

## Price, exclusivity and luxury: Exploring London's luxury hotels

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Luxury is commonly said to be in the eye of the beholder. It typically relies upon the comparison with the given norms, and reflects the consumption patterns of society's economic elite. Research into the luxury retail industries have grown in popularity over the past two to three decades, with little research being conducted into luxury hotels and variations between them. It is traditionally suggested that three features work with one another; as price increases, levels of exclusivity and luxury also increase. Luxury hotels are said to be built on the same premises. The quality of the tangible and intangible offer is greater than the norm. The aim of this investigation was to critically explore the relationships between the constructs of luxury, price and exclusivity within hotels. Three hotels in the city of London were selected to take part in this small-scale, multi-method investigation, with specific attention being dedicated to each of the three hotels' top suites. All hotels and rooms were defined as luxurious, and service levels were similar, yet each of the three hotels charged £5 000, £15 000 and £22 000 per night for their top suite. The three hotel suites used in this investigation suggested a negative correlation between the relationship of price and luxury, and a positive relationship between price and exclusivity. These findings suggest that a hotel room that is more expensive does not necessarily mean it is correspondingly more luxurious. Further research is recommended to examine the proposition of the concept called conspicuous pricing (similar to that of prestige pricing) used as a method chosen by hotels within the pricing strategies, as well the possibility of conducting similar research within different geographical locations to compare and contrast the three constructs (luxury, price and exclusivity) under different cultural environments.

**Key word:** luxury hotels, price, exclusivity, conspicuous consumption

### Introduction

While the concept of luxury is continually changing, two characteristics are associated with luxury – exclusivity and price. For something to be luxurious it must have an element of exclusivity to it (Frank, 1999; Yeoman & McMahon-Beattie, 2006) creating a sense of desire in the consumer (Berry, 1994). Exclusivity is said to be about limited availability and access to supply (Chandon et al., 2015), enforcing rarity justifying luxury's price. As a result, society perceives luxury to be expensive (Dubois & Paternault, 1995; Kapferer & Bastien, 2012). While high price alone can indicate exclusivity, separating those who can afford something from those who cannot (McKinsey and co., 1990), others argue whether luxury industries are cataloguing their products around high price to capitalise on greater revenues and profits.

One industry notorious for promoting high prices is that of luxury hotels. The city of London in particular is a pinnacle representative of the worldwide industry's expanding development. Modern luxury hotels are designed and constructed to represent contemporary innovation, while the more traditional luxury hotels have seen major refurbishments to meet with changing consumer trends (Slattery, 2012). The London luxury hotel industry has and continues to grow, yet Slattery (2012) insists prices for rooms per night still remain high, with large variations between hotels noted by analysts.

### The elusive definition of luxury

The luxury concept suggests that luxury is complex. No one universal definition is possible, as luxury is defined differently by different individuals even within the same culture (Berry, 1994; Choi, 2003; Weidmann et al., 2007; Weidmann et al., 2009). Nevertheless, the phenomenon has been heavily researched in both industrial and academic research, with more recent studies aiming to produce a more theoretical understanding of the phenomenon (Cristini et al., 2016).

Stereotypical definitions suggest high quality, decadence, and somewhat excessive comfort (Frank, 1999; Thomas, 2007; Bellaiche et al., 2010; Hoffmann & Coste-Manière, 2012). Hansen and Wanke (2011, p. 789) explain that "the idea of luxury products and services are exceptions to the everyday normality's of life" bringing into context a person's real-life cultural experiences, needs and social backgrounds (Hoffmann & Coste-Manière, 2012). However, characteristics associated with luxury depend upon a person's social status and economic leverage, and consumption patterns that are exclusive to a high-status few.

The turn of the millennium saw a shift in consumerism towards the "Experience Economy" (Pine & Gilmore, 1999) and what could be described as the "new" luxury period. This also witnessed a shift in resources towards a ruling elite and an increase in luxury consumption aimed at this elite (Hoffmann & Coste-Manière, 2012), but also involving an increase in middle-class expenditure (Yeoman & McMahon-Beattie,

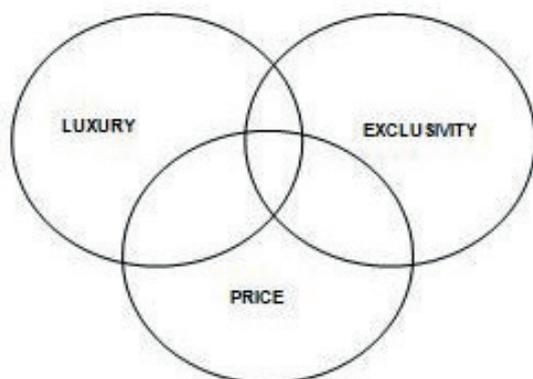
2006). The emergence of the so-called “masstige” luxury strategy now looks to target middle-market consumers with reasonable and affordable prices to increase sales across the world (Truong et al., 2009). With economic growth and social democracy growing, particularly within the middle markets of social classes, it is believed that luxury is now available for all and not only the social elite (Kapferer & Bastien, 2012). A notion that is questionable, because exclusivity and expanding access are contradictory. Luxury for mass markets reflects more marketing hype than an objective assessment of reality.

