Distribution of Independent Boutique Hotels on Secondary and Tertiary Markets in Germany

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Abstract

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Boutique hotels are a recent trend in the hospitality industry. As they are receiving more and more attention independent operators on secondary and tertiary markets need to find ways to reach and sell to their customer in order to stay competitive. Therefore, the question is raised whether the way independent German boutique hoteliers distribute their products matches the way their guests prefer or would prefer to buy them. Moreover, it was evaluated if soft brands are an efficient tool to support the distribution of these hotels. The thesis is commissioned by one of the hotels concerned: the boutique hotel Villa WellenRausch.

The literature review provides an overview of the hotel type “boutique hotel” and the distribution of small and independent hotels. Boutique hotels developed as a contrary to the uniform and standardized hotel landscape. This segment includes hotels with a strong focus on uniqueness, design, personal service and they value a sense of community. The distribution networks of small and independent hotels are experiencing an increase in direct sales and their focus lies on online channels.

To find out the perspective of both German independent boutique hoteliers and their guests two research methods were applied. Six concerned hoteliers were interviewed about the distribution of products and services in their hotels. To examine the perspective of guests 62 potential and actual guests answered a questionnaire in that they were asked about their preferred purchasing behavior.

The boutique hoteliers recognize the shift towards online distribution. Half of them receive the majority of their bookings via internet-based channels. Additionally, email and telephone are appreciated by them since they enable personal service. The guests also prefer to make reservations online. From their perspective, the location and quality are the most important hotel features. Their final booking decision can be influenced through reading customer reviews and rankings.

The comparison of both perspectives led to the result that the hoteliers already have a good understanding of their guests’ preferred booking behavior. They could become active in market research in order to receive a more detailed insight with regard to their guests’ preferences and the factors that influence guests when they book a room. Moreover, as customer reviews have a very powerful role in the booking processes of guests the hoteliers should pay attention to manage them and incorporate them in their distribution networks. According to the guests’ wants and needs a booking engine on the own homepage can be an efficient tool to increase direct sales. However, soft brands and their benefits are neither valued by guests nor by hoteliers. On the contrary, from both perspectives the disadvantages outweigh the advantages, so that no additional value can be recognized and they are not perceived as an efficient opportunity to support the hotel’s distribution.

Keywords
Distribution, Boutique hotels, Purchasing Behavior, Intermediary

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1. Introduction

The rise and emergence of boutique hotels is one of the most watched trends of the hotel and tourism industry in recent years. Their development began as a result of the standardized hotel landscape in the 1950s. To oppose this uniformity, more and more operators embraced the idea of providing a completely new and unique hotel experience. They focused on distinctive designs and individuality, so that they clearly differed from the traditional and uniform hotel market. Starting out from major cities this trend became a global phenomenon and developed into a new segment on the hotel market. In recent years boutique hotels have achieved superior performances and became real game changers in the hospitality industry. Even today, the interest in the boutique hotel business is growing and big hotel chains are entering the market. (Day, Quadri & Jones 2012.) Through the years, numerous definitions were developed explaining the special and unique character of the new segment in different ways. In this thesis, hotels that have a strong focus on uniqueness, distinctive design, sense of community and personal service are considered as boutique hotels.

Travel distribution is a distinct industry on its own and highly specialized. The factor that differentiates the tourism and hospitality distribution from the usual distribution of other industries is the invisibility, intangibility and perishability of the product. It does not move physically to the customer but the customer has to come to the product. Therefore, guests can neither see nor touch the product before purchasing it and the production and consumption take place simultaneously. Additionally, this means that unsold inventory cannot be stored. Any unused room can no longer be sold. All these specific characteristics typical for the distribution of hospitality products constitute challenges and make it to one of the most important marketing considerations. (Lazer, Dallas & Riegel 2006, 291.)

Consequently, both aspects, boutique hotels and distribution in hotels, involve special features and challenges, which make it to an interesting and topical issue to investigate the combination of them.

1.1. Objective and Research Questions

The thesis ends with a comparison between the distribution behavior of the supply side that is represented by independent boutique hoteliers on secondary and tertiary markets in Germany, and the purchasing behavior of the demand side, namely actual and potential guests of these hotels. This comparison will meet the main objective of this thesis. This thesis's objective is to find out whether the way independent German boutique hoteliers distribute their products matches the way the demand side prefers or would prefer to buy them. As a result, after the comparison development areas for independent German boutique hoteliers can be identified. Based on that aim three research questions have been developed:

1. How do independent German boutique hotels on secondary and tertiary markets distribute their products and services?
2. How would / do customers prefer to buy products and services of independent German boutique hotels on secondary and tertiary markets?
3. Are soft brands an efficient and valuable opportunity for the distribution of independent boutique hotels on German secondary and tertiary markets?

1.2. Justifications

Boutique hotels are a current topic of interest in the hotel industry and they have a bright future ahead. Due to the fact that their supply and demand is continuously growing an investigation of their behavior and approaches in distributing and selling to their guests is justified in order to further explore this relatively new hotel segment. But not only the perspective of the supply side also the demand side should be taken into account, so that the customers' expectations and preferences to purchase their products or services are considered. Moreover, boutique hotels used to be the business of independent operators. By now, big hotel chains are entering the market forcing independent hotels to have efficient ways of distribution for reaching and selling to their customers in order to compete successfully and to maintain their position. In addition, the German secondary and tertiary hotel markets are gaining popularity. These markets exclude the six major German cities and as their strong growth during recent years shows, there is a great interest in these markets from different stakeholders like guests, investors and hoteliers. Moreover, a lot of research and studies have been conducted with regard to distribution and currently the topic of boutique hotels receives a lot of attention. However, a lack in publications that combine both can be notified.

Moreover, the author decided to focus on independent hotels in order to find out how hotels organize and manage their distribution if they do not have the strong support and resources of a big brand or chain. The hotel type of boutique hotels was chosen as it presents a new and differentiating segment within the hotel industry. The author is most familiar with the hotel market of Germany and therefore selected the target market in this country. Furthermore, the author is interested in in how the independent German boutique hotels ensure bookings if they are not located in a capital or metropolis but in smaller cities and even rural areas.

The commissioner of the thesis represents one of these hotels. It is the boutique hotel Villa WellenRausch that is located in Lübeck-Travemünde, Northern Germany, on a tertiary market. The privately run hotel with a strong focus on personal service, individuality, style and an own hotel bar fits perfectly in the segment of individual boutique hotels.

1.3. Structure of the Thesis and Research Outline

This thesis combines the perspectives of hoteliers and guests regarding the distribution of independent boutique hotels on secondary and tertiary markets in Germany. Therefore, the theoretical part is divided into two chapters. The first one begins with an explanation of the hotel type “boutique hotel” and its history followed by the target group including its purchasing behavior. The last part of this chapter deals with the German hotel market and the performance of boutique hotels on it. The second half of the literature review focuses on the distribution of small and independent hotels. It starts with a bigger picture of a distribution network before examining the composition of single channels. By narrowing the focus even more, individual intermediaries are presented. Also information about soft brands, their advantages as well as disadvantages are provided.

The methodology part describes the primary research. It refers to qualitative research by means of interviews with six hoteliers and managers of independent German boutique hotels on secondary and tertiary markets who explain their way of distributing. Moreover, quantitative research was carried out through of a survey of 62 potential and actual guests. They were asked about their preferred way of purchasing products of independent boutique hotels. This chapter includes the methods and processes as well as the advantages and limitations of the research.

Like the theory part, the third part of this thesis is split into the supply and demand perspectives. The first division refers to the perspective of independent boutique hoteliers and their way of distributing. This is applied by an analysis of the interviews that have been conducted whereas the second part represents the purchasing behavior of actual and potential guests by means of an analysis of the survey results.

The discussion meets the objective of this thesis through answering the question if the way independent boutique hoteliers in Germany distribute their products and services corresponds with the way their guests would like to buy them. It is achieved through a comparison of the results from the interviews and from the survey. Also the effectiveness of soft brands is evaluated with the help of answers from the primary research. This section also includes a description of the reliability and validity of the research and ends with a reflection of the author's learning during the thesis process. Finally, the conclusion summarizes the outcomes of the thesis and gives suggestions for further research.

1.4. Definitions and Concepts

Boutique hotel: Boutique hotels are accommodation businesses with a strong focus on uniqueness and individuality. They are designed distinctively and value a sense of community. The service offered in boutique hotels is personal and conveys an individual atmosphere. There is no standard regarding the number of rooms and the potential affiliation to chains or brands. (Day & al. 2012: Ricca 2015: McKenny 2007, 3.)

Buying / purchasing behavior: "The way that people behave when they buy things, such as what they buy, where and when they shop, how much they spend" (Cambridge Dictionary 2016).

Distribution channel: "Entity through which the consumer may purchase all or parts of a travel product or service directly or indirectly" (Nykiel 2011, 31).

Distribution network: "Independent organizations that meet specified criteria, are affiliated, and work together to effectively and efficiently deliver hospitality and tourism services and products to guests" (Lazer & al. 2006, 293).

Independent hotel: Independent hotels operate completely on their own and do not receive any support. They do not participate in a third party organization. They are the opposite of full branded hotels that follow brand standards and rules. (Mest 2015a, 26.)

Intermediary: "An organization that operates between producers and consumers" (Kurtz 2008, 416).

Secondary and tertiary markets in Germany: Secondary markets refer to eleven German cities where hotel demand and supply grew in recent years and they are followed by tertiary markets. The term excludes the six largest German cities. (PKF Hotelexperts 2016.)

Soft brand: "Individualized hotels that give owners and operators the opportunity to affiliate with a major chain distribution while maintaining their unique design, name and orientation" (Ricca 2015).

Travel distribution: "Exchange of information about the promise of a service to be delivered in the future" (Phocuswright 2010b, 15).

2. Boutique Hotels

As mentioned in the introduction, boutique hotels are a relatively new segment in the hotel industry. Therefore, the following part starts with an explanation of their characteristics and emergence. In addition, it provides information about their target group including its purchasing behavior. Finally, it describes the situation on German secondary and tertiary markets and the performance of boutique hotels in Germany.

2.1. Definition and Characteristics

The boutique hotel segment started from a niche product and became a fixed part of the hospitality industry. During all this time, the aim of operators and the persons responsible was to create uniqueness and to avoid the limits of standardization. Thus, the boutique hotel industry has developed into one of the most difficult segments to categorize. However, it is useful to have a determined definition especially for owners, investors, operators and brand companies in order to enable an appropriate development as well as financing possibilities. (Ricca 2015.) In the following different characteristics mentioned in several definitions are presented in order to find concurrences about key features.

The Boutique and Lifestyle Lodging Association provides the following definition: "Boutique hotels are typically small hotels that offer high levels of service. Boutique hotels often provide authentic cultural or historic experiences and interesting services to guests. Boutique hotels are unique" (Day & al. 2012).

The uniqueness mentioned in the last sentence is one of the most essential characteristic of boutique hotels. Pointed out in several definitions it stresses the hotels' individuality as well as their differentiation from the traditional hotel market (Ricca 2015; Day & al. 2012; Henderson 2011, 218; Balekjian & Sarheim 2011, 3; Antropov 2014, 7). Mostly, the uniqueness refers to the distinctive design and style of this kind of hotels that is a second important feature. "Style, distinction (…) are key words in the architecture and design of boutique hotels" states Sue McKenney (2014, 13) in The Boutique and Lifestyle Report 2015, which consequently supports this aspect. Also The Highland Group, a global business consulting firm, confirms it by saying that boutique hotels are "unique in style" and "design-centric" (Ricca 2015).

A third important characteristic is the community aspect. Many of the hotels are created to consider and serve the guests' social needs, e.g. usually the lobby works as a hotspot for guests as well as for locals. In smaller boutique hotels often the gastronomic outlet takes this role. (Laage 2015.) Furthermore, the service provided in boutique hotels is described as personal, which makes up another feature (McKenny 2014, 3; TTG Media Limited 2007a; Balekjian & Sarheim 2011, 3; Götz 2015, 30). This customized service is possible since the hotels tend to be smaller (Day & al. 2012; TTG Media Limited 2007a, IHA 2016, 135). There exists no general agreement about the standard size of a boutique hotel but several opinions ranging from a maximum of 100 up to 300 rooms and even higher. The Boutique and Lifestyle Hotel report 2015 explains that the size depends on the city and neighborhood. In huge global cities like Berlin boutique hotels might have a large number of rooms whereas they tend to be small in double figures in secondary and tertiary markets. (McKenney 2014, 3.) A further contentious issue is the affiliation to a large hotel chain or cooperation in opposition to the hotels' independence. While some boutique hotel definitions include the possibility of belonging to a chain, others insist on independence (Ricca 2015; Henderson 2011, 218; Götz 2014, 38). This paper focuses on independent boutique hotels.

To sum up, boutique hotels nowadays are a part of the hospitality industry. Due to their uniqueness and individuality they differentiate themselves and thus make it tough to limit them to one encompassing definition. Nevertheless, some concurrent key dimensions can be identified. These include the hotels' uniqueness, style and design, community aspect and personal service. On the other hand, although boutique hotels tend to be smaller, there is no agreement about their size likewise the potential affiliation to a chain.

2.2. Independent Boutique Hotels

Independent hotels are gaining popularity from both guests and hoteliers. Naveen Kakarla, CEO of an international hotel management, investment and development firm, defines the independence of hotels based on their distribution and classifies them in three categories (Mest 2015a, 26):

- Independent hotels are truly on their own and do not receive any support.
- Soft brands remain independent in terms of design but a third party participates in their distribution channels (chapter 3.4).
- Full branded hotels follow brand standard and rules.

"Boutique space is where independent hotels can really pull their punches alongside brand offerings" says Andrew Shaw, associate VP of development, U.K. and Ireland at the InterContinental Hotels Group, and consequently underlines the special appeal boutique hotels have to independent operators (Baker 2016). This can be derived from the hoteliers' scope for creativity and authenticity and their greater freedom in decision-making. Independent boutique operators are in a position to realize changes more easily, operate more efficiently as well as to add touches and unique elements to strengthen the memorability. They do not have to spend money on expensive management or franchise fees but can use it for enhancing the guest experience. (Henderson 2011, 219.) A further differentiation from affiliated hotels is that in independent organizations usually the owner or operator is responsible for many tasks. He represents the key person and is involved in almost every decision regarding the hotel. Moreover, smaller and independent hotels have less negotiation power and fewer resources at their disposal than large hotel chains. (Hartikainen 2006, 49.)

2.3. History and Emergence

In the early 1950s, the global hotel market was dominated by brands that offered a consistent product according to their respective standards. To stop this McDonaldization of the industry a counter-movement began that led to the rise of boutique hotels. (De Klumbis & Munsters 2005.) Bill Kimpton and especially Ian Schrager are known as the pioneers of boutique hotels. Both were among the first operators who opened a boutique hotel. Kimpton's aim was to create a great contrast to the sterile and uniform hotels that were typical of that time. (Oates 2014.) By opening the Morgan Hotel in 1986 Ian Schrager finally introduced the concept of boutique hotels to the whole world. After gaining experience in the nightclub and entertainment industry he was able to create a hotel type that "gave people an elevated experience and elicited an emotional, visceral reaction". (Ian Schrager Company 2016.) This development shook up the hotel world. In particular, the luxury hotel segment was influenced as the "highest-profile hotelier of the past 30 years" put the focus on design and community (Fury 2013). Together both pioneers created the boutique hotel industry in North America and shaped the trend that hotels were becoming destinations on their own. (Oates 2014.) The movement began in international cities like New York, San Francisco and London but moved on to secondary and tertiary cities where social engagement, wealth and creativity play a big role. Only one year after Schrager's successful introduction the first hospitality management company for boutique hotels, Joie de Vivre, was established. (Jang 2014, 4.)

To keep pace with the competition international hotel chains began to create their own boutique brands with Starwood Hotels & Resorts being the first one by launching "W by Starwood" in 1998. Other chains established partnerships with famous designers to ensure their share of the market, such as Marriott and Ian Schrager developed the brand Edition. Also InterContinental and many other chains joined the movement. This created a more competitive market and the "boutique experience" developed into a decisive factor for differentiation. Boutique hotels that belong to a chain are often referred to as lifestyle hotels. (Balekjian & Sarheim 2012, 4.) The following figure demonstrates the evolvement of the boutique hotel industry.

