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Market Research Report on the Operating Performance of China'S Upper-Midscale Economy Hotels in 2024—Evidence from Atour Hotels and the Core Area of Tangdao Bay, Qingdao

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Abstract: *China's upper-midscale hotel market has grown rapidly in recent years. This expansion is driven by consumption upgrading and brand portfolio optimization. The market share of upper-midscale hotels continues to rise. Openings have accelerated in tier-one and emerging tier-one cities. Chain penetration in the 3-5 star segment has increased. In the first half of 2024, leading hotel groups delivered strong revenue performance. Huazhu led the market by revenue scale. Atour achieved high growth and showed profit leverage through its "hotel + retail" model. However, macroeconomic headwinds and intensified competition have affected operating momentum. Occupancy (OCC) rebounded, but average daily rate (ADR) and revenue per available room (RevPAR) declined. Going forward, the sector will emphasize "hotel+" diversification and digital transformation to reduce costs and improve efficiency. Growth pressures are expected to persist.*

Keywords: *Upper-midscale economy hotels, Operating performance, Atour Hotels*

1. Introduction

According to data released by the Ministry of Culture and Tourism, domestic tourist trips reached 2.73 billion in the first half of 2024, up 14.3% year-on-year. Domestic tourism revenue reached RMB 2.7 trillion, up 19.0% year-on-year. The tourism upturn provided new momentum for hotel industry growth[1]. This report focuses on the position and development of China's upper-midscale hotels under the current market environment. It uses Atour, an upper-midscale economy hotel brand, as a case study. It also incorporates the characteristics of the core area of Tangdao Bay, Huangdao District, Qingdao, where the company's pledged collateral assets are located, for investigation and analysis. This report evaluates hotel operations using key performance indicators. ADR measures the average room price per room per day. It reflects pricing strategy and market demand. OCC is the ratio of rooms sold to total available rooms. It indicates operating efficiency and market attractiveness. RevPAR combines ADR and OCC. It provides a more comprehensive indicator of revenue performance. It also supports profitability comparison across hotels.

2. Overview of the hotel market

2.1 Market scale and environment

According to monitoring data from AVC Cloud Network, in the first half of 2024, there were about 340,000 operating hotels nationwide with 15 rooms or more. The total room inventory was 16.23 million rooms. The existing market scale is therefore very large. In terms of incremental supply, 23,000 new hotels opened in the first half of 2024. This is close to 59% of the total number of new openings in full-year 2023. About 1.0 million rooms were added. This reached about 61% of the full-year 2023 newly opened room count[2]. New supply growth remained strong. In first-tier and new first-tier cities (the "19 cities"), 5,966 hotels opened in the first half of 2024. This accounted for 26% of new hotel openings nationwide during the same period. These openings added 279,000 rooms, accounting for

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28% of newly added rooms nationwide. Within the 19 cities, 973 newly opened 3–5 star chain hotels were recorded, up 55.2% year-on-year. Their room count reached 100,300 rooms, up 35.4% year-on-year. The chain penetration rate for 3–5 star hotels in the 19 cities reached 72.0%, up 2.0 percentage points year-on-year. Chain hotels in high-tier cities therefore maintained a sustained growth trend. Under the trend of more rational consumption, consumers show both upgrading demand and increased price sensitivity. In response, major hotel groups have adjusted their brand structures and expanded into the upper-midscale and above segments. According to a Frost & Sullivan forecast, the upper-midscale hotel market accounted for only 8.1% in 2021. However, it is also projected to be the fastest-growing hotel segment during 2022–2026. China's current hotel structure is still dominated by economy hotels. However, as residents' disposable income increases, the share of midscale and upper-tier hotels has risen year by year. Demand remains strong in major destination cities such as Shanghai, Beijing, and Chengdu. Huazhu Group, Atour Group, and Jin Jiang Hotels (China) continue to lead the market. Midscale and upper-midscale hotels constitute the core demand segments. New openings in upscale hotels have slowed. In the first half of 2024, among the 19 cities, 593 newly opened midscale chain hotels were recorded. This was up 76.5% year-on-year. They added 51,000 rooms, up 71.6% year-on-year. There were 307 newly opened upper-midscale chain hotels. This was up 35.2% year-on-year. They added 35,800 rooms, up 24.3% year-on-year. Only 73 newly opened upscale chain hotels were recorded. This was up 14.1% year-on-year. They added 12,000 rooms, down 16.8% year-on-year. Economy hotels have relatively low chain penetration. This is mainly due to low store-opening costs and weaker requirements for standardized operations. In lower-tier cities, the market is dominated by independent hotels. This structure also results in relatively low industry concentration. According to the China Tourist Hotel Association, the top five hotel groups account for 52.2% of total rooms in China's chain hotel sector. Among them, Jinjiang Hotels, Huazhu Group, and BTG Hotels hold market shares of 17.6%, 16.5%, and 8.7%, respectively.