### **The binding relationships**

Two key components are present in studies in luxury research – price and exclusivity. It is assumed that price is the distinguishing factor believed to represent the beginning of luxury, reflecting quality and decadence. Kapferer and Laurent (2016, p. 333) suggest “price is central in the perception of luxury”, with expensiveness argued to be the first characteristic consumers look for when defining luxury (Groth & McDaniel, 1993; Dubois & Paternault, 1995). Secondly, Chandon et al. (2015) argue that exclusivity has a binding relationship with limited accessibility. The product or service is hard to obtain so supplies are limited to a few consumers. Rarity is used as a justification for a high price. Price enhances exclusivity to separate those who can afford from those who cannot (McKinsey and co., 1990), ultimately differentiating the rich from the poor. Purchasers of high-priced goods and services enhance their perceived status compared to the rest of society (Veblen, 1899; Wang & Griskevicius, 2014).

Figure 1 was devised as a visual representation of the interpretations made through reviewing the literature. The relationship between luxury, price and exclusivity can be said to be amalgamated, as it is assumed that all three constructs work together – thus possibly creating the optimal luxury experience. Nevertheless, while price is perceived to represent the luxuriousness of a product/service (Kapferer & Bastien, 2012) and assist in creating a sense of exclusivity (McKinsey and co., 1990), questions are asked where the boundaries stop and the intersections begin to separate. If understood correctly, where does high price stop becoming luxury and become more in line with exclusivity?

Early observations assumed this triumvirate relationship. Both social and academic observations link price to both luxury and exclusivity – as price increases, so does the levels of luxury and



**Figure 1:** The binding relationships between luxury, exclusivity and price

exclusivity (Figure 2). It is assumed that as luxury increases, price and exclusivity also increase. Similarly, as price increases, luxury and exclusivity increase, and as exclusivity increases so do price and luxury. In other words, luxury, price and exclusivity work in a homogeneous relationship. As one rises, so the others rise also. This relationship has, however, yet to be investigated or explored in greater depth. The question remains, at what point does price cross the boundary by making something more luxuriousness or more exclusive?

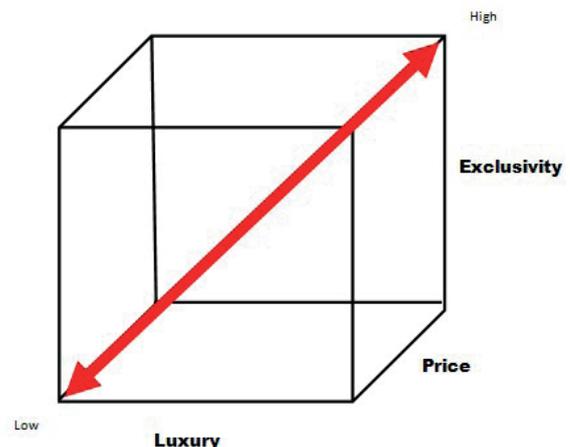
### **Scattered foundations of luxury hotels**

There have been numerous studies on luxury goods and services, but little has been undertaken on the luxury hotel market. Early findings suggest that defining a hotel as luxurious is linked heavily to the literature associated with luxury and exclusivity.

According to Melissen, van der Rest, Josephi and Blomme (2015), no international standardised definition of a luxury hotel currently exists, leaving the categorisation of luxury open to individual preference and interpretation. Slattery and Games (2010) raise further concerns at the international classification systems across different locations, with the 5-star hotel classification supposedly said to reflect the luxury category, yet all with differing standards from one location to the next. It has been suggested that standard criteria by which to define a luxury hotel are difficult as interpretations are likely to differ according to the consumer’s culture and background (Mattila, 1999).

Nevertheless, one standard expectant variable consumers consider to be associated with luxury hotels is through price, with a range of external variables associated with a hotel’s room price. Research conducted by Hung, Shang and Wang (2010) highlight how there are a range of determinants which assist a luxury hotel in setting its room prices, including the number of rooms, the age of the hotel, market conditions, location and the staff-to-guest ratio. However, questions are posed about how “valuable” these variables truly are and whether more complex matters are being associated with pricing structures.

One such variable associated with justifying prices charged by a luxury hotel is seen to come down to the quantity of the tangibles within the hotel and, specifically, within a hotel room. Heo and Hyun (2015) provide evidence to suggest that a hotel room with more tangible products within the designated



**Figure 2:** Literature interpretations suggest that as price increases levels of luxury and exclusivity should follow suit

space is seen to be an enforcer and therefore a justifier for the hotel to charge higher prices to cover expenses, while also weakening the risk of denting the guest's willingness to pay. Other costs which are likely to be included within the higher prices in luxury hotels are also seen to be that of service charge – most notably that of labour – with the guest-to-staff ratio exceedingly higher in luxury hotels compared to budget properties. While prices may be regarded as high and revenue generated within luxury hotels likely to far exceed that of a budget counterpart, it is suggested that the price does not necessarily mean a luxury hotel is more profitable than a budget hotel, especially considering the higher daily expenses which are needed to operate the luxury hotel.

