strategy Diagram, Airbnb would be considered with a Cost Leadership Focus. This is because of the highly competitive market whereby one needs to stand out, increase profits by reducing the costs, and keeping average price with the other competitors. Here the owners of the property need to carefully control the costs and increase the market share (Bill, 2019). Hence, these are on the other end of the competitive strategy when compared to boutique hotels that follow the Differentiation Focus.

## **2.8 Legislation and the Authority**

The Malta Travel and Tourism Services Act includes boutique hotels under the Collective Accommodation, and states that all are classified under one class, unlike hotels which are classified by the star. The tourism legislation review defines boutique hotels as:

*“a special breed of accommodation establishments that do not necessarily require Mandatory Standards for minimum bedroom sizes given that by their very nature they are distinct, innovative and at times non-conformist. However, this subjectivity in design shall not stop the Authority from drawing comparisons from other categories of accommodation and requiring applicants to abide by certain minimum criteria if in the opinion of the Authority, comfort is being compromised.”*

Some specifications that boutique hotels need to follow include:

1. Minimum corridor width of 1.5m.
2. A breakfast room, where light beverages and refreshments are provided.
3. Fully serviced reception and lobby.
4. Recreational facilities. (these are recommended, but optional)
5. Number of rooms restricted to not more than 50.
6. Accommodation is provided by the room, which may consist of self-catering units, guest bedrooms, suites, or a mix.
7. The establishment should always be in context of luxury, style and excellent personalised service.
8. There is only one class of boutique hotels. This may not be equitable as not all boutique hotels offer the same level of service and luxury.
9. A voluntary 'Luxury Label' will be introduced according to the criteria.
10. Tangibles including bedrooms, bathrooms, breakfast room and reception area, will be assessed according to five-star property standards, except for spatial standards.

(Malta Travel and Tourism Services Act, 2016)

### **2.8.1 Malta Tourism Authority (MTA) Requirements**

The Malta Tourism Authority is then responsible of certifying that the boutique hotel is compliant with providing the correct facilities and services. Moreover, a designer and architect will be appointed by the authority to assess the property. Important details include the quality of the design, creativity and innovation, historical and artistic features, and the concept as a whole. The inspection process is assessed by awarding points to particular aspects of the development. A minimum amount of points are required for the property to be qualified as a boutique hotel. Hence, the process includes the certification of all mandatory facilities and services, and the points awarded by MTA officials combined with the points awarded by the designer and architect. By the second year of operation, every boutique hotel is required to subscribe to a quality label and an evaluation of the level of customer satisfaction will be carried out by the MTA officials. Moreover, every two to three years, boutique hotels are subject to another assessment carried out by a “mystery shopper”. (Malta Travel and Tourism Services Act, 2016)

## **2.9 Feasibility: Financial Side**

The challenges faced by boutique hotels’ management, owners and investors are much different than those faced by chain hotels. Chain hotels are always backed up by the mother company entity, even when there are financial problems. On the other hand, privately owned boutique hotels may find difficulty in gaining funds for expansion and renovation (Stonehill, n.d.). The main financial issues and difficulties in operation within boutique hotels would be the significant costs associated with marketing and brand recognition, something that five-star hospitality leaders do not have to deal with as the name speaks for itself. Independent boutique hotels may find it difficult when competing with major brands who target the same markets. Other financial issues may include high commission fees of online travel agencies. Most boutique hotels rely on online travel agents; therefore, their costs increase which leads them to increase the room rates and a decrease in occupancy may occur (Farazad, 2020).

### **2.9.1 Return on Capital Employed (ROCE), Investment and Profitability**

Researchers state how boutique hotels investments are some of the most profitable investments. This is due to the additional revenue gained from such accommodations which are perfectly situated within excellent demanded for locations (Trotter, n.d.). According to an article “*Boutique Hotels Reaching New Heights*”,

*“Boutique Hotels reflect an occupancy premium of approximately 13%. The boutique sector also exhibits strong growth in RevPAR (meaning Rooms Revenue by Rooms Available). RevPAR is trending while exceeding national averages. The demand in growth for boutique rooms is predicted to exceed the growth for traditional hotel rooms and the growth in demand for boutique hotel rooms will continue to exceed the growth in supply.”*

When investing in a boutique hotel, more freedom is available for the investor to shape the preferred approach for the funding and management process. Everything can be created and run according to the chosen strategy (Artone, n.d.).

## **2.10 Summary**

Chapter 2, the Literature Review, documents background information about the boutique hotel concept, hospitality in Malta, and the concept of trends and creating experiences. The focus was mainly on how the demand and trend for boutique hotels has grown substantially, and how it is changing the market. Boutique hotels focus on exceeding customer expectations by offering a unique and innovative experience that is personalised to each and every guest. Moreover, the distinct design and layout accompanied with personalised service is what distinguishes such type of accommodation to other five-star hotels. This provides the uniqueness that can help to gain competitive advantage on both the five-star hotels, as well as other boutique hotels. Legislations and finances are important for management, owners and investors to keep a close eye to, so that they will guarantee success for now and the future.

## **CHAPTER 3:        **METHODOLOGY****

### **3.1 Overview**

Within this chapter, the research methods used and the followed procedures for conducting this study are outlined. Moreover, the approach taken, the data collection methods, the steps for the design and the analysis of the data are explained in depth. Both quantitative and qualitative data was collected through online-based questionnaires, the visiting of two contrasting hotels to conduct interviews, as well as a telephone interview with an MTA Representative. All data collected was analysed and encrypted. The results obtained from this data are later explained in Chapter 4: Results.

### **3.2 The Purpose and Research Approach**

The purpose of the study was to identify whether a boutique hotel in Malta would satisfy the expectations of the current market, and whether existing boutique hotels are within the same level as the five-star hotels in Malta. The research objectives are:

1. To identify what exactly customers are looking for and expecting when staying within an accommodation, and whether existing boutique hotels satisfy these expectations.
2. To clarify the most important factors for a boutique hotel to be successful and therefore, feasible.
3. To compare and contrast the different amenities and facilities provided by a five-star hotel and a boutique hotel, both located within the same area of Malta.
4. To highlight the importance of uniqueness in boutique hotels, in both design and service.

The first and second objectives are met through an online survey aimed towards travellers interested in coming to Malta, which contains both qualitative and quantitative data. The third and fourth objectives are met through conducting two interviews, one with a manager working within a successful five-star hotel, and the other with a manager working within a successful boutique hotel. These two establishments are located within the same area of St. Julian's. The same questions were asked, and all answers were noted to later compare and contrast the differences in the approach of management as well as the services and facilities provided within the hotels. Moreover, all objectives are further met through questions asked via e-mail and an interview held with a representative from Malta Tourism Authority (MTA).

### **3.3 Research Design**

A survey was formed and designed using an online survey tool to be able to collect the personal opinions of the targeted participants. Before conducting the questionnaire, all necessary questions were listed. The online questionnaire turned out to be the most efficient data collection method due to ease of access and the reach of a wider audience (Parsons, 2007).

It resulted in being the most fast, accurate and easy to analyse method for this particular study (SmartSurvey, n.d.). It also allowed the participants ample time to complete it at their own pace, making it more user-friendly and encouraging them to take part. The questionnaire website which was chosen to be used for this survey was SurveyMonkey. It concluded to be a powerful and helpful tool, both from the data collector's point of view as well as the participant's.

