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# What is the core essence of small city boutique hotels?

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**Abstract**

**Purpose:** This study aims to contribute with new insights into the nature, dimensionality and measurement of the core essence of small city boutique hotels (SCBH), something which has been limited in the literature to date. It further explores the conceptual relationships of SCBH with other constructs, providing greater understanding of the nature of these specific conceptual associations, and showing that the proposed SCBH scale exhibits construct validity.

**Design/methodology/approach:** This paper followed the Churchill's paradigm to methodologically design the study and develop the scale. Based on an exploratory qualitative inquiry (one focus group and ten interviews) and quantitative assessment (two surveys), support was found for a three-dimension scale.

**Findings:** Results support the proposed measures of the scale (dream, hospitality, and style) in terms of construct, convergent, discriminant, nomological, and predictive validity. Findings also suggest that while authenticity acts as a SCBH antecedent, pleasant arousal and preference represent SCBH consequences.

**Originality/value:** By developing and validating a SCBH scale for city destinations, this research addresses an identified literature gap. Specifically, it conceptualizes SCBH as guests' perception about core characteristics of SCBHs located in the city.

**Keywords**: small city boutique hotel scale; authenticity; pleasant arousal; preference; guest experience

**Introduction**

Small city boutique hotels have incorporated unique characteristics of the local culture (Lee, 2011; Zaman, Botti and Thanh, 2016) contributing to create competitive advantage for the destination. There is growing evidence that guests are tired of the standard 'cookie-cutter' hotel room (Phillips, 2004). Hotels should integrate functional and aesthetic elements such as style, layout and architecture (Heide *et al.*, 2007; Cheng *et al.*, 2016) and understand that tourist expectations of a destination must be satisfied, and even exceeded by the hotel design (Phillips, 2004; Loureiro and Kastenholz, 2011; Zaman et al., 2016). As Lee (2011, p.709) claims, "just as hotels are interested in increasing their market share, so are destinations". Differentiation through design based on the hotel's location history and architecture will strengthen the branding of the destination (Lee, 2011). Therefore, small city boutique hotels should have a set of unique characteristics depending on their location but always causing in

the guests´ minds a sensation and perception that they are living a dream experience in a stylish small hotel with a personalized service.

Although several authors have highlighted the importance of these hotels (and other small and medium enterprises) for the competitive advantage of the destination (e.g., Laws *et al.*, 2002; Pritchard and Morgan, 2006; Coglievina, 2004; Ahmad, Scott, and Abdul-Rahman, 2016), previous studies have not attempted to understand the core essence of a small city boutique hotel. This means that in this seminal work, we are not trying to get the full characteristics of this type of hotel, rather the current study captures their foundational characteristics.

Several studies have examined the elements and characteristics of a boutique hotel (Strannegård and Strannegård, 2012), which may even incorporate an element of theatricality in their decor (Chittum, 2004), with at least customized design and decoration (Henderson, 2011; Friedman, 2014). Nevertheless, despite the diversity of their architecture, design and decoration, boutique hotels have a common essence that we intend to capture.

The current study analyzes small boutique hotels in Lisbon, a city located near the sea (Atlantic Ocean) and spreading over seven hills near the mouth of the Tagus River. The legacy of the Golden Age of the Discoveries underpins much of the city's culture and heritage. The total number of hotels in Lisbon is 224 (according to the municipal chamber of Lisbon). Most boutique hotels are concentrated in the old city center, along with other small hotels, operated individually or by local domestic hotel groups. This location is the most popular in Lisbon for tourists and it is characterized by a particularly low penetration rate of international hotel chains (Union Hospitality AE, 2018; The Telegraph, 2018).

Foreigners tend to rate hospitality highly due to the friendliness of the local population and their fluency in foreign languages. They also enjoy the care provided by professionals in local attractions and museums, as well as in lodgings (TP, 2018b). Lisbon is

regarded as a safe destination, but low-level street robbery is common (TP, 2018b). Lisbon as a destination has become more and more attractive in recent years. Actually, the number of foreign guests in different types of lodgings grew from 1,977,532 in 2004 to 3,586,735 in 2015 (TP, 2018a). Most foreign tourists come from Spain (13%) and France (12%), followed by Germany (9%), Brazil (8%) and the United Kingdom (7%) (TP, 2018a).

Boutique hotels in Lisbon have unique design and heritage, being typically small in size (no more than 100 rooms), located in heritage buildings, not presenting standardized furniture and decoration, and putting emphasis on personalized service (Rogerson, 2010; Victorino et al., 2005; Pritchard and Morgan, 2006). They are family-owned and tend to be stylish, trendy, and elegant, and provide an intimate hotel experience (Strannegård, 2009; Strannegård and Strannegård, 2012). Small boutique hotels in Lisbon or in other cities may have different characteristics, depending on the destination (e.g., history of the place or its architecture), which makes it difficult to delimitate all their characteristics and facets. However, what are the core characteristics, the essence of these hotels? The current study intends to give insights to answer this research question.

The aims of this study are: (i) by developing a conceptualization of the essence of the small city boutique hotel and an associated measurement instrument which builds directly from previous research, this study seeks to contribute further insights into the nature, dimensionality and measurement of the core essence of the boutique hotel, something which is rather limited in the literature to date; (ii) by exploring the conceptual relationships of small city boutique hotels with other constructs, we aim to provide greater understanding about the nature of these specific conceptual associations; (iii) our goal is also to show that the small city boutique hotel (SCBH) scale exhibits construct validity. In order to achieve these aims, we followed the Churchill (1979) paradigm augmented by other authors (e.g., Nunnally and Bernstein, 1994; Bagozzi and Yi, 1988; Rossiter, 2002, Ping Jr, 2004).

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Therefore, the current study does not intent to analyze the experience quality of a boutique hotel, as Hussein et al. (2018) did. Here we use the Churchill's paradigm to understand what are the core characteristics (not all characteristics because boutique hotels could be very different depending on the place where they are located) that a boutique hotel has to be designated as such.