While the economic downturn over recent decades may have made it hard for hotels to maintain consistent average daily rates (ADRs) and revenue per available rooms (RevPARs) and with the temptation from hoteliers to increase occupancy by decreasing room rates, the attractiveness of placing a luxury hotel in a third-party discounting site, for example, can be seen to have negative effects. Yang, Zhang and Mattila (2016) highlight how elite consumers who occupy the hotel are less likely to return to the establishment if there is knowledge that the hotel plans to implement discount sites. Such is the emphasis of price within the luxury phenomenon that arguments by Chan and Wong (2006) suggest that prices set by a luxury hotel are pivotal in maintaining the hotel's status, with a price which is deemed too low possibly resulting in a deterioration of the hotel's positioning as well as a loss to its exclusivity. Such research links heavily with the findings and opinions of Twitchell (2002) in that companies will be seen to use high-pricing strategies, and even the term "luxury" itself, to increase marketing initiatives as well as attract elite members of society. It could be suggested that the charging of a high price for a hotel room in this case could be seen to make a room more marketable for a particular type of customer, or to emphasise position within the market.

The sociological divide within luxury hotels has been evident for centuries. Slattery (2012, p. 41) demonstrates how luxury hotels were not only offering higher levels of quality, "but also in terms of the prices they charged and the customers they attracted". Slattery's use of words in regard to "customers they attracted" suggests a somewhat niche target market for the hotel, most likely members of the upper-classes of society. According to Bojanic (1996, p. 18), "the consumers that would find the most value at luxury hotels would be those that use many of amenities [and supporting facilities] or those who have a high level of income and are not as sensitive to the high prices". Bojanic's interpretations raise interesting suspicions behind the calibre of clientele who are likely to stay at a luxury hotel and whether a luxury hotel is a microcosmic representation of a social structure. Slattery (2012) and Sherman (2007) both hint at the added exclusivity that was seen within luxury hotels, with members of the same demographic backgrounds likely to be seen within the walls of the same establishment. Conspicuous consumption was, and still is, important to luxury hotel guests as they look to raise their status within society to a higher level.

Higher prices suggest an increase in consumer expectations. Walls, Okumus, Wang and Kwun (2011) highlight how the consumer experience within a luxury hotel constitutes both the physical environment and the human-interaction dimensions.

Walls et al.'s (2011) findings further support those of Bojanic (1996) in that there is a strong positive correlation and investment from luxury hotels in placing emphasis on the staff and quality of the surrounding environment. Mattila (1999), Sherman (2007) and Slattery (2012) emphasise that luxury hotels are built on pillars representing quality in the tangible products as well as in the services which are on offer to guests far surpassing those of an ordinary hotel. It is this perception of quality being more than the norm that is the pillar of pricing strategies within a luxury hotel. Based upon the assumption that "you get what you pay for", the more you pay, the more you get!

### **Gap in the literature**

Within a luxury hotel context, it is evident the foundations of scarcity and thus prices charged are still at the forefront of consumer and industry expectations (Chan & Wong, 2006). The marketability of the term "luxury" (Twitchell, 2002) and thus the term "luxury hotel" could be suggested to have enhanced guest expectations to consume greater levels of products and services compared to the given norm, thus making the experience exclusive in its own right. The increase of price against what could be described as the "normal" hotels is argued to be a reflection of the increase in the quality, comfort and quantity of the tangible products and intangible services – creating the exclusivity and, in essence, the luxury that the guest experiences (Heo & Hyun, 2015). The relationships between luxury, price and exclusivity (as shown in Figures 1 and 2) are assumed to work simultaneously with one another, as one variable increases, the other two follow in tandem.

Little evidence is presented categorically proving whether the price charged for a hotel room is a representation for the levels of luxury a guest is likely to experience, or whether it is a mechanism to further enhance exclusivity. There is a need to explore the three constructs of luxury, price and exclusive in order to better understand the relationships and the effects of each construct on one another within a hotel context. There is a need to study the effect prices play on the tangible and intangible products/services that guests purchase. The early proposition being put forward correlates to the assumption that as price increases for a hotel room, levels of luxury and exclusivity should also follow suit. This research is therefore needed to test and to explore this proposition's validity.

### **Research approach**

In the literature, there are high levels of research on luxury and exclusivity within a retail framework, though very little within a luxury hotel context. For this reason, it was decided that the best design for this research was to be based around an exploratory research design. As Robson (2002, p. 59) suggests, an exploratory study aids "in assessing phenomena in a new light", which can then aid in identifying possible problems to be investigated in more depth in the future. It is this new light which is needed to move forward into a more scientific understanding of luxury within the luxury hotel industry.

While the design was decided upon to look at exploring the social phenomenon of luxury, a familiar partner to the exploratory design method is that of an interpretivist research philosophy. As is suggested by Saunders et al. (2009, p. 116), "interpretivism advocates that it is necessary for the researcher

to understand differences" within a real-world social context, particularly between people. This study explores a small sample of London's luxury hotels before moving forward into further research.

With the chosen philosophy of interpretivism, it was decided that the best strategic approach to this investigation would see the researchers investigate under multiple case studies. This decision was predominantly influenced by two variables. The first, after reflecting on concerns highlighted by Yin (2009, p. 15), is that a single case study provides a very "small basis for scientific generalization which is rarely based on a single experiment and are usually based on a multiple set of experiments which have replicated the same phenomenon under different conditions". The phenomenon in this case is seen to be between the three constructs of luxury, price and exclusivity, all of which are present in different conditions of the chosen samples. The second was because of the interpretation made within the initial review of the studied literature. Luxury's meaning was interpreted to differ depending on different contexts – thus to say luxury in one location may well differ in another.