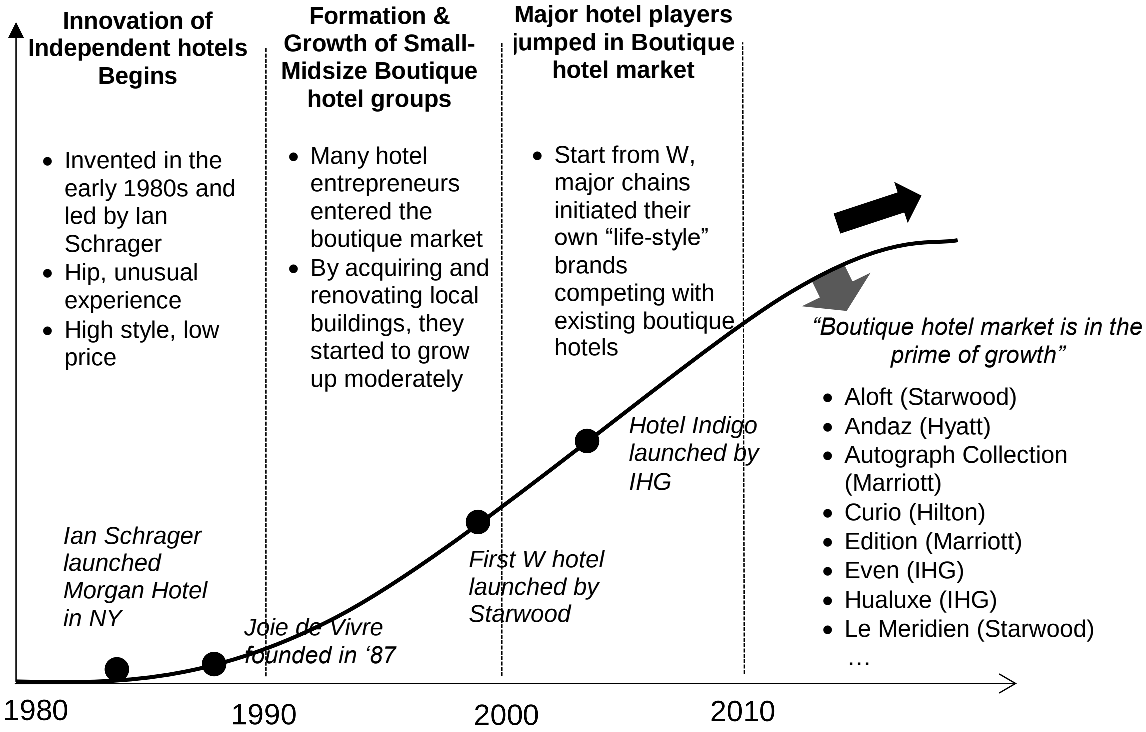


Figure 1: History of Boutique Hotels (Jang 2014, 4)

Nowadays, the boutique hotel business has turned into a global phenomenon and a fixed part of the hospitality industry. Investors as well as operators are still keen on investing in it and developing new concepts. In 2014, the revenue per available room (RevPAR) of boutique hotels was the highest compared to all other hotels in the U.S. The RevPAR is a useful indicator to measure the performance of hotels as it includes the occupancy and average daily rate. It enables a comparison between the own and the competitors' performance. As boutique hotels achieved those high figures with regard to their RevPAR, it is a clear indication of their thriving establishment. (Ricca 2015.) Despite this success, the operators have to stay alert since boutique has become mainstream and consequently new challenges arise, such as hotels have to maintain their personal service for a constantly growing number of guests. Additionally, they have to manage the change from catering a niche audience to catering the general population. To achieve this, hoteliers need to continue paying great attention to the delivery of personalized service that is highly valued by guests. Also the importance of technology is growing and it can help boutique hotels to stay competitive. At the third Boutique & Lifestyle Lodging Association Boutique Hotel Investment Conference in 2015 hoteliers agreed on one essential aspect for a successful future: "That unique feeling of a boutique hotel has to be preserved moving forward or it strips of the boutique of its appeal that drove it in the first place". (Rudnansky 2015.)

In conclusion, Ian Schrager developed a new type of hotel that receives much attention due to its differentiation from the traditional hospitality market. As many large hotel chains entered this market, it continues to grow while facing new challenges. The reason for the emergence of the boutique hotel business lies in evolving customer demands. In the past, predictability was an advantage but nowadays guests expect individuality, uniqueness and experiences. (Balekjian & Sarheim 2011, 3.) Therefore, the following part explains the customer behavior more in detail.

2.4. Purchasing Behavior of the Target Group

The target group of boutique hotels consists of 20 to 50-year old travelers with mid to upper income levels. Often the generation of the baby boomers is counted in, too. The hotel segment attracts corporate as well as leisure guests, however often only little attention is given to families and the majority consists of business travelers (Figure 2). For the latter, boutique hotels offer a welcome break from the norm and the locations in global cities are favorable. (Henderson 2011, 219.) Christoph Hoffman, CEO of the German lifestyle chain 25hours, describes the typical boutique hotel guest as a "hedonistic creative worker" who works at his or her laptop in the lobby during the day and likes to spend the evening in a hip bar (Laage 2015). The German Hotel Association (IHA) stresses the fact that the customers appreciate the fancy design and the personal as well as individual atmosphere (IHA 2016).

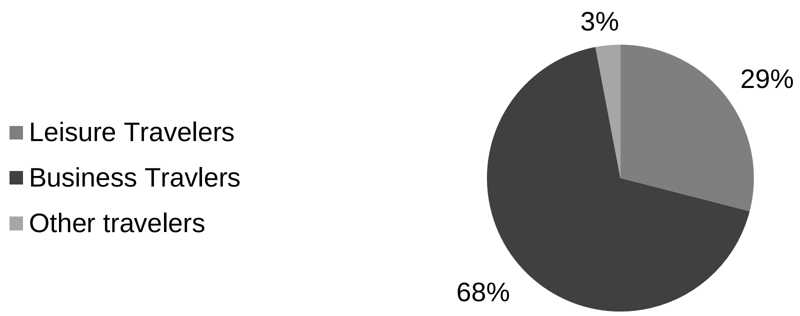


Figure 2: Demand Segments for Boutique Hotels (Jang 2014, 7)

A solid understanding of the consumers' purchasing behavior enables a business to provide a better service and to distribute its products and services more efficiently (IHA 2016). Therefore, it is essential for a hotel to know its guests' behavior, wants and needs. Regarding boutique hotels, the key attributes that attract guests are location, quality, design, uniqueness, personalized service and homely feeling. The guests are seeking an alternative to the traditional accommodation businesses, so that authenticity, design and the overall experience move into focus. (Aggett 2007, 173.)

In today's connected world, the internet plays a significant role in the customers' purchasing behavior. This is underlined by the fact that most travelers prefer to search for travel information and rooms online. Indeed, Toh, DeKay and Raven (2011a, 392) found out that 78 % of travelers typically use the internet when searching for hotels. 67 % of them continue and actually book online whereas 26 % make a reservation via telephone, 4 % contact a travel agent and 3 % walk into hotels (Toh & al. 2011a, 292). The most popular websites for planning a trip are online travel agencies (OTAs) and their importance is growing. They present an online counterpart to the brick and mortar offline travel agencies. As a third party intermediary OTAs offer various travel activities and are involved in indirect distribution. Secondly, supplier sites that in this case refer to websites of industry brands such as Hilton.com are often visited. Additionally, nowadays consumers use search engines naturally day by day and therefore rely on them also for travel planning. Previous experience and word of mouth are primarily used with reference to offline sources. Regarding the type of information typically searched online, accommodation and its prices rank first followed by information about a particular destination. In recent years, especially the interest in destination-related and experience goods is increasing. (Xiang, Wang, O'Leary & Fesenmaier 2015, 517-518.) It is noticeable that OTAs are not only as an online information source but also as a distribution channel the most popular method placed before suppliers and meta search engines (Carroll & Sileo 2014, 11).

Another trend that has developed over the last decade is the interaction between guests by means of comments, videos or similar material posted on the internet. Therefore, the role of the internet grew not only in terms of information search and booking engines but also with reference to reflection and evaluation. Hence, beside the first steps also the last part of a consumer experience takes place online. (Erikson 2012, 160.) Moreover, through the rise of social media and photo-sharing sites the perceptions of prospective guests get influenced already before the actual trip (Xiang & al. 2015, 518). Since the content is created by a third party and not by the accommodation provider itself it seems more independent and trustworthy to potential guests. As a result, customer reviews have a strong power and persuasiveness in the booking decisions, customer satisfaction and sales, so that they have developed into one of the most important online activities in travel planning. (Zhao, Wang, Guo, Law 2015, 1344.)

The guests who are using the internet tend to be younger travelers that are used to stay in hotels and may have higher incomes (Toh & al. 2011a, 392). Consequently, this corresponds with the target group of boutique hotels. Besides using internet on their desktop devices like computers or laptops nowadays a growing number of guests use mobile devices. Since these devices support the whole consumer process and guests like to switch between them handhold devises became a closely integrated channel. The majority who use smartphones to book a hotel are business travelers. (Eriksson 2012, 160.)

On the one hand, the factor influencing customers when deciding for a certain booking method is the ease and simplicity of the chosen channel. It comprises the guests' perception of what is the easiest way for them personally to arrange their trip. On the other hand, "the ability to be able to readily check the availability of rooms is a significant factor in arranging accommodation". (Pearce & Schott 2005, 59.) Travelers who rather refer to offline sources give concerns regarding security as the main reason to avoid the internet. Furthermore, they prefer personal and face-to-face support instead of indirect service. (Xiang & al. 2015, 521.)

To sum up the purchasing behavior, it can be found that the internet plays an essential role in the process and especially OTAs have much use. Guests primarily search for information about hotels and are influenced by guest-generated content. Offline sources are brought in due to lower security risks. The ease and simplicity is the main reason for choosing a purchasing method. The table below summarizes the information about the purchasing behavior explained in the text above.

Table 1: Travel Planning and Purchasing Behavior

Key attributes in selecting boutique hotels	Location, quality, design, uniqueness, personalized service, homely feeling
Online sources used for travel planning	1. Online travel agencies (OTAs) 2. Supplier websites 3. Search engines
Offline sources used for travel planning	1. Previous experience 2. Word of mouth 3. Travel companies
Type of online information searched	1. Hotel prices or places to stay 2. Information about a particular destination 3. Airline fares and schedule / flight times 4. Things to do at the destination
Typical purchase method for lodging	1. OTAs 2. Supplier website 3. Metasearch engines

Online travel planning activity	1. Print out travel info / online brochures 2. Request printed materials / brochures 3. Look at comments / material posted by travelers
Reasons for choosing the method of booking	1. Ease and simplicity 2. Availability related
Reasons for not using the internet for travel planning	1. Issue of security 2. No / little personal service 3. Too close to departure time

2.5. Boutique Hotels on the German Hotel Market

The German hotel market consists of various hotel types in different locations. The following part takes a closer look on its secondary and tertiary markets and their situation. Moreover, it provides an overview of the performance of German boutique hotels.

2.5.1. Secondary and Tertiary Hotel Markets in Germany

The sixth year in a row, the number of overnight stays in Germany increased in 2015, which indicates a positive trend. Still the domestic travelers are responsible for the majority of the bookings but the number of foreign guests is growing. (PKF hotelexperts 2016.)

During recent years the highest growth rates in hotel performance have been recognized on secondary markets. As the primary market yields are close to historic lows and are fiercely contested the secondary and tertiary markets are the next logical steps for investors. Consequently, the investments in these markets increased significantly in 2013. After the financial crisis in 2008, banks are becoming increasingly liquid and therefore are more willing and open to hotel projects on secondary and tertiary markets. This is also due to the fact that these markets tend to be less vulnerable to economic downturns. (Freed 2014.)

PKF hotelexperts (2016), an internationally recognized market leader in hotel consulting, distinguishes between primary locations including the six German cities with the highest number of overnight stays and secondary locations. The first one consists mainly of the largest cities within Germany such as Berlin or Hamburg whereas the latter comprises eleven cities that experienced a strong growth in demand and supply during recent years, e.g. Heidelberg and Baden-Baden, that are followed by tertiary cities. (PKF hotelexperts 2016.) A market analysis conducted by HOTOUR, a German hotel consulting firm, found out that in all German secondary cities the demand growth exceeded supply in recent years. This positive result is based on successful tourism marketing and an increasing interest for city trips. Additionally, a good economic structure and the establishment of renowned trade fairs and congresses lead to a constant growth in demand since 2000. (PropertyEU 2014.) Considering this development, the international real estate and investment management company JLL expects that secondary and tertiary hotel markets will remain on the radar and that Germany counts among the countries that investors are targeting (Hotelmanagement 2016).

2.5.2. Performance of Boutique Hotels on the German Hotel Market

Boutique hotels are still a rising trend and their performance tends to outpace the competitors. The following part provides an overview about some key performance indicators (KPIs) of German boutique hotels. The most common KPIs used in the hotel industry are: occupancy, average daily rate (ADR) and RevPAR. They are applied to measure and compare the performance of individual hotels. The RevPAR is considered to be the most valuable one for the reason that it includes the others, the occupancy and ADR, and therefore creates an accurate picture of the performance. (Josephi 2013, 142.) In order to be able to properly assess the data of the boutique hotels a comparison with the overall German hotel market is provided.

The performance data is received from Smith Travel Research (STR), a global hotel market data and benchmarking company. The fact that the IHA cannot provide any data regarding this hotel segment strengthens its new and innovative character. STR's definition of boutique hotels sets a limit of 200 rooms and allows properties of W Hotels, Kimpton Hotels and Joie de Vivre Hotels within the boutique segment. (Rueff 9 June 2016.) In 2015, 15 German hotels cooperating with STR fall in the scope of this definition for boutique hotels. Eight of them reported data during the whole year whereas two businesses provided data only in the second half of the year. Only three of them are located on secondary and tertiary market and the others on primary markets. The figures received from independent boutique hotels are still not enough of a sample to provide valuable information, so that all ten hotels belong to a either a soft brand or chain and only the performance of the whole segment can be analyzed. (Share Center – STR 2016a.) In comparison, the total German hotel market included an average of 9,604 properties however only approximately 31 % of them reported to STR. (Share Center – STR 2016b.) Table 2 provides the comparison of KPIs between German boutique hotels and the country's total hotel market.

Table 2: Performance of German boutique hotels and the total German hotel market (Share Center – STR 2016a; Share Center – STR 2016b)

	Boutique hotels			Total German Hotels		
	2013	2015	Gro wth	2013	2015	Gro wth
Supply	382.715	531.552	39%	213.077.553	216.172.354	1%
Demand	222.610	336.844	51%	142.578.663	151.207.812	6%
Revenue (€)	29.810.232	49.795.462	67%	13.456.880.801	13.308.001.195	-1%
Occupan-cy (%)	58.2	63.4	9%	66.9	69.9	4%
ADR (€)	133.91	147.83	10%	94.38	99.47	5 %
RevPAR (€)	77.89	93.69	20%	63.15	69.58	10%

In general, it is noticeable that the growth percentages of boutique hotels are higher for all performance indicators. The first three rows in the column of boutique hotels emphasize their growing popularity. Their supply as well as the demand increased significantly while the hoteliers were able to improve their revenue by two thirds. This is a considerable achievement as the rest of the market experienced a decrease in its revenue.

The excellent performance of boutique hotels is also reflected through the occupancy, ADR and RevPAR rates. For each factor the growth was twice as high as the growth of the total market. Regarding the average occupancy rates from May 2015 until April 2016, the highest rate (73.3%) could be achieved on Tuesdays and Wednesdays that points to the target group of business travelers. On the contrary, during the same period the highest ADR (155.29 EUR) was generated during the weekends. The combination of both results in a RevPAR that reached its maximum level (109.59 EUR) on Wednesdays. (Share Center STR – 2016a.)

German boutique hotels are growing in popularity and establishing themselves on the market. This leads to rising figures and impressive performance data. Their growth rates for all indicators exceed the ones of the total market considerably and therefore put them in a promising position.

In the following, the second part of the literature review begins. It introduces the distribution landscape of small and independent hotels.

3. Distribution of Small and Independent Hotels

"An individual firm's success depends not only on how well it performs, but also on how well its entire supply chain and marketing channel competes with competitors' channels" (Kotler, Bowen & Makens 2010, 328). This statement shows the greater importance distribution is gaining in an environment that gets increasingly competitive. To build a bridge between supply and demand or in other words between the hoteliers and their guests many independent organizations are involved in making the product or service available. (Kotler & al. 2010, 329.) The marketplace of distribution is influenced by a lot of factors like global competition and advances in technology. Distribution is essential for inventory control, the creation of databases, information sharing, rate management and the strategic position on the market. Consequently, it follows two primary objectives (Nyheim & Connolly 2012, 130):

- ⇨ "Provide distribution channels that enable customers to easily and quickly search for products and services they are willing to purchase with full disclosure of rates and availability."
- ⇨ "Provide a means to conveniently conduct the transaction on the spot, with immediate confirmation that the transaction has been successfully completed."