The remainder of this article is structured as follows: the next section provides the theoretical foundations, followed by an overview of the exploratory, qualitative research undertaken for the definition and conceptual development of the SCBH scale (study 1); study 2 applies the proposed small city boutique hotel (SCBH) conceptualization to a series of exploratory factor analyses to better understand the factorial structure, dimensionality and preliminary items; study 3 documents the exploratory and confirmatory factor analyses serving to corroborate the three-factor, 12-item SCBH scale; next, we explore SCBH within a nomological net of conceptual relationships from which we draw a number of conclusions and implications for both research and management.

**Theoretical Foundations**

*Conceptualization of boutique hotel*

Researchers as well as practitioners have not yet created a definition of a boutique hotel that is globally accepted. However, we may find several common aspects of boutique hotels. The seed of the idea of a boutique hotel was born in the late 1970's as a reaction to the standardization of hotels. Indeed, tourists and guests of mid to upper income levels have been looking for unique different hospitality experiences (Aggett; 2007; Rogerson, 2010; Sarheim, 2010) than those provided by large hotel chains. Actually, city boutique hotels are regarded as smaller non-chain upscale properties with a personalized special relationship between guests and hotel employees. Intimacy is well-expressed in their personalized service

(Henderson, 2011; Friedman, 2014). The Telegraph newspaper online announces the best city boutique hotels in several cosmopolitan cities, such as in London, Lisbon, Paris, Berlin or New York (The Telegraph (2018). Guests express their own self-concepts through the symbolic meaning of boutique hotels, such as fine arts and culture, design and local culture, heritage, or high level of services and amenities (Rogerson, 2010; Aggett, 2007). Their differentiation from chain hotels is associated with the design, artistic, cultural or historical appeal, aligned with the prestige and exclusivity of the property (Lim and Endean, 2007; Sarheim, 2010).

Boutique hotels of small independent and large multinationals are committed to develop unique and authentic experiences at a property. The property should be linked with the culture and heritage of the destination in which is located (converted heritage buildings must keep intact the original integrity with minimal changes in their appearance (Boutique and Lifestyle Lodging Association, 2018). These hotels provide a homelike atmosphere and intimate environment with unique interior and architecture. In the building, the presence of in-room up-to-date technology is a must, but the placement of such technology should not be intrusive, leaving the first priority to cultural and heritage aspects.

Researchers and professionals tend to agree that the property should not have more than 100 rooms (Freund de Klumbis and Munsters, 2005; Aggett, 2007; Henderson 2011). The reason behind this number of rooms lies in the personalized service, since it could be very difficult for a larger hotel to deliver the same level of personalized service recognized in a boutique hotel. Even with their larger staffing numbers, the number of effectively interactions between each guest and employees usually decrease, which reduces the ability of hotel staff to personalize the individual guest stay. In fact, large hotels tend to lack the flexibility and the empowerment required to have high standards of personalized and intimate services (Henderson, 2011).

Location is another important aspect. We may find boutique hotels in resort and in city destinations (Anhar, 2001; McIntosh and Siggs, 2005; Aggett, 2007). Boutique hotels located in resort destinations are regarded as exotic, small, and intimate. These hotels allow guests to explore the environment around the hotel without compromising its luxury. Thus, they combine the traditional architecture and the local personality with the modern comfort and luxury (Anhar, 2001).

A good city destination location is not only determined by its convenience, but above all by the "trendiness" and "chicness" of their respective neighborhoods (Anhar, 2001; Aggett, 2007). City hotels are cooler notes, modernism, matched with historical components and art. These properties are recognized as hip or a glamorous establishments appealing to guests who wish to be considered trendy. HVS consulting group identified concepts such as trendy, hip and cool, inspiring and aspirational to be part of what makes up a boutique hotel and its provided related experiences there (Balekjian and Sarheim, 2011).

The word "cool" is frequently associated to a boutique hotel. To be "cool", something must be exposed to the widest possible audience who, according to Breckenfeld (2009, p.1), "will publicly or secretly aspire to be like them ("cool" people), or who want to be associated with them". A "cool" brand, place or lodging is something unlike anything else (Kerner and Pressman, 2007; Loureiro and Lopes, 2011) and should be authentic (Pountains and Robbins, 2000; Southgate, 2003; Caleb and Campbell, 2014). "Cool" things are also connected to a sense of aesthetics (Southgate, 2003). Therefore, "cool" represents style and something that consumers aspire to (Pountains and Robbins, 2000; Berridge, 2010). Jones *et al.* (2013, p.729) even employed the word "cool" in their definition of a boutique hotel: "boutique hotels are typically small hotels that offer high levels of service. Boutique hotels tend to be stylish, trendy, and "cool" and provide an intimate hotel experience".

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In summary, the current study is devoted to boutique hotels located in city destinations, with up to 100 rooms (Freund de Klumbis and Munsters, 2005; Aggett, 2007; Henderson 2011), non-chain operators (Freund de Klumbis and Munsters, 2005), with unique interior and architecture, high standards of personalized and intimate service (Henderson, 2011), stylish, trendy, and "cool" (Jones *et al.*, 2013) and where guests can express their own self-concepts.

**Conceptual relationships in the nomological net**

As mentioned above, boutique hotels are not standardized in the experience co-created with guests (Ho, 2012); rather they co-create a cozy and intimate hotel experience, a dream aspiration (Strannegård and Strannegård, 2012), with small notes that give the difference, such as the empathy with the guest from the first moment (from the receptionist's appearance and his/her smile to the courtesy and the smile of all staff), the room with a symbolic gift, or the daily newspaper in the language of the guest. This type of hotels has a cultural authenticity, and aesthetics (Strannegård, 2009; Pountains and Robbins, 2000; Strannegård and Strannegård, 2012).

Authenticity has been acknowledged as a critical factor for consumers and can be assessed through aspects such as production methods, product styling, and connections to a particular location, cultural artifacts and architecture or firm values (e.g., Pountains and Robbins, 2000; Beverland and Farrelly, 2010; Lau, 2010; Newman and Dhar, 2014). Researchers have explored the construct of authenticity to analyze music genres (McLeod, 1999), films (Pierson, 2003), or virtual reality (Jones, 1993), among other contexts. Authenticity has also been analyzed within the tourism context, for instance, in dining locations (Muñoz *et al*., 2006), the ability of consumers to decipher the "real" or "genuine" from the "fake" (Muñoz *et al*., 2006; Wang and Mattila, 2015), in a tour experience (Frew,

2008; Milman, 2013), in the context of a cultural festival (Wong *et al.*, 2018) or in cultural and religious celebrations (Novello and Murias Fernandez, 2016), and in the hospitality industry (Kim and Bonn, 2016; Liu *et al.*, 2018).