The sample area for this exploratory investigation looked into three luxury hotels within the metropolitan area of London, UK. Hotels H5, H15 and H22 were charging £5 000, £15 000 and £25 000 per night respectively for their top suites. As Robson (2002, p. 59) suggests, an exploratory study aids "in seeking new insight, to ask questions and to assess phenomena in a new light". While Robson suggests there are times when exploratory researchers are unsure about what they are looking for, exploratory research aids in identifying possible problems that can be investigated in more depth in the future (Robson, 2002). It is this new light which is needed to move forward into a more scientific understanding of luxury within the luxury hotel industry.

The location was chosen for two main reasons. The first because it was seen that the more recent research within the luxury fields has been conducted in areas spanning Asia, America and mainland Europe (Barone & Roy, 2010; Kastanakis & Balabanis, 2014; Zaharia & Zaharia, 2015; Kapferer & Laurent, 2016) with very little specifically focused on the UK. The second reason is due to the reputation of London for luxury consumption and social demographical associations to elite members of society within this specific area of the city. All three hotels were located in the heart of Mayfair and Knightsbridge, both districts that are renowned for their reputation of luxury consumption, via luxury retail stores.

A total of 80 hotels were classified under the luxury category within the Greater London area (STR Global, 2015a). In 2015, these 80 luxury hotels supplied a total of 4 474 649 room-nights with actual numbers sold totalling 3 458 045 rooms, equating to a 77.7% occupancy rate. Average daily rates for each room grossed US\$471.39 (GB£357.11) with RevPAR totalling US\$366.22 (GB£279.55). Altogether, receipts from all rooms sold within the 80 luxury hotels equated to US\$1 760 006 311 (GB£1 343 516 267.94) (STR Global, 2015b).

Due to the large number of hotels within the Mayfair/Knightsbridge area, a benchmark rate of £5 000 per night was chosen as a means of filtering the London luxury hotel sample. Of the hotels reaching the required level, four hotels were chosen purposively to use in the investigation (Paler-Calmorin

& Calmorin, 2007) to represent the total group due to their differences in prices. Out of the four hotels chosen, three were willing to participate in the investigation. From the three hotels willing to participate, the vast fluctuations in prices raised questions behind the levels of luxury provided by each of the hotels and helped to provide evidence of the contrasts between all hotels within the Mayfair/Knightsbridge area. The three chosen hotels were then placed into the theoretical model (Figure 3).

### **Mixed-method approach**

A mixed-method approach, combining both quantitative and qualitative methods, was chosen to collect the relevant data.

### *Content analysis*

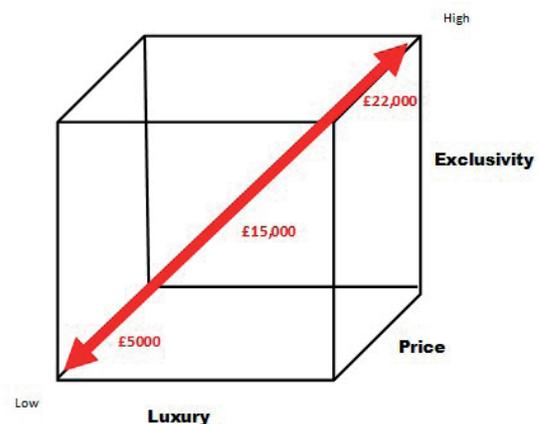
The first stage of the primary data collection involved an observatory content analysis of the three selected hotel suites. Using photographic evidence from the suites' designated website pages, the researcher looked to compare a range of different variables including colour schemes, notable interior decorations and choice of wording to market each room.

This stage was deemed to be an important part of the primary investigation, as it allowed for visual representations to be examined first. As highlighted earlier, luxury's effects are very much seen to be visually based (Thomas, 2007; Kapferer & Bastien, 2012). The idea of using the pictures within the main body of this analysis, rather than placed in supporting appendices, was to demonstrate the importance of the visual sense in the overall "marketability" and "classification" of luxury from the hotel's point of view. Therefore, comparing the visual representations would hopefully help to extract further evidence to support or refute the preliminary hypothesis based on visual interpretations.

### *Systematic analysis*

The second stage of this exploratory investigation was to conduct a systematic analysis of the known tangible and intangible elements of services that guests will receive upon purchasing each of the three hotel suites.

A systematic analysis process was chosen to provide a more scientific approach towards the investigation by being able to physically identify similarities and differences between the three hotel suites. Data was gathered using a desk-based approach,



**Figure 3:** Sample hotels within the theoretical framework

i.e. analysing each suite using their designated pages from the official hotel websites. The researcher looked to gather data and then compare the known tangible and intangible service/variables between the three hotel room suites – e.g. room size, number of bedrooms, etc., in order to identify and thus justify whether an increase in price justifies a higher level of luxury. This method was also ideal to critically analyse the validity of participants in the interview process as it allowed for physical evidence to support or refute respondent's answers.