2.2 Revenue performance

Based on interim financial reports as of the first half of 2024, among 14 domestic hotel groups, Huazhu Group recorded the highest revenue at RMB 11.43 billion. This represented a year-on-year increase of 14.15%. Jinjiang Hotels ranked second with revenue of RMB 6.892 billion. This was a marginal increase of 0.23% year-on-year. BTG Hotels reported revenue of RMB 3.733 billion, up 3.46% year-on-year. Atour Group reported revenue of RMB 3.265 billion. It may surpass BTG Hotels by year-end. Lingnan Holdings reported revenue of RMB 1.926 billion. The impact of its acquisition of Dossen Hotel Group has become visible. Junting Hotels reported revenue of RMB 331 million, up 49.75% year-on-year. In terms of profitability, Huazhu Group recorded the highest net profit attributable to shareholders at RMB 1.726 billion. This declined by 13.92% year-on-year. Jinjiang Hotels' attributable net profit rose sharply by 59.15% to RMB 848 million. This was mainly driven by RMB 420 million in pre-tax investment income from "Fashion Journey". Atour Group reported attributable net profit of RMB 562 million, up 118.33% year-on-year. Its retail GMV reached RMB 1.115 billion in the first half of the year. BTG Hotels reported attributable net profit of RMB 358 million, up 27.49% year-on-year. This was mainly supported by overall scale expansion. It also benefited from a higher contribution from franchised hotels and an improved mix toward upper-midscale hotels. In terms of operating performance and year-on-year changes, the overall trend is negative. For the four domestic hotel groups, RevPAR and ADR per sellable room both declined year on year. Atour and BTG Hotels recorded the largest ADR cuts, down 7.2% and 3.8%, respectively. Jinjiang Hotels posted the largest RevPAR decline, down 7.2% year on year. Apart from Huazhu Group, which recorded a 2.4% increase, the other groups reported RevPAR decreases in the range of 6%–8%. For OCC, Huazhu Group increased 9.78% year on year to 82.6%. Junting Hotels reached 78.4%, up slightly by 1.3%. Jinjiang's limited-service hotels and BTG Hotels were around 65%, and both recorded a slight year-on-year decline. In the first half of 2024, hotel groups recorded declines to varying degrees. Signs of weakening growth were evident. In some cases, revenue increased while profit did not. This was mainly driven by macro-level consumption conditions. It was also influenced by an unsustainable high base created by the consumption rebound in 2023.

2.3 Competitive landscape

The upper-midscale hotel market shows diversified competition. Domestic groups such as Jinjiang, Huazhu, BTG, and Atour hold significant shares. They benefit from deep knowledge of local demand and service innovation. Leading hotel groups treat the upper-midscale segment as a key strategic track. Jinjiang Hotels entered this segment early. It aims to build a "second growth curve." By the end of

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2023, Huazhu Group operated 9,263 hotels. Among them, 4,295 were upper-midscale and above. This was an increase of about 814 hotels versus 2022. Jinjiang Hotels recorded a net increase of 879 upper-midscale hotels in 2023, reaching 7,303 hotels. BTG Hotels increased its upper-midscale portfolio by 204 hotels, reaching 1,721 hotels. Atour is positioned in the upper-midscale segment. All of its newly opened hotels were upper-midscale brands. The upper-midscale market shares of Huazhu Group, Jinjiang Hotels, and BTG Hotels increased to 46.4%, 58.7%, and 27.5%, respectively. This highlights their market leadership. It is therefore expected that upper-midscale hotels will become the next key battleground among major hotel groups.

