Hotels & Leisure

Lifestyle Hotels: Consumer attitudes in the Middle East

RESEARCH

Lifestyle hotels are becoming a core part of the offering provided by operators and are experiencing increasing demand from developers. CBRE explores the key pillars which define lifestyle hotels and end users' demand profiles in order to see what drives guest behaviours.

CBRE RESEARCH
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The proliferation of lifestyle hotels has been rapidly accelerating over the past decade at a pace that has only quickened over the last three years. As new brands come to market, and existing brands are refreshed to include 'lifestyle elements', we wanted to check in with the end user to see what drives guest behaviour during the hotel decision-making process.

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The Four Conceptual Pillars of Lifestyle Hotels

Most traditional definitions of lifestyle hotels tend to revolve around the notion of design-driven hotels with distinct characteristics that offer the benefits and perks typically expected from large chains. Through this lens, such properties are able to create conditions conducive to a bespoke guest experience, while offering perks such as loyalty programs and proven sales and marketing platforms that drive performance. However, in terms of a more formal definition, there are four core elements that are most often referenced:

- **Strong visual identity**
- **Casual laid back service**
- **Integration of local culture**
- **Smaller rooms in favor of more collaborative public spaces**

A fifth pilar, urban location, can also be considered as integral to the lifestyle concept, as evidenced by a study[1] that analysed over 45,000 social media posts. One key finding was that when lifestyle hotels were in an urban location, they were most often tagged as 'lifestyle', however when they were in a rural location, they were most often tagged as 'boutique'. Given that our survey questions were not specifically linked to location however, we did not consider it for this research.

Lifestyle Research Survey

The core of this research is rooted in a survey sent to over 50 respondents representing over 20 nationalities. Of the respondents, 57% were under 35 and 94% were under 45.

Research Methodology

Key Questions
Setting the parameters

What are the main conceptual pillars of lifestyle hotels?

Concept Verification
Testing the concept

Does this correlate with guest perceptions of the lifestyle concept?

Uplift Quantification
Shaping the premium

Are guests willing to pay a premium for a lifestyle concept?

Conclusions
Key Findings

What does this all mean?

[1] Yoojin Han and Hyunsoo Lee, Lifestyle Experiences: Exploring Key Attributes of Lifestyle Hotels Using Instagram User-Created Contents in South Korea

The respondents were a fairly even mix of industry professionals and individuals who specialised in unrelated disciplines.

Guest Definition of Lifestyle

One of the first objectives of the study was to see if the aforementioned core pillars could be married to guest feedback. As such, we asked respondents to provide their definition of a lifestyle hotel, the responses of which were varied, but fell neatly into the four traditional pillars of lifestyle hotels. Furthermore respondents were specifically asked not to put in a definition at all if they were unsure of how to define a lifestyle hotel which resulted in 37% of respondents leaving the section blank. As depicted below, while some answers were more academic than others, they were almost universally emotive, and had a degree of thematic commonality.

Responses linked to **visual identity** were unsurprisingly the most commonly referenced, as this is generally the most immediate and obvious aspect of lifestyle hotel concepts. This was followed by responses linked to **collaborative experiences**.

However, when it came to the **integration of local culture**, the fewest number of responses could be grouped with this pillar. This was an unexpected finding of the survey, as this is typically one of

Responses linked to visual identity

43%

Responses linked to collaborative experiences

28%

Responses linked to integration of local culture

12%

Responses related to casual laid back service

17%

Respondent definition of 'lifestyle hotels'

STRONG VISUAL IDENTITY
A modern hotel for young clientele with specific design features
Design-led Hotel
Unique style
A hotel with unique and distinctive attributes
similar to a boutique hotel
Nontraditional concept or property
Design driven hotels
Something quirky with a lot of character
Trendy
Design heavy hotel
Relaxed but also elegant styled hotel
Boutique, one off design concepts
Funky
A hotel with a unique design
Aesthetically pleasing; interesting furniture.
Functional, quirky
Not standardized - bespoke design
Offer unique aesthetics
Design-led
Out of the ordinary, funky, unique

MORE COLLABORATIVE EXPERIENCES
Hotels that drive social interactions
Dynamic and modern vibe
A hotel that offers a unique experience to guests
Community centered areas
Cozy
Modern and different activities/services
A hotel with a community atmosphere
Targets interaction for young generation
Unique community centered areas
Adapted facilities for young clientele
Offer unique services
A hotel where you feel at home away from home

INTEGRATION OF LOCAL CULTURE
Local community atmosphere
Location specific
Distinctive local identity
Community driven
Locally inspired
Community focused hospitality