#### *In-depth semi-structured interviews*

The final stage of this exploratory investigation was to conduct in-depth, face-to-face, semi-structured interviews with each of the three hotels' general managers (HMs). Hotel general managers were specifically picked for the interview process as it is expected that they have a say in the prices charged for the selected hotel rooms.

Interviews were conducted due to their nature of openly extracting "elicit views and opinions from participants" (Cresswell, 2009, p. 181), something which was considered necessary in this exploratory investigation to better understand the relationships between the three constructs of luxury, price and exclusivity. The format of semi-structured questioning allowed for a very naturalistic feel to the overall interview and was similar to a professionally focused conversation. It was hoped that this resulted in a more open and accurate response to each question (Robson, 2007).

### **Findings**

The researcher initially examined the advertising messages used by each hotel to promote and market each suite. All three hotel websites describe their hotel as unique in their chosen sector. H5 currently markets the hotel as "London's finest boutique hotel...with rich furnishings and sumptuous finishes". Similarly, H15 describes the hotel as "one of London's most distinguished hotels" which is seen to "exude an exciting mix of elegance and luxury" to its guests. While H22 could be suggested to go one step further in optimising its stance within London's luxury hotel market, suggesting that the hotel is "the ultimate London address...offering state-of-the-art 21<sup>st</sup> century luxury". These descriptions link to the work of Frank (1999), Thomas (2007), Bellaiche et al., (2010), and Hoffmann and Coste-Manière (2012), suggesting that all three hotels are likely to be of high quality and reflect elegance and sophistication. From a marketing aspect, it could be suggested that all three hotels look to make a claim for their unique position within London's luxury hotel market, exaggerating on the positive use of terminology used to describe each hotel. Without actually saying "no plebs here", the language employed stresses exclusivity.

Further descriptives used to describe the hotels also depict a sense of exclusivity. Phrases such as "London's finest boutique hotel" (H5), "one of London's most distinguished hotels" (H15) and "the ultimate London address" (H22) can all suggest that a stay at either of the three hotels is one of privilege that very few have the opportunity in experiencing (Kapferer & Bastien, 2012; Chandon et al., 2015). Interestingly, however, the language chosen by the three hotels can be seen to be somewhat interchangeable in that a similar message is portrayed. There is no clear evidence which specifically

articulates that H22 is better than H5, despite the price difference being four and half times greater.

As well as the descriptions of the hotels themselves, particular attention was paid to the wording chosen to describe each suite. H5 looks to describe the room as "one of the most luxurious suites in London" with "state-of-the-art technology" used throughout the room to portray a modern, innovative and contemporary feel. H15 describes their hotel room along similar lines, announcing that their suite is "a prestigious and luxurious three-bedroom suite" and is argued to be "one of London's most exclusive settings for private entertainment". Particular attention was drawn to the levels of description of the rooms themselves, which were much more detailed than that of H5, with an emphasis on the detail of the interior furnishings. The description talks about the "original 18<sup>th</sup> century paintings" which are seen to remain "true to the hotel's Victorian heritage", and the room is said to be "decorated in a fresh contemporary style".

Lastly, H22 places a large amount of emphasis on the quality of the tangible interior furniture which occupies the "two floor unique space". Offering "refined elegance which reigns supreme", the "mirror-panelled walls and leather-lined shelves" could be argued to optimise a much deeper level of luxury compared to H5 and H15. Nevertheless, none of the descriptions can be said to clearly reflect a hierarchy of facilities or service that justifies the price variations across the three hotel suites.

A thorough analysis of each room's website page highlighted how the specific price of each room *was not* stated on either of the three hotel websites. All three hotels stated that all enquiries were to be made directly to the hotel reception via telephone or via a specialised email address which directly related to bookings for the hotel room.

Excluding the room rate from the hotels' websites reinforces the secrecy and exclusivity of the properties on offer. The general public cannot find out about the room rate and this leads to a more private and secretive service being presented to the eventual consumers of the room. Questions are therefore asked whether this is a strategic decision by the hotels to portray and offer a more exclusive experience to the hotel rooms' guests as it is something which is noticeably only done for these rooms. Perhaps it is a reflection of the notion, "if you have to ask how much it is, you cannot afford to stay here".

#### **Tangibles**

Through contrasting images of each hotel room, it was interpreted that all three suites and the facilities presented showed the rooms to be somewhat similar, with no clear or definitive differences being seen among the three rooms, despite the large fluctuations in prices. All three could be compared to what can be described as a large expensive home/apartment rather than the stereotypical hotel room which many may associate with expense to purchase the room.

#### *Visual stimuli*

The following pictures suggest that it is difficult to single out the most expensive from the least expensive of these suites. Neither H15 or H22 gave any definitive or distinctively obvious differentiations compared to H5, despite there being a substantial price difference, making it considerably difficult for the researcher to illustrate which room was more or less

luxurious/expensive than the other based on visual stimuli alone. An interesting suggestion, however, is the differences in styles which all three hotel rooms have chosen. H5 and H22 both portray a more contemporary, open and colourful aura, while H15 represented what could be seen as a more traditional approach to its layout and furnishings.