The fulfillment of these objectives puts the businesses in a position to gain market share due to increased sales while it simultaneously reduces the overhead costs (Nyheim & Connolly 2012, 134). As a result, a sound distribution can make the difference between a market leader and a company struggling for survival (Kotler & al. 2010, 328).

3.1. Distribution Network

As described in the paragraph above, the distribution landscape is impacted and influenced by various factors. Therefore, hospitality businesses must develop increasingly complex distribution systems to keep their position on the market. The term distribution network refers to "independent organizations that meet specified criteria, are affiliated, and work together to effectively and efficiently deliver hospitality and tourism services and products to guests" (Lazer & al. 2006, 293). Travel intermediaries, electronic distribution systems, ground operators or airlines are organizations that usually take part in these networks. In a conventional marketing system several of these businesses exist and as they all are independent organizations, no member has control over others. Nowadays, the vertical marketing system is gaining more attention. It describes "any unified combination of suppliers, producers, wholesalers, or retailers working together to deliver a product or service to the end customer". (Shoemaker, Lewis & Yesawhich 2007, 499.)

Hotels can gain advantage by applying the vertical system in form of economies through size, bargaining power and the elimination of duplication services. Moreover, there exist different levels of vertical integration depending on the dominance or equality of the channels. (Kotler & al. 2010, 340.) Figure 3 shows the difference between the two models.

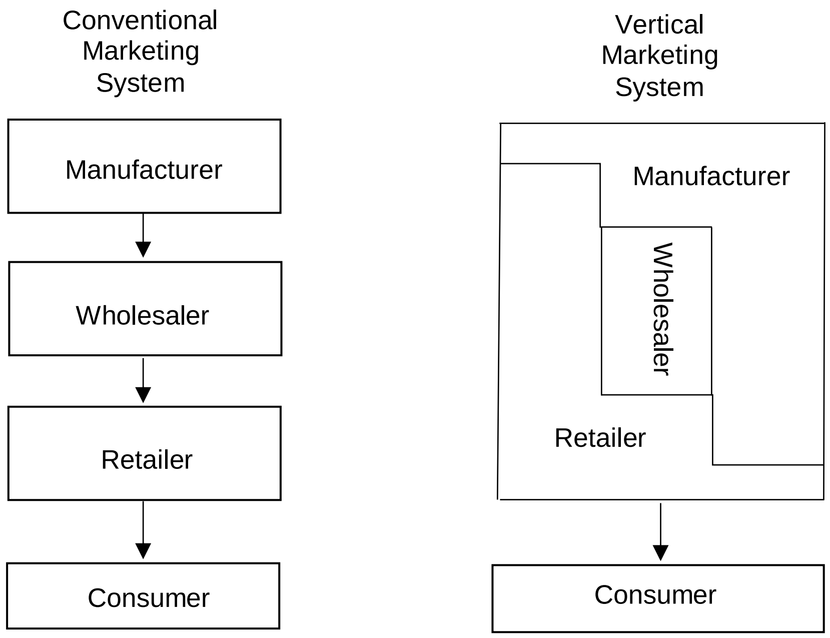


Figure 3: Conventional marketing channel compared to vertical marketing systems (Kotler & al. 2010, 340)

To establish a consistent cooperation with all parties involved and ensure a coordinated behavior is a continuous challenge of travel distribution (Lazer & al. 2006, 293). In addition, the persons responsible have to understand the customer behavior in order to provide tailored distribution channels and their sources of income. Then, they have to evaluate the channel performance and costs caused by each channel. One of the most important decisions in managing such a network is the allocation of resources to the different channel options. (Eriksson 2012, 158.) It is advisable to agree on terms and responsibilities of each channel. Everyone within the system should clearly understand and accept their roles, so that the interaction leads to the overall network goals. This requires an ongoing evaluation, motivation and information between all participants. (Kotler & al. 2010, 349.)

Small- and medium-sized accommodation businesses are faced by a vast number of opportunities and alternatives in their distribution network. In particular, the learning and adopting of new technologies, globalization and the increasing competition cause problems for them. (Beritelli & Schegg 2016, 69.) Usually, they cannot fall back on the same amount of financial as well as human resources compared to large organizations, which limits them in the choice and development of their distribution system. For example, in small and independent hotels, hereinafter referred to as SIH, often the owner decides about top and operational management issues, so that he has a say in decisions regarding the distribution. Consequently, it is not always an expert who designs the distribution system in small hotels. The lack of resources also impacts their control. For SIH the tracking of information is the most challenging task in managing their distribution network. (Hartikainen 2006, 51.) Nevertheless, these hotels have to rely heavily on room sales for their revenue especially via online channels. Hence, an effective and efficient distribution network is essential to survive and stay competitive on the market. A relatively recent trend to strengthen their position is the affiliation with so-called soft brands that will be discussed in chapter 3.4. (Kim, Kam & Moon 2012, 227-235.)

Selecting or designing a new channel within the system is a challenge each time. For SIH, visibility is the decisive factor, however also the targeted market segment, costs, market reach and the image of the prospective channel are taken into consideration (Hartikainen 2006, 40). In addition, return on investment and the ability to measure the results are important to maintain an efficient distribution system (Nykiel 2011, 211). Hartikainen (2006, 51) found out that the image and the price are the aspects that are mainly influenced through SIHs' choice of channels. The profitability of a network member is usually measured by means of a comparison between the input and the output. This can refer to money, but more often is related to the number of reservations received through a channel or the occupancy rates. (Hartikainen 2006, 52.)

Distribution systems are becoming increasingly complex. This causes major challenges for SIH due to their lack of resources. In order to counteract this development their distribution networks take place mainly online with a strong focus on the hotel's visibility. When establishing a new channel within their system its composition has to be decided and therefore the next paragraph takes a closer look at the number of intermediaries involved in a distribution channel.

3.2. Direct and Indirect Distribution

Distribution can be differentiated in two approaches: Firstly, a direct channel has no intermediary levels whereas an indirect channel contains one or more intermediary levels (Kotler & Armstrong 2008, 328). Recently, there is a shift recognizable in the hospitality industry towards direct distribution channels. The reason for that lies in the hotels' growing ability to sell their products through online technologies, e.g. an own homepage, directly to their guests. This process of replacing an intermediary or its functions completely or partially is called disintermediation. (Kracht & Wang 2010, 738.)

Distribution intensity describes the number of intermediaries that are used. The optimal distribution intensity ensures for the business adequate market coverage. If a hotel decides to sell through all available channels it is called intensive distribution. It is supportive to reach a very broad customer group. The opposite is exclusive distribution and includes only one single distributor. It limits the marketing costs and is often regarded as a sign for quality and prestige. In between these both options there is the selective distribution that allows a limited number of channels to distribute their products. It enables both parties involved to establish a strong working relationship, reduces marketing expenses and is often applied by SIH. (Kurtz 2008, 422.) It has to be considered that the greater the number of intermediaries the less control, more complexity and higher costs has to be managed by the hotel. It becomes clearer when comparing distribution channels to a retail store shelf. It is logical to think that the more shelves carry the products the more will be sold. However, as already mentioned there are other factors influencing the performance of a channel such as costs associated with technological investments or the processing of transactions that can influence the number of bookings. Moreover, additional channels can lower the volume of reservations that are typically made via another channel. (Nyheim & Connolly 2012, 131.) As already mentioned the internet and its possibilities to sell directly to guests is one of the driving forces behind the trend of disintermediation. However, it also creates new intermediaries. Thus, there is an even balance between creating and replacing. (Nyheim & Connolly 2012, 142.). Nevertheless, Law & al. (2015, 446) state in their study that the amount of direct bookings will continue to increase, so that the following part examines more in detail the advantages of direct as well as indirect distribution channels.

The establishment of own reservation systems and functions speed up the disintermediation and therefore leads to an increase in direct sales (Law, Leung, Lo, Leung, Fong 2015, 446). Direct distribution is the simplest and shortest way without any intermediary involved. It can be applied by means of direct mail, internet, in-house sales representative and via phone or in person. A hotel has to accept the total responsibilities and expenses related to a direct channel but in turn it receives the greatest control over its activities and distribution infrastructure. Consequently, direct channels ensure that the power and decision-making capacity stay within the accommodation business. This refers also to the ability to obtain and oversee the quality as well as the integrity of offers. Furthermore, direct channels allow a hotel to take care of the brand value and company reputation by its own. (Lazer & al. 2006, 294-296.) In addition, they constitute the advantage of low costs because no third party organization or commission has to be paid. The effectiveness of direct channels is underlined by a recent study that confirms that direct online channels are 10-15 times cheaper than online travel agencies and 4-10 times cheaper than global distribution systems. (Beritelli & Schegg 2016, 72.) These channels attract a certain target group that comprises organized tour travelers, business travelers, senior citizens, people with low income and people with a low educational level. Moreover, it is preferred in small town locations. (Ricca 2011, 48.) SIH often favor short and simple electronic channels for the reasons of saving money and maintaining control (Kim & al. 2012, 234). However, there are also some disadvantages that are faced by them. First of all, direct channels have to be established, which requires for example an appealing website design and the necessary technological know-how. As soon as this is done the hotels need to ensure that these channels receive attention and that bookings are made through them. Especially, internet-based direct channels bear further challenges due to their global background that include international pricing and law as well as cultural differences. When establishing an own distribution channel, payment and security issues need to be covered in order to enable a smooth transaction. (Hartikainen 2006, 26.)

If many bookings are received via indirect channels it increases the pressure on rates, which makes it harder for individuals to maintain high profit levels and bargaining power (Beritelli & Schegg 2016, 70). This is one reason why many hospitality organizations have decided to get assistance from intermediaries. But not only the suppliers, also “70 % of international travelers in Europe employ intermediaries to arrange long-haul travel”, which makes them a valuable tool for distributing (William & Richter 2002, in Song 2012, 103). Through accepting some responsibilities in distribution, intermediaries become part of the product and can facilitate the interaction between hotels and guests. This is verified because they increase the market reach and consequently also the cost-effectiveness that is particularly useful for small hotels. Intermediaries offer market access and knowledge, low-cost sales contact and specialized guest service requirements that SIH would not be able to access on their own due to restricted budgets, resources and capabilities. (Lazer & al. 2006, 292.) As a result, the knowledge and expertise provided by a third party adds value on the services offered by a hotel. Moreover, as intermediaries buy products from various tourism suppliers, they can offer packages. In addition to the already mentioned benefits, they collect customer data and behavior by means of loyalty programs that enable them to understand the customers’ wants and needs. Another advantage for SIH is that in case their reputation is not yet established on the market, nevertheless bookings can be ensured as customers trust the brands of intermediaries. (Hartikainen 2006, 23.) Hence, by giving up some of their independence each business can gain advantages that it would miss by distributing on its own thanks to synergy effects (Lazer & al. 2006, 295).

However, the hotel loses part of its control over its own inventory as well as customer relationship management. This has a huge impact particularly on independent hotels because they often have a very personal relationship with their guests. Furthermore, the cooperation with third party organizations reduces the profit margins for hotels as intermediaries need to be paid. (Nyheim & Connolly 2012, 193.)

In case that both approaches are applied it is called integrated channel management. SIH can benefit significantly from is as they gain visibility and the chance to easily sell their last rooms on intermediaries as well as obtaining the control over their direct channels. (Hartikainen 2006, 26.) This is confirmed by the PhocusWright Innovation Edition (2010a, 33) through stating that the global travel and tourism industry requires diversified distribution strategies in which suppliers leverage both direct and indirect channels.

The use of intermediaries can influence a hotel's distribution network by means of control, complexity and costs. Direct channels are preferred in order to save costs and maintain control. However, the application of intermediaries provides a wide market reach and professional knowledge. SIH favor a combination of both. In the preceding text the role of the internet was often emphasized. For that reason the following part deals with aspects of online and offline distribution.

3.3. Online and Offline Distribution

For a few years, the hospitality and tourism industry is witnessing a shift from human- to technology-based intermediaries. Emerging technologies allow companies to distribute their products and services both offline and increasingly online. (Law & al. 2015, 446).

Many offline channels count among the traditional ways of distribution. For decades hospitality organizations sold their inventory through sales offices, call centers, and traditional travel agencies. Offline channels still are the second most commonly used information source in travel shopping in terms of recommendations from acquaintances down to the present day. (Phocuswright 2010b, 20.) This kind of channels serves customers who want to make their reservation physically and take advantage of the personal service and human interaction. Usually, offline channels have the same target group as direct channels (chapter 3.2). Even though, there are constantly new technological developments a certain type of customer service cannot be displaced by any machine. It is almost impossible to find the detailed professional knowledge or specialized product mixes that are provided by offline channels online. Moreover, the flexibility that is often required to design specific packages can only be offered by offline channels. These limitations that customers face when booking via the internet ensure a future existence of offline distribution. (Law & al. 2015, 438-445.) The following text introduces the main offline intermediaries used by SIH.

The best-known distribution network members are retail travel agents. They provide different services such as arranging cruises and tours, making reservations and obtaining travel visas. Traditional travel agencies are specialists in managing and arranging complex travel packages. Therefore, often they serve their customers' need not through selling airline seats or hotel rooms but through providing their time and knowledge. Consequently, their customer service skills, relationships with clients and insider product knowledge benefit SIH. In return, the accommodation businesses have to provide them current information. Additionally, they receive information through reservations systems and worldwide data banks such as global distribution systems (GDS). (Shoemaker & al. 2007, 318-320.) The market of brick and mortar travel agencies includes individual travelers, groups, business travelers, corporations and associations and consequently targets the main customer group of boutique hotels (Lazer & al. 2006, 301). If they sell hotel rooms to them, commissions become due. With commonly 10 % they are lower than the ones charged by their online counterparts but they like to be paid quickly. The number of sales generated by retail travel agencies is decreasing and these organizations are facing a negative future. It becomes considerably difficult for them to maintain their position as hotels develop channels to sell their rooms directly at lower costs. (Kotler & al. 2010, 322.) Nevertheless, Guillaume Thevenot, business development manager at the GDS Amadeus, is of the opinion that "travel agencies are certain to survive because of the complex itinerary issue" He receives support from Philipe Garnier, senior distribution sales director at Hilton, who emphasizes that the personalization and packaging that is realized by traditional travel agencies can make a real difference. (TTG Media Limited 2007b.)

Another way of offline distribution is direct channels established through phone and face-to-face contact. These are labor-intensive ways to sell, however they are cheaper than travel agent commissions. Usually, hotels receive a high return on expenditures and they get an immediate response. Especially, small boutique hotels are aware of the fact that high-end customers normally contact them via phone with the purpose of booking and informing the hotel about their preferences. (Toh & al. 2011b, 185.) Moreover, if the rooms are designed individually, phone or personal conversations can clarify differences and amenities. Like the traditional travel agencies, boutique hotels have the advantage of voice capability and product knowledge over their online competitors. It also provides them with the ability to inform their guests about destination related activities, which is increasingly demanded. Nevertheless, this method is also declining in popularity. (Earls 2014.)

A further way of generating sales in boutique hotels is their food and beverage outlets. If they match the design of the hotel or are even designed to become destinations on their own, restaurants or bars attract publicity for the hotels. To entice guests to these outlets and consequently also to the hotel, independent operators hire successful chefs. As there are no brand standards, these can develop one of a kind concepts that reflect the design and their menu. The significant contribution the gastronomic outlets are ensuring is becoming evident in the majority of design-led hotels. If their concept is established and successful a hotel may achieve 40-50 % of its total sales through restaurants or bars plus the revenue generated through additional overnights. (Balekjian & Sarheim 2011, 4-5.) Furthermore, spontaneous gatherings or meetings can be encouraged by the use of the common space. These create a social network that helps to establish long-term success and encourages word of mouth advertising. (Mest 2015b, 94.)

Despite all the advantages of offline channels mentioned in the paragraphs above, technology became a prerequisite in the hotel industry to compete and survive on the market. Li, Pan and Smith (2009, in Toh & al. 2011b, 181) are convinced that saying “this has changed the landscape of tourism and distribution is an understatement”. Already in 2005 tourism counted among the top industries in terms of online transaction volumes (Toh & al. 2011b, 181). Standalone, independent, boutique, small and new hotels are the ones that will receive the highest increase in sales thanks to emerging online channels (Law & al. 2015, 446). By developing this way, the industry adapts to the evolving needs of customers who nowadays are more aware of the possibilities offered online. This is strengthened by the fact that a great majority of bookings has the same starting point, namely the internet. (Berigelli & Schegg 2016, 74.) Mary Swenson said during her time as managing director of worldwide communications at Best Western that the internet allowed the company “to reach 72 % of their customers who do not use a travel agent” and underlines the aspect of increased market reach (Kotler & al. 2010, 337). A second advantage is its supportive character for selling intangible goods. By transmitting colorful pictures or videos the product becomes tangible for guests, so that they establish a direct link between boutique hotels and customers. In particular, independent hotels rely on online channels as they often do not require strong financial or technological support. (Law & al. 2015, 440.)