3. Atour group

3.1 Company overview

Shanghai Atour Business Management (Group) Co., Ltd. was established in 2013. It is an innovation-oriented enterprise that integrates culture, technology, and new consumer businesses. The group is anchored in the lodging sector. It operates six accommodation brands, including A.T. HOUSE, Atour S Hotel, ZHotel, Atour Hotel, Atour X Hotel, and Qingju. It also operates a scenario-based retail brand, Atour Market. The group has incubated three proprietary lifestyle brands. Atour emphasizes human-centered values and warm service. It aims to provide a comfortable and welcoming stay. It regularly organizes cultural events and art exhibitions. This is intended to strengthen customer attachment and experience value. The group has expanded into retail. Its product portfolio covers bedding, personal care, and travel-related items. The Atour Planet Deep Sleep series has become a best-selling product line. To support retail sales, Atour adopts an “offline experience, online purchase” model. Customers can experience retail products during hotel stays and then purchase them online. Over the past 11 years, Atour has opened 1,000 hotels. It maintained a high opening pace even during the most difficult three years (2020–2023). In 2024, the group’s total operating hotels exceeded 1,000. It also achieved its first “1,000-hotel” brand milestone, as Atour Hotel surpassed 1,000 opened properties. In 2023, Atour’s new hotel opening growth rate was close to 30%. This was well above the industry average growth rate of 7.8%. Atour closed only 10 hotels in 2023. Both the closure count and closure rate were far lower than those of other major hotel groups. This also indicates relatively strong operating quality among its franchised hotels[3].

3.2 Financial data

As of June 2024, Atour Group reported total assets of RMB 7,285.08 million. Its leverage ratio has been relatively stable over the past three years. It declined to 63.46% in Q2. In 2023, the group’s revenue reached RMB 4.659 billion. This increased by 106.2% year on year. Net profit reached RMB 736 million. This represented a 669.2% increase. This indicates that Atour achieved profitability for a fifth consecutive year. It also marks the fourth consecutive quarter of revenue growth. This performance was mainly driven by a post-pandemic surge in travel activity. Demand for upper-midscale hotels increased accordingly. However, the debt burden and operating costs remain material constraints. Total liabilities rose from RMB 1.66 billion to RMB 4.512 billion over three years. In 2023, total operating costs reached RMB 2.829 billion. This exceeded 60% of total revenue. From a profitability perspective, Atour’s growth in the upper-midscale segment is materially higher than peers. Yet it has not fully escaped the broader pattern of “revenue growth without proportional profit growth.” Cost reduction and efficiency gains remain key challenges.

3.3 Brand positioning

3.3.1 Upper-midscale market share

As of 2023, China’s hotel market was still dominated by economy hotels (55.3%). However, rising household purchasing power and higher consumption standards have pushed hotel groups to expand into the upper-midscale segment. Unlike many brands still in an expansion phase, Atour positioned itself in the upper-midscale market from its establishment in 2013. According to Frost & Sullivan, Atour ranked first by number of rooms in China’s upper-midscale hotel market for seven consecutive years from 2018 to 2023. Atour attracted franchisees through a stronger single-hotel unit model and a more competitive investment payback period. This supported rapid network expansion. By the end of 2023, Atour operated 1,210 hotels. Upper-midscale sub-brands accounted for 1,034 hotels. This represented 85.5% of the total portfolio. By number of rooms, Atour ranked as the largest

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upper-midscale hotel brand in China for seven consecutive years from 2017 to 2023. As of September 2024, upper-midscale hotels in the main business districts of representative cities—Nanjing, Suzhou, Qingdao, and Xuzhou—are mainly Atour Hotel (flagship), Atour X Hotel, and Crystal Orange Hotel under Huazhu Group. Hampton by Hilton is a brand jointly managed in cooperation with Jinjiang Group. Its market presence is smaller than the two groups above. However, it shows a higher average ADR.

