

Asian *Dynamos*

The Rise of the Boutique

Fuelled by forces from a spike in air travel to the 2008 Beijing Olympics and a shake-up in service styles, the hotels sector is booming across Asia. Occupancies, rates and yields are up. Hong Kong is typical in experiencing a bumper year, with five-star occupancies averaging 84 percent, up 12 percent on 1997's high.

The time is right, with China business booming from the influx of tourists in the run-up to the Beijing Olympics and the 2010 Shanghai World Expo. At Hong Kong and Shanghai Hotels the story is the same: China China China, with their go-getting chief financial officer Mark Broadley spelling out plans for an impressive property on Shanghai's historic Bund.

Within the strong growth in the sector, boutique hotels are also beginning to emerge, following the tremendous success this style of hotel has seen in Europe and the U.S. where large hotel groups have lost market share to the more personal style of service and amenities that boutiques provide. These are often owned by young dynamic entrepreneurs who are bringing a very Asian sense of style to the concept.

"People want intimacy and quality of personal service so we'll see more and more boutique hotels," says Jon Stonham, chief executive of leading online booking service Asia-hotels.com. With this in mind, and a HK\$120 million investment from her father, Singaporean Yenn Wong has transformed a run down apartment block in Hong Kong's Causeway Bay into the trendy 54-room Philippe Starck designed JIA boutique hotel, beloved of the fashion and movie industry. She's just 27, and only five years older is countryman Loh Lik Peng, who has transformed a dilapidated Singapore Chinatown shophouse into the hip Hotel 1929. Like their European and



JIA boutique hotel, Hong kong

American counter-parts, boutiques like these are taking market share from the larger groups, often on far higher yields.

An additional effect of the boutique hotels creating niches in Asia has been to spur the big chains into changing their approach and adopting some boutique attitudes. This means reflecting the service style offered by the smaller competitors. "The chains are adapting to the new environment, taking a less cookie-cutter approach to service," says John Northen, general manager of the JW Marriott on Tomorrow Square in Shanghai.

This trend for more personal service extends from the big chains to the smaller resort chains such as upscale Aman Resorts, where personal service is provided in villa-style rooms. The big chains are following the more intimate resort model too, with Four Seasons in Bali a good example.

Some larger groups have created entirely new brands to compete head on with the boutiques. Warm, wonderful, witty and wired are the buzz words of Starwood's W chain, making waves across Asia as they import the new style of less stuffy and more flexible hotel popular in the U.S. and Europe to Asia. Already open in Seoul, South Korea, W is now set to shake up Shanghai when it opens its 28th hotel there in 2008. Ross Klein, president, W Hotels said that W Shanghai - Pudong, is expected to

become one of Shanghai's most recognizable landmarks.

Since Starwood started W in 1998, their larger-than-usual rooms; suites, cordless phones, crib and cot beds, in-room board games, playstation with games, ipod + ipod charger DVD library with kids movies are making Asia's hoteliers rethink the entire service concept.

When people come to Asia, they want a hotel that reflects the country and locality, something the nimble boutiques can do very well, says Northen. "The big chains are becoming less stuffy and over-cossetting in response to the new service style of the boutiques." One thing is for certain: Asian boutique hotels have created a niche that is attractive for both business and leisure customers, creating not only market share, but also a shift in the style of service for the entire industry.

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