Furthermore, the web fulfills a lot of other functions and services. One of them is to serve as information source and booking engine. This includes the sharing of valuable up-to-date information such as contact details or price comparisons and is often facilitated by search engines. (Kotler & al. 2010, 337-338.) A further benefit for SIH is that they are able to compete with international hotel chains by means of market reach. Hence, the internet acts as a universal platform for communication and presentation that enables them a competitive position on the global market. (Hartikainen 2006, 13.) The cost-effectiveness can be explained by the fact that through the internet it became possible to distribute information to millions of potential guests at low costs which contribute to a hotel's visibility, recognition and advertising. In addition, guests tend to expect products that are purchased on the internet to be cheaper. (Toh & al. 2011b, 182.) Moreover, in contrast to many offline channels online sales do not require the customer to be physically present but reservations can be proceeded from a distance. Furthermore, as already mentioned in chapter 2.4 electronic word of mouth is an enormously powerful tool regarding informing and persuading prospective guests. (Law & al. 2015, 443.) However, through adding intermediary layers the internet turned the distribution networks in an increasingly complex array of booking and information opportunities that can cause feelings of helplessness. Additionally, SIH seem very fragile with regard to the volatility and disruption that might occur in the online distribution landscape and they struggle to incorporate online innovations in their marketing. A further challenge related to web-based channels is the proper rate control across different channels due to different contracts. Moreover, as the web provides so many different booking possibilities hotels can lose guests to a variety of intermediaries. Finally, the guests' concerns of security need to be taken into account. (Inversini & Masiero 2014, 275.) The rise of the internet did not only displace many traditional marketing channels but also created new intermediaries and the most important ones for SIH are introduced in the following.

One of the first cybermediaries was online travel agents (OTAs) that emerged in the 1990s. Their massive use by both parties, suppliers and guests, puts them in a strong and powerful position and enhances their economic force. Their strength is underlined by their growth even in 2009 when the rest of the industry experienced a recession. (Phocuswright 2010a, 26.) Due to their access to GDS OTAs can offer packages comprising flights, accommodations, cars, cruises etc. and therefore meet the current demand. They attract a growing and important segment for individual hotels as OTAs' target group consists of customers who are less brand loyal, do not belong to a hotel frequent-guest program and search for value. This channel facilitates the booking process for them by providing price and product comparison, one-stop shopping and different search options. Moreover, SIH gain exposure far beyond what is possible within their own budgets as OTAs spend 35-40 % of revenue on sales and marketing activities. (Caroll & Sileo 2014, 13.) Olivia Buyrne, company director of a London boutique property, confirms the aspect of improved brand recognition thanks to the presentation on an OTA (Earls 2014). As already explained, OTAs are usually paid by means of commissions. Typically, they range between 10 and 15 %. However, SIH often have to pay a higher commission for the reason that they are lacking the presence likewise the negotiation power compared to large hotel chains. Additionally, if they want to achieve a high placement, which can be helpful during off-seasons, the percentage is even higher. Furthermore, it is important to consider that OTAs do not buy any inventory before it is purchased by guests. The combination of the advantages mentioned before and the commissions led to the term “necessary evil” that is often used in the context of OTAs. (Toh & al. 2011b, 183.) But nevertheless, many independent hoteliers accept the fee and focus on the extra business they are able to generate. They consider OTAs as a tool to get the people including their data to their property, so that they can communicate directly with them. Consequently, they are willing to lose a part of their profit in favor of receiving a larger amount of reservations. (Earls 2014; Inversini & Masiero 2014, 278.)

Despite all the advantages provided by OTAs, a hotel’s own website remains the core of its digital distribution strategy. It is frequently used by SIH as they can include everything guests want and need to know, such as rates and destination-related information. The hotel website that in the hospitality industry is referred to as brand.com has to reflect the image of the hotel. Consequently, in case of boutique hotels a unique online experience is expected by guests. (Law & al. 2015, 441.) Beside its function as information source, a homepage can be used as booking engine although not many hotels include one. The reason for this lies in the lack of payment transaction functions and in SIHs’ fear that it may become very impersonal and therefore do not meet their aim of individual service. (Hartikainen 2006, 43.) In contrast, bookings through the own website reduce the dependence on OTAs and strengthen the visibility on search engines. Furthermore, the brand.com enables the hotel to research its guests and their purchasing behavior, so that more tailored services can be offered. (Toh & al. 2011b, 184.)

Another online intermediary applied by SIH with the purpose of ensuring traffic on their own webpage is search engine marketing. Paraskevas, Katsogridakis, Law & Buhalis (2011, 200) define it as “a form of online marketing whereby marketers and webmasters use a range of techniques to ensure that their webpage listing appears in a favorable position on search engines’ result pages (e.g. Google, Bing, AlltheWEb, Altavista)”. A good position on such pages became important because “if it’s beyond the first page, it’s as if it doesn’t exist” and consequently does not lead to any bookings. (Nielson 2006, in Paraskevas & al 2011, 201). This is confirmed since 80 % of online users stop at the first result page. A hotel can decide between three different ways of search engine marketing (Paraskevas & al. 2011, 202; Murphy & Kielgast 2008, 90):

- Pay-per-click (PPC): Search engines show a sponsored link in response to specific keywords
- Search engine optimization (SEO): Website is optimized and designed using specific keywords to be found by the search engine
- Paid inclusion: Website is noted as a sponsored link but put into the organic search result list

SIH usually refer to SEO to get visitors on their website but there is still the need to enhance their application. Paraskevas & al. (2011, 203) recommend a healthy balance between the paid options and the organic SEO. When deciding for search engine marketing it has to be clear that it requires preparation like the identification of valuable keywords and that it makes only sense if finally the website is able to convert lookers into bookers. (Paraskevas & al. 2011, 203.)

Social media and metasearch engines are a recent trend in travel distribution and they have a lot in common. Meta search engines are websites that acquire data from many different travel sites, so that users get a lot of information and comparisons conveniently provided by one source (Kracht & Wang 2010, 744). For example, in the UK the most visible website for boutique hotels is TripAdvisor, one of the most popular meta search engines (Earls 2014). Both channels, social media and meta search engines, allow interaction and communication with guests. They are crucial as they enable a hotelier to share information that helps the customers to get to know and also to understand its brand. In particular, online reviews that are received through these channels on the one hand influence guests in their decision-making process and on the other hand they give the hotel the possibility to check its customers' views. Due to their uniqueness boutique hotels are in a good position to exploit this tool, for example through the creation of "Instagram design moments" that make it easy for people to take and share a picture. (Ricca 2016.) The effectiveness of social media is underlined by a study that shows a positive relationship between social media presence and OTA sales (Inversini & Masiero 2014, 279). Consequently, both intermediaries represent and efficient way to increase the occupancy rate (Inversini & Masiero 2014, 288).

Furthermore, there are some distribution channels that take place both offline and increasingly online. One of them used by SIH is direct mail. It can be carried out in form of letters or brochures but also as emails or messages. It offers the hotel the possibility to select a narrow target market and share messages quickly. For SIH, that value individualism and authenticity it constitutes the advantage of personalized mails and content.

The effectiveness can be easily measured through the response rate and depends on the quality. (Kurtz 2008, 417.)

A second intermediary that used to be applied offline, but nowadays is also available online is sales representative services. They offer the complete range of sales and marketing activities, so that hotels do not require an own sales management. SIH can benefit from them since they can save resources. Reservation firms apply different payment models that include commissions, salaries or fees. (Lazer & al. 2006, 305.) Beside the marketing activities, these companies offer sophisticated technologies and tools to analyze competitors, rate issues and new sales opportunities (Business Wire 2005). This intermediary can be supportive in reaching markets that are located at a distance from the actual property, but they maybe avoid targeting individual customers as they cannot use the entire inventory they represent (Kotler & al. 2010, 348).

To sum up the comparison between offline and online channels, it is determined that offline channels benefit from their personal interaction as well as from specified knowledge. SIH primarily use retail travel agencies, phone and personal conversations as well as their gastronomic outlets for their offline distribution. Through the use of OTAs, brand.com, SEO, social media and meta search engines SIH also gain the advantages of online intermediaries and respond to the trend towards internet-based distribution. Also direct mail and representation services are used by SIH and underline the growing shift towards online distribution.

3.4. Advantages and Disadvantages of Soft Brands

Soft brands are affiliations of “individualized hotels that give owners and operators the opportunity to affiliate with a major chain distribution while maintaining their unique design, name and orientation” (Ricca 2015). Examples for soft brands are: Ascend Hotel Collection By Choice Hotels International, Autograph Collection By Marriott International and Curio – A Collection By Hilton. The opposite of soft branding is hard branding that encompasses prominent logos, brand colors and uniform elements of service and design (Schaal & Garcia 2014). Neil Cantor, head of the Ascend Hotel Collection, describes soft brands as a good middle ground for owners to keep their independence while benefiting from chain support. This constitutes a reason for the seemingly unstoppable rise of soft brands which is based on two trends: Firstly, millennials are interested in different things and want to add some play to their work. Secondly, the number of baby boomers who retire and want to travel for fun is increasing. (Fox 2016, 98-99.) Soft brands outperform the overall industry regarding occupancy and their ADR lies between upper-upscale and luxury classes (Jang 2014, 8). During the “Brand vs. Independent” session of this year’s

Boutique and Lifestyle Summit panelists agree on two considerations that have to be taken into account before deciding whether to join a soft brand or not. The first one is the effect of adopting brand standards and the second one analyzes whether a brand takes out more money than it generates in additional value. (Baker 2016.) Additionally, Ben Seidel, CEO of the Real Hospitality Group, recommends the consideration whether a hotel is able to achieve the RevPAR with the help of the brand or not (Mest 2015a, 27). In order to examine soft brands and their value for hotels more in detail the following part analyzes which advantages likewise disadvantages they provide.

The first compelling advantage of soft brands is their excellent performance in many key performance indicators because the growth, demand, RevPAR and the total room revenue of branded boutique hotels are higher than the ones of independent boutique hotels. The strong organic growth of soft brands puts pressure on individual hotels to join as it negatively influences the independent hotels' RevPAR. (Jang 2014, 4-6.) The successful performance is derived from operational efficiency that is achieved through solid development plans, loyalty programs, technical support and networking opportunities provided by the affiliations. Thanks to their scaling in reach and an extended network, members are able to reach various customer segments that they would not be able to attract on their own. Additionally, hotels can reduce their reliance on more expensive channels while nonetheless generating visibility and an immediate positioning on the market. Philipp Weghmann, EVP, Europe of Preferred Hotels & Resorts, underlines this advantage by saying that "OTAs love independent (hotels) as we do not have the commission rates that brands have already negotiated with them". (Fox 2016, 99-100.) Also customers learn about brands that are still important and influencing criteria when making a reservation. By affiliating with a soft brand, hotels have even two brands at their disposal, the brand of the representation firm and their own brand. Consequently, soft brands deliver purchasing power and cost savings. (Holverson & Revaz 2006, 403.)

As already mentioned before, financial resources are often tight within independent hotels. Therefore, soft brands can find a remedy since lending institutions prefer branded hotels due to their experiences and standards. As a result of them, the operational risk is reduced as well as they seem more trustworthy in generating a stable cash flow. (Jang 2014, 8.)

Because of all the advantages mentioned above soft brands are especially beneficial for owners that face limited capabilities e.g. in terms of expertise, experience or systems. Soft brands' rise and domination is threatening the independent sector of boutique hotels.

(Jang 2014, 12.) Figure 4 summarizes the advantages mentioned above from the perspective of different stakeholders.

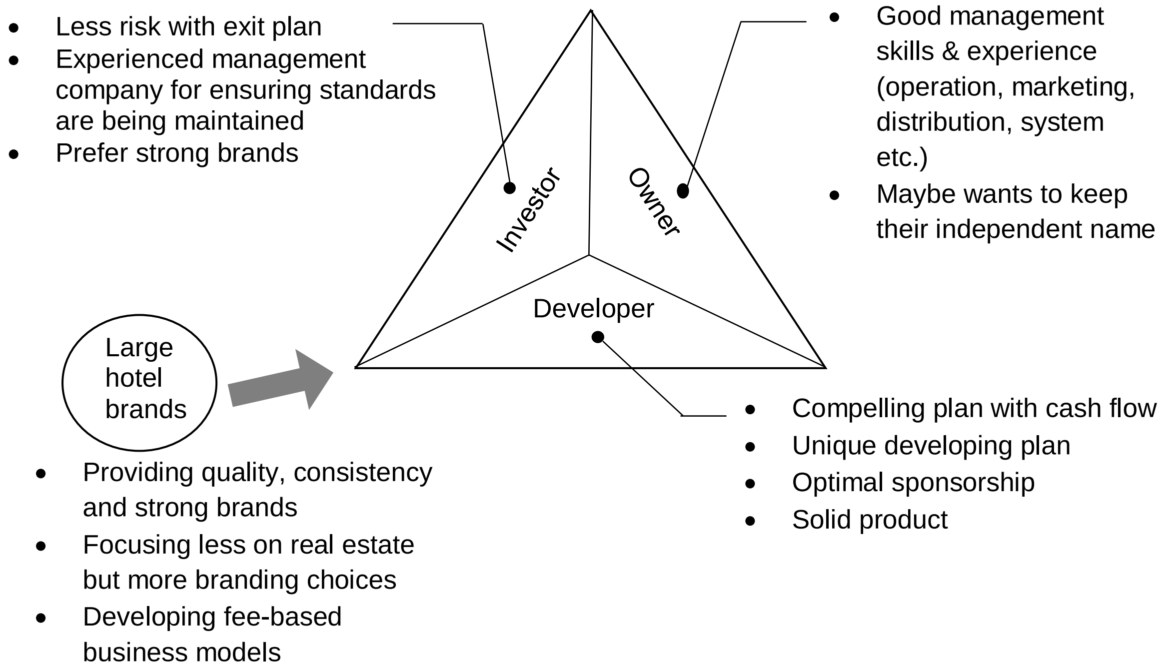


Figure 4: Needs of stakeholders related to a soft brand (Jang 2014, 10)

One of the main disadvantages of joining a soft brand affiliation is the risk of losing what the hotels stands for including its personal and individual atmosphere (Baker 2016). Without any other organization involved the operators are not constrained by any standards, so that their individuality, flexibility and fast decision-making ability are perceived as their main advantages (AHGZ 2016). Particularly, if accommodation businesses are located in a prime market they do not need to have a strong brand name in order to ensure consistent demand and high rates. If they are located in secondary or tertiary markets they can succeed as well for the reason that there are mainly conservative, uniform hotels. Consequently, independent boutique businesses can provide an entirely new experience there. (Jang 2014, 10.) Additionally, Weghmann (2016, in Baker 2016) states that the increasing importance of reviews might lead to a devaluation of brands. This also strengthens the aspect that distribution technology is available for independents and if it is applied correctly it can be better than brands (Mest 2015a, 28).

Also the situation regarding funding is improving. Today people find increasingly comfort in independent hotels, even though not all of them are institutional lenders but located in suburban markets. (Mest 2015a, 27.) Moreover, as always when cooperating with a third party costs occur. These costs aggregate almost the same sum as for joining a hard brand, e.g. while the Autograph Collection by Marriott applies an agonistic perspective, Best Western's Premier Collection charges $ 25,000 as an initial joining fee, an annual renewal fee and 10 % of the revenue that is generated with the help of their company. (Fox 2016, 99.)

Furthermore, the loose standards can cause quality variations which might result in dissatisfied guests. To avoid this, policies of individual properties must be adjusted and the entire personnel has to reflect and put into practice the personality and identity of the soft brand. Another threat is that a guest refers an unpleasant experience he made in one hotel to all members. (Fox 2016, 100.)

Soft brands are a recent trend that supports boutique hotels in their distribution while allowing them to keep some independence. They can be beneficial as they support additional bookings and financing. However when joining, a hotel drops a part of its independence and flexibility.

In the following chapter the empirical part begins. It deals with the primary research including the methods, the results and analysis as well as the discussion.

4. Methodology

As the objective of the thesis is to compare the behavior of independent German boutique hoteliers and their guests, two perspectives need to be examined. Therefore, two research methodologies were applied. Qualitative as well as quantitative research was carried out and supported by the commissioner Villa WellenRausch. The methods, purposes and processes are described in the following chapter.