Authenticity is denoted via tangible features of an object, a place (indexically) and brand essence (iconically) (Grayson, 2002; Grayson and Martinec, 2004; Dwivedi and McDonald, 2018). In the case of a boutique hotel, the culture and architecture in the building and the way the brand is communicated, act as authenticity sources. Authenticity is also perceived as a judgment made by consumers or guests when comparing a product/brand to an absolute, considered by the judges as the reference object or the icon (Beverland and Farrelly, 2010).

Following Beverland and Farrelly (2010) and Wang and Mattila (2015), the current study considers authenticity as a verification process made by customers or guests about what is genuine, real, and/or true. In other words, the overall perception is that the experience (product and service offered) lived in the boutique hotel is true or genuine to its type with cultural style and architecture.

Perceived authenticity has been regarded as relevant in consumer or tourist behavior and evaluation (e.g., Beverland and Farrelly, 2010; Kolar and Zabkar, 2010; Robinson and Clifford, 2012; Milman, 2013). Therefore, the perception of authenticity in a boutique hotel is expected to positively influence guests' evaluation of the core characteristics of a small, city boutique hotel (SCBH), and thus the following hypothesis is suggested (see Figure 1):

**H1**: Perception of authenticity has a positive effect on perceptions of the core characteristics of a SCBH.

The way guests select the destination to visit, booking the journey and the lodging (hotel, hostel, rural lodging or other) is regarded as a component of the whole travel experience, which also considers the experience itself at a destination, restaurant and/or hotel

and the recalled memories (e.g., Brochado *et al.*, 2016; Loureiro, 2014; Oh *et al.*, 2007; Skavronskaya *et al.*, 2017; Torres and Hua, 2017;). Experiences drive individuals to respond and react emotionally to them (Hirschman and Holbrook, 1982; Bogicevic *et al.*, 2013; Skavronskaya *et al.*, 2017). Positive emotions, such as pleasant arousal - comprising excitement, stimulation, interest and enjoyment, as proposed by Oh *et al.* (2007) - contribute to generating positive memories, which in turn tend to increase the intention to return and the willingness to recommend the destination, or post-visit experience-sharing with family and friends (e.g., Cheng *et al.*, 2016; Loureiro *et al.*, 2013; Ramkissoon *et al.*, 2013; Roschk *et al.*, 2017; Tung and Ritchie, 2011). In the context of rural lodging, Loureiro (2014) also stressed the role of rural lodging experience in the formation of positive emotions and memory and the influence of emotions and memory on intentions to recommend the rural place to others and to return there. Therefore, the positive experience lived in a boutique hotel due to the stimuli of the style, the atmosphere, the architecture and the empathy of the staff is expected to generate pleasant arousal and may influence a preference for the hotel in the future. Thus, the following hypothesis is proposed:

**H2**: Perception of the core characteristics of a SCBH has a positive effect on pleasant arousal

A positive attitude toward the attributes of a place, organization or product enhances the consumer's preference for the item (goods, service or experience) (Chen et al., 2016; Grimm, 2005; Rahman *et al.*, 2018). Adapted from Hellier *et al.* (2003), preference may be regarded as the extent to which the guest favors the boutique hotel over other lodgings. Perceptions of authenticity seem to be a critical factor in driving consumer preferences (Milman, 2013; Newman and Dhar, 2014). Hellier *et al.* (2003) found that satisfaction and perceived value were drivers of brand preference. In this vein, we may expect that a hotel regarded as authentic and favorably evaluated as having the core characteristics of a small, city boutique hotel will generate a sense of satisfaction and positive perceived value in the

guest's mind in such a way that may lead to preferring the hotel to others. Thus, the following

hypothesis is presented:

**H3**: Perception of the core characteristics of a SCBH has a positive effect on preference.

INSERT FIGURE 1 ABOUT HERE

**Method**

Previous studies alone do not allow us to clear understand the core characteristics of a small

city boutique hotel (SCBH) perceived by guests or tourists. Therefore, we employed both

qualitative (one focus group and 10 interviews) and quantitative (two samples) methods to

develop a scale for SCBH.

We followed the Churchill (1979) paradigm augmented by other authors (e.g.,

Bagozzi and Yi, 1988; Nunnally and Bernstein, 1994; Ping Jr, 2004; Rossiter, 2002). The

instrument was developed in three major steps and used two qualitative samples: (a) scale

generation and initial purification; (b) scale refinement and purification; and c) nomological

and predictive validation. In the first step, the concept was defined and then the pool of items

was generated based on literature review, focus group and interviews. In steps b) and c), two

samples were collected to refine the pool of items and validate the remaining items. The next

sections describe step by step the implemented procedure, and the achieved findings (see

Figure 2).

INSERT FIGURE 2 ABOUT HERE

**Scale Development**

**Step 1: Qualitative assessment**

*Conceptualization of the construct small city boutique hotel*

Based on Edwards and Bagozzi's (2000) conceptual definition of a construct as "a conceptual

term used to describe a phenomenon of theoretical interest" and being consistent with

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Rossiter (2002), SCBH is defined as "guests' perception about core characteristics of SCBHs located in the city (up to 100 rooms)". Regarding the operational definition, the core perceived characteristics of a SCBH are a function of each perceived dimension of such characteristics.

*Qualitative inquiry*

Before conducting the focus group and interviews, a comprehensive literature review was perfomed to identify the potential characteristics of a small city boutique hotel. Then a focus group (with six boutique hotel managers randomly selected from the group of managers of SCBH) was formed, to identify additional characteristics of such hotels.

Tourism of Portugal, City Hall Lisbon were contacted and TripAdvisor website was searched to get an overview of the number and location of SCBH in Lisbon. With this procedure, we found seventeen SCBH. The next step was to contact the managers of these hotels, explaining the motivation and the aim of the research and invite them for the focus group. From these contacts, six hotel managers agreed to participate anonymously in the focus group.