3.3.2 Comparative operating metrics (ADR, RevPAR, OCC)

Atour benefits from a first-mover advantage. It holds a leading position in China's upper-midscale hotel market. However, major competitors are also strengthening their presence in this segment. They are upgrading products and renewing brand positioning. Huazhu has established Crystal Orange as a stable upper-midscale brand. It has also launched the All Seasons 5.0 product. BTG Homeinns has released version 4.0 of Homeinn Selected. Jinjiang's CEO, Shen Li, has stated that the group will accelerate the rollout of upper-midscale and above brands. Compared with hotel groups that rely mainly on economy hotels, Atour is anchored in the upper-midscale segment. This reduces earnings dilution from lower-yield economy hotels. Atour concentrates on first- and second-tier cities with higher spending power. It builds brand strength through high-tier cities and core business districts. This supports a higher brand premium. In recent years, Atour's ADR has been about RMB 100–150 higher than comparable domestic upper-midscale hotels on a same-store basis. In Q3 2023, ADR peaked at close to RMB 500. RevPAR in the same quarter reached RMB 424.1. This was about RMB 100–200 higher than peers. OCC is broadly comparable to peers. It has remained around 80%. Atour's gross margin improved steadily. Its consolidated gross margin in 2019–2023 was 25%, 22%, 26%, 30%, and 42%, respectively. Over the same period, Huazhu's consolidated gross margin was 32%, 14%, 24%, 22%, and 32%, respectively. In 2022, Atour's gross margin was higher than comparable companies. This outperformance is driven by two factors. First, Atour has a higher franchise mix. In 2022, franchised hotels accounted for 96% of Atour's hotels. This exceeded Huazhu (93%), Jinjiang (95%), and BTG (89%). Franchise hotels typically have higher and more stable gross margins than managed hotels. Second, Atour's retail business has strong margin performance. In 23Q1 and 23Q2, gross margin for retail and other businesses was 48.8% and 51.0%, respectively. Since 2020, this gross margin has remained above 45%.

3.4 Hotels + retail

By the end of 2023, Atour Group's retail revenue increased to RMB 972 million. It accounted for 20.81% of total revenue. This share was even higher than the revenue share from Atour's self-operated hotels. From the outset, Atour set a clear strategic focus. It aims to manage customer groups rather than manage rooms. This "customer-operation" strategy has positioned scenario-based retail as Atour's second growth curve. Atour builds a "lifestyle platform." It integrates retail with hotel services. This creates a differentiated "scenario retail" model. Atour operates offline experience spaces within hotels. It also runs official flagship stores across major e-commerce platforms. This forms a multi-channel, self-operated retail system. Guests can experience products during their stay. This improves product awareness and reduces information frictions. At present, Atour's retail portfolio covers multiple categories, including sleep, travel, daily necessities, furniture, and gifts. It offers more than 700 self-operated SKUs. The group also links hotel membership data with retail membership data. This supports online–offline integration. Atour continues to upgrade its retail branding. It expands the product line and diversifies the overall brand image. Atour leverages hotel traffic to generate cross-selling and composite revenue. Deeper monetization of customer value is becoming a key driver of growth in the hotel sector. A better customer experience strengthens brand trust. It also improves word-of-mouth. This supports higher-quality traffic growth and creates a positive feedback loop.

4. Operating performance of upper-midscale economy hotels around Tangdao Bay, Qingdao

4.1 Regional economic environment

In 2023, Qingdao's GDP reached RMB 1,576.034 billion. GDP growth was 5.9%, ranking first in Shandong Province. Huangdao District recorded GDP of RMB 500.338 billion. Growth was 6.0%, ranking first in Qingdao. In June 2014, the State Council approved the establishment of the Qingdao West Coast New Area. It operates under an integrated "district-government-in-one" administrative system with Huangdao District. It is the ninth national-level new area. As of June 2024, Huangdao