#### *Breakdown of products and services*

Further attention was then placed on the so-called physical advertised products and services that a guest will receive upon purchasing each of the three hotel rooms. Table 1 showcases a detailed systematic analysis of those products and services which can be purchased, with all data used gathered from the hotel websites. The use of this method was important to contrast and compare all three hotel rooms using a variety of different variables.

The comparison of the rooms' sizes revealed that despite guests paying three to four times more than the price for H15 and H22 compared to H5, evidence shows that a guest is not necessarily receiving three to four more times for their money when it comes to size or space of a room, as well as the supporting facilities and services. Such a problem is notable when variables such as the number of bedrooms and bathrooms are compared, with a guest only receiving double the number of bedrooms and bathrooms in H22 compared to H5, despite over four times the price difference. Similar discussions relate to maximum occupancy of each room, with again, even with a three to four times higher price compared

to H5, the occupancy levels of both H15 and H22 are only double (7–8) that of H5.

Such findings can be and were translated into a systematic table where it was possible to analyse the differences in prices depending on selected variables. Notable variables which were analysed are shown in Table 2.

While the interpretation of literature was visually depicted within the theoretical frameworks (Figure 2 and 3), the suggestion raised was the supposition that both luxury and exclusivity would increase parallel to the increase in price. Calculations in Table 2 show that this assumption is in fact negative according to this sample, with the most evident calculation to provide evidence for this conclusion seen in the calculation a guest would pay per metre squared. H15 can be seen to be more expensive per metre squared, compared to (as expected) H5, but (not as expected) compared to H22.

While all three other calculations (price per capita, price per bedroom and price per bathroom) were seen to favour the supposition of Figure 2, they can, however, be seen to not

**Table 2:** Systematic analysis of price per fixed variable

	H5 £5 000	H15 £15 000	H22 £22 000
Price per night			
Metres squared	£23.69m <sup>2</sup>	£61.98m <sup>2</sup>	£47.31m <sup>2</sup>
Per individual guest	£1 250	£2 143	£2 750
Per bedroom	£2 500	£3 000	£5 500
Per bathroom	£2 500	£3 000	£5 500

**Table 1:** Analysis of products and services

Variable	H5	H15	H22
1. Price per night (GB£)	5 000	15 000	22 000
2. Size of bedroom (m <sup>2</sup> )	211	242	465
3. Number of bedrooms	2	3	4
4. Number of bathrooms	2	3	4
5. Maximum occupancy	4	7	8
6. Location in hotel	Top floor	First floor	Top floor
7. In-room facilities	1. Kitchen 2. Dining room (8 pax) 3. Terrace (40m <sup>2</sup> ) 4. Living room 5. Open bar	1. Kitchen 2. Dining room (10 pax) 3. Terrace (70m <sup>2</sup> ) 4. Living room 5. Open bar 6. Reception area (40 pax) 7. Steam room	1. Kitchen 2. Dining room (10 pax) 3. Terrace (63m <sup>2</sup> ) 4. Living room 5. Cocktail bar 6. Private wine cellar 7. Private spa suite 8. Private study
8. Added internal facilities	1. Tablet-controlled operating systems	1. Under-floor heating	n/a
9. In-room amenities upon arrival	n/a	1. Flowers 2. Champagne 3. Chocolates (restocked daily) 4. Fruit juices and spirits (restocked daily)	1. Flowers 2. Champagne
10. Personalised gifts	n/a	1. Pillow and duvet menu 2. Inscribed robes 3. Inscribed slippers 4. Inscribed stationaries	n/a
11. Additional services	1. Rolls Royce chauffeur 2. International newspapers	Twice daily housekeeping	1. Chauffeur-driven car 2. In-suite check in 3. Luggage (un)packing 4. Daily morning coffee wake-up 5. Shoe shining 6. Personal shopper (24hr notice, ~3.2 km radius)

represent the true fluctuations in price, with H15's calculations not equating to three times that of H5, and H22's calculations not equating to four times that of H5.

Further analysis found that all three rooms can be seen to offer very similar facilities, including kitchen, dining rooms, terraces, living rooms and a bar of some calibre, with minute differences in regard to their sizes and the number of occupants who can occupy them.

The location of each of the rooms in their individual hotels was an area of interest. H5 and H22 are both located on the top floors of their hotels, while H15 is located on the first floor. Thoughts are raised about the reasons of these locations and whether they are indeed seen to be a strategic decision to offer and promote a more luxurious and exclusive environment. The benefit of a top-floor room, for example, can be alleged to add external cost effective value, with the surrounding scenery being viewed from the rooms' windows and terraces, while a more private and peaceful atmosphere (exclusivity) may be greater by being further away from the hotel's daily proceedings, which happen closer to the ground floor. Again, it is questionable whether these added extras are a means to justify the prices which are being charged, or if it is a matter of pure coincidence. If they are a means for justifying price, it could be suggested therefore that H5 has arguably a stronger position to charge a higher price than H15 due to the added extras which the guest can experience.

Such analysis raises early suspicions about the justification of pricing methods being used. The systematic analysis conducted hints at the possibility that price is not necessarily being set to reflect quantity of the tangibles, with the early proposition that price is seen to reflect something more complex than first perceived.