Before starting the focus group session, participants were informed about the purpose of this research. This initial information included the roles of the participants and the moderator, and participants' anonymity and privacy were guaranteed. In order to focus only on the relevant topic, the moderator kept the discussion flowing, enabling group members to participate fully (Silverman, 2004).

Focus groups have some distinct advantages over one-to-one interviews as they can be more naturalistic than interviews, including a range of communicative processes and a dynamic flow of discussion (Silverman, 2004). Yet, the combination of focus groups and individual interviews is more comprehensive, since both are qualitative techniques. The focus

group provided an overall insight about the core characteristics of SCBH, but only with the interviews deeper informational and knowledge was gathered (Gubrium and Holstein, 2001).

Therefore, interviews were then conducted to confirm the perceived characteristics of a SCBH and to identify additional ones (Hudson and Ozanne, 1988). The initial list of respondents was prescreened to ensure that the sample would include respondents with different points of view and backgrounds (3 guests, 2 Fashion Designers, 2 Architects and 3 Tourism specialists).

The interviewer guided the discussion, probing the characteristics of the small city boutique hotel. The interviews were reviewed by a coding team made up of the researchers and one university student who identified the core themes and illustrative quotes from the data. The goal was to search for commonalities that would provide the most accurate representation of the themes for the core characteristics. Consequently, three core themes were identified: design and style, emotional dream, and personalized cozy service.

Initially from the literature review, focus group and interviews a pool of 32 items were obtained. Then, the content validity of the items was reviewed to identify duplicate items and potential sources of ambiguity, after which seven items were eliminated, thus remaining 25 items (see Table 1). Table 1 shows examples of quotes from both the interviews and the focus group, such as: "charm hotel", "emotionally linked", "familiar with it" or "staff very helpful".

INSERT TABLE 1 ABOUT HERE

**Step 2: Quantitative assessment for item refinement**

The next steps were to carry out item refinement and further assess content validity. To do this, two samples were considered. Although to purify the measures an iterative approach was adopted, which included both a quantitative and qualitative approach, the following steps of this research became gradually more quantitative (Netemeyer *et al.*, 2003). Refinement of the

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scale included factorial analyses, unidimensionality, convergent and discriminant validity (e.g., Netemeyer *et al.*, 2003; Rossiter, 2002).

A survey of guests of small boutique hotels was elaborated using a questionnaire containing the 25 items (randomized and assessed in terms of a five-point Likert type agree/disagree response format) and questions regarding age, gender and education. The questionnaire was elaborated in two languages, English and Portuguese (mainly for Brazilian and Angolan guests), with the help of language teachers. Back translation was used to ensure that both questionnaires communicated the same information. A pilot test with four guests was used to ensure that the wording of the questionnaire was clear.

Following information provided by the City Hall of Lisbon, Tourism of Portugal and TripAdvisor website seventeen boutique hotels were identified. These hotels were approached by the research team. The goals of the research were explained to managers and guests. The latter when were prepared to leave the hotel were invited to complete the questionnaire. Before guests completed it, the research team made sure that only guests that knew that they were in a city boutique hotel and that they had previous experience in staying at different type of hotels answered the questionnaire. Data collection lasted for two months.

The sample of 310 fully completed and usable questionnaires (from a target sample size of 350, leading to a 88.6% response rate) was employed to capture the core dimensionality of a small city boutique hotel (see Table 2). The convenience sample 1 was split almost equally in gender and well-distributed in terms of age and education. About one third of the respondents were between 31 to 40 years old and almost fifty percent were university graduates.

INSERT TABLE 2 ABOUT HERE

To treat data, principal component factor analysis (PCA) was used followed by a Varimax rotation, using SPSS 23. Factor analysis provided four dimensions (KMO=0.957;

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Bartlett's test of sphericity $\chi^2$=4627.9, p<0.001). After refinements and purification, it was possible to stabilize the factorial structure with three dimensions and 12 items, which accounted for 67.1% of total variance (KMO=0.921; Bartlett's test of sphericity $\chi^2$=1732.2, p<0.001) (see Table 3). Multiple criteria were used to determine the number of factors to include in the model and which items to retain for each factor. The items that were eliminated had low factor loadings (<0.40), high cross-loadings (>0.40), or low communalities (<0.30) (Hair et al., 2010). Item-to-total correlations were also examined and items that reduced internal reliability were deleted (see Table 3; S1 means first sample). The three achieved factors were named style, dream, and hospitality.

INSERT TABLE 3 ABOUT HERE

Later, a second survey was launched. The procedure to collect data was the same as in the first wave. The second questionnaire was again elaborated in two languages, English and Portuguese (mainly for Brazilian and Angolan guests). Besides the items to measure the core dimensions of a small city boutique hotel and socio-demographic variables, authenticity, pleasant arousal and preference were also measured. The physical distance between measures of the same construct was also taken into consideration, that is, not to have all items of the same construct right next to each other. A pilot test with six guests and hotel managers was used to ensure that the wording of the questionnaire was clear, and only a few adjustments had to be made. An achieved sample of 359 respondents (from a target sample size of 400, leading to a 89.8% response rate) fully completed usable questionnaires that were used to confirm dimensionality and test the model. Authenticity was measured based on Newman and Dhar (2014), pleasant arousal was based on Loureiro (2014) and preference was adapted from Hellier et al. (2003).

The convenience sample 2 was split almost equally in gender and also well-distributed in terms of age and education (see Table 2). About one third of the respondents were between

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31 to 40 years old and thirty percent between 21 and 30 years old. As in sample 1, almost fifty percent had a bachelor university degree.

Regarding the second survey, exploratory factorial analysis with Varimax rotation (KMO=0.917; Bartlett's test of sphericity $\chi^2$=1953.7, p<0.001), using SPSS 23 was conducted for the pool of items of the core dimensions of a small city boutique hotel, which generated three dimensions accounting for 66.7% of total variance (confirming the results gathered from the first survey). All factor loadings were significant (>0.5). The communalities were also similar to those of the first survey (see Table 3; 2 means second sample).