4.1. Qualitative Research: Interviews

Qualitative research was applied by means of interviews with six hoteliers of independent boutique hoteliers. It is used to obtain data from a small group of respondents that is not analyzed with the help of statistics. Qualitative research helps to identify attitudes, opportunities and problems of a specific target market which makes it a suitable tool in order to get to know the perspective of the hoteliers. Moreover, it allows to react flexibly to the needs and exigencies of the hotels and to interact with the respondents, so that detailed results can be received. (Nykiel 2007, 39-41.)

Individual Interviews were selected as research method for the reason that they offer the possibility to obtain detailed information and they are considered to be one of the best method for getting personal opinions and values (Nykiel 2007, 41; Rowley 2012, 261). Consequently, they fit precisely to answer the first research question: How do independent German boutique hotels on secondary and tertiary markets distribute their products and services? The process and design of the interviews is described in the following.

The selection of the hotels for the interviews was based on their location and their presentation on their website. To find the hotels different approaches were used. Two hotels were found on the “price comparison site for handpicked, unique hotels” escapio.com that was helpful as it offers the possibility to search for certain hotel types such as boutique hotels. (Escapio 2016). Also the search engine Google was used to find boutique hotels especially on secondary markets. Finally, the local tourist information centers in the eleven secondary markets were contacted and asked for hotels in their city that call themselves boutique hotel. Out of the six selected hotels three are located on secondary markets and the second half on tertiary markets, so that both markets are equally represented. The classification of the markets was based on the German hotel market report of PKF hotelexperts (chapter 2.5.1) Moreover, it was considered that the hotels call themselves “boutique hotel” and that they correspond with the typical characteristics of that hotel type mentioned in chapter 2.1. There is only one exception because one of the hotels, Hotel de France, treats its gastronomic outlet as a separate business and not as a part of the hotel, so that they could not make a statement regarding their restaurant. All six hotels are operated by private persons. The interviewees were either owners and operators or managers in the room division department and all of them are responsible for the distribution in their hotels. The table below summarizes the most important information about the hotels and the interviewees.

Table 3: Interviews: Hotels and Interviewees

Hotel	Location	Market	Position of Interviewee	No. of Rooms
Boutique Hotel Société	Baden-Baden	Secondary Market	Owner and operator	13
Hotel de France (no gastronomic outlet)	Wiesbaden	Secondary Market	Front Office Manager	37
Qube Hotel Heidelberg	Heidelberg	Secondary Market	Operations Manager	70
Boutique Hotel Alemannenhof	Hinterzarten am Titisee	Tertiary Market	Owner and operator	21
Grieshaber's Resbstock	Kehl	Tertiary Market	Operator	49
Villa WellenRausch (Commissioner)	Lübeck-Travemünde	Tertiary Market	Owner and operator	26

The interviews were conducted in German between 19 July and 24 August 2016. All of them were done via telephone and they took 25 to 45 minutes. The questions asked were semi-structured and therefore ensured that all interviewees get the same questions, but the interviewer was flexible and able to react to the answers of the respondents (Rowley 2012, 262). Additionally, this guaranteed that the data received can be compared to the information gathered through the survey. All of the interviewees received the eleven questions in advance, so that they were able to prepare for the conversation. The questions are presented in appendix 1.The interviews were recorded and later tran-scripted.

Before the interviews started the researcher informed herself about the hotels online at the brand.com and different rating sites in order to ask specified questions and be briefed about the hotel and its features. However, there was no benchmarking and data gathering based on that because the hotels provide different kind and amount of information on their websites, which makes it difficult to obtain proper data and to compare their distribution activities.

The interviews started with the interviewer thanking the respondents for their time and participation before explaining the objective and reason of the thesis to them. The first question dealt with the uniqueness and was only used to start the conversation and to introduce the interviewee to the conversation. Therefore, it is not included in the analysis.

The following question about the hotel's target group aimed to lead the interviewee to the topic of distribution and distribution channels. The next questions regarding this topic made up the main part of the interview. Direct and indirect likewise online and offline distribution were considered and followed by some general questions about the whole distribution system. The last question dealt with the hoteliers' attitude towards soft brands. Also questions about the respondents' experience in the boutique hotel business and in distribution were asked as well as their position in the hotel. Moreover, the permission to publish the hotel's name was granted by all respondents. Consequently, all topics mentioned in the previous part were covered and the hoteliers' view on them was detected.

The information obtained through the interviews was analyzed by means of the method coding. The semi-structured interviews generated complex data, so that firstly the interviews were transcripted in order to get an overview of the whole information. As a second step, codes such as "target group" or "most effective booking channel" were used to structure and categorize similar data chunks of the interview texts. In this case, the codes were prescribed through the topics of the questions. After the first round of coding a second one was conducted. During this round the codes of the first round were revised and new categories were developed by splitting some codes into sub-categories, e.g. the code "target group" was divided into the sub-categories "age of the guests", "purpose of travel" and "German vs. international guests". Most of them were assigned with the help of descriptive coding that means the codes summarize in one word or a short phrase the basic topic of a passage. (Miles, Huberman & Saldaña 2014, 72-74.)

The method of coding is the common way to analyze interview data (Rowley 2012, 268). It was considered to be suitable for this research as it ensures access to the whole data by means of the interview transcripts. Furthermore, the whole process of coding and the step-by-step design allowed a methodical management of the complex information obtained through semi-structured interview questions. Consequently, it made it easier for the researcher to quickly find and pull out essential and related aspects. As a consequence, coding was applied because it allows a structured handling of complex data and ensures that the whole information is taken into account. (Nykiel 2007, 45.)

4.2. Quantitative Research: Online Survey

Qualitative research was applied by means of a survey that was answered by actual and prospective guests of individual German boutique hotels on secondary and tertiary markets. In contrast to qualitative research, quantitative research is used to obtain data from a larger group of respondents that can be analyzed with statistical techniques. This is also one of the most important advantages of quantitative research. If the studies are designed and applied correctly the results and information gathered are statistically reliable. Additionally, the results are projectable to a bigger group of people. As the descriptive design of quantitative research aims to find out the preferences, attitudes, practices and interests of a group of people it was used as the method to examine the preferred purchasing behavior of the actual and potential guests. (Nykiel 2007, 56; Rowely 2014, 309.)

Surveys could be seen as a dialogue between the questionnaire and the informant. They enable the researcher to ask different kinds of questions to a large number of respondents and consequently to collect a wide range of data. Furthermore, they are an efficient tool with regard to time and costs. (Nykiel 2007, 58; Rowely 2014, 310.) As the counterpart to the interviews, the survey answers the second research question: How would / do customers prefer to buy products and services of independent German boutique hotels on secondary and tertiary markets?

The online survey consisted of 17 questions that generated different basic types of data, e.g. nominal data was collected through the question for the respondents' age whereas ordinal data was collected through the ranking of the importance of different booking aspects (appendix 2). It is also due to different types of questions. One open end question was asked to get a more detailed insight and explanation for the respondents' choice of their preferred booking channels. Closed questions were applied in order to get standardized data and enable a comparison and relation to the theory part. (Vinten 1995, 27-28.)The questionnaire of the survey was available in German and English. It started with a short introduction text that explained the aim and purpose of the thesis and the survey. Moreover, it contained a short explanation of the term "independent boutique hotels on secondary and tertiary markets in Germany" to ensure that the people know what the survey is about. In the following people who are interested in this certain hotel type were asked to fill out the survey. Simultaneously, this ensured that only actual or potential guests of boutique hotels answered the questions and that people who are not interested in the topic became discouraged. Finally, the respondents get informed that the data received through the survey is treated anonymously as well as confidentially.

All of the questions were designed in a way that their answers can be related to the literature review and can be compared with the ones of the interviews. The first five questions of the survey were used to get information about the respondents such as their age, salary level and frequency of travel. The following section of questions referred to the different online and offline information sources and distribution channels likewise their most important features from the guest perspective. The questions in this part aimed to find out the preferred booking behavior of guests including central aspects in the process of making a reservation. When asking for the most important influencing factors, the respondents were asked to choose two aspects and regarding the favored booking tools the respondents were asked to name three channels, so that the data received is as detailed as possible and properly reflects the guests' perspective. For the same reason some questions referring to booking methods included the option "other", which enabled the respondents to add a further tool that is mostly used by them but not included in the answer options. The status of customer reviews and gastronomic outlets was tested in the survey as well. The last question was designed as a Likert Scale. This type of question became popular in the service industry as it is suitable to measure attitudes and preferences (Göb, Mccollin & Ramalhoto 2007, 601). It asked the respondents to rate the importance of different aspects within the whole booking process. The aim of this question was to support the answers of the questions before as the Likert Scale included features and characteristics of online, offline, direct and indirect distribution. It was designed to give the respondents five options to rate which one is considered to be important or not.

Before sending out the final questionnaire a pilot survey was implemented. The aim of it was to detect errors and avoid misunderstandings in the final version, so that the results would not be distorted. (Rowely 2014, 316.) The preliminary version was sent to seven people in different age groups who fall in the target group of independent boutique hotels. Four of them were familiar with the topic of hotels and how to do surveys whereas the other three did not have any specific knowledge. After getting feedback from the respondents two questions were adjusted to make them clearer and easier understandable.

The survey was carried out between 18 July and 15 August 2016. Google Forms was used as the program to create and distribute the questionnaire as well as to collect the responses. The was distributed online because it is a convenient and fast way to reach a lot of interested people and as explained above, the typical guests of independent boutique hotels are familiar with online processes. The majority of the 62 responses were obtained after the commissioner Villa WellenRausch posted the link to the survey on their Facebook-page and asked its follower and consequently people who are interested in this hotel type to answer the survey. Moreover, the survey was sent to people of whom the researcher knew that they have already stayed in such a hotel.

As already described, the data obtained through quantitative research can be analyzed statistically. But before that could be done the answers of the German and English questionnaires need to be added up. There were a total of 62 responses of which two were done in English.

There were different ways applied to analyze the results of the survey. Mostly the frequency of answers were measured, e.g. to show the importance of online customer reviews or to identify the preferred distribution channels. Also raw data was generated through the question that asked for the reason of choosing a booking channel. In order to analyze this kind of information the author looked for similar answers and established different categories, like “ease” or “direct contact”, to classify them. Also the spread of distribution was considered when looking at the dispersion of scores on either side of the central value. In this case it was applied to analyze the results of the Likert Scale. The classification of “somewhat important” that is used in the description of the results received through Likert Scale is equal to the answer option “of average importance” used in the questionnaire. (Nykiel 2007, 102-105.)

4.3. Limitations

The distribution of the survey included two aspects that need to be considered. First of all, the distribution via the internet excluded guests that are not used to internet-based devices, so that only guests who are familiar with computers etc. were able to answer the questionnaire. As a second point, the support from the commissioner Villa WellenRausch led to the fact that a great majority of the survey respondents book independent boutique hotels as leisure trips. Consequently, the results of the survey present to a great extent the behavior this target group.

The research methods applied contributed to the core finding that the independent German boutique hoteliers on secondary and tertiary markets have a good understanding of their customers’ preferred purchasing behavior. To a great extent they distribute their products and services in a way that is preferred by their actual and potential guests. A more detailed analysis of the results is provided in the following chapter.

5. Analysis

In this study two research methods have been applied in order to present the perspective and behavior of independent boutique hoteliers and their guests. The following chapter presents the results of the primary research. It shows the answers and analysis of the interviews and the survey and establishes a link to the theory mentioned in chapter 2 and 3.

5.1. Analysis of the Interviews

The following text deals with the analysis and evaluation of the information gathered through the interviews. It is structured according to the topics of the interview questions that are included in appendix 1 and therefore also according to the codes that were used to analyze the data. The examination of the results answers the first research question: How do independent German boutique hotels on secondary and tertiary markets distribute their products and services?

The answers summarized under the first code “target group” provided the following information. Four interviewees named business as well as leisure guests as their target group. Villa WellenRausch and Boutique Hotel Alemannenhof only have leisure guests that are mainly couples. The focus of Hotel de France lies on business travelers although both guest types book it. The representatives of the Boutique Hotel Alemannenhof and Grieshaber’s Rebstock mentioned that families with children did not fall in their target group as well as the latter and Qube Hotel Heidelberg did not count travel groups among their target group. The majority of guests are found in the age group between 25 and 60 years. However, travelers who stay in Hotel de France are aged 40 and older. While three hotels only mentioned that they generally had international guests the other half stated that 40 % of their guests were non-German travelers who mainly come from the neighboring countries. As a result, the hotels’ guests fell in the target group defined by Henderson (2011, 215) with regard to age. However, the demand segments did not comply with the ones of Jang (2014, 7) as the hotels interviewed are not demanded by a majority of business guests. The domestic travelers make up the greater part of the guests but there were also a considerable proportion of foreign travelers just like PKF hotelexperts (2016) found out regarding the total German hotel market.

The interviewees could not find a common denominator with reference to the question about the factors that influence guests when booking their independent boutique hotels. Two respondents mentioned the location as the main aspect whereas two were of the opinion that the individuality of the hotel played an important role. Also the price segment was brought in as a decision criterion by two hoteliers as well as the fresh and authentic facility and design. Moreover, the operator of Grieshaber's Rebstock pointed out the long tradition of the family-run hotel and the interviewee of Qube Hotel Heidelberg added the online presentation especially on booking portals and review sites. Consequently, the hoteliers agreed in some points with Agett (2007, 173).

In their distribution system all hoteliers use a variety of distribution possibilities including direct and indirect in addition to online and offline channels. As a consequence, they confirmed the research of Hartikainen (2006, 26) through applying integrated channel management. Additionally, due to their limitation in resources they proved the statement of Kurtz (2008, 422) and apply a selective distribution. The following part deals with the answers to the question and sub-questions that aimed to find out more details about the use of specific channels and intermediaries (question 4 in appendix 1).

The first code assigned to the answers of this question referred to the direct channels that are used by independent boutique hotels' guests in terms of telephone calls to the reception, emails and the own homepages. In addition, Boutique Hotel Alemannenhof has an own reservation department at its disposal and in the Boutique Hotel Société an increase in direct sales is recognizable. All interviewees agreed on the aspect that direct distribution was vital for establishing a guest relation and that the personal service and recommendations were valued by guests. Furthermore, at Boutique Hotel Alemannenhof its reservation department is considered as a source of extra sales that according to the operator are easier to realize if the guests are directly addressed via phone. Consequently, the results of the interviews corresponded with the findings of Kim & al. (2012, 234) that short and simple channels are favored although the reason for it is the personal link instead of the possibility to maintain the control. To ensure direct bookings, the interviewees engage in different activities. For example, on the website of three hotels it is guaranteed that the price offered there is cheaper than on other booking portals. Also it is a common practice to offer guests that call the hotel a discount and to encourage guests who booked the first time via an intermediary to use direct channels as both methods are used by 50 % of the hotels. Moreover, the own website including a booking engine was considered to be a tool that contributes to the promotion of direct sales by half of the hoteliers. Indirect sales are mainly received through OTAs and to a very limited extend also through their offline counterparts.

Considering the contribution of online and offline distribution channels, there were differences among the hotels. Half of the hoteliers stated that they received the majority of their bookings (60-80%) through internet-based distribution whereas two received less than half of them (30-40%) through online channels. At the Boutique Hotel Alemannenhof online and offline distribution are equally used. This slight majority proved the trend towards online distribution mentioned by Law & al. (2015, 446) and supported the research of Kim & al (2012, 231) that independent hotels rely on online channels.

The code and the question about “offline distribution” embraced the three sub-categories “traditional offline travel agency”, “emails and telephone” and “gastronomic outlet” that are presented in the following. The fact that only two of the respondents still work with traditional travel agencies confirmed this intermediary’s negative future prospects stated by Kotler & al. (2010, 332). Additionally, it has to be mentioned that for Villa WellenRausch the contract with a travel agency will not be extend for the upcoming year and this distribution channel will not be used anymore. The second hotel that cooperates with offline travel agencies is the Boutique Hotel Alemannenhof. However, the operator uses it only for one room and only abroad, so that he does not make full use of it, which underlined the declining popularity of brick and mortar travel agencies.

The offline channels emails and telephone are highly valued by the hoteliers like it was found out by Toh & al. (2011b, 15). The respondents confirmed that especially the telephone is an important method to ensure correct bookings and offer personal service. Furthermore, the independent boutique hoteliers considered emails to be chosen because of their fast and easy handling.

Four interviewees stated that their hotels’ gastronomic outlets counted among the booking criteria for guests. But they said as well that this did not apply to their whole target group. From the perspective of the hoteliers mainly business and loyal guests consider their restaurant or bar as an important factor when booking. For the representative of Villa WellenRausch the bar does not present a main reason for booking but rather an additional value for the guests and a factor for differentiating from the competitors. Consequently, the interview results summarized under the code “gastronomic outlet” complied partly with Balekjian & Sarheim (2011, 4-5).

Considering online distribution a few sub-codes have been identified: “OTAs”, “booking engine on the brand.com”, “search engine marketing”, “social media”, “management of customer reviews” and “mobile bookings”. They are explained in the following. All hoteliers identified OTAs as the channel generating the most bookings and therefore proved the study of Carroll & Sileo (2015, 15). All of the six hotels are represented on the OTAs “booking.com” and “hrs.de”. Some use or plan to use further specific portals, such as “escapio.de” that confirms the statements of Inversini & Masiero (2014, 278) and Earls

(2014). Moreover, the representative of Qube Hotel Heidelberg pointed out that OTAs were a useful tool to get in touch with the guests and to receive their data, so that the hotel could later communicate directly with them. If the guests return to the hotel after their first stay they usually book directly. Consequently, he agreed with Earls (2014).

The six German independent boutique hotels have booking engines on their brand.com. Instead of fearing that it might be too impersonal the hoteliers considered a booking engine on the own homepage as an easy booking method for their guests. The operator of Grieshaber's Rebstock justified this aspect with the fact that guests still had the possibility to call the hotel if they preferred personal service and that nowadays it is common for guests to make a reservation online. Furthermore, at Boutique Hotel Alemannenhof the booking engine is used to increase direct sales because it shows the guests if a specific room is available. As a result, the statement of Hartikainen (2006, 43) was not proven by independent boutique hoteliers on secondary and tertiary markets in Germany. However, it has to be taken into account that the study of Hartikainen was conducted in 2006 and therefore at this time it has not yet been common to have a booking engine on the brand.com. Consequently, these responses also highlight the progress and significance of technology in the booking process that developed through recent years.

To ensure a proper ranking of the homepage on the result page of a search engine, search engine marketing is applied in all six boutique hotels. Four respondents indicated SEO as their chosen method whereas the interviewees of Grieshaber's Rebstock and Qube Hotel Heidelberg mentioned that they had paid to get a better ranking and consequently applied PPC. This results confirmed only partly the research of Paraskevas (2011, 203).

Regarding social media, another topic and sub-code of online distribution, five of the boutique hotels that were interviewed are represented on the platform Facebook and Qube Heidelberg additionally has a Twitter-page. The interview partner from Hotel de France explained that this channel was not used in his hotel because its director does not consider it as an important and valuable channel for their target group. The other respondents who are active in this field highlighted that it was often difficult for a small hotel to take care and maintain the sites properly. Nevertheless, Grieshaber's Rebstock and Villa WellenRausch could recognize increasing room requests and telephone calls based on their appearance and presentation on Facebook. Furthermore, Boutique Hotel Alemannenhof was the only hotel that already offers a booking possibility via a meta search engine. Although the actual number of bookings received through this intermediary is still very low it is helpful to attract new guests. These results complied with the study of Inversini & Masiero (2014, 288).

Both channels mentioned in the paragraph above enable guests to leave comments and reviews. The reactions of the hoteliers to them were different. The owner of Villa Wellen-Rausch was the only interviewee who indicated to answer every review with a detailed and personalized response as he considers the ranking and comments as very important for prospective guests and to deliver a proper image of his hotel. The operator of Boutique Hotel Alemannenhof will start in September to answer all the reviews that from his perspective are qualified. The same applies to the interviewee from Boutique Hotel Société who tries to answer to some comments now and then. Both hoteliers had made bad experiences with rating sites in form of threats of bad reviews if they do not pay some money. Therefore, they concentrate only on comments that address them directly or include constructive criticism. However, both were of the opinion that guests recognized it if other travelers try to maliciously make the hotels look bad and they could differentiate the qualified comments. The representative of Grieshaber's Rebstock also tries to answer to reviews now and then but limited human resources restrict a proper and standardized handling of them. Hotel de France applies the same strategy. If the guests checking out of the Qube Hotel Heidelberg are excited about their stay they are asked to directly post their opinion about the hotel. The reception has a portable tablet at its disposal that is used for this purpose. Consequently, there reviews are managed by asking guests that are satisfied with and enthusiastic about their stay. Moreover, this hotel, Hotel de France and Boutique Hotel Alemannenhof work with other systems to support their presentation on review sites. As a result, the hotels were active to varying degrees in responding to the growing importance of guest-generated content stated by Zhao & al. (2015, 1344).

All boutique hoteliers were aware that within online distribution the role of mobile devices is growing as it was found out by Erikson (2012, 160). This was underlined by their websites that are designed to be easily accessible and used on portable devices. Additionally, Qube Hotel Heidelberg offers an own app for its guests. Although this newly introduced channel is used by surprisingly few guests the interviewee was confident that the number of reservations received through the app would increase. The other respondents did not consider an own app as additional value or perceived it as necessary for distributing their products.

Four of the German boutique hoteliers considered OTAs to be the preferred booking channel of their guests and therefore agreed with Xing & al. (2015, 517) and Caroll & Sileo (2014, 11). Only the representative of Grieshaber's Rebstock referred to emails as the guests' favorite channel. The interview partner from Boutique Hotel Alemannenhof did not want to determine one channel since from his perspective it depends on the guest type. He explained that price conscious guests tended to use indirect channels while quality conscious guests preferred direct ones.

After examining the use of specific channels and intermediaries the questions referred to the management of the whole distribution network. The channels identified by the six hoteliers as the preferred ways are the same that generate the most bookings and were summarized under the code "most effective booking channel" from the perspective of the respondents. Consequently, like Hartikainen (2006, 52) described it, nowadays still the amount of bookings is the value used to measure the effectiveness of a channel in independent boutique hotels. Additionally, at Grieshaber's Rebstock the aspect of error prevention is included in their measurement of a channel's effectiveness. Also Qube Hotel Heidelberg took into account a further point. There, an efficient handling and management of a channel is considered when measuring the effectiveness.

As ease and simplicity were identified by Pearce & Schott (2005, 59) to be very important aspects when making a reservation, the hotels' approaches to realize them presented a further topic of a question. The representatives of Villa WellenRausch and Hotel de France talked about their booking engines directly on their webpages that according to them offer prospective guests a direct and easy channel to book. As a second approach, the interviewees of Grieshaber's Rebstock and Boutique Hotel Alemannenhof explained that their guests did not have to give a lot of their data such as credit card details in advance of their stay. Boutique Hotel Société and Qube Hotel Heidelberg require this information already when a guest books their hotel but only if it is the first time. In addition to that, the cancellation deadline of the latter is only at 4 pm on the arrival day, which enables travelers to cancel their reservations at short notice. Consequently, all of the boutique hotels engage in making the booking process easy and simple, so that one of the most important considerations for guests is taken into account.

As already mentioned, the boutique hoteliers provide different kind of information on their website. This refers also to "destination-related content" that was used as a further code to analyze the interview results. Most of the hotels provide some links about the region, restaurant tips, event calendars etc. and consequently respond to the trend identified by Xiang & al. (2015, 518). Therefore, in more than half of the hotels the guests are already informed about destination goods when they arrive and personal recommendations from the hotels' employees are only requested for specific attractions or trips. In case of Boutique Hotel Alemannenhof, the hotelier is supported by a strong brand of the Hochschwarzwald region. However, there are also guests that are not informed when arriving, which often occurs at Qube Heidelberg. There, 80-90 % of the guests request destination-related information when they are on the spot. On the contrary, Villa WellenRausch provides a lot of details and material about their destination on their webpage, so that guests can inform themselves ahead of the trip. The interviewee of Grieshaber's Rebstock was of the opinion that nowadays the hotel was not anymore the first contact point for this kind of information thanks to the internet and search engines. As a result, the hotels provide destination-related information on their website but for specific questions the most guests value the personal service and recommendations on-site.

The six boutique hoteliers had almost the same opinion regarding the question about the most important aspects for guests in the whole booking process. Five of them classified the ease of the booking channel and the fast execution of a reservation as two factors and therefore confirmed the study of Pearce & Schott (2005, 59). Moreover, three respondents considered the personal service to be highly valued by guests. A further factor mentioned by the interviewee of Boutique Hotel Alemannenhof is that the guests are only satisfied if they receive exactly the product they have booked.

Half of the interviewees had the same answer to the question about the greatest challenge in distribution. For them the greatest challenge is to be always up-to-date, especially to coordinate the online presentation, so that everything corresponds with the current situation. In addition, for Hotel de France it plays a major role to negotiate appropriate company contracts whereas the operator of Boutique Hotel Société whose hotel is relatively new makes an effort to establish loyalty among their guests and to further develop her hotel business. The biggest challenge at Qube Hotel Heidelberg is to select the right business. The representative is of the opinion that it is essential and challenging to apply a suitable yield management that ensures the right customer at the right time. Regarding Boutique Hotel Alemannenhof, the biggest problem is a clear communication of the hotel's advantages, so that the guests do not mix them up with other hotels' features. As a result, half of the interviewees complied with Hartikainen (2006, 51).

The last code summarized the answers regarding a membership in an affiliation. Two of the hotel's representatives had already thought about joining a soft brand, however they decided against it for different reasons. Like Baker (2016), the interview partner from Villa WellenRausch considered the loss of personality as one of the main disadvantages of soft brands. Moreover, he explained that the target group of boutique hotels did not want to have the appearance of a brand but they wanted individuality. In this regard he received support from the representative of Qube Hotel Heidelberg. Furthermore, the operator of

Villa WellenRausch agreed with Weghman (2016, in Baker 2016) by stating that the importance of brand names is decreasing thanks to online reviews. The second hotel that was considered to join a soft group is Grieshaber's Rebstock. In this case, the hotel's location on a tertiary market had represented an exclusion criterion. Additionally, the operator could not find an affiliation that corresponds completely to the policies and philosophy implemented in her hotel. Finally, it had been an issue of money and the value she could get out from being a member. From the perspective of Hotel de France, the latter is also the reason for not joining a soft brand. Boutique Hotel Alemannenhof is not a member of a hotel affiliation as the operator cannot find a proper one that meets the features and advantages he would expect from a soft brand. Consequently, the interviewees considered the aspects mentioned by Baker (2016) and additionally they took into account further characteristics of their hotels and their situations. As none of the hoteliers considered it as necessary to join a soft brand in order to ensure a proper distribution it could be concluded that the pressure on independent boutique hotels is not as strong as described by Jang (2014, 4-6).

To sum it up, the target group of the independent German boutique hotels consists mainly of leisure guests aged 20 - 65. The respondents could not find agreement regarding the influencing factors of guests. They apply a selective distribution and they like telephone calls and emails as direct channels as they are fast and easy to handle. However, as the majority of bookings are received through OTAs the focus lies on online distribution. Furthermore, the interviewees have booking engines on their websites and the great majority is represented on social media-sites. All of the hoteliers are aware of the trend towards mobile bookings and incorporate it in their distribution networks. Moreover, they have found different ways to manage and react to online reviews and to make the reservation process of their hotel easy and simple. From their perspective, the ease and the fast execution of a booking count among the most important factors for guests in the whole booking process and for most of them the greatest challenge is to always be up-to-date. Two of them had already thought about joining a soft brand but had decided against it for various reasons. Consequently, it could be found that the hoteliers complied or partly complied by a majority with the theory mentioned in the previous chapters. They disagreed only with regard to the use of booking engines on the brand.com.

5.2. Analysis of the Survey Results

The following chapter deals with the results and data received through the survey. First of all, it shows the profile of the respondents before explaining their purchasing behavior. It presents the perspective of the demand side of independent boutique hotels on secondary and tertiary markets in Germany. The survey data and its analysis answer the second research question: How would / do actual and prospective guests of individual German boutique hotels on secondary and tertiary markets prefer to buy the products and services.

The survey received 62 answers in total. Two of them were done in English, so that a great majority of the respondents (97%) were Germans. This is an indication that the target group of independent boutique hotels in Germany mainly consists of domestic travelers but is also due to the distribution approach of the survey. 60 % of the respondents had already stayed in this specific hotel type, so that more than half of them could answer the questions from experience (Figure 5). Regarding the purpose of booking an overnight in an independent German boutique hotel there was a clear majority of guests (89 %) who use this accommodation type for leisure trips whereas only 11 % use it for a business trip (Figure 6). This is the opposite compared to the study of Jang (2014, 7). The reverse result was supported through its distribution by the hotel Villa WellenRausch that mainly attracts leisure guests and it pointed out that independent boutique hotels are becoming more and more interesting for leisure guests.

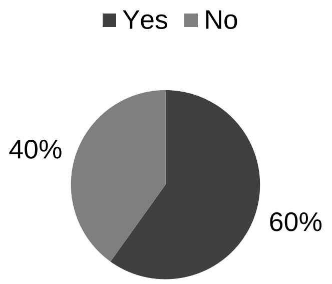


Figure 5: Respondents stayed / stayed not in independent boutique hotel in Germany

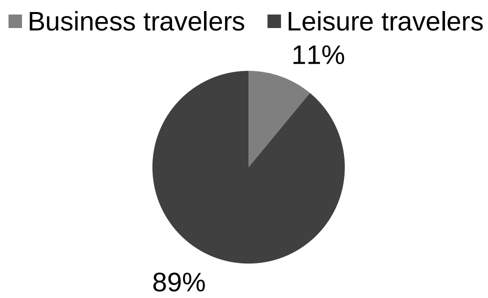


Figure 6: Demand segments of the respondents

The age range of typical boutique hotel guests were covered by the respondents as all age groups between 20 and 60 years are represented as shown in Figure 7. The most answers were received from people between 21 and 30 years, which was due to the distribution of the survey that took place online and this age group has the highest internet affinity ((N)Onliner Atlas 2014). The older age groups within the target group are almost equally represented. Also a few younger respondents younger than 20 years answered the questionnaire. These are the only ones that do not fall within the target group of boutique hotels stated by Henderson (2011, 219). However, it shows that this hotel type is receiving great attention from people of various ages and that younger guests are a promising target group.

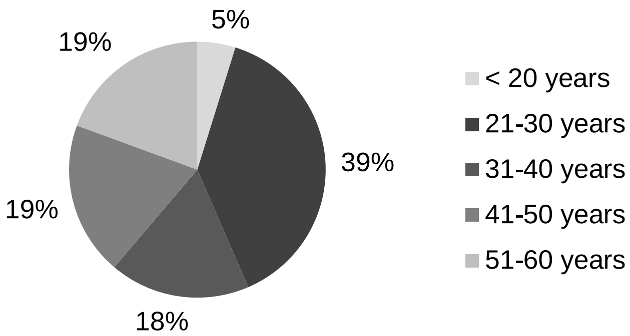


Figure 7: Age of the respondents

The respondents also corresponded with the target group of boutique hotels and online users defined by Toh & al. (2011a, 392) with regard to their salary as the majority of the respondents receive an upper-middle income measured by German salary levels. However, also 15 respondents have an income below 1,000 EUR. This can be explained through the fact that the majority of the responses were received from younger people and probably students who do not get a full salary. Moreover, 29 of the respondents stay in hotels one to two times a year, 20 of them three to five times and 12 travel more often than five times, so that they are used to staying in hotels.

To sum up, the majority of respondents had already stayed in an independent German boutique hotel on a secondary or tertiary market and travels for leisure. The biggest represented age group consists of respondents between 21 and 30 years, however also other age categories were sufficiently represented. The respondents are used to traveling and most of them receive an upper-middle salary level. Consequently, the respondents fell in the target group of boutique hotels with the exception of 5 % who are under 20 years but nevertheless interested in that topic.

The first question regarding the booking behavior referred to the guests' preference of searching for hotel information either online or offline and the answers are presented in figure 8. Only 2 respondents chose the offline way whereas 97 % focused on online channels. This underlined the strong use and growth of internet-based distribution. Among the 97 % almost one third uses mobile devices. The most widely used way to find information is with desktop devices. This result confirmed the research of Toh & al. (2011a, 392).