### *Creating the experience*

The three hotel managers interviewed agreed that the difference between "normal" hotels and "luxury" hotels depends highly on greater levels of service, which is believed to enhance the guests' experience. Consistent with the experience economy (Pine & Gilmore, 1999), the reported change of the luxury phenomena is now based on experiences rather than products (Danzinger, 2005). All three managers touched upon the need to not only deliver luxury products and services, but to combine these effectively and efficiently into the overall luxury experience that impresses the guests.

HMH5: "It is about giving the guests a memorable experience with impeccable service". HMH15: "Yes we have beautiful products but these people have amazing products in their own homes, so what from a service point of view can we offer that they would not have in real life is difficult [to offer] at times". HMH22: "I think it is all about service and service delivery...It is about the connection with the guest and that is something you have to work very hard on and this is something that needs to happen on a daily basis". While HMH15 admitted that "you have some amazing newly built hotels and hotels which have been transformed that have a much better product than we do in all honesty because they have spent an awful lot (of money) on modernising their products".

To distribute "impeccable service", to develop a "connection with the guests" and to deliver a "memorable experience" can be said to lie heavily with the personalisation of the overall product and service offered. It was coincidentally H15, as can

be seen from the systematic analysis in Table 1, which provided strong evidence of personalisation in regard to the tangible commodities on offer to the guest, with the inscription of names on bath robes, slippers and stationary available for the guest to use and to take home. H22, meanwhile, can be said to offer highly personalised services through chauffeur-driven cars, in-suite check-ins, personal shoppers and unpacking services.

Nevertheless, interpretations of personalisation linking back to the theoretical framework constructed from the literature review raises further lines of enquiry. It suggests that the price itself is a tangible commodity reflecting, representing or even promote a guest's experience. A new proposition can be made in that the higher the price, the greater the experience for a guest, however, again this is something which will need to be tested and verified. For now, however, it could be seen that the higher the price, the greater the levels of exclusivity on offer (McKinsey and co., 1990), with price in the case of H15 being regarded as a method to promote and enhance exclusivity.

HMH15: "I think the exclusivity comes from a price point already in that it separates those who can and cannot afford to purchase such goods". Being able to conspicuously consume (Veblen, 1899) hotel accommodation not available to most other hotel service consumers nourishes the status needs of these guests, reinforcing their perceived sense of status and uniqueness. Price therefore is a fundamental part of this luxury and exclusive experience (Kapferer & Laurent, 2016).

As was identified in the literature, the desire to consume conspicuously is not only believed to enhance social status, but is also said to be individually useful, assisting in signalling to others to move towards or away from a person/environment (Wang & Griskevicius, 2014). Throughout all three interviews, all three HMs raised interesting discussions linking heavily to the sociological and economic background of the guests staying in their hotels, as well as those occupying the three specific rooms being investigated in this research.

HMH5: "Imagine someone that has everything that money can buy. We are talking 40 supercars like Lamborghinis and Aston Martins, they've got yachts, they've got private jets – imagine everything that money can buy and these people (guests) have it all". HMH15: "We have people who live it (luxury lifestyle) every day and therefore their expectations are very different to that person who can only touch it for one or two days". HMH22: "In a hotel like this, we have a lot of VIP celebrities and high profiles from politics to corporate...whom are well known to the audience...when they spend time in a hotel like this they really want to have the privacy and for us to look after everything".

The research conducted by Wang and Griskevicius (2014) suggested that conspicuous consumption can attract or repel individuals from others, and this can also apply to hotels themselves. A hotel accommodating VIP guests from similar successful economic, cultural and political backgrounds may itself be an important marketing concept attracting guests who are, or aspire to be, part of the social elite. HMH5 suggested there is a certain type of guest who actively seeks to stay in these types of hotels and rooms which are said to be for the "inner circle of people which come to this hotel. Money is not an issue." Purchasing such a room at such a high price may well imply that a guest is able to buy their way or be able to

position themselves within this “inner circle”, and experience the tangible and intangible benefits which come from it.

However, the role and status of H5 raise some interesting questions. Clearly, guests are paying many times more than the average rate for London hotel accommodation. It may be that they are working with their price sensitivity: H5 meets their comfort and status needs, and H22 would be seen as excessive, or reserved for very special occasions. On the other hand, this may be an indication of an inner circle within an inner circle? Do only the elite of the elite stay in hotels such as H22?