To encourage more participants to take part in the survey, it was made sure that everything was explained beforehand. Firstly, the purpose of the study and the level of importance of their participation was explained. It was mentioned that the survey consisted of ten questions and that it would take around two minutes of their time to complete. Simple English was used so that everyone would be comfortable and at ease when responding, and any misunderstandings would be eliminated (Rubkiewicz, n.d.). Moreover, participants were informed that if they requested, a copy of the final results of the dissertation could be sent to them. By doing so, more people participated because this generated motivation and the sense of importance and value in the opinion they put forward (Dillman, 2007).

Furthermore, research on the top hotels located in Malta was conducted. One five-star hotel and one boutique hotel located within the same vicinity were chosen and interviews were held with managers. The aim of the interviews was to ask identical questions about their facilities and amenities offered. The results of the two interviews were then compared. Face-to-face interviews enabled the capturing of accurate and real behaviour, and in-depth information was given when answering the questions (DeFranzo, 2014). Twenty main questions were asked, and each interview lasted for about an hour.

The connection between these two data collection methods was that from the data gathered in the survey, analysis could be conducted of whether both hotels are offering such services and meeting the expectations of the future guests, and whether the boutique hotel is offering the same level of service as that of a five-star hotel. This will identify whether they are in the same competitive market.

Moreover, a set of questions were drafted aimed to be answered by a representative within the Malta Tourism Authority. The questions were well thought of to try and gain as much information about the boutique hotel market in Malta and its predicted success in the near future. The questions were asked via an interview call. Being a professional within the industry and the market of boutique hotels, the insight and opinion gained was of great importance to determine the current and the future situation.

### **3.3.1 Methods Used**

Within the survey, different types of survey questions were asked, all depending on the expected type of response. The survey consisted of Close-ended questions, Rating questions, Likert-scale questions, and Multiple-choice questions. Close-ended questions provided a quick, easily analysed answers that help to divide and compare the different perspectives of the audience, for example, those who agree and who disagree. Rating questions provided the opportunity for the participants to voice out their opinion by rating from 1-star to five-star.

Similarly, the Likert-scale collected information of how participants think about a certain issue. Responses ranged from 1 to 5; 1 being not important, 2 being somewhat unimportant, 3 being neither important nor unimportant, 4 being somewhat important, and 5 being very important. Multiple-choice questions allowed the participants to answer by choosing only from the list provided, making the process quicker and leaving no room for subjectivity. On the other hand, the interviews to the hotel managers and the representative consisted of open-ended questions only. Each question enabled a conversation starter which gathered meaningful answers with their genuine opinion and feedback (Typeform, n.d.).

### **3.3.2 Selection of Participants**

The questionnaire was shared on several popular groups on social media that included specifically travel enthusiasts from all around the world. It was mentioned that the questionnaire focused on the Maltese Islands. The total amount of responses was of 574 individuals. All participants were ensured complete confidentiality and anonymity. The process of the selection of the five-star hotel and the boutique hotel commenced with research and analysis on popular travel platforms, such as TripAdvisor. Descriptions and reviews of the top hotels in Malta were analysed and a particular location was selected. The highly rated five-star hotel and boutique hotel within the same vicinity were chosen. The selection of the representative was in the hands of the Malta Tourism Authority. The e-mail was forwarded to the person most applicable to my subject.

### **3.3.3 Data Collection Procedure**

Before the collection of the data, participants were made aware of the purpose of the study, and consent from the managers and the Tourism Authority representative to publish their response was granted. The total collection period was of around 40 days. Survey responses gradually increased as days passed, and the interviews were scheduled when convenient for the managers and the tourism representative. Communication with the hotels was done via e-mail and after the second reminder email, the interview date was set.

### **3.3.4 Constraints**

As previously discussed within the Literature Review, it is important for boutique hotels to be efficient when it comes to generating profits, being sustainable and the management of costs. This will help to seek new investors who are willing to put their money in the business. When conducting the interviews to the managers of the five-star and boutique hotel, these questions seemed to be a sensitive subject and hence the managers delved into another topic. Nonetheless, they both ensured profitability. The boutique hotel manager agreed on how, as proven in research, apart from operational costs, marketing and commission fees are considered to be challenging. When asked about the Average Room Rate, they both clarified how it depends on the season and the yearly progress of the hotel.



## **CHAPTER 4:        ANALYSIS AND DISCUSSION OF THE RESULTS**

### **4.1 Overview**

Chapter 4: Results presents the final outcome from the research process. All data is analysed, and the results are drawn. A total of 574 questionnaires were completed and recorded. The respondents' nationalities varied, but they all have the passion of travel and knowledge about the boutique hotel segment in common. Moreover, two hotels within Malta were interviewed to compare similarities in the services and amenities offered. Lastly, questions were asked to the representative from the Tourism Authority. Within this chapter, the outcome from the questionnaires and interviews can be found.

### **4.2 Customer Expectancy in a Hotel Questionnaire**

A total of 574 respondents participated and completed the full survey. A copy of the survey can be found within the Appendices Section. The majority 84.7%, 486 out of 574, were women while only 15.3%, 88 out of 574, were men. The age also varied, with the majority being between the age of 18 and 50, as seen in Table 3 below. This may be due to the questionnaire being posted on social media platforms.

Table 3: Respondents' Age

<b>Age</b>	<b>N</b>	<b>Percentage %</b>
<b>&lt; 18</b>	17	3
<b>18 to 30</b>	207	36
<b>31 to 50</b>	264	46
<b>51 +</b>	86	15

Source: Research Findings 2020

When asked with whom they usually travel, 47.5% travel mostly with family, 35.5% travel mostly as a couple, 13.3% travel mostly with friends, while 3.7% travel mostly alone, as shown in Table 4 below.

Table 4: Travel Companion

<b>Travel Companion</b>	<b>N</b>	<b>Percentage %</b>
<b>Family</b>	273	47.5
<b>Couple</b>	204	35.5
<b>Friends</b>	76	13.3
<b>Solo</b>	21	3.7

Source: Research Findings 2020

With respect to choosing a hotel as the preferred accommodation establishment, nearly half of the respondents stated that they stay within a hotel twice or more a year, while only a few choose alternatives such as Airbnb and renting accommodation, as show in Table 5 below. Although the Malta Hotel and Restaurant Association president, Tony Zahra (2019), emphasised that Airbnb is the “*elephant in the room*” and that hotels are nowadays facing a challenge due to the new competition of private accommodations, results show how the 574 participants still prefer to book their stay at a hotel.

Table 5: Choosing a Hotel

<b><i>Choosing a hotel</i></b>	<b><i>N</i></b>	<b><i>Percentage %</i></b>
<b><i>Twice or more a year</i></b>	281	49
<b><i>Once a year</i></b>	213	37
<b><i>Rarely</i></b>	80	14

Source: Research Findings 2020

When asked about the purpose of most of the travels, results below show how most travel for leisure and relaxation. Participants who selected ‘Others’ stated that they have travelled for studies, food tasting and NGO travels.