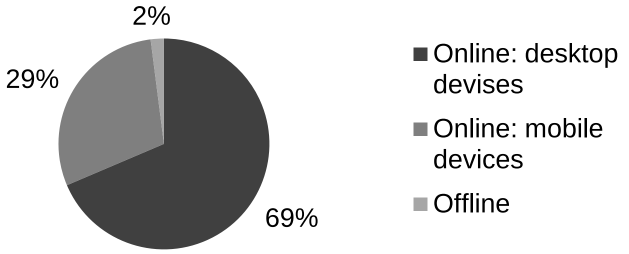
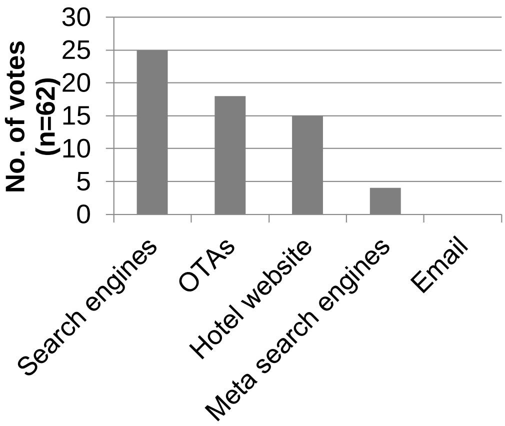


Figure 8: Use of online versus offline information sources

When the focus was put on online distribution, the most guests use search engines to obtain information. These are followed by OTAs and the hotel's webpage. Consequently, the respondents of the survey preferred the same channels as the study of Xing & al. (2015, 517) found out however their ranking is different (Figure 9). The same applied to offline channels. As figure 10 shows, the guests mainly receive information via word of mouth. Moreover, they contact travel agencies and rely on their previous experiences. These were the same tools that Xing & al. (2015, 518) identified as the preferred offline sources for travel planning, but again they were ranked differently. One respondent added the channel newspapers and magazines as his or her preferred offline channel.



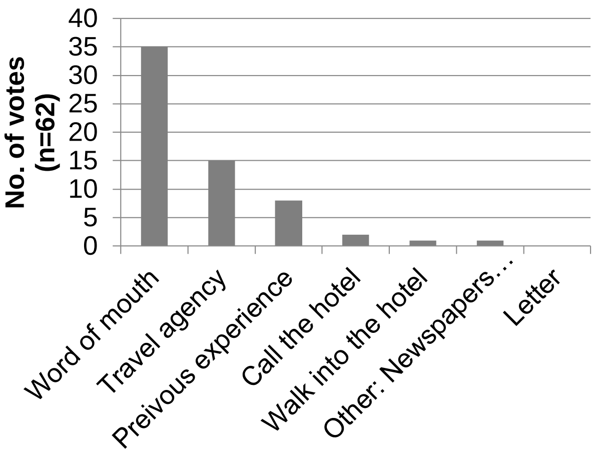


Figure 9: Use of online information sources   Figure 10: Use of offline information sources

When booking the most important aspect for guests of independent boutique hotels is the location. Furthermore, the quality of the product as well as the overall experience plays an important role. The least important feature for guests is the hotel's authenticity. Also the gastronomic offers and personal services receive little attention. The design and style likewise uniqueness as the key characteristics of boutique hotels are located in the middle range. Consequently, all of the attributes mentioned by Agett (2007, 173) were considered, even though personal service, design and uniqueness tend to be less important than location and quality (Figure 11).

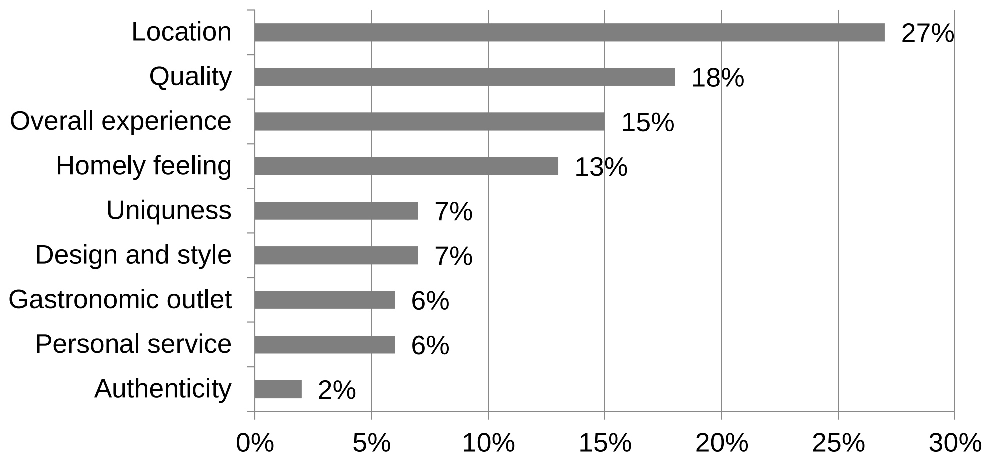


Figure 11: Hotel features attracting guests

From the demand perspective the hotel's own website is the most common booking channel followed by OTAs and emails. The own homepage clearly led the ranking because it received more than twice as much votes as the third-placed method. This underlined the aspects mentioned by Law & al. (215, 441) and Hartikainen (2006, 43) that the brand.com works as the core of online distribution for boutique hotels and it is a helpful and suitable tool not only for informing but also for booking. Again OTAs were ranked second and therefore received a lot of attention from guests in the booking process. As figure 12 shows, also emails are often chosen as booking method. This result strengthened the aspect that personal contact and service is highly valued by guests. The same applied to telephone calls. As Toh & al. (2011b, 185) found out they are an important channel for an individual boutique hotel. This was confirmed by the high number of respondents who chose it. Search engines and meta search engines ranked in the middle whereas the latter received slightly more votes, which proved the growing importance of comparisons, transparency and online reviews stated by Zhao & al. (2015, 1334). These channels are followed by offline travel agencies. Their large distance to the top preferred channels confirmed their negative future prospects and declining popularity predicted by Kotler & al (2008, 332). Very few guests would just walk into a hotel and ask for a room. Furthermore, nowadays no guest would write a letter that confirmed that the fast technological-based communication had completely replaced the traditional methods. Again, the option "other" was selected and like before the respondent added newspapers and magazines as his or her preferred booking channel.

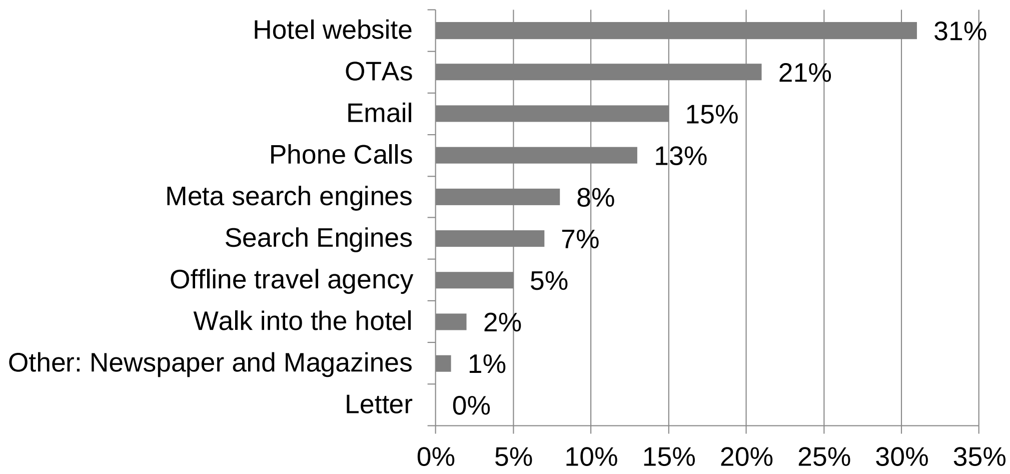


Figure 12: Preferred booking channels

The main reason why the respondents chose the channels mentioned in the figure above is the ease, simplicity and convenience of the respective channel. Time is another very important aspect according to the respondents. On the one hand, this referred to a fast process of making a reservation and on the other hand to the possibility to book a room at any time. A further reason is the personal contact and service that can be received through some channels. Five respondents rely on their previous experience when selecting a booking channel as well as the same number considered the security and accurateness of the process and the reservation. Some price-conscious guests chose the booking channel based on their offers of discounts, price reductions etc. Therefore, the survey results presented in table 4 agreed with Pearce & Schott (2005, 59). The answers also included the aspects that the two researchers identified as the main reason to use offline channels although they did not count among the most important considerations for the guests. Therefore, they also supported the trend towards online distribution. However, no respondent gave ability to check the availability of a room right away as reason, so that the aspect considered by Pearce & Schott (2005, 59) as the second most important factor was not supported by the respondents.

Table 4: Reasons for choosing the preferred booking methods

Reason	Number of namings (n=62)
1. Ease, simplicity, convenience	24
2. Time	22
3. Personal contact and service	10
4. Previous experience	5
4. Booking confirmation, safe booking	5
5. Price, discounts, special offers	4

As the table below shows, the survey results corresponded with the research of Zhao & al. (2015, 1344) by confirming the growing popularity and importance guest-generated content is gaining. Nowadays, 95 % of guests of independent boutique hotels in Germany looked at online reviews before they make a booking decision and it is just as important to recognize that they were influenced by reading them. Consequently, guests take it serious what other travelers post and their booking decisions are influenced by that. More than half of the respondents write about their stay in an independent boutique hotel in Germany. This underlined study of Erikson (2012, 160) that travelers use e.g. meta search engines and social media pages also for reflection and evaluation of their stay. The survey data showed that almost all guests value the interaction and material posted by other travelers but only around half of them are active themselves in this field.

Table 5: Guests' dealing with online reviews

Guests who…	Yes	No
….consider online reviews before booking	95 %	5 %
… get influenced by reading online reviews	92 %	8 %
… write / post online reviews after a stay	52 %	48 %

A slight majority of respondents could be attracted to an independent German boutique hotel on a secondary or tertiary market through a special and extravagant gastronomic outlet (Figure 13). But this result also said that nearly half of the respondents would not book a boutique hotel because of a fancy restaurant or bar. As a consequence, the data showed that extravagant outlets are in a position to attract publicity to the hotel, but their contribution is not as significant and evident as Balekjian & Sarheim (2011, 4-5) describe it.

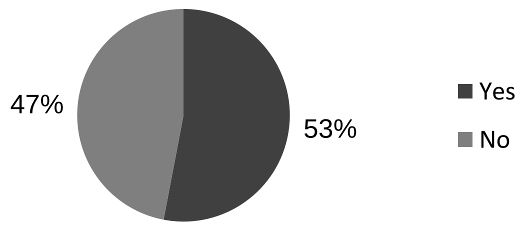


Figure 13: Number of Respondents attracted by a special gastronomic outlet

There are a lot more aspects and factors that influence the booking decisions of actual and potential guests of Germany's independent boutique hotels. How important and influential some of them are for guests was evaluated with the help of a Likert Scale. The exact figures and votes can be found in the appendix 3.

The first aspect referred to the ease and simplicity of a booking channel. The majority rated it as very important or essential, so that its importance stated by Pearce & Schott (2005, 59) is still confirmed by today's guest. When it was directly asked for the status of the ability to check the availability of a hotel room right away, more than half of the guests consider it as very important but also 21 % classify it as somewhat important, so that it does not play a major role for the whole target group of independent boutique hotels.

Security issues were given as the main reason to choose offline channels by Xiang & al. (2015, 521). However, in the survey only one third considered that topic as very important whereas a third assigned it to average importance and 21 % to little importance. This result data showed that there were still concerns but they tend to decline and the guests care less about them. Furthermore, as stated by Xiang & al. (2015, 521) the respondents take into account the time of the departure when booking because 44 % regarded it as somewhat important and 31 % as very important. The significant role of time in the booking process is important to recognize since according to Xiang & al. (2015, 521) the intermediaries change depending on the time until the departure.

Unlike the research of Xing & al. (2015, 518), the respondents of the questionnaire did not appreciate the offer of destination-related information to a large extent. Almost half of the respondents thought it was of average importance and 32 % ranked it as less important. As a consequence, the trend of demanding this kind of information was not represented by the guests of independent German boutique hotels.

The significance of direct contact to a boutique hotel during the booking process varied among the guests. While almost one third of the actual and potential guests considered it as very important, 21 % thought it is not very important. The most respondents ranked direct contact as somewhat important. On the one hand, this underlined the disintermediation explained by Kracht & Wang (2010, 738) and that personal service is appreciated by guests. On the other hand, it also confirmed Phocuswright (2010a, 26) by showing that indirect intermediaries such as OTAs are receiving attention.

Loyalty programs are not appreciated by the guests of independent boutique hotels. The least interest can be found in loyalty programs of travel intermediaries and hotels brands. The ones of hotels receive a little bit more attention but still almost half of the respondents classified them as not important at all. Therefore, the survey results did not prove the advantages of loyalty programs mentioned by Hartikainen (2006, 23) and Fox (2016, 99-100). Hence, they are not a valuable method to earn customer loyalty or increase direct reservations.

One of the most important aspects in the whole booking process is to make the product tangible for guests. The possibility to see pictures and videos was not considered as unimportant by a single respondent and it achieved the highest number of votes assigned to absolutely essential. As a result, the tangibility of the product is vital in the distribution of boutique hotels. This outcome also strengthened the popularity of online distribution since this channel is mostly used to transmit the visual material and therefore agreed with the statement of Law & al. (2015, 440).

Nearly one third of actual and potential guests considered personal service and human interaction in a booking process as somewhat important whereas 55 % assigned it to a higher status. Therefore, again it was proven that the guests of independent boutique hotels value and rely on personal service like Agett (2007, 173) found out. It also indicated a preference towards offline distribution for the reason that these channels include human interaction. Flexibility in planning and arranging trips is appreciated by half of the respondents who considered it as very important. The professional knowledge and expertise provided by travel intermediaries is also very important for guest of boutique hotels in Germany. Consequently, the appreciation of the added value through third party organizations and of the flexibility indicated a preference for the features of offline channels stated by Law & al. (2015, 438-455).

Regarding search engine marketing, the respondents rated sponsored links in the result page of a search engine as unimportant. Consequently, it is not advisable for hoteliers to invest in PPC or paid inclusion and the recommendation of Paraskevas & al. (2011, 203) did not apply for independent boutique hotels in Germany.

Although there are not yet many booking engines on hotel websites, guest of independent boutique hotels on secondary and tertiary markets value this tool. Therefore, it could be recognized that the boutique hotels' fear of impersonal service mentioned by Hartikainen (2006, 43) was unfound. Again this might be due to the fact that in the meantime the guests became familiar with online tools and services.

Almost one third of the guests considered the possibility to book packages as somewhat important. However, the trend is downward as 40 % voted for a lower level of importance. This underlined the guests' preference of direct channels like the homepage because usually indirect channels offer travel packages.

Brand names do not play a role in the booking decisions of the respondents. None of the guests rated this aspect as absolutely essential whereas 42 % ranked it as not important at all. This clearly negative attitude toward brand names supported the individual character of the hotels and does not recommend the affiliation with a soft brand. Moreover, it contradicted Helverson & Revaz (2006, 403) who considered brand names as an influential criteria when making a reservation.

For the guests of independent boutique hotels in Germany it is not important to be loyal to a brand. As already described above, the respondents did not value loyalty programs but also brand loyalty was not important for them. Consequently, they fit perfectly in the target group of OTAs. However, if the hotels would belong to a soft brand it would not ensure the advantage of more customers since they would not be loyal to the soft brand and consequently the survey results were contradictory to the findings of Fox (2016, 99-100).

In conclusion, it can be said that the great majority of the respondents of the survey corresponded with the target group of independent boutique hotels in Germany. They favor online distribution and the use of desktop devises. This was underlined since the three preferred booking methods, the brand.com, OTAs and emails, take place online. When making a reservation location and quality are the most important attributes for the guests whereas the typical features of a boutique hotel such as design and uniqueness receive less attention. As the main reason for choosing a certain booking method the respondents indicated the ease, simplicity and convenience of a channel followed by the issue of time. Customer reviews and guest-generated content receive considerable attention during the booking process and they are able to influence booking decisions. The offer of destination-related content is not highly valued by the guests of independent boutique hotel as well as different loyalty programs do not play a big role. The same applies to sponsored links in the result page of search engines and the possibility to book packages because both were neglected by the respondents. On the contrary, personal service, flexibility in arranging trips and professional expertise of intermediaries are considered as important, so that despite the preference of online booking methods the guests liked the features and characteristics off offline channels as well. The offer of a booking engine directly on the hotel website is a supportive tool to increase direct sales. The guests did not appreciate brand loyalty. As a result, the purchasing behavior of the survey respondents did not agree in all aspects with the theory stated in the previous chapters. Still the majority complied or partly complied with it but there were also a few disagreements.

6. Discussion

This chapter answers the main question of this thesis. By comparing the results of the interviews and of the survey, concurrences and differences in the perspective of the hoteliers and their guests are recognized in order to identify possible development areas for independent boutique hotels on secondary and tertiary markets in Germany. Also the value and effect of soft brands is evaluated based on the research findings. Finally, the reliability and validity of the research is examined and a reflection on the author's learning is included.