## Conclusion

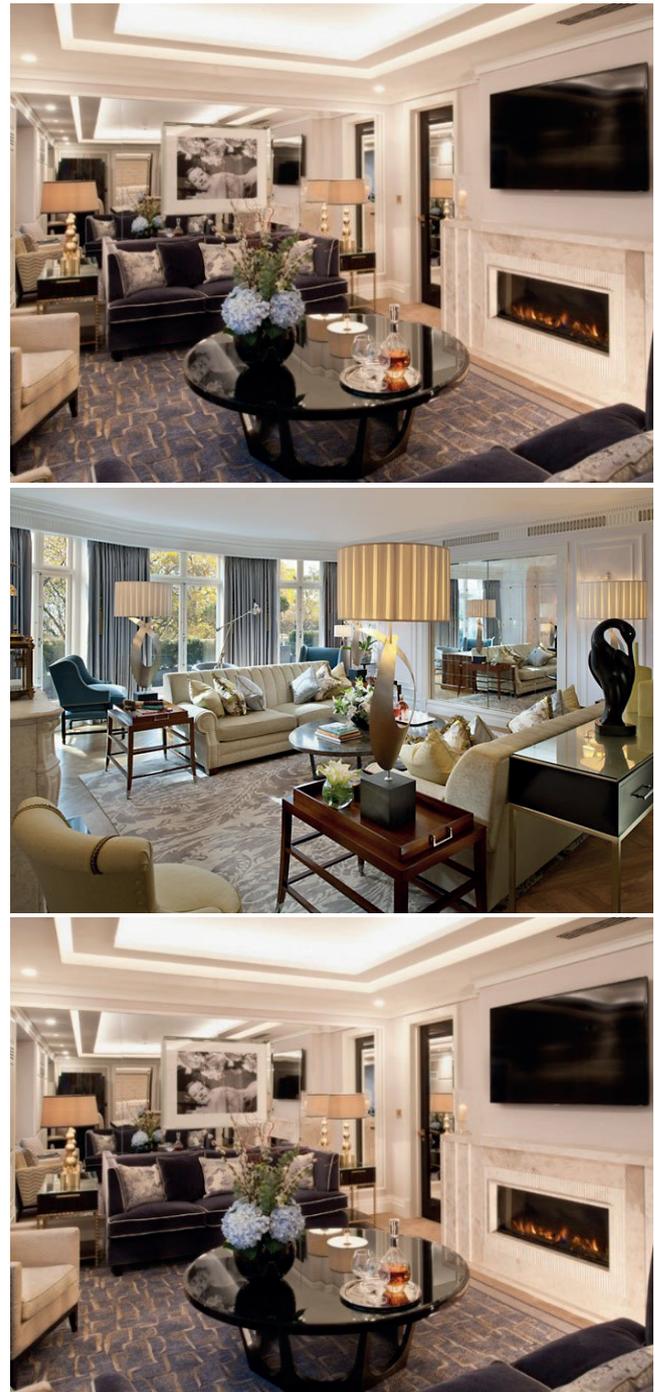
The exploratory nature of this study began with a broad-scaled literature review to understand the complexity of luxury and the multiple notions that make it difficult to define. Within these readings, it was clear to see that two constructs in particular were vital in the creation of luxury – price and exclusivity. In their research, Kapferer and Laurent (2016, p. 333) insisted that “price is central in the perception of luxury”, while Dubois and Paternault (1995) believed expensiveness is a major characteristic a luxury consumer looks for before purchasing. Parallel to this, Groth and McDaniel (1993, p. 10) believe the concept of “high price can make certain products and service more desirable”, while also making products and service more exclusive, separating those who can afford to purchase from those who cannot (McKinsey and co., 1990). As is suggested by Hennigs et al. (2012, p. 932), the true value of the luxury concept lies heavily in “the perception of excellence, exclusivity and uniqueness”. The relationship between the three constructs therefore was interpreted to be unique, with the early assumption that all three work with one another, as suggested in Figures 1 and 2.

In the three sample hotels/rooms examined in this research, the interrelationship between price and exclusivity remains in proportion (as one continues to grow so does the other), as the higher the price, the less people there are who are able to afford its consumption (McKinsey and co., 1990).

A comparison between the tangible and intangible products/services which a guest receives upon purchasing either of the three differently priced rooms shows very few variations when comparing against each other, despite considerable price differences. This therefore suggests that a room which is more expensive *is not* necessarily more luxurious based upon physical purchasable features, signifying that the relationship between price and luxury is not seen to correlate parallel to the relationship of price and exclusivity. It is concluded in this investigation that the construct of price far exceeds the rate at which luxury expands, with the price in this context not necessarily indicating the levels of luxury a guest is likely to consume on purchasing. The reasons why this is happening are still to be confirmed. However, there is strong evidence in this research to suggest price is being used predominantly for exclusive means/measures (as shown in Figure 4), supporting the research and thoughts of McKinsey and co. (1990). For hoteliers, it is important that caution should be practised when “playing” with high prices. While high price may well attract certain members from an elite class, it is thought that greater expectations are also still likely to follow when purchasing a hotel room with a higher price, regardless of affordability. It is therefore suggested to hoteliers that they understand the

implications of higher prices and the effects on consumers’ expectations, and evaluate whether the hotel/room can live up to such expectations.

From a more theoretical standpoint, a new proposition is put forward suggesting that a new phenomenon entitled *conspicuous pricing methods* is in motion, with the idea that price in itself can be seen to enhance a guest’s stance within society, similar to the concept of conspicuous consumption (Veblen, 1899), based upon the price they (the guest) pay for a hotel room per night. This new proposition can be said to



**Figure 4:** From top to bottom, H5, H15, H22 – pictures used for visual stimulus analysis

lead into another, with the suggestion that the higher the price, the greater the experience for a guest. However, this is something which will need to be tested and verified. Further research through both quantitative and qualitative means is needed to confirm such propositions/hypothesis as well as other managerial issues surrounding the choice of price being charged, while a systematic and comprehensive breakdown of the revenues, costs and profit/losses between luxury hotels and non-luxury hotels may well help to assist industry and academia to understand the complexity of the luxury hotel phenomenon in greater detail than this study alone.

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