CASUAL LAID BACK SERVICE
Walk in as you are
Something homely
Relaxed Service
Very welcoming and relaxed
Hipster
Cozy and elegant
Like someone's living room
More freedom in that you don't need to be so formal
Not stiff or formal, more modern

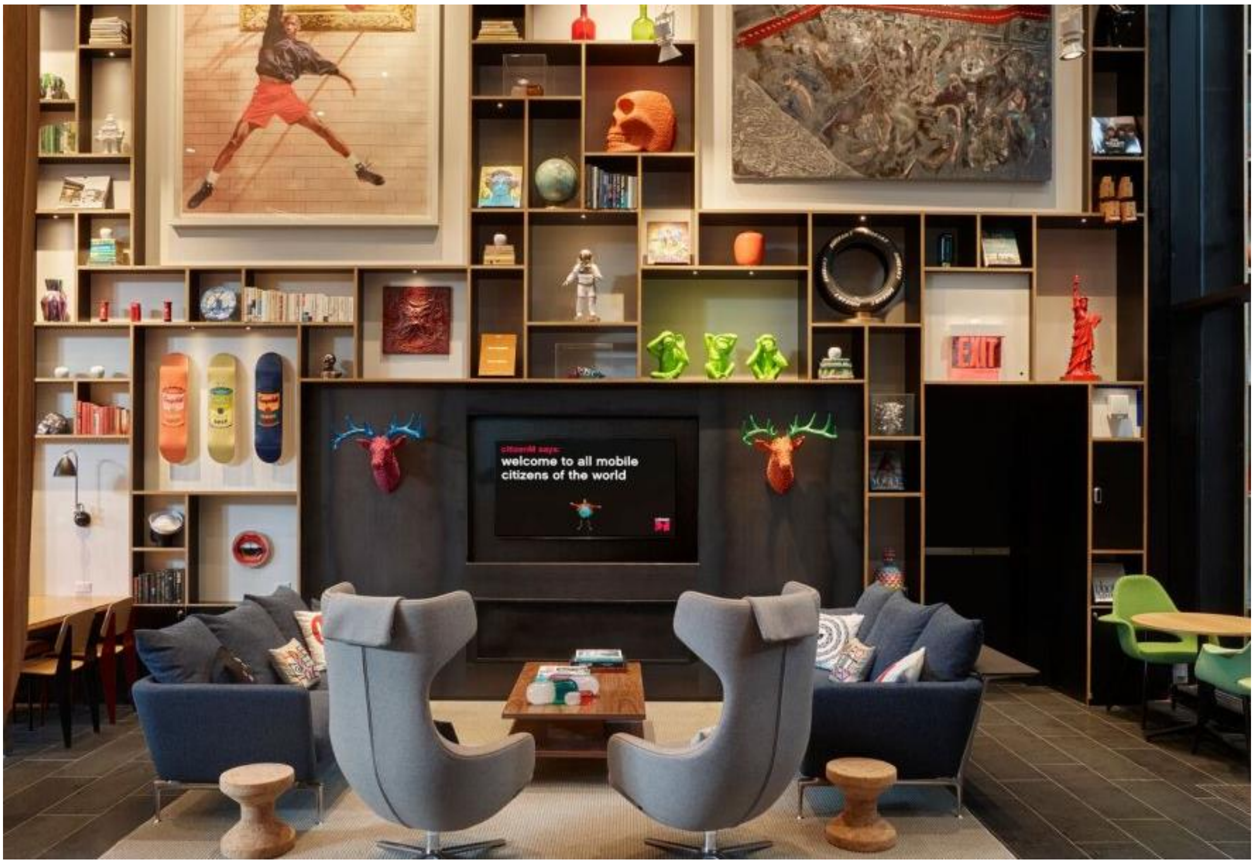
Source: CBRE Research

the most strongly emphasised aspects of lifestyle brands. Authenticity specifically tends to be a central area of focus in relation to the integration of local culture, as evidenced by lifestyle brand presentations from the operators themselves. In these, there is almost universally a substantial section that frames the authenticity of the concept and how it links to local culture in an organic fashion because 'manufactured' cultural identity is quickly identifiable and severely off-putting to potential guests.