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District administers 14 subdistricts and 8 towns, plus one township-level unit. The permanent resident population was 2.0078 million. The value-added structure of the primary, secondary, and tertiary sectors was 1.91:34.02:64.07. Within the tertiary sector, value added from services reached RMB 320.559 billion. It grew by 6.6% year on year. Services accounted for 64.1% of district GDP. The contribution of services to economic growth was 68.3%. In 2023, the district received 36.125 million domestic tourist trips. This increased by 56% year on year. Total tourism revenue reached RMB 37.96 billion, up 41% year on year. This was mainly driven by a post-pandemic rebound in tourism. Growth in 2024 is expected to normalize to around 20%. The Tangdao Bay area and the core business districts of Huangdao include major commercial complexes. Examples include Liqun Jinding Plaza, Jiajiayuan Shopping Center, AEON Mall, Wuyue Plaza, and Carnival Hisense Plaza. Taking Liqun West Coast Jinding Plaza as an example, the complex is separated from Qingdao Jinshi by one street. It opened in December 2021. It has approximately 150,000 square meters of commercial operating area. The floor plate is about 10,000 square meters per level. The building spans levels B1 to 10F. It provides more than 1,500 parking spaces. Its tenant mix includes a large-scale supermarket, premium jewelry and cosmetics, sports and streetwear brands, men’s and women’s fashion, mother-and-child products, women’s footwear collections, designer-toy collections, leisure and sports zones, and home appliances. It also includes supporting services such as cinemas, yoga, fitness, children’s play areas, beauty and body-care centers, boutique photography, and hair salons. The plaza hosts more than 200 brands. It also includes more than 30 specialty F&B brands, such as hotpot, Japanese cuisine, Korean cuisine, and bars. The supermarket covers full categories, including fresh produce, packaged food, household goods, bakery, fitness, and imported food. More than 90% of these categories are directly operated by Liqun. Fresh produce is centrally procured and distributed through the group’s fresh operations center. This supports food safety and quality control. It also supports price competitiveness. Liqun Jinding Plaza is also the first mall in Qingdao to introduce an indoor equestrian program. This attracts a large base of children and female customers. The diversified tenant mix has supported a relatively stable customer base. After two years of operation, the complex has maintained strong growth. In 2023, annual sales increased by more than 25%. Average monthly footfall exceeded 1.5 million. Since opening, about 30% of brands have been adjusted or upgraded. The mall plans to introduce more premium brands in the future.

4.2 Key competitors in the area

Qingdao Jinshi Hotel (hereafter “Qingdao Jinshi”) is located at No. 157 Jinggangshan Road. It sits in the central Tangdao Bay area of Huangdao District. Within a 5-km radius of Qingdao Jinshi, the upper-midscale hotel supply is substantial. There are five Atour upper-midscale hotels: Jinggangshan Metro Station, Tangdao Bay Wetland Park, Golden Beach Xiangjiang Road Metro Station, Golden Beach, and Huangdao Jiudingfeng. There are four Orange-branded hotels under Huazhu: Petroleum University, Xiangjiang Road, Golden Beach, and Crystal Orange Golden Beach. According to the project team’s field research, a Hampton by Hilton is expected to open at Golden Beach in May 2025. In addition to these ten upper-midscale hotels, the area also includes luxury hotels. Key examples are Hilton Golden Beach and Wyndham Grand Silver Beach. Compared with upper-midscale brands, hotel groups control room supply to stabilize occupancy. When evaluating franchisee hardware conditions, the typical room count is kept within 100–200 rooms. Most properties have fewer than 150 rooms. Only one property, Crystal Orange Golden Beach, reaches 200 rooms. Standard rooms are generally below 30 m². Suites are typically in the 60–80 m² range. In terms of facilities, these hotels commonly provide an all-day dining or breakfast restaurant, a gym, meeting rooms, a laundry room, and parking. Atour positions itself as a humanistic brand. It offers locally themed room types across different categories. It uses high-thread-count and high-density bedding. It provides Saha essential-oil toiletries. Rooms are equipped with smart toilets, air purifiers, and mini refrigerators. The network configuration includes 200 Mbps dedicated fiber and full Wi-Fi coverage. Service details include tea service and poetic note cards. Crystal Orange emphasizes smart-room technology. It uses a human-sensing system and does not require a key card for power activation. In-room “Xiaodu” smart speakers support Bluetooth and connectivity with iPhone, iPad, and laptops. They can also control lighting, TV, and curtains. Rooms include zero-pressure mattresses, POLA bath amenities used by Japan’s royal household, a 55-inch LCD TV, smart speakers, motorized curtains, and central air conditioning. The soundproofing system is designed by a Tsinghua University research institute to ensure quiet sleep. Compared with luxury upscale hotels, Hilton Golden Beach has 430 sellable rooms. Standard rooms are 42–55 m². Suites range from 80 to 150 m². The hotel is next to Golden Beach. The beach is reachable within a 5–10 minute walk. Accessibility is strong. It is about a 20-minute drive to downtown Qingdao and has convenient access to metro stations. The hotel operates five restaurants and lounges

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with international cuisines. It provides more than 4,850 m² of meeting space and 23 flexible meeting rooms. It also has a 2,100 m² pillar-free grand ballroom with an 800 m² pre-function area. Leisure facilities include one heated indoor pool, one outdoor seawater pool, a dedicated table-tennis room, and a 24-hour gym. Wyndham Silver Beach has 518 sellable rooms. Standard rