

Independent & Boutique Mediterranean Hotels

Trends,
Challenges &
Opportunities



November 2019

Hospitality dynamics around the Med Sea

150,000 hotels

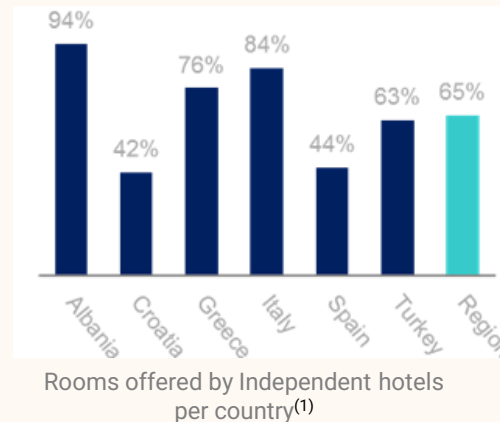
The Mediterranean region is a dynamic tourism hotspot. The 24 Mediterranean countries attract up to **50% of the international arrivals**. 2018 has seen a positive growth all around for the Mediterranean, with an 8% increase in RevPAR across the region.

Regional hospitality dynamics are heavily affected by **geopolitics**, as the tourist demand has been regularly redistributed between North Africa, Turkey and southern European countries.

87% hotels are independent

The Mediterranean hospitality offer is **mainly driven by independent hotels**.

More than 150,000 hotels are present in the region, of which **87% are independent and offer 65% of the rooms available in the market**(1). Nevertheless, there are important regional disparities, as countries like Spain or Croatia are dominated by large hotel chains, while Italian and Cypriot independent hotels cover more than 80% of their local rooms capacity.



35 rooms average capacity

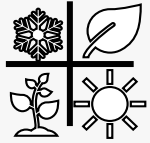
While the offer of the hotel chains focuses mainly on resorts and large hotels, the independently-managed hotels in the region are primarily small properties, with an average of 35 rooms per property. Moreover, our study shows that the higher quality of service the hotels offer, the fewer rooms they offer, as the high-end hotels propose only 20 rooms on average.

Location! Experience! Service!

Obviously, the Mediterranean hoteliers leverage the importance of the location – especially given the rich variety of historical and natural sites that the region has to offer. However, the hoteliers are very aware that location is not enough to succeed in such a highly competitive market.

Most of the hoteliers from our panel focus on delivering a unique experience, based on an exclusive combination of theme, concept and service. The travellers are responding to this “improved” offer as the demand for upper-scale properties grew at an average annual rate of 5.7% in terms of arrivals, and of 4.9% in terms of overnight stays(1).

Seasonality and operations



Seasonality

The offer of the Mediterranean hotels is traditionally built on the combination of sea and sun, driving a **strong seasonality pattern**. The region has a high summer activity with approx. **40%** of the total tourist arrivals at the very peak of July and August months.

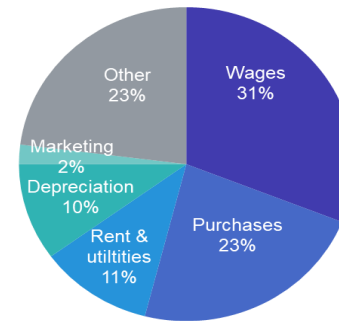
The hoteliers are trying to follow a **diversification strategy** to steer away from the concept of seasonal resorts.

With their unique positioning, the **small boutique hotels** are less impacted by the seasonality, as only 9% operate exclusively in summer, and only 23% suspend their operations during winter season.



The recruitment challenge

The financial expenses breakdown – published by Ibis World in 2018 – shows that staffing is the main cost centre for independent hotels.



Cost structure of independent hotels
(source Ibis World 2018)

As a service-based industry, **access to a qualified workforce** is paramount as the guest experience is highly dependent on contact with the hotel's staff. The hotels are expected to offer a consistent level of service; thus seasonality brings an

additional layer of complexity to the independent hoteliers of the Mediterranean region.

"Finding the right staff is very hard, especially with the multi-skills requirements that are paramount to our very small property"

Nicolas E.,
hotel manager - France

The irregular working schedule due to seasonality increases employees' attrition. Hiring and upskilling the workforce becomes a recurrent burden. Staffing becomes even more difficult for the very small properties, as flexible, multi-skilled, and well-trained employees are key to ensure high levels of guest service and satisfaction.

The distribution puzzle

Distribution goes digital

With the digital innovation disrupting the hospitality industry, most small and independent hotels follow the trend to use a variety of distribution channels, including **online** & offline. However, they don't have the adequate tools to assess the effectiveness and real **return on investment** of each channel. The upscale hotels are also still relying on traditional channels, with **specialized travel agents** and DMCs.

Big OTAs as the main booking channel

The Online Travel agencies (OTAs) are a key channel to reach the customers, especially as **80% of the travellers** spend significant time on multiple channels (OTAs, blogs, articles, etc.) before booking [Source PWC].

Nicolas E. ,
hotel commercial director, France

"The OTAs provide a great support, connecting to the systems, and service desk".

As a result, OTAs are the main booking channel, channelling the majority of booking to 63% of the independent hotels. Hoteliers acknowledge the great services and convenience provided by the OTAs in terms of support to connect their inventory, technical support, and, most importantly, **access to a worldwide potential clientele**.

However, the hoteliers still feel "hostages" of the OTAs, as small properties don't have the bargaining power to negotiate **lower commissions** (which can be as high as 25% of the booking fee).

95%

Of the hotels use OTAs to distribute their inventory

76%

Of the **upperscale properties** have an important part of their bookings through **offline agents**



Promoting an independent Brand

Boutique Hotel owners are aware that the high dependency on major OTAs results in an increasing loss of direct contact with their guests, rendering their loyalty more uncertain.

Such hoteliers are unable to compete in terms of marketing with the large OTAs, or with the major hotel chains. Thus, about 20% of the hoteliers from our panel chose to join a **soft brand** or a **specialized collection**. Hoteliers believe that this

is an optimal option, in order to fulfil their marketing and distribution requirements, while preserving the independence of their property.

"The major OTAs are only focusing on online marketing, but they fail to sell the Experience, and our unique offering" –

Sigri,
hotel owner and manager, Greece

Technology: Issue or solution?

Drowning under technology!

The independent hotels can't compete with the large hospitality actors in terms of budgets allocated towards their marketing and sales. However, technology offers independent properties key support to manage their operations, enhance their distribution, and build their brand.

A large array of new tools are available to the hospitality industry: from Cloud Channel managers, Property Management Systems, online marketing tools and new generation optimized websites, to Online Reviews and Reputation Management tools. This ecosystem of tools and software can easily turn into a nightmare for an independent hotelier owner, who's fulfilling most of his property's daily requirements.

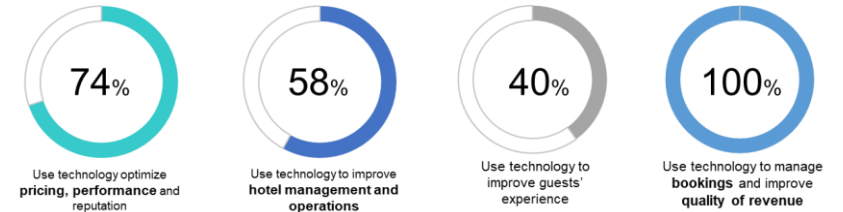
It is difficult for a hotelier to prioritize the technology areas to invest in, and to select the most appropriate tools and software providers for their needs.

"Technology is a challenge. As a small structure, I can't afford to invest in a new system now, even if there are performant options on the market."

Serge T.
Hotel owner and manager, France

Implementing a new IT system requires a sizable investment in terms of money, effort and time. This transforms into a triple challenge for independent hoteliers, as they manage a very tight budget, and spread effort and time into wearing multiple hats during a typical working day.

When do independent hotels primarily use technology?



Technology to reach the guests

In recent years, social media became yet another "must-have" when it comes to boosting an independent hotel's marketing. It is essential for hoteliers to understand the value that technology can bring from engaging directly with the customers – through social media for instance - for gathering customers data through their website or other touch-points.

Modern hotel owners understand that **customer data** provide meaningful **insights**: such insights can help them target the right segment, at the right time, with the right offer, and can also help them shape the perfect experience for the targeted customers. Therefore, hoteliers should now focus on **upgrading their technological skills**, and their employees', in order to use technology in an optimal way for offering the personalized experience which their guests are expecting.

About this report

Methodology and sources

- Expert interviews with industry specialists
- Hoteliers' inputs collected through online questionnaire
- In-depth hoteliers' interviews
- Our panellist Hotels
 - 32 locations across 12 Mediterranean countries
 - 35 rooms on average
- Total sample size: 80
- External Sources / references:
 - ⁽¹⁾ Horwath HTL, European Chains & Hotels Report 2019
 - ⁽²⁾ IBIS World Boutique Hotels Industry Report

Our research focuses on independent small hotels (less than 50 rooms) located across the Mediterranean sea. This document provides a summary of the research findings. It serves as the foundation for other materials that will be created depending on the particular purpose and audience.

The Boutique Vibe is a collection of independent boutique and stylelife hotels across the Mediterranean region.