Confirmatory factorial analysis, using LISREL 8.80 was employed to analyze factorial stability. The goodness-of-fit indexes revealed a good fit: $\chi^2$=129.20, df =51, $p$<0.001; GFI = 0.94; AGFI = 0.91; CFI = 0.98; NNFI = 0.98; RMSEA = 0.052 (Byrne, 1989; Bentler and Bonnet, 1980; Bagozzi and Yi, 1988).

Given the goodness-of-fit indices for the SCBH, coefficient alpha estimates (>0.70) (see Table 3), composite reliability (>0.80), and convergent validity with AVE (>0.5) (see Table 5), evidence was found that the measures were unidimensional, with each item reflecting one, and only one, underlying construct (Nunnally and Bernstein, 1994; Ping Jr., 2004). The values of CFA factor loading, ranging from 0.64 to 0.80, exceeding 0.50 and the corresponding t values being statistically significant ($p$ < 0.001) also supported convergent validity (see Table 3).

Fornell and Larcker (1981) proposed a criterion to assess discriminant validity of the constructs: the average variance extracted (AVE) should be greater than the variance shared between the construct and other constructs in the model, that is, the squared correlation between two constructs. Table 4 illustrates that all constructs had discriminant validity because all correlations were lower than the square root of variances extracted.

**Step 3: Quantitative assessment for nomological and predictive validity**

We examined the SCBH scale within a nomological net presented in Figure 1 employing the

PLS (Partial Least Squares) approach (SmartPLS 2.0). PLS was chosen because (i) it suits

predictive applications and theory building, and (ii) it can also be modelled in formative and

reflexive modes (Hair, Black, Babin, and Anderson, 2010).

The adequacy of the measurements was assessed by evaluating the reliability of the

individual measures and the discriminant validity of the constructs (discriminant validity was

analyzed before) (Hulland, 1999). Item reliability was assessed by examining the loading of

the measures on their corresponding construct. Items with loadings of 0.707 or higher should

be accepted (Carmines and Zeller, 1979). Table 5 shows that all items had an item loading

higher than 0.707. Table 5 also indicates that all constructs were reliable since the composite

reliability values were over 0.8 (Nunnally, 1978). The measures also demonstrated

convergent validity as the average variance of manifest variables extracted by constructs

(AVE) was at least 0.5, indicating that more variance was explained than unexplained in the

variables associated with a given construct (see Table 5).

INSERT TABLE 5 ABOUT HERE

At the second-order construct level, we have the parameter estimates of indicator

weights, significance of weight (t-value) and multicollinearity of indicators. Weight measures

the contribution of each formative indicator to the variance of the latent variable (Robert and

Thatcher, 2009). A significance level of at least 0.05 (in the case of this study, a significant

level of at least 0.001) suggested that an indicator was relevant in the construction of the

formative index (SCBH), and thus demonstrated a sufficient level of validity. The

recommended indicator weight was >0.2 (Chin, 1998). Table 5 shows that all three indicators

(style, dream and hospitality) hd a positive beta weight above 0.2. The degree of

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multicollinearity among the formative indicators should be assessed by the variance inflation factor (VIF) (Fornell and Bookstein, 1982). The VIF indicates how much an indicator's variance is explained by the other indicators of the same construct. The common acceptable threshold for VIF is below 3.33 (Diamantopoulos and Siguaw, 2006). Table 4 shows that VIF values were <3.33 and so the results did not seem to pose a multicollinearity problem. Table 5 also shows that the correlations between each first-order construct and the second-order construct was >0.71, revealing that they had more than half of their variance in common, as expected (MacKenzie *et al.*, 2011).

The two-step score construction procedure (Chin *et al.*, 2003) was employed to test the three research hypotheses. The PLS approach allows for explicit estimation of latent variable (LV) scores, after saving the standardized LV scores (Tenenhaus *et al.*, 2005). A nonparametric bootstrapping procedure with 500 re-samples was performed to obtain the path coefficients, their respective standard errors, and t-value for their path coefficients (Chin, 1998; Fornell and Larcker, 1981). All path coefficients were found to be significant at the 0.001 level and so $H1_a$, $H2_a$ and $H3_a$ were largely supported (see Table 6). The null hypotheses were not supported: $H1_0$, $H2_0$ and $H3_0$. The $Q^2$ statistic (i.e., the Stone–Geisser test) can be used to evaluate the predictive relevance of the model. All values of $Q^2$ (see Table 6) were positive, and therefore, the relationships in the model had predictive relevance. The model also demonstrated a high level of predictive power ($R^2$) as the modeled constructs explained 70.4% of the variance in pleasant arousal and 62.3% of the variance in preference. The overall goodness of fit, GoF, proposed by Tenenhaus *et al.* (2005), revealed a good fit (see Table 6).

INSERT TABLE 6 ABOUT HERE

The Sobel test (MacKinnon, Warsi, & Dwyer, 1995; Sobel, 1982) and the Aroian version were used for the mediating effects of SCBH between authenticity and pleasant

arousal and between authenticity and preference. The tests (the Sobel and the Aroian version) revealed that both mediating effects were supported. Here two versions of the mediation test were employed to assure that SCBH was a mediator. Indeed, the Sobel test and the Aroian test seem to perform best in a Monte Carlo study (MacKinnon, Warsi, & Dwyer, 1995), and converge closely with sample sizes greater than 50.

INSERT TABLE 7 ABOUT HERE

Predictive validity is demonstrated by the correlation between the instrument and the criterion variables (Nunnally and Bernstein, 1994). To analyze predictive validity of the measures for SCBH, pleasant arousal and preference were employed as criterion variables. Predictive validity was shown by a significant association between two focal constructs: one construct was represented by the three dimensions of SCBH, and the other was pleasant arousal or preference (see Table 8).

INSERT TABLE 8 ABOUT HERE

Multiple regression analyses revealed that the measure of pleasant arousal and preference were positively associated with the three dimensions of SCBH. Indeed, the results of the regression analysis showed high beta values ranging from 0.211 to 0.468 (at $p<0.001$) for pleasant arousal and ranging from 0.152 to 0.462 (at $p<0.001$) for preference. The strong positive relationships provided support for the predictive validity of the SCBH measure.