Table 6: Purpose of Travel

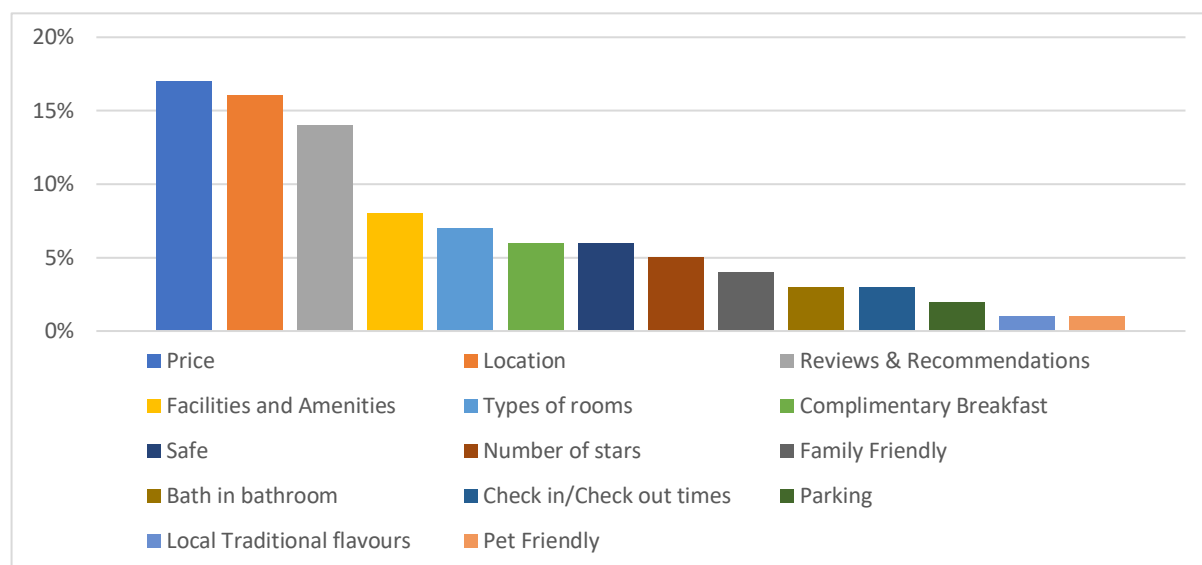
<b><i>Purpose of Travel</i></b>	<b><i>N</i></b>	<b><i>Percentage %</i></b>
<b><i>Leisure &amp; Relaxation</i></b>	517	90
<b><i>Visiting Relatives &amp; Friends</i></b>	23	4
<b><i>Business</i></b>	17	3
<b><i>Medical</i></b>	6	1
<b><i>Others</i></b>	11	2

Source: Research Findings 2020

Those participating in the survey were then given a list which included: price, location, reviews and recommendations, parking, number of stars, types of rooms, facilities and amenities, complimentary breakfast, family friendly, pet friendly, local traditional flavours, bath in bathrooms, check in and check out times, and a safe. They were then asked to choose 5 of the factors which they personally consider as mostly important when choosing to stay in a hotel. The 5 most chosen factors included: price, location, reviews and recommendations, facilities and amenities, and the types of rooms, as shown in Figure 7 below.

As the research outlined in the Literature Review portray, location is truly one of the key factors that attracts potential guests (Anhar, 2001). Also, 2017 statistics undertaken by MTA and the NSO show how truly the main motivations for tourists to visit Malta include leisure, culture, sun and the visiting of friends and relatives.

Figure 8: Most important factors when choosing a hotel



Source: Research Findings 2020

Participants were asked to rate from 1 to 5 the importance of service, facilities and amenities within a hotel, with 5 being the most important. Results in Table 7 below portray how cleanliness and ambience, and free Wi-Fi in rooms were the highest rated.

Table 7: Rate of importance

	1	2	3	4	5
<b>Cleanliness &amp; Ambience</b>	14	3	12	29	516
<b>Free Wi-Fi in rooms</b>	18	6	24	62	464
<b>Politeness &amp; Friendliness of staff</b>	12	7	36	147	372
<b>Free Wi-Fi in Public Areas</b>	26	18	65	99	366
<b>Pool, Spa &amp; Gym Facilities</b>	90	75	180	129	100
<b>Room Service</b>	90	74	202	114	94
<b>Telephone Service</b>	185	106	144	63	76
<b>Laundry Service</b>	219	108	143	54	50
<b>Traditional Food</b>	99	111	222	104	38
<b>Traditional Events</b>	127	124	211	80	32

Source: Research Findings 2020

With respect to the main aim of going on a holiday, more than 75% of the participants stated how they prefer to spend most of their time exploring the country while only using the hotel to sleep and rest. Only 3% of the 574 participants prefer to enjoy their holiday relaxing at the hotel. The rest would enjoy doing both simultaneously.

The following question focused on the importance of star rating as shown in Table 8 below, three-star and four-star hotels are considered to be the desired option.

Table 8: Most desired Star Rating

<b><i>Star Rating</i></b>	<b><i>N</i></b>	<b><i>Percentage %</i></b>
<b><i>1-star</i></b>	0	0
<b><i>2-star</i></b>	12	2%
<b><i>3-star</i></b>	207	36%
<b><i>4-star</i></b>	321	56%
<b><i>five-star</i></b>	34	6%

*Source: Research Findings 2020*

Lastly, when asked whether they would enquire for an excursion offered by the hotel, 39% of the participants would be interested while 61% would not. This may be due to families and older generation tourists facilitating from tours organised by travel agencies.

### **4.3 Hotel Interviews**

The hotels selected were a five-star hotel and a boutique hotel both located within the same area of St. Julian's. The roles of the professionals being interviewed were a Front Office Manager and an Operations Manager, respectively. The five-star hotel chosen is one of the top-rated five-star hotel in Malta on TripAdvisor. It is well known for its sea views and luxurious service. The boutique hotel chosen is also one of the top-rated hotels on TripAdvisor, moreover, it is classified as the top hotel out of 38 in St. Julian's. It is described as a superior boutique hotel designed with luxurious and innovative finishes. Although most are small in nature, this boutique hotel consists of 94 rooms in total, offering the same facilities and amenities that most boutique hotels offer. This is confirmed on both TripAdvisor as well as their own website. As Harrison (2019) explains, for an establishment to be considered as a boutique hotel, it should not have more than 100 rooms. Also, if it has less than ten rooms, it is considered to be a 'Bed & Breakfast'. The results gathered from the interviews are compared. A copy of the interviews can be found within the Appendices Section.

#### **4.3.1 Five-star Hotel Interview**

The questions were asked to the Front Office Manager. Regarding international agencies, the hotel is connected with FTI, TUI and JET2 Holidays, but it was stated that the majority of the guests book either directly from their websites or through other intermediaries.<sup>1</sup> 65% of all the bookings of the hotel are made through www.booking.com. Loyal guests that stay at the hotel return more than twice a year, but the hotel does not offer any loyalty schemes. The hotel has 200 rooms, of which 95% include a bath. The rooms are family friendly but not pet friendly, except for guide dogs, and the hotel is accessible for the special needed. Two wheelchairs and a pair of crutches are available for any possible situation. The guests can benefit from using the facilities, including 5 outdoor pools, 1 indoor pool, a gym and a spa, a hair salon, a diving centre and a water sports centre. Also a bus stop is located exactly in front of the hotel. The Wi-Fi is complimentary for everyone throughout the hotel, and 24/7 laundry service is offered. A telephone and a safe can be found in all the rooms and room service is available everyday from 07:00 till 23:00 at a charge of €5. Parking for in-house guests is at €3 per day. The concierge offers bookings for excursions, car rentals and 9 hotel owned taxis. Moreover, the guests are offered a check-in time at 14:00 and a check-out time at 12:00. Late check-outs depend on availability and occupancy of the rooms with a charge of €10 per additional hour. In case of an early check-in, guests can facilitate from a luggage room. As a traditional aspect, the hotel sells jewellery by Ben Cini and perfumes and room diffusers by Cordina. Every Wednesday live filigree making is shown at the lobby, and local cuisine is offered daily at the buffet restaurant.

#### **4.3.2 Boutique Hotel Interview**

The questions were asked to the Operations Manager. The boutique hotel mostly seeks direct bookings even though they have contracts with local, international and online tour operators. They have repeat customers but do not offer any loyalty schemes. The boutique hotel has 94 rooms, of which none include a bath, since all the rooms are small. The rooms are family friendly but not pet friendly. A telephone and a safe are found in all the rooms. Room service is available everyday from 10:00 till 23:00 at no extra charge. As stated in the research section, rooms within a boutique hotel must still be equipped with the essential in-room amenities which include a telephone, internet, airconditioning, television and a mini-bar. When guests book at the boutique hotel, the price includes complimentary breakfast. Moreover, guests who book their stay on half board basis can enjoy dinner at a nearby restaurant, and every guest that books on bed and breakfast basis is offered a 10% discount from the same restaurant. Although the Malta Travel and Tourism Services Act (2016) stated that other recreational facilities are optional, the guests at this particular boutique hotel can benefit from using the outdoor pool located on the roof top. The boutique hotel does not have an indoor pool, a gym or a spa. Wi-Fi is offered complimentary to anyone throughout the hotel. The hotel owns a car park and it is free for all the guests, on first come first served basis. The hotel is accessible for the special needed. The reception offers bookings for excursions, car rentals and their one hotel owned taxi. Guests can check-in at 15:00 while check-out is at 11:00.

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<sup>1</sup> FTI, TUI and JET2 Holidays are examples of travel agencies that negotiate with hotels to gain more guests while providing the best possible priced package.

If there is availability, late check-out is offered free of charge. Upon check-in the guests are offered a complimentary drink and can even make use of the luggage room. For the traditional aspect, the boutique hotel offers local pastries in the breakfast buffet.

#### **4.3.3 Five-star And Boutique Hotel Interviews Comparison**

1. The five-star hotel has 200 rooms of which 95% include a bath, whereas the boutique hotel has 94 rooms of which none have a bath.
2. Both the five-star hotel and the boutique hotel do not offer any loyalty program. Research suggests that such programs would encourage guests to return while receiving something special as a gift for their repeat stay (McComas, n.d.) (Rank Defender, 2017).
3. The five-star hotel can provide wheelchairs and crutches.
4. The boutique hotel offers only 1 outdoor pool, whereas the five-star hotel offers 5 outdoor pools, 1 indoor pool, a gym and a spa, a hair salon, a diving centre and a water sports centre. This is a benefit for the five-star hotel as the 574 questionnaire participants stated that facilities and amenities are the 4<sup>th</sup> most important factor when choosing a hotel.
5. The five-star hotel offers 24/7 in-house laundry service, where 50 participants expressed that it is highly important for them.
6. Room service is offered in both hotels with the five-star hotel operating for three additional hours. This service is complimentary at the boutique hotel whereas a charge of €5 is added at the five-star hotel.
7. Parking costs €3 per day within the five-star hotel, whereas there is no charge at the boutique hotel.
8. Regarding check-in and check-out times, the five-star hotel offers an additional hour to the advantage of the guests, but if wanting to check-out later this comes with a charge of €10 per additional hour, whereas it is complimentary at the boutique hotel.
9. For the traditional aspect, the boutique hotel only offers some local food, whereas the hotel sells local jewellery, perfumes and room diffusers, offers daily local cuisine and a live show once a week.

Only a few comparisons were outlined from the two conducted interviews of the five-star hotel and the boutique hotel. As already mentioned in the research section by Mizzi in 2019, boutique hotels in Malta are occupying a similar space to the four- and five-star hotels.

#### **4.4 Conventions Malta MTA Representative Interview**

As a representative for the MTA, the Director of Conventions Malta was interviewed and asked a set of questions with relations to the boutique hotels sector in Malta.

##### **4.4.1 Conventions Malta**

The Conventions Malta work mostly on the MICE Segment, which includes Meetings, Incentives, Conferences and Events. The main responsibility is to promote Malta as a destination to attract corporate clients and associations to do their meetings and use the facilities that are offered on the island. It is a joint venture between MTA promoting the conference and business meetings coming to Malta. Conventions Malta are responsible for and channel around 60% of the total conventions and meetings that take place in Malta.

##### **4.4.2 The feasibility of opening a new boutique hotel**

The Director explained how there was an influx of boutique hotels opening for the last 5 years now, and there are quite a substantial amount especially in Valletta, the three cities, but also now in localities such as Imdina and Rabat. Therefore, it was explained how it was already very competitive before COVID-19.

Moreover, it was explained how the difficult part with boutique hotels is that in order to be sustainable one needs to have a price on the room rate which is quite high because of the small amount of rooms. Therefore, one needs to be constantly busy with a good ratio of occupancy all year round at a good rate. If the rate is put down, then there would be difficulties to match with expenses and costs.

It was explained how post-COVID-19 there will most probably be a price-war where properties will want to fill in and start operating again. A lot of properties will put their price down in order to be competitive, therefore it will be more difficult. As an opinion from the Director, it is not recommended to open up a new boutique hotel immediately, possibly in three to four years' time would be the right amount of time for it all to recover.

##### **4.4.3 Choosing meeting space and accommodation for organisers**

It was explained how organisers for large events would require for a large meeting space, therefore, they would choose properties such as InterContinental, St. Julian's and Excelsior, Floriana. If it is a small group, a medium sized property would be ideal.

The Director focused on boutique hotels and expressed how such properties are booked mostly for incentive trips of 10-20 people. Incentive groups can be explained to be reward programs where a company incentivises their commercial teams for certain targets for selling their products on a yearly basis. After reviewing their progress and whether they reached their targets, the company will offer a holiday with their team. Incentive groups are what boutique hotels usually attract because they look for luxury experience and they want to impress their team and employees.

Moreover, it was explained how weekend breaks for families and couples are the type of clientele that boutique hotels have an upper hand on. This is due to the sense of personalisation.

#### **4.4.4 The difference when working with five-star hotels and boutique hotels**

The Director explained how the difference is mostly seen in the attitude towards business or how they do business. Boutique hotels are more family-run, whereas international hotel groups have a standardised way of doing business. Therefore, the relationship is a bit more personalised with boutique hotels because you are only dealing with one person.

#### **4.4.5 The importance of size, location and characteristics in a boutique hotel**

It was explained how these factors are definitely key. Location is very important in every business, whether it is hotel, catering, or hospitality. A boutique hotel has to be in a place of interest. In Malta, the ideal scenario is Valletta, the three cities, Imdina and villages. Boutique hotels are more city located, in the urban parts of Malta.

#### **4.4.6 The factors that make tourists choose a boutique hotel**

In the Directors opinion, the key factors are location, personalised service, attention to detail and customer-relationship. It was stated how the experience includes getting to know the employees and the owner, unlike in big hotels where the employees change every day. As pointed out within the Literature Review, the MTA Representative agrees with how the attributes that establish a boutique hotel as stated by Lea (2002) and Jones et. al (2013), include the location, personalised service, uniqueness, and the creation of an experience. Moreover, as mentioned within the previous chapter, the importance of staff, name recognition and providing a homely experience is an upper hand over the large-scale hotels.

#### **4.4.7 Is the boutique hotel trend fading in Malta?**

Although within the Literature Review it was outlined that Colaco (2020) stated how 2020 is the year for “*optimized travel and hotel experiences*”, the Director’s opinion changed due to COVID-19 and hence the change in the speed of development. The next two to three years will see less openings because of the amount of available hotels is already quite large and the industry of travelling has come to zero, therefore, it is not the right time to open or put a project in place. The market needs some time to recover. Nonetheless, the Director seemed confident and explained how we have a very good product and that they are very confident with the way COVID-19 was handled. At international level Malta is one of the best examples of a place that managed to handle COVID-19 in a proper way. Malta can now be labelled as a safe destination and this will attract people due to the safe environment. It was explained how the first holidays we are going to see are people visiting family or going for short weekends in a sunny destination. They will opt for a safe destination to do that, and not a place which was always on the media during the pandemic. Moreover, being an island is a plus factor because we are isolated.



The Director expressed how a lot of planners are asking questions about the situation and the local trade are trying to build communication and PR with their own contacts abroad.

#### **4.4.8 The luxury segment in Malta**

The Director stated that the luxury segment and travel is definitely a segment that the Malta Tourism Authority wants to grow and promote. It was explained that it is the most sustainable tourism niche due to clients who spend a lot of money. As research outlines, the element of luxury heightens the whole experience (Olga, 2009). One would rather have less people who spend more than vice-versa. At the moment, the Malta Tourism Authority is in works on this segment. As stated within the research section, the previous Prime Minister (2018) stated how Malta is aiming to target more luxury tourists and those who travel during the low season. The Director continued by emphasising Valletta which was defined as a *“jewel with very nice boutique hotels”*, and how the Malta Tourism Authority are looking at upgrading suppliers, infrastructure and the way the service is delivered. Moreover, the Director explained that when one thinks of luxury the following come to mind: private jets where Malta have Vista Jets located, yachting which is already strong, golf which unfortunately is not a popular sport in Malta, vintage cars, and the introduction of helicopter trips. Regarding property, private villas, private accommodations, and boutique hotels were mentioned as very good quality.

When comparing with abroad, the Director compared Malta as being on the same level as some islands in Greece, Mallorca, and some areas of Croatia. When it comes to meeting spaces, Malta is compared very much with Lisbon. It was expressed that Malta is not yet on the lines of Capri, south of France, Marbella, or Dubai, which are the locations that come to mind when speaking of luxury.

#### **4.4.9 Envisaging the future of boutique hotels in Malta**

The Director of Conventions Malta MTA expressed his confidence; however, he also stated that the coming two years will be difficult. Before COVID-19, 2020 was going to be a record year for all segments within the tourism in Malta, including boutique hotels. He stated how now we need to start from scratch. He explained how the boutique hotel segment will start gaining a bit of confidence by November and December, and then, within the next year, gradually the volume of tourists will start coming back up.

The Director concluded by stating that the main peak season in tourism for Malta is now, and for what the economy is missing now we will not be able to recover for.

## **CHAPTER 5: CONCLUSION & RECOMMENDATIONS**

### **5.1 Overview: Objectives and Findings**

The methodology and study presented achieved the main goals of this study with focus on the level of feasibility of boutique hotels in Malta and whether one should consider opening a boutique hotel at the present time.

The four previously mentioned objectives include:

- 1) The main motivators and expectations of guests when visiting a hotel, and whether the boutique hotels located in Malta are satisfying and providing such wants.
- 2) The factors that are beneficial for a boutique hotel to invest in, in order to be successful, feasible and therefore, profitable.
- 3) The differences outlined when comparing the amenities and facilities provided by the interviewed five-star hotel and boutique hotel which are both located within the same area in Malta.
- 4) The important attributes that a boutique hotel should have, which includes location, personalised service, uniqueness, luxury, and experience.

All listed objectives were successfully achieved from the data collected. All participants, including the public and the representatives of the hotels and Tourism Authority gave insights about all objectives, that were helpful to conclude the study.

Through the questionnaire, the following factors were identified:

- 1) Travel Patterns.
- 2) How often people choose to stay in a hotel.
- 3) The purpose for travelling.
- 4) The most important factors a hotel should offer.
- 5) The rate of importance of such factors.
- 6) The star-rating most likely to be chosen.

Through the hotel interviews, the following comparisons were made:

- 1) Importance of direct bookings.
- 2) The amenities and facilities offered.
- 3) Additional services.

Through the insights of the Authority representative, the following were identified:

- 1) The influence of COVID-19 on the tourism industry in Malta as a whole, as well as the direct effect on boutique hotels.
- 2) The service offered by a boutique hotel compared to that offered by a five-star hotel.
- 3) The importance of key factors especially location and personalised service of a boutique hotel.
- 4) The trend of boutique hotels in Malta.
- 5) The luxury segment in Malta.
- 6) The future of boutique hotels.

Therefore, Table 9 below depicts how the final results correspond to the numbered objectives.

Table 9: The objectives numbered with the corresponding findings

<b>Results</b>	<b>Objectives</b>
Travel Patterns	1, 2, 4
How often people choose to stay in a hotel	4
The purpose for travelling	1, 2
The most important factors a hotel should offer	1, 2, 4
The rate of importance of such factors	1, 2, 4
The star-rating most likely to be chosen	2
Importance of direct bookings	2
The amenities and facilities offered	3
Additional services	3
The influence of COVID-19	1, 3, 4
The management and service offered by a boutique hotel compared to that offered by a five-star hotel.	3
The importance of key factors especially location and personalised service of a boutique hotel.	2, 4
The trend of boutique hotels in Malta	2, 4
The luxury segment in Malta	2, 4
The future of boutique hotels	2

Source: *Research Findings 2020*

Table 9 above portrays how the objectives of the study corresponds to the final results collected from the questionnaires and the interviews. Each of the mentioned results are allocated a number that represents the four objectives mentioned in the previous page. This highlights the importance and scope of each result, that meet the purpose and objectives, and hence, conclude the study.

## **5.2 Implications**

The study provided in depth information about the travel patterns of the 574 participants. This concluded how they mostly travel as groups, how often they stay in hotels, how they mostly travel for leisure purposes, and the most important factors when choosing a hotel. This concluded how boutique hotels need to make sure that they offer the top voted for factors, which are competitive prices, great location, generate positive communication with the guests through reviews and recommendations, and offer a selection of facilities and amenities. Most searched for facilities and amenities include cleanliness and ambience, free Wi-Fi, hiring of adequate employees and possibly a pool, spa, and gym. If such are offered, five-star hotels would have another strong competitor within the already highly competitive market.