Visual Identification of the Lifestyle Concept

While many were unable to define a lifestyle hotel, the next task was to see if there was a consensus on how it should look. When presented eight images of various hotels that had lifestyle elements, or were referred to within marketing collateral as 'lifestyle,' respondents were asked to pick as many or as few options as necessary. The outcome was a convergence on the image shown below, which was picked by 87% of respondents. There was a substantial gap between this and the second next most chosen image which was selected by 58% of respondents. It is interesting to note that although only 63% of respondents were able to put forward a definition of a lifestyle hotel when prompted, 87% of respondents agreed about what it looked like.

> "Although only 63% of respondents were able to put forward a definition of a lifestyle hotel when prompted, 87% of respondents agreed about what a lifestyle hotel looked like."



New York Bowery Hotel | Lower East Side Hotel | citizenM

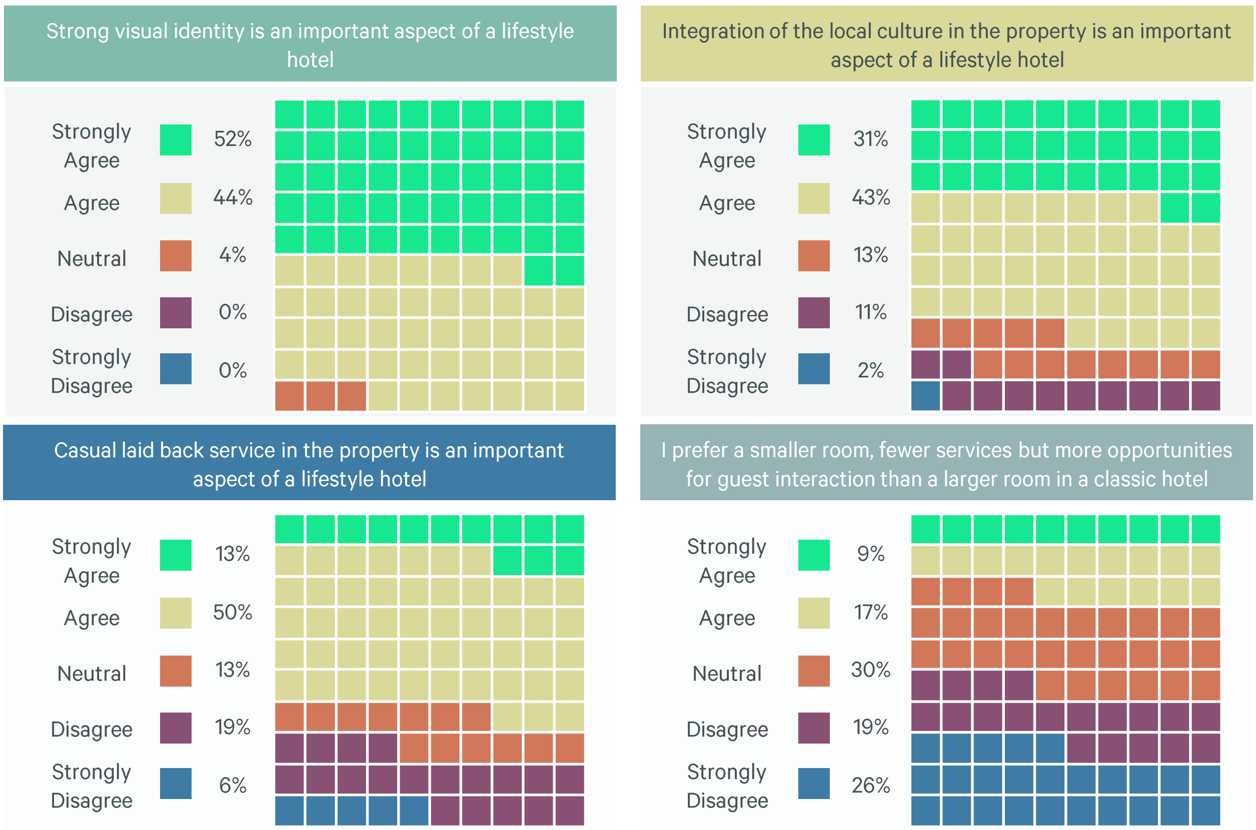
The conclusion here was while lifestyle hotels could not be defined by some when prompted, they could be easily identified when designed correctly.

Confronting Respondents with the Four Pillars of the Lifestyle Concept

After having asked for a definition of a lifestyle hotel and seeing which of the pillars was most often referenced, the next step was to test this by actively asking how important these pillars were specifically in relation to the concept. As before, strong visual identity received the most overwhelmingly positive response with 96% either agreeing or strongly agreeing that it was an important aspect of a lifestyle hotel. However when questioned about the integration of local culture, 74% responded positively, which was seemingly at odds with the fact that only 12% included an element of culture in their definition of lifestyle hotels earlier. This is because culture is an implicit, rather than explicit, aspect of the lifestyle definition. That is, while cultural integration may not immediately spring to mind, it is the storytelling and thematic elements that create an atmosphere and carry such concepts beyond design.