**Conclusions and Implications**

In the current study, the results from the two samples supported the proposed measures of a small city boutique hotel (SCBH) in terms of construct, nomological, convergent, discriminant and predictive validity. The study shows that the characteristics of a small city boutique hotel: (i) comprise three core dimensions: style, dream and hospitality (internal consistency analysis, item analysis, exploratory and confirmatory factor analysis supported

the construct validity of three dimensions); (ii) these have a positive and significant direct effect on both pleasant arousal ($\beta=0.839$, $p<0.001$) and preference ($\beta=0.790$, $p<0.001$); and (iii) perception of authenticity positively influences evaluation of the SCBH ($\beta=0.787$, $p< 0.001$) (nomological as well as predictive validity). Therefore, the null hypotheses $H1_0$, $H2_0$, $H3_0$ are rejected.  As far as we know, this study is the first attempt to capture the core essence of small city boutique hotels, meaning that in this research work we intended to capture their basic characteristics.

A practical assessment of this scale reveals that guests who perceive a boutique hotel as stylish, with personalized hospitality and as a dream hotel, experience greater pleasant arousal and have a higher preference for the hotel than those who do not perceive the hotel as stylish, with personalized hospitality and as a dream hotel. The experience of staying at a small boutique hotel may generate memories and storytelling which may be remembered and retold to family and friends.

The qualitative and quantitative studies indicated that SCBH: (i) represents an interesting, promising, and under-explored concept to date; (ii) has pertinence in consumer-brand relationship and hospitality research fields; (iii) reveals significant associations with other constructs: authenticity, pleasant arousal and preference; and (iv) these associations may be employed by both academics and practitioners who intend to predict the pleasant arousal and preference about boutique hotels. Therefore, this research proposes a SCBH tool and provides insights into the dimensionality and nature of this concept.

Although past researchers (e.g., Freund de Klumbis and Munsters, 2005; Aggett, 2007; Lim and Endean, 2007; Henderson, 2011), consultants and practitioners (e.g., Ho, 2012; Friedman, 2014; Boutique and Lifestyle Lodging Association, 2017) have contributed to start understanding the conceptualization of boutique hotels, the current study is the first

attempt to develop a tool to assess a guest's perception of boutique hotels in the city destination.

The findings reveal that the dimension called style (weight=0.408) emerges as the most relevant in shaping SCBH, followed by dream and hospitality. Style is associated to words such as glamorous, innovative, stylish, and charm. Guests feel self-identified not only with the culture, architecture of interior and the whole property, but also with innovative features that may appear through new, unexpected, but tasteful trends (e.g., paintings, furniture).

Considering the three dimensions of SCBH, style seems to be the most significant in predicting pleasant arousal. Thus, style is a stimulus generating pleasure and arousal feelings among guests. Nevertheless, if the hotel can generate the sensation of dream, guests demonstrate a tendency to prefer such hotel among others.

**Managerial implications**

Hotel managers should be aware that providing facilities and services in accordance with the core elements of a city boutique hotel develops in guests' minds a perception that the hotel contains the essence of a boutique hotel, which in turn, leads to a favorable pleasant arousal and a preference over other lodgings. Boutique hotels in a destination should congregate in their essence the local history, the original historical features of the building, provide modern amenities and create a unique scenario able to transport guests to a reality different from their day to day. Some examples of such features and services are: cozy wooden floors and antique furniture, blue and white Portuguese tiles, dreamy *fado* music, a different aesthetic concept for each room/suite or stylish, unique furniture, listening to birds in the boutique hotel garden, possibly without a formal reception desk (guests are not in a formal hotel), a personalized tour to discover the city organized by the boutique hotel; possibly integrating

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spa and wellness; traditional and/or fusion food; history and literature (a literary novel) can be the themes for the decor and creation of the dream. The whole experience, inside and outside the hotel, can create pleasant memories and the desire to return.

**Limitations and further research**

Although the current study provides valuable insights, the findings should be interpreted with caution due to some limitations which bring suggestions for further research, such as: testing the factorial results and the model in different contexts (for instance, boutique hotels not regarded as small, or design hotels); considering other antecedents and outcomes of small city boutique hotels (such as: credibility, prestige, hotel advocacy, or hotel corporate reputation, memory); collecting data in other destinations with other cultures; extending the scale to consider not only the core dimensions, but also other dimensions that could integrate particularities of boutique hotels in each destination.

The concept of the core characteristics of a small city boutique hotel is assumed to be appropriate for diverse hotels of the same type located in other destinations, with a different history and cultural traditions. For instance, in London, New York, Paris, Rome, Amsterdam, among other cities.

Indeed, we intended to capture the core characteristics and not the full characteristics because we consider that other characteristics will depend on the cultural traditions and history of each boutique hotel and where it is located. Therefore, we carried out an initial study considering the theoretical background and the initial steps in order to analyze content validity, reliability, convergent and discriminant validity, as well as the nomological and predictive validity.

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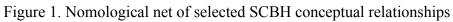
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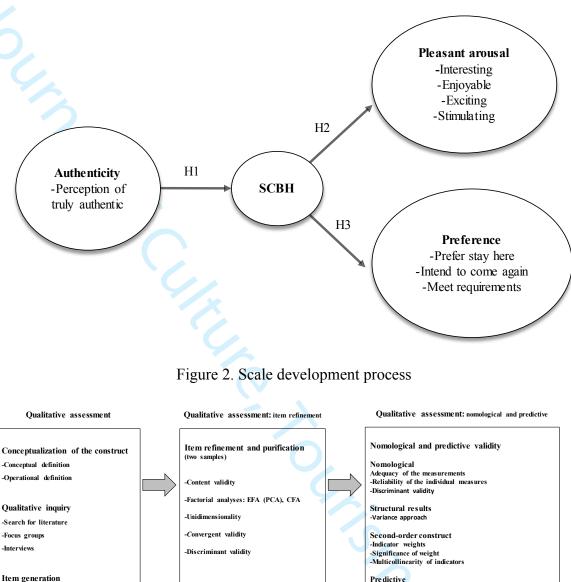
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Figure 1. Nomological net of selected SCBH conceptual relationships



Figure 2. Scale development process

Table 1. Core themes of small city boutique hotel

| Themes | Item examples | Sources |
|---|---|---|
| Design and style | "glamorous"; "innovative" "stylish"; "sophisticated"; "special"; "unique"; "contemporary"; "innovative"; "creative"; "trendy"; "charm" | Phillips (2004); Lee (2011); Henderson (2011); Friedman (2011) Heide et al. (2007); Strannegård (2009); Strannegård and Strannegård (2012); focus group and interviews |
| Emotional dream | "fits me"; "it is an ideal"; "I dream about it"; "a dream hotel"; "familiar with it"; "I feel comfortable"; "emotionally linked" | Strannegård, (2009); Strannegård and Strannegård (2012); Pountains and Robbins (2000); focus group and interviews |
| Personalized cozy service | "staff know name and guest identity"; "staff made eye contact, have empathy"; "make me feel important"; "authentic smiles all the time"; "; staff very helpful"; "presented me with a welcome and goodbye"; "understood my requirements" | Rogerson (2010); Victorino et al. (2005); Henderson (2011); Friedman (2014); focus group and interviews |

Table 2. Sample profile

| Profile | Sample 1 (S1: n=310) | Sample 2 (S2: n=359) |
|---|---|---|
| Gender | Male:48.4% Female:51.6% female | Male:51.3% Female:48.7% female |
| Age (years) | 18-20: 6.8% 21-30:26.8% 31-40:32.3% 41-50: 18.4% 51-60:11.6% >60:4.1% | 18-20: 7.0% 21-30:27.9% 31-40:31.5% 41-50: 17.8% 51-60:12.5% >60:3.3% |
| Education | High school: 19.0% Professional school: 6.7% First degree: 49.7% Master/PhD: 24.5% | High school: 19.2% Professional school: 6.4% First degree: 49.0% Master/PhD: 25.3% |

Table 3. Scale/Item Measurement Properties

| Scale dimension /item | Mean (SD) item | | Communality | | EFA Factor loading | | CFA Factor loading (t-value) | CFA R² | Corrected Item-Total Correlation | | Squared Multiple Correlation | | Cronbach Alfa | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | S1 | S2 | S1 | S2 | S1 | S2 | S2 | S2 | S1 | S2 | S1 | S2 | S1 | S2 |
| **Style** | 3.9 (0.77) | 3.9 (0.74) | | | γ=5.87 | γ=5.75 | | | | | | | 0.854 | 0.843 |
| This hotel is glamorous | 3.9 (0.87) | 3.9 (0.85) | 0.678 | 0.666 | 0.758 | 0.755 | 0.75(15.82) | 0.57 | 0.687 | 0.669 | 0.491 | 0.470 | | |
| This hotel is innovative | 3.7 (0.95) | 3.7 (0.94) | 0.639 | 0.610 | 0.700 | 0.675 | 0.70(14.48) | 0.50 | 0.650 | 0.617 | 0.431 | 0.389 | | |
| This hotel is stylish | 4.1 (0.82) | 4.1 (0.79) | 0.723 | 0.725 | 0.781 | 0.788 | 0.79 (17.04) | 0.63 | 0.715 | 0.711 | 0.514 | 0.510 | | |
| This hotel has charm | 4.0 (0.86) | 4.0 (0.84) | 0.769 | 0.756 | 0.831 | 0.826 | 0.80(17.34) | 0.64 | 0.745 | 0.726 | 0.557 | 0.533 | | |
| **Dream** | 3.4 (1.04) | 3.4 (1.02) | | | γ=1.04 | γ=1.09 | | | | | | | 0.803 | 0.802 |
| This hotel fits me naturally | 3.6 (0.97) | 3.6 (0.96) | 0.634 | 0.643 | 0.705 | 0.715 | 0.75 (15.43) | 0.56 | 0.643 | 0.648 | 0.428 | 0.442 | | |
| This hotel corresponds to an ideal for me | 3.6 (1.01) | 3.6 (1.00) | 0.651 | 0.660 | 0.670 | 0.689 | 0.79 (16.56) | 0.62 | 0.652 | 0.657 | 0.441 | 0.454 | | |
| I have dreamt about this hotel for a long time | 3.1 (1.09) | 3.1 (1.08) | 0.743 | 0.731 | 0.845 | 0.843 | 0.64(12.60) | 0.41 | 0.613 | 0.607 | 0.377 | 0.368 | | |
| This is a dream hotel | 3.5 (1.02) | 3.5 (0.99) | 0.575 | 0.577 | 0.583 | 0.565 | 0.67 (13.29) | 0.45 | 0.567 | 0.557 | 0.322 | 0.311 | | |
| **Hospitality** | 3.6 (1.09) | 3.6 (1.05) | | | γ=1.15 | γ=1.16 | | | | | | | 0.810 | 0.813 |
| Hotel staff knew my name and/or nationality | 3.4 (1.19) | 3.4 (1.15) | 0.668 | 0.657 | 0.766 | 0.762 | 0.69 (13.98) | 0.48 | 0.630 | 0.631 | 0.399 | 0.398 | | |
| The hotel staff made eye contact with me during conversation | 3.9 (0.90) | 3.9 (0.89) | 0.650 | 0.656 | 0.736 | 0.741 | 0.70 (14.25) | 0.50 | 0.623 | 0.623 | 0.395 | 0.397 | | |
| The hotel staff made me feel like an important person | 3.5 (1.04) | 3.5 (1.03) | 0.637 | 0.619 | 0.605 | 0.602 | 0.75 (15.59) | 0.57 | 0.636 | 0.619 | 0.405 | 0.384 | | |
| The hotel staff gave me authentic smiles all the time | 3.5 (1.03) | 3.5 (1.00) | 0.690 | 0.701 | 0.786 | 0.792 | 0.73 (14.89) | 0.53 | 0.641 | 0.653 | 0.419 | 0.434 | | |

Note: S1- first sample; S2-second sample; EFA- exploratory factorial analysis (Principal Component Analysis with Varimax rotation); CFA -confirmatory factor analysis; γ – eigenvalue, (S1: n=310), (S2: n=359)