From the hotel interviews, only a few comparisons were outlined. These included how the boutique hotel had no baths available. This can be eliminated by offering only a certain amount of rooms with baths as to satisfy guests who request such amenities. Moreover, due to bigger premises, the five-star hotel offers much more facilities that would be similar to that as a resort. Most guests who enjoy such facilities, would most likely search to stay within bigger establishments. Therefore, boutique hotels are automatically eliminated as this is not their main target market. On the other hand, the boutique hotel provides better offers when it comes to room service, parking, and late check-outs.

The MTA Representative delved into more detail when it comes to feasibility. The competitive market and pricing strategies are important aspects that boutique hotels need to be on top of in order to be profitable and feasible. Moreover, the importance of offering personalised service, location, and attention to detail are what makes boutique hotels so unique and inviting. The luxury segment and its development within the Maltese Islands was also mentioned as a very important niche where one should invest in. Nonetheless, the current situation of COVID-19 was mentioned repetitively and how it affected the future of tourism in general, as well as that of boutique hotels. It concluded that, although such establishments have been successful, one should wait for some years before the industry gets back on its feet and for boutique hotels to be back again operating with a profit.

### 5.3 Recommendations

Regarding the future investment in the boutique hotel industry, I would recommend giving some time for the economy to recover and for tourism to be back on track within the Maltese Islands. Gradually, guests will return and profitability within the industry will increase. Moreover, competition has already been strong within hospitality, and post COVID-19 many would either decrease their prices to attract more guests or increase their prices due to the major loss occurred. Therefore, I would not recommend investing in boutique hotels at the moment. Nonetheless, regarding future investments in boutique hotels, I would recommend on focusing mainly on creating a unique and innovative establishment with focus on personalised service and with location being a key factor. This would generate a differentiation from the rest of the competition. Moreover, as stated by the Malta Tourism Authority representative, the luxury segment in Malta is slowly growing and being promoted. Therefore, one should also invest in targeting this niche market.

As a recommendation for future studies regarding boutique hotels, I would suggest and be interested to conduct a study that focuses on the post-COVID-19 effect on the industry. The highlight of the study would include the impact on current boutique hotels and how the pandemic influenced the rate of increase of such accommodation establishments.

Malta has been a popular touristic destination throughout the years, as portrayed in the before-mentioned statistics. Nonetheless, this fast-growing and changing economy still has space for the opening of new boutique hotels within the Island. Given that the key factors being location, uniqueness, luxury, and personalised service are taken into consideration, feasibility is guaranteed. One must take note on investing in the right target market that portrays a need for something new, and to always keep up to date with the constantly changing trends and expectations. As the previous Prime Minister stated in a 2019 interview:

*“Luxury tourism is becoming an extremely important niche, a high class offering in a beautiful setting. There are already 22 fully operational boutique hotels in Valletta with eight more works in progress and we would have missed this market altogether if our hospitality sector had not been upgraded. My message to everyone in this sector is to continue to invest in hospitality and quality.”* (Diacono, 2019)

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## **7.0 Appendices**

### **7.1 Key Terminology**

#### *Boutique Hotel Definition*

The boutique and lifestyle sector provide companies with differentiation in the competitive hospitality market. Although Mintel Group (2011) expressed how it “suffers from a lack of clarity and definition”, the main focus is on their unique characteristics of being small, innovative, design focused hotel establishment that focus on providing the highest level of service and personalised experience possible. McIntosh (2005) and Aggett (2007) identify the following to be similar attributes that are of great importance to boutique hotel guests: location, quality, personalised service, and uniqueness (Jones et. al, 2013).

#### *Luxury Market*

The concept of luxury is always changing and adapting according to current trends and different consumer perspectives. To build a luxury brand and target such market, the main focus needs to be on:

1. Physical Attributes, by providing premium quality products and services.
2. Psychosocial Attributes, by providing aesthetics in the overall design.
3. Psychosocial Attributes, by providing a sense of exclusivity to the guests.

By doing so, the luxury market will be targeted through both the Impressive and Expressive dimension (Hudders et. al, 2013).

#### *Feasibility*

Feasibility determines whether an idea is viable or not and whether it is worth investing in. The potential success can be evaluated by examining the technical, economical, legal, operational, and scheduling areas. Therefore, by conducting a feasibility study, a company can refocus on new opportunities, enhance the success rate and identify reasons to why an idea is worth investing in or not (Simplilearn, 2020) (Iowa State University, 2009).

#### *Return on Investment (ROI)*

This defines the indicator for strategic decision making. The result indicates the additional profits which are produced, as an outcome of an investment. The ROI can be used to compare between different investments to conclude which option maximises the profits and is of greater benefit for the business. In calculating the ROI, accurate information and the importance of time are crucial (Major, n.d.) (Zamfir et. al, 2016).

### *Competitor Market*

Similar businesses within the same market who are targeting the same audience, need to be able to be flexible and adapt accordingly to changing conditions and trends. This will provide them with a competitive advantage. Thus, continuous and accurate monitoring of the market is of great importance. Moreover, by providing a unique and personalised experience, the guests will be more willing to choose you over competitors (Zelga, 2017).

### *Differentiation Strategy*

One needs to have a differentiation strategy, whereby the products and services offered are different to others already existing in the market. This will help to have a competitive advantage and to attract new customers. Differentiation requires the investment of costs and time, as it is considered to be a risk because the response of the market is unknown. If it is a success, superior performance results may be met. One can analyse the external factors, being the macro environment, competitors and consumers. The PESTEL Analysis and SWOT Analysis help to identify what the competitors are offering and any gaps within the market (McGee, 2014) (Lok, 2017).

### *Consumer Experience*

Throughout the years, a change has been seen where customers seek not only a product or a service, but also an experience as a whole. This begins at the very initial communication until after consumption. Therefore, this is highly focused on building customer relationships. Some important factors include: Product Experience, Peace-of-mind, Moments-of-truth and Outcome Focus. Hence, companies must focus on each touchpoint, being social or any other channel, to complete the experience of the whole customer journey. This relates to the marketing aspect and the areas of the service quality, customer buying behaviour process, customer relationship management, customer satisfaction, engagement, and customer centricity (Klaus, 2011) (Verhoef et. al, 2016).

### *Expectations*

Customer Expectations are very hard to predict as they vary from one person to another, and from one situation to another. Expectations are initially formed on requirements, past experiences, internal standards, and the need at the time. These factors enable the customers to judge what they choose to spend their money on, and then compare with their initial thought. The expectations can either be met, the Desired Service Level, where what the customer got what was wanted and was expected to be delivered. On the other hand, the expectations can also be at an Adequate Service Level, where the customer receives the service but only at a minimum acceptable level. This also depend on the Zone of Tolerance of the particular customers (Shilpa, n.d.) (Kadlublek et. al, 2015).

## *Trends*

Trends are constantly changing, and companies try to predict future movements that would affect the customers' buying behaviour. Current trends within the hospitality and tourism industry include: prices, globalisation, diversity, safety and security, demographic changes and, service, technology.

Moreover, future trends within the hospitality industry include: green and eco-lodging, the idea of big hotels which includes different entertainment facilities, boutique hotels, and advanced technology (Kapiki, 2012).