One standout response is regarding the notion that guests prefer to have smaller rooms and limited service in favour of large open collaborative areas. This is a central tenant of the lifestyle concept, with the suggestion that guests do not want large rooms, but instead want to explore their surroundings – for this reason, smaller rooms sizes are often part of the brand DNA, which in turn reduces development cost. Respondents were asked if collaborative spaces were preferred over large room sizes, however, this did not hold true as only 26% agreed, while 45% disagreed. This suggests that at least in the Middle East region, while the lifestyle concept is generally preferred within the target market, a smaller room size should not be in the brand DNA.

Respondents' views on the four pillars of the 'lifestyle concept'



Note: Percentage may not equal to 100% due to rounding

Source: CBRE Research

Quantifying the Premium for Lifestyle Hotels

Having framed the conceptual aspects of lifestyle hotels, we then wanted to quantify the achievable premium over traditional hotels. Amongst the respondents, 59% indicated that they would be willing to pay a premium for a lifestyle hotel. Of the 41% who indicated that they would not be willing to pay any premium, over 40% of this subset still exhibited a preference for lifestyle hotels. The propensity to pay a premium was spread-out over demography, with the youngest respondents unanimously willing to pay a premium while the oldest respondents were the most unwilling to pay any sort of premium. Once the unwilling were removed from the sample, the remaining respondents averaged a 16% premium with most willing to pay between 15% to 20%, with some guests willing to pay up to 30% more. The standout exception to this was the under 18s, for which this premium stood at just 10%, but it is likely that this is more to do with purchasing power than age.

Familiarity and Preference

Another key question for us was whether or not brand familiarity is important for lifestyle properties. This is because we have seen developers being hesitant in choosing lifestyle brands for their schemes, in the belief that a lack of a sizable global footprint is reflective of an inability to attract potential guests. The responses were very much at odds with this view and instead an affirmation that the concept did not have to be widely known in order to attract the target market. When presented with a list of lifestyle hotel brands, respondents were asked to identify names that they recognised and then separately asked whether or not they preferred lifestyle hotels over traditional ones. Ultimately it was the demographic groups that were least familiar with the brands themselves, with brand recognition ranging from 7%-17%, who unanimously preferred lifestyle hotels, and those who were older and more familiar who did not. A such, it was clear that brand recognition was not as important for lifestyle hotels as it may be for traditional ones.

Familiarity, preference and achievable premiums at lifestyle hotels

	Under 18	18-24 years old	25-34 years old	35-44 years old	45-54 years old
Preference for lifestyle hotels	100%	100%	86%	75%	33%
Identification of lifestyle brands	7%	17%	44%	43%	62%
Unwilling to pay a premium	0%	0%	39%	45%	63%
Average premium	10%	20%	14%	19%	20%

Source: CBRE Research

Conclusions

While guests may not be able to define precisely what a lifestyle hotel is, they are able to identify lifestyle properties when they see them. They are sought after by the target market on a regional basis, and unlike traditional brands, do not necessarily need to have a large global footprint. Instead, market reach should take a back seat to a culturally authentic and visually differentiated offerings, as these elements are the most important to potential guests. That said, these concepts should be adapted to the local market, and the idea that smaller rooms will be accepted due to the provision of a vibrant collaborative space does not hold true within the Middle East. Rooms sizes should generally align with market norms, and this concession will have a direct impact on potential development cost savings embedded within the DNA of lifestyle offerings. Nonetheless, given that guests are willing to pay average premiums of 16% in relation to their traditional counterparts, this cost can potentially be offset by the guests' propensity to pay over and above the market so long as the brand has a solid value proposition.

Key Takeaways

Concept Definition	Brand Penetration	Guest Preferences	Lifestyle Premium
Adapt to the local market	*Demographic behaviour*	*Where lifestyle works*	*Quantification*
Developers should not overestimate guest preferences for smaller rooms in favor of collaborative spaces during development.	*Developers should not worry about brand penetration of lifestyle hotels. Even if the target market has not heard of them, they are willing to pay a premium.*	*Lifestyle concepts work best in markets with a demographic under the age of 34, and at a price point between USD 100 and USD 150.*	*Once qualified, guests are willing to pay a 16% premium for a lifestyle property over a traditional one.*

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