6.1. Comparison of the Research Results

The great majority of survey respondents complied with the target group explained by the hoteliers with regard to the guests' age likewise both sides mentioned leisure as the most common purpose of booking an independent boutique hotel in Germany. However, the hoteliers count a larger proportion of foreign guests among their target group than it is represented in the survey.

Based on the features mentioned by Agett (2007, 13) the travelers ranked location first but only two hoteliers considered this aspect as the most important influencing factor for guests when booking an independent German boutique hotel on a secondary or tertiary market. On the contrary, also two hoteliers referred to authenticity and design as very important considerations of guests but both received only little attention from the survey respondents. The same applies for individuality and personal service. The other way around, quality and the overall experience were of great interest for guests however the hoteliers did not count them among the influencing factors at all. Consequently, the perspectives of the hoteliers did not agree with the guests' view. In this case, it is recommendable for the hotels to become active in market research in order to better understand their own target groups' needs that should be considered and incorporated in the distribution network.

From the perspective of the most boutique hoteliers, their guest prefer to book via OTAs. However, the demand side ranked the brand.com as their preferred booing tool followed by OTAs. Consequently, there were different perceptions regarding the preferred booking channel. Again, market research is recommended in order to get to know and understand the perspective of the guests better.

Furthermore, the demand and the supply side took into account the ease and simplicity in a booking process. It counted among the most important aspects for guests from the view of the supply side and for the other party it was the main reason to decide for a booking tool. Therefore, the views coincided and the hoteliers' perception was correct.

The boutique hoteliers indicated that direct channels were mainly used in terms of telephone and email. However, the guests stated the brand.com as the most commonly preferred booking tool. Furthermore, the hotels' direct sales are increasing, which was supported by the fact that the guests rated direct contact to property as well as personal service and human interaction as somewhat to very important. However, loyalty programs as well as paid search engine marketing are not efficient tools to promote direct sales.

Indirect channels are applied through travel agencies both online and offline. In this case, the parties agreed as both have a considerably stronger focus on the virtual version. Furthermore, the boutique hoteliers ranked the indirect channel OTA as a very important channel, which was underlined by the guests' appreciation of the professional knowledge and expertise that is provided by intermediaries. However, the guests did not value the possibility to book packages and or loyalty programs of travel intermediaries, which did not correspond with the hoteliers' perception of the strong significance of indirect channels.

Only two hoteliers receive the majority of their bookings through offline channels as well as the percentage of guests searching offline for information is very low. This could be explained through the guests' classification of the flexibility and expertise that is provided by online intermediaries as very important. However, human interaction and personal service were almost as important, so that offline bookings still can be ensured. The fact stated by Xing & al. (2015, 521) that guests tend to use offline channels if their bookings is made close to the departure time can be interesting for hoteliers if they want to strengthen offline sales, e.g. they could publish offers at short notice and distribute them via offline channels. The demand and supply side agreed that an extravagant gastronomic outlet could be the reason for booking an independent boutique hotel but this does not apply for all guests.

Guests and hoteliers agreed that the majority of the distribution takes place online because half of the hoteliers indicated to receive the majority of their bookings online and they named OTAs as the preferred booking tool likewise a great majority of guests indicated to favor online reservations tools. Moreover, the guests' appreciation of pictures and videos and of a booking engine on the hotels' website strengthened this agreement. As a result, the reliance of the majority of independent boutique hoteliers on online channels is promising and could be used to increase sales on the own website. This channel is already considered to be the most commonly favored booking tool by guests. Its high ranking leads to the idea that organic search engine marketing can be an effective method to even raise the popularity of the own webpage, provided that the website can deliver a “boutique experience” and generate bookings. Moreover, the facts that the booking engine on the brand.com was highly valued and the guests’ security concerns are decreasing support the idea.

Customer reviews tend to be more valued by guests than by hotels as three hotels answer only now and then to comments whereas 95 % of guests consider them before booking. As the material posted has such a powerful effect it is recommended for the hoteliers to try to reply to as much comments as possible and encourage their guests to leave a review.

The offer of destination-related content was of average importance to guests. Therefore, hoteliers are on the right track if they provide at least some information about the destination and activities offered there. Since all of the hoteliers provided some material they complied with the guest perspective in this regard.

The following table summarizes the most important concurrences and disagreements in the behavior of the guests and independent boutique hoteliers in Germany.

Table 6: Concurrences and differenced in the behavior of boutique hoteliers and their guests

Concurrences	Differences
• Travel purpose of target group • Ease and simplicity play an important role when making a reservation • Preferred indirect channel of guests: OTAs • Declining popularity of offline channels • Moderate contribution of gastronomic outlet • Majority of bookings take place online • Offer of destination-related information • No affiliation to a soft brand	• The proportion of international guests in the target group • Factors influencing guests when booking • Preferred booking channel of guests • Preferred direct booking channel • Importance of customer reviews

As the table above shows, there are more concurrences than differences, which is clearly positive and proved that the hoteliers already have a good understanding of their guests’ purchasing behavior. Nevertheless, it is recommended for the hoteliers to engage in marketing research in order to obtain more detailed information about their guests' preferences and factors that are important for guest when making a booking decision. Furthermore, they should not neglect review and rating sites as they are highly popular with guests. If hoteliers aim at increasing direct sales the brand.com is a promising channel and if they want to sell more directly, offers that are published at short notice can be helpful.

6.2. The Value and Effect of Soft Brands for Hoteliers

Considering the view of the boutique hoteliers it is not necessary to join a soft brand for distribution their product. They rather value their individuality that is supported by their guests. Moreover, guests that are attracted to individual boutique hotels in Germany are not loyal to a specific brand. At this point, it has to be taken into account that the majority of the survey respondents book boutique hotels for leisure trips and that they tend to prefer independent hotels. Through stating that a brand name is not important to them it is confirmed that they value the individual personality and atmosphere of an independent hotel. Consequently, the hotels would not have the advantage of brand loyal guests. Furthermore, the hoteliers consider the high costs they would have do manage and the brand standards that affect or destroy the own policy. Therefore, from the perspective of the hoteliers neither any added value can be found nor is it necessary to become a member of a soft brand. In case of the guest and of the hoteliers, the disadvantages outweigh the advantages.

6.3. Validity and Reliability of Research Results

The validity and reliability of research results are important to determine as they decide about the quality and significance of the data. As the methods and procedures are recorded in detail and the data is available for reanalysis confirmability is ensured. Credibility is achieved because the research provides clear results and they are credible to the participants of the study. This aspect is supported by a detailed preparation for the primary research in order to ensure that appropriate respondents answer the questions of both the survey and the interviews. Moreover, the outcomes are valuable for the commissioner. The results are transferable to boutique hotels with a similar target group. They cannot be transferred to other accommodation types or hotels with a different target group. The research questions are defined clearly right from the beginning and process of the study is consistent with regard to the methods, quality and integrity, so that the dependability of the data is established. (Miles & al. 2014, 311-312.)

6.4. The Author's Learning and Development during the Thesis Process

In the course of writing the thesis the conduction of the primary research contributed the most to the learning of the author. First of all, the development of the interview and survey question was tricky as the results of the different research methods need to allow a comparison. As the second step the arranging of the interviews was the greatest challenge of this thesis. Many hotels were addressed and asked however the response rate was very low. Additionally, it was the first time for the author to conduct interviews that contributed to her professional development. After the primary research the author looked forward to analyzing and comparing the results of both sides. It was interesting to consider the same aspect from two different perspectives and to identify the disagreements. Another aspect that received attention in the thesis process is the narrowing down of a topic. The author recognized that a clear delimitation of the aspects considered is helpful in order to get valuable results. For the future, the author learned that the preparation of primary research requires a lot of time and planning. In addition, a good preparation of the primary research and a clear identification of important topics facilitate the analysis of the results.

7. Conclusion

The aim of this thesis was to find out if the way independent German boutique hoteliers distribute their products and services correspond with the way their actual and prospective guests would like to purchase them. After comparing the perspective of both, it can be found that that the supply side is on a very good track and already has a good understanding of their guests purchasing behavior. Nevertheless, as both sides do not agree in all aspects boutique hoteliers should engage in marketing research especially to find out the preferred booking tool and the influencing factors of their guests. Moreover, the significance of customer reviews has to be considered. The affiliation to a soft brand would not benefit the hoteliers in terms of more guests and loyal customers.

The literature part provides a detailed overview of different aspects of both boutique hotels and distribution. It explains the special features of independent boutique hotels and their situation in Germany. Moreover, it provides a lot of information about hospitality distribution and the way small and independent properties approach and sell to their guests.

The boutique hoteliers recognize the shift towards online distribution including the growing interest in mobile channels. They name OTAs as their most efficient channel and see them as the preferred booking tool of their guests. Furthermore, they have a website with booking engines and the majority is represented on social media platforms. Additionally, all of them value telephone and email as offline channels since they are able to provide personal service through them. Although they have different opinions of what are the most influencing aspects for their guests all of them agree that the ease and simplicity of a channel is a decisive factor in a booking process. None of the hoteliers can feel the pressure of joining a soft brand and they cannot see any additional value for themselves likewise for their guests in becoming a member.

The guests of independent German boutique hoteliers prefer online bookings, especially the brand.com, OTAs and emails. When making a reservation the hotels’ location and the quality receive the most attention. From the guests’ perspective the reason for choosing a channel is its ease and simplicity. Customer reviews are of great interest and significance and also an own booking engine on the homepage is valued. Although they prefer the internet-based distribution they also like some features of offline channels. The guests do not appreciate brands or loyalty when booking an independent boutique hotel on a secondary or tertiary market in Germany.

According to this research, the disadvantages of joining a soft brand outweigh the advantages. For the hoteliers the loss of personality, brand standards and the high costs are obstacles. Moreover, their guests do not appreciate brand names and would not be loyal to an affiliation. Consequently, soft brands do not present an efficient or valuable option for independent German boutique hoteliers.

The results presented above refer to a target group consisting of business and leisure guests. However, there are also independent boutique hotels in Germany that attract only one of these groups. Consequently, further research could be conducted by doing the study again and narrowing down the focus to the purchasing behavior of either business or leisure travelers.

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Appendices

Appendix 1: Interview Questions

1. Can you describe what makes your hotel unique?

2. What is your target group?

3. What do you think are the factors of your hotel that influence the guests when they make a booking decision?

4. Which distribution channels / intermediaries do you use?
    a. How much emphasis is on direct channels? Why?
        i. How do you ensure direct bookings?
    b. How much emphasis is on indirect channels? Why?
    c. How much emphasis is on offline channels (especially phone)? Why?
        i. What role has the F&B outlet in distribution?
    d. How much emphasis is on online distribution? Why?
        i. How many bookings are received online (%)?
        ii. Are mobile channels offered?
        iii. What is the role of OTAs?
        iv. How do you manage customer reviews?
        v. Do you have a booking engine on your website? Why / why not?
    e. Which channels are the preferred channels of your guests?
        i. How do you know that? / Do you do any research in this field?

5. Through which channel does the hotel receive the most bookings?

6. What is the most effective channel? How do you measure the effectiveness of a channel?

7. How do you try to make the booking process for guests easy and simple?

8. What information do you provide?

9. What are the most important aspects for your guests in the whole process of booking? What do they prefer / dislike?

10. What is the biggest challenge in distribution for your hotel?

11. Have you ever thought about joining a soft brand? Why / why not?

About the interviewee:

- Experience in distribution
- Experience in boutique hotels
- Position in the hotel
- How long he / she is working for the hotel

Appendix 2: Survey Questions

1. Have you ever stayed in an independent boutique hotel in a smaller German city?
   a. Yes
   b. No

2. How old are you?
   a. < 20 years
   b. 21-30 years
   c. 31-40 years
   d. 41-50 years
   e. 51-60 years
   f. > 60 years

3. What is / would be the purpose of booking an independent boutique hotel in a smaller German city?
   a. Business trip
   b. Leisure trip

4. How often do you stay in a hotel per year?
   a. 1-2 X
   b. 2-5 X
   c. > 5 times

5. What is your net income level?
   a. < 1,070 EUR
   b. 1,071-1,780 EUR
   c. 1,781-4,445 EUR
   d. > 4445 EUR
   e. > Prefer not to say

6. Where do you / would you get information when booking an independent boutique hotel in a smaller German city?
   a. Online
      i. Mobile / handhold device
      ii. Desktop / Pc / Laptop
      iii. Both
   b. Offline

7. What is / would be your main online source for information when searching for an independent boutique hotel in a smaller German city?
    a. Hotel website
    b. OTA
    c. Metasearch engine
    d. Social media
    e. Direct mail
    f. Other: __________

8. What is / would be your main offline source for information when searching for an independent boutique hotel in a smaller German city?
    a. Word of mouth
    b. Previous experience
    c. Phone calls
    d. Face-to-face conversation / walk into hotels
    e. Travel agent / company
    f. Direct mail
    g. Other:__________

9. What are / would be the decisive factors when you select an independent boutique hotel in a smaller German city? (choose 2)
    a. Location
    b. Quality
    c. Design + style
    d. Uniqueness
    e. Personalized service
    f. Authenticity
    g. Homely feeling
    h. F&B outlets
    i. Overall experience

10. What is / would be your three preferred booking tools when booking an independent boutique hotel in a smaller German city?
    a. Hotel website
    b. OTA
    c. Metasearch engine
    d. Direct mail
    e. Phone calls

f. Walk into a hotel
g. Travel agent
h. Direct mail online
i. Direct mail offline
j. Other: ____________

11. What are the reasons for choosing the booking channels in question 10?

____

12. Do you / would you consider online reviews and material posted by other travelers when booking an independent boutique hotel in a smaller German city?
    a. Yes
    b. No

13. Do you / would you and your expectations about independent boutique hotels in smaller German cities get influenced by reading customer reviews?
    a. Yes
    b. No

14. Do you / would you post online reviews and other material after a stay in an independent boutique hotel in a smaller German city?
    a. Yes
    b. no

15. Does / would a fancy F&B concept attract you to an independent boutique hotel in a smaller German city?
    a. Yes
    b. No

16. Likert Scale: How important are the following aspects when thinking about booking an independent boutique hotel in a smaller German city?
    a. Not Important At All / Of Little Importance / Of Average Importance / Very Important / Absolutely Essential
        i. Online reviews
        ii. Ease + simplicity of a channel
        iii. the ability to check right away the availability of a room
        iv. Security issues when booking online
        v. Offer of destination-related information + experience goods

vi. Time: shortly before departure
vii. Direct contact to the property
viii. Loyalty programs of intermediaries
ix. Loyalty programs of brands
x. Loyalty programs of hotels
xi. Color pictures + videos
xii. Personal service + human interaction
xiii. Flexibility in planning and arranging trips
xiv. Professional knowledge + expertise provided by the intermediary
xv. One-stop shopping / the possibility to book travel packages
xvi. Booking engine directly on website
xvii. Sponsored links in the result page of search engines
xviii. Brand name
xix. To be loyal to a brand

Appendix 3: Responses to Likert Scale

	Not important at all		Of little importance		Of average importance		Very important		Absolutely essential	
	no.	%	no.	%	no.	%	no.	%	no.	%
Online Reviews	3	5	6	10	23	37	26	42	4	6
Ease and simplicity	1	2	3	5	8	13	37	60	13	21
Ability to check right away the availability of a room	0	0	3	5	13	21	35	56	11	18
Security Issues	2	3	13	21	22	35	21	34	4	6
Offer of destination-related information	2	3	18	29	28	45	13	21	1	2
Time: how close to departure	1	2	10	16	27	44	19	31	5	8
Direct contact to the property	3	5	13	21	23	37	19	31	4	6
Loyalty programs of hotels	29	47	26	42	3	5	3	5	1	2
Loyalty programs of travel intermediaries	33	53	24	39	2	3	3	5	0	0
Loyalty programs of hotel brands	32	52	23	37	4	6	3	5	0	0
Color pictures and videos	0	0	5	8	15	24	25	40	17	27
Personal service and human interaction	2	3	5	8	21	34	20	32	14	23
Flexibility in planning and arranging trips	2	3	3	5	18	29	31	50	8	13
Professional knowledge and expertise provided by the intermediary	5	8	10	16	19	31	22	35	6	10
Sponsored links in the result page of search engines	32	52	21	34	8	13	1	2	0	0
Booking possibility / engine directly on the hotel website	1	2	9	15	15	24	27	44	10	16
The possibility to book packages	8	13	17	27	20	32	13	21	4	6
Brand names	26	42	21	34	13	21	2	3	0	0
To be loyal to a brand	37	60	15	24	9	15	1	2	0	0