## **7.2 Hotels dominating the hospitality in Malta**

The leaders of the Maltese market include the five-star hotels:

- Corinthia, Attard & St. Julian's
- Grand Hotel Excelsior, Floriana
- Hilton, St. Julian's
- Hotel Ta' Cenc & Spa, Gozo
- InterContinental, St. Julian's
- Marriott: The Westin Dragonara Resort & Marriott Hotel & Spa, St. Julian's
- Radisson Blu Resort & Spa, Golden Sands & St. Julian's
- The Phoenicia, Valletta

On the other hand, leaders of the Maltese market for boutique otels include:

- Casa Ellul, Valletta
- Cugo Gran Macina, Grand Harbour
- Domus Zamittello, Valletta
- HOLM Boutique & Spa, St. Julian's
- Hugo's Boutique Hotel, St. Julian's
- Julina Boutique Living, Mosta
- Palazzo Paolina Boutique Hotel, Valletta
- Quaint, Rabat Malta, Nadur, Xewkija and Sannat Gozo
- Rosselli, Valletta
- The Xara Palace Relais & Chateaux, Imdina
- Valentina Boutique Hotel, St. Julian's

As noticed, Gozo has been searched for, especially for developments of boutique hotels. There has been a stronger focus on the small island's promotion. Being quieter than Malta, Gozo is attracting a niche segment especially sports tourism, ecotourism, and cultural tourism (Malta Profile, n.d.).

## 7.3 Business Travel Performance 2019 (MTA, 2019)

### Business Travel in Malta by Month

	2010	2015	2016	2017*	2018**	2019	% Change 2019/2018	Market Share 2019
January	7,016	8,437	9,492	8,735	14,889	9,461	-36.5%	5.0%
February	6,512	8,238	9,291	14,691	10,876	14,776	+35.9%	7.8%
March	12,062	11,675	10,292	20,017	15,673	16,748	+6.9%	8.9%
April	8,461	11,828	12,550	20,141	12,341	14,833	+20.2%	7.8%
May	16,044	10,675	13,072	21,984	17,276	18,204	+5.4%	9.6%
June	12,082	12,952	14,207	21,015	16,694	15,545	-6.9%	8.2%
July	7,407	9,173	9,163	9,942	12,835	12,309	-4.1%	6.5%
August	4,093	5,682	7,295	7,839	8,980	9,656	+7.5%	5.1%
September	11,902	11,867	11,509	13,419	21,416	16,750	-21.8%	8.9%
October	14,881	16,487	16,488	19,712	18,709	22,026	+17.7%	11.6%
November	9,370	13,025	14,609	15,297	20,258	24,362	+20.3%	12.9%
December	8,337	6,818	8,802	7,768	10,332	14,416	+39.5%	7.6%
<b>TOTAL</b>	<b>118,166</b>	<b>126,858</b>	<b>136,770</b>	<b>180,560</b>	<b>180,279</b>	<b>189,086</b>	<b>+4.9%</b>	<b>100%</b>

2017\* EU Presidency  
2018\*\* European Capital of Culture

Source: NSO

### Business Travel By Country of Residence

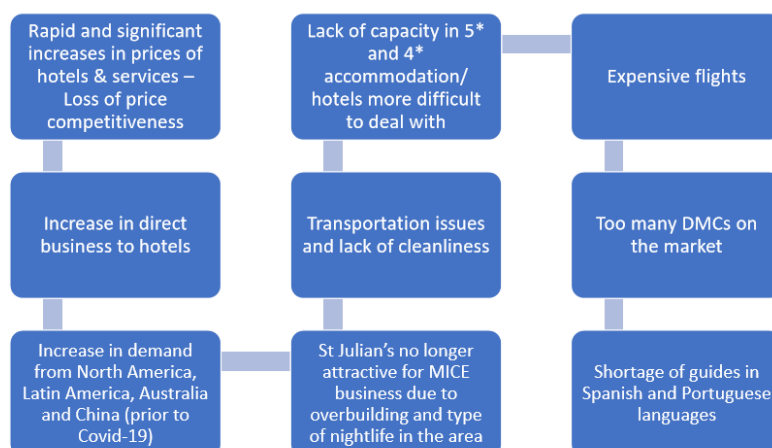
	2010	2015	2016	2017	2018	2019	% Change 2019/2018
Austria	1,903	2,596	1,514	2,974	3,007	3,620	+20.4%
Belgium	3,016	2,513	3,084	8,670	3,801	4,903	+29.0%
France	7,838	9,949	8,777	11,111	14,543	10,622	-27.0%
Germany	8,943	7,530	9,793	11,836	14,080	11,260	-20.0%
Hungary	876	836	1,108	1,669	1,649	2,067	+25.3%
Ireland	881	1,014	1,856	2,877	2,083	2,400	+15.2%
Italy	23,821	30,314	33,926	37,706	36,629	41,634	+13.7%
Netherlands	3,727	3,215	3,826	6,513	4,209	4,919	+16.9%
Poland	1,438	2,342	3,301	5,486	3,717	4,506	+21.2%
Russia	2,458	1,103	942	2,858	2,165	1,131	-47.8%
Scandinavia	7,929	6,886	9,850	10,435	10,124	7,447	-26.4%
Spain	5,279	3,733	3,252	5,901	6,790	7,197	+6.0%
Switzerland	2,071	2,559	1,860	3,262	3,429	3,294	-3.9%
UK	17,470	19,789	21,864	24,647	26,569	27,345	+2.9%
USA	2,752	4,590	3,631	4,027	5,679	5,475	-3.6%
Other	27,764	27,889	28,186	40,588	41,805	51,267	+22.6%
<b>TOTAL</b>	<b>118,166</b>	<b>126,858</b>	<b>136,770</b>	<b>180,560</b>	<b>180,279</b>	<b>189,086</b>	<b>+4.9%</b>

Source: NSO

## Estimate of MICE Travel to Malta

	2010	2015	2016	2017	2018	2019
Total Business Travel (NSO)	118,166	126,858	136,770	180,560	180,279	189,086
Estimate of MICE Travel out of Total Business Travel (MTA)	73,000	98,000	88,200	121,000	130,000	116,000
Total Inbound Tourists (NSO)	1,338,840	1,783,366	1,965,928	2,273,837	2,598,690	2,753,239
Share of MICE of Total Inbound Tourists	5.5%	5.5%	4.5%	5.3%	5.0%	4.2%

## Trends and Challenges reported by QA DMCs in early February 2020





## 7.4 Customer Expectancy in a Hotel Questionnaire

### Copy of Customer Expectancy in a Hotel

1 What is your gender?

- ☐ Female
- ☐ Male
- ☐ Neutral

2 What is your age?

- ☐ < 18
- ☐ 18 to 30
- ☐ 31 to 50
- ☐ 51 +

3 With whom do you travel?

- ☐ Solo
- ☐ Couple
- ☐ Family
- ☐ Friends

4 How often do you stay in a hotel?

- ☐ Rarely
- ☐ Once a year
- ☐ Twice or more a year

5 What is your purpose of travelling?

- ☐ Leisure and relaxation
- ☐ Visiting relatives and friends
- ☐ Business
- ☐ Medical
- ☐ Other (please specify)