Table 4. Discriminant validity

|  | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| 1.Authenticity | 1.000 | | | | | |
| 2.Dream | 0.643 | 1.000 | | | | |
| 3.Hospitality | 0.609 | 0.615 | 1.000 | | | |
| 4.Pleasant arousal | 0.665 | 0.682 | 0.601 | 1.000 | | |
| 5.Preference | 0.688 | 0.645 | 0.681 | 0.663 | 1.000 | |
| 6.Style | 0.677 | 0.617 | 0.587 | 0.674 | 0.613 | 1.000 |
| $AVE^{1/2}$ | 0.818 | 0.793 | 0.800 | 0.806 | 0.789 | 0.827 |

Table 5. Measurement results and second order formative factors

| Latent /item | Mean (SD) item | LV mean | Item loading | Composite reliability | AVE |
|---|---|---|---|---|---|
| Style | | 3.9 | | 0.897 | 0.685 |
| This hotel is glamorous | 3.9 (0.85) | | 0.819 | | |
| This hotel is innovative | 3.7 (0.94) | | 0.786 | | |
| This hotel is stylish | 4.1 (0.79) | | 0.848 | | |
| This hotel has charm | 4.0 (0.84) | | 0.856 | | |
| Dream | | 3.5 | | 0.871 | 0.629 |
| This hotel fits me naturally | 3.6 (0.96) | | 0.817 | | |
| This hotel corresponds to an ideal for me | 3.6 (1.00) | | 0.831 | | |
| I have dreamt about this hotel for a long time | 3.1 (1.08) | | 0.762 | | |
| This is a dream hotel | 3.5 (0.99) | | 0.759 | | |
| Hospitality | | 3.6 | | 0.877 | 0.641 |
| Hotel staff knew my name and/or nationality | 3.4 (1.15) | | 0.817 | | |
| The hotel staff made eye contact with me during conversation | 3.9 (0.89) | | 0.831 | | |
| The hotel staff made me feel like an important person | 3.5 (1.03) | | 0.762 | | |
| The hotel staff gave me authentic smiles all the time | 3.5 (1.00) | | 0.758 | | |
| Authenticity | | 3.7 | | 0.802 | 0.669 |
| This is an authentic boutique hotel | 3.9 (0.91) | | 0.838 | | |
| When I think of a truly authentic boutique hotel, I think of this hotel | 3.5 (0.99) | | 0.798 | | |
| Pleasant arousal | | 3.8 | | 0.881 | 0.650 |
| My stay here was interesting | 3.9 (0.89) | | 0.791 | | |
| My stay here was enjoyable | 4.08 (0.80) | | 0.757 | | |
| My stay here was exciting | 3.71 (0.99) | | 0.826 | | |
| My stay here was stimulating | 3.67 (0.94) | | 0.848 | | |

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| | | | | |
|---|---|---|---|---|
| Preference | | 3.6 | 0.832 | 0.622 |
| This boutique hotel meets my lodging requirements more than other hotels | 3.6 (0.98) | 0.796 | | |
| I prefer this boutique hotel to other hotels | 3.4 (1.09) | 0.814 | | |
| In the future I intend to stay again in this boutique hotel | 3.8 (0.97) | 0.755 | | |

| Second order formative constructs | First-order constructs/dimensions | Weight | t-value | VIF |
|---|---|---|---|---|
| Small city boutique hotel (SCBH) | Style | 0.408*** | 15.830 | 1.794 |
| | Dream | 0.379*** | 13.799 | 1.869 |
| | Hospitality | 0.377*** | 11.658 | 1.776 |
| | Correlation between first and second-order constructs | | | |
| | Style | Dream | Hospitality | |
| Small city boutique hotel (SCBH) | 0.864 | 0.863 | 0.850 | |

Table 6. Structural results: nomological validity

| Path | Standardized coefficient direct effect (t-value) | Standard error (SE) | Standardized coefficient total effect (t-value) | Test resuls |
|---|---|---|---|---|
| Authenticity → SCBH | 0.787***(17.019) | 0.046 | 0.787***(17.019) | H1 Supported |
| Authenticity→Pleasant arousal | - | 0.055 | 0.661*** (11.954) | Supported |
| Authenticity → Preference | - | 0.058 | 0.622*** (10.658) | Supported |
| SCBH → Pleasant arousal | 0.839***(22.303) | 0.038 | 0.839***(22.302) | H2 Supported |
| SCBH → Preference | 0.790***(18.299) | 0.043 | 0.790***(18.299) | H3 Supported |
| $R^2$ SCBH | 0.620 | $Q^2$ SCBH | 0.464 | |
| $R^2$ Pleasant arousal | 0.704 | $Q^2$ Pleasant arousal | 0.632 | |
| $R^2$ Preference | 0.623 | $Q^2$ Preference | 0.622 | |
| GoF (overall goodness of fit) | 0.64 | | | |

Notes: ns: not significant, ***$p<0.001$

Table 7. Mediation test

| Paths | | Test-value | Std. Error | *p*-value |
|---|---|---|---|---|
| Authenticity->SCBH->Pleasant arousal | Sobel test | 13.524 | 0.049 | 0.000 |
| | Aroian test | 13.515 | 0.049 | 0.000 |
| Authenticity->SCBH->Preference | Sobel test | 12.521 | 0.050 | 0.000 |
| | Aroian test | 12.511 | 0.050 | 0.000 |

Table 8. Multiple regression analysis: predictive validity

| | | Unstandardized Coefficients | | Standardized Coefficients | |
|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t-value |
| Criterion variable: Pleasant arousal | (Constant) | 0.330 | 0.123 | | 2.677 |
| | Style | 0.484 | 0.040 | 0.468*** | 12.166 |
| | Dream | 0.193 | 0.036 | 0.211*** | 5.355 |
| | Hospitality | 0.264 | 0.034 | 0.295*** | 7.696 |
| Criterion variable: Preference | (Constant) | 0.241 | 0.148 | | 1.632 |
| | Style | 0.171 | 0.048 | 0.152*** | 3.587 |
| | Dream | 0.461 | 0.043 | 0.462*** | 10.695 |
| | Hospitality | 0.304 | 0.041 | 0.311*** | 7.396 |

Note: ***p<0.001