6 Which 5 of these factors do you consider to be mostly important when choosing a hotel?

- Price
- Location
- Reviews and Recommendations
- Parking
- Number of stars
- Types of rooms
- Facilities and Amenities
- Complimentary Breakfast
- Family Friendly
- Pet Friendly
- Accessibility for persons with Special Needs
- Local Traditional Flavours
- Bath in Bathrooms
- Check In/Check Out Times
- Safe

7 How much importance do you rate the following, 5 being the most important;

	1	2	3	4	5
1. Politeness and Friendliness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. Cleanliness and Ambience	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. Room Service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. Traditional Food	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. Traditional Events	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. Pool, Gym and Spa Facilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. Laundry Services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8. Free Wi-Fi in Public Areas	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9. Free Wi-Fi in Rooms	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. Telephone Service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

---

8 When you go on holiday your main aim is to:

- ☐ Relax in the hotel
- ☐ Spend some time in the hotel and the rest visiting the country
- ☐ Spend most of your time exploring the country, whilst using the hotel just to sleep
- ☐ Other (please specify)

9 What star rating do you opt for?

- |                             |                                 |
|-----------------------------|---------------------------------|
| <input type="radio"/> *     | <input type="radio"/> ★ ★ ★ ★   |
| <input type="radio"/> ★ ★   | <input type="radio"/> ★ ★ ★ ★ ★ |
| <input type="radio"/> ★ ★ ★ |                                 |

10 Would you enquire for excursions offered by the hotel?

- ☐ Yes
- ☐ No

## 7.5 Hotel Interviews

### 7.5.1 Boutique Hotel

1. Which international agencies are you connected with?

They are connected to many, but they try to use direct business as much as possible.

2. Do you have repeat/loyal customers? Yes, but they don't have loyalty cards/schemes.

3. Facilities & Amenities within the hotel:

a. Number of pools (Indoor/Outdoor)? Gym & Spa? 1 outdoor pool

b. Is Wi-Fi available in public areas and in rooms? Is it free of charge?

Yes it is available everywhere & it is complimentary.

c. What are the Check-In and Check-Out times? Is late Check-Out an option for guests

and what is the charge? Check-In at 3pm, Check-Out at 11am. They try to offer late Check-Out for free, but if there is limited av. of rooms, a charge has to be paid.

d. Does the hotel have a luggage room in case of early Check-Ins? Yes.

e. Does the hotel offer laundry service? Yes, mostly external service.

f. Does the hotel organise/holds/sell any traditional Maltese events/products?

Some traditional food at the breakfast buffet.

g. Are the guests offered free parking when staying at the hotel? Yes, at first come first served basis.

h. Is the hotel accessible for special needed guests (ramps/lifts/braille)? Yes.

i. Does the concierge offer any excursions/car rentals/taxi bookings? Does your clients make use of these commodities? Yes offered at the reception; also have their own taxi car.

4. Rooms:

a. How many rooms are there in the hotel? How many rooms include a bath?

94, none are with baths due to limited space.

b. Are the rooms family friendly? Are the rooms pet friendly? Yes; No

c. Do rooms have a telephone service? Yes

d. Is there a safe in the rooms? Is it free of charge? Yes & free of charge

e. During what times is room service available? What is the charge?

It is available from 12am till 11pm at no extra charge.

5. Food:

a. Is breakfast complimentary? Or is there an extra charge? Yes, it is always included in price.

b. Does the restaurant offer local cuisine? A few

## 7.5.2 Five-star Hotel

1. Which international agencies are you connected with?

FTI, TUI & JET2 Holidays, but there is no contract. Guests book directly from website or Booking.com (65%).

2. Do you have repeat/loyal customers? Yes, but there are no loyalty cards/schemes.

3. Facilities & Amenities within the hotel:

a. Number of pools (Indoor/Outdoor)? Gym & Spa? 5 outdoor & 1 indoor, gym & spa + Dean Gera salon, diving centre & sun and fun watersports.

b. Is Wi-Fi available in public areas and in rooms? Is it free of charge?

Yes, it is complimentary & av. everywhere. - Invested in new internet system.

c. What are the Check-In and Check-Out times? Is late Check-Out an option for guests

and what is the charge? Check-In at 2pm, Check-Out at 12pm. It depends on av. of rooms. Charge ~ €10/hr from 12-6 & after 6pm guests are charged for a night.

d. Does the hotel have a luggage room in case of early Check-Ins? Yes

e. Does the hotel offer laundry service? Yes, within the hotel - 24hr service & can be express.

f. Does the hotel organise/holds/sell any traditional Maltese events/products?

Sell jewellery (Sur Ben Gini) & perfumes/room diffusers (Caringa); filigree every Wednesday

g. Are the guests offered free parking when staying at the hotel? No, it is privately owned; €3/day

h. Is the hotel accessible for special needed guests (ramps/lifts/braille)? Yes + 2 wheelchairs & crutches

i. Does the concierge offer any excursions/car rentals/taxi bookings? Does your clients

make use of these commodities? Yes, they're frequently used; also they their own 9 taxis.

4. Rooms:

a. How many rooms are there in the hotel? How many rooms include a bath?

200 rooms, 95% of rooms include a bath, only 10 rooms have just a shower.

b. Are the rooms family friendly? Are the rooms pet friendly? Yes; No unless for guide dogs

c. Do rooms have a telephone service? Yes, but they're rarely used

d. Is there a safe in the rooms? Is it free of charge? Yes

e. During what times is room service available? What is the charge?

From 7am till 11pm at €5. Within the other hours, <sup>(24hr)</sup> reception would offer their service.

5. Food:

a. Is breakfast complimentary? Or is there an extra charge? Depends on how the stay is booked.

b. Does the restaurant offer local cuisine? Yes, daily.

There are 8 restaurants within this hotel

Guests can make use of all the facilities in both hotels.

## **7.6 Questions asked to the MTA representative**

1. Firstly, could you kindly explain your role?
2. In your opinion, what is the level of feasibility of opening up a boutique hotel within the Maltese Islands, especially since the level of competition is substantially increasing with already existing boutique hotels and five-star hotels?
3. In view of the highly competitive market in this industry, could you provide me with any information showing the services and facilities that boutique hotels offer to their guests compared to those offered by five-star hotels.
4. Could you provide me with statistics that illustrate where inbound tourists are choosing to stay when visiting Malta?
5. What is the level of importance of size, location, and unique characteristics in a boutique hotel? Would you think that potential guests choose to stay at a boutique hotel to experience authentic Mediterranean hospitality and personalised service? Are there any other factors that tourists expect and consider to be important when choosing to stay at a boutique hotel?
6. Within the past years, there was a wide spread of boutique hotels in Malta. Is this trend fading or are they still opening with the same rate as previous years? Do hotel chains such as Marriott, Hilton and Corinthia have an impact on such?
7. Could you provide me with any information on the history of how and when boutique hotels were introduced in Malta?
8. What is the procedure of opening up a boutique hotel, for example in respect of permits and licences?
9. What is your opinion on the luxury segment in Malta, what is our level when compared to other countries?
10. Did COVID-19 have a high negative effect on the investment in boutique hotels and to what extent?
11. To conclude, how would you envisage the future of boutique hotels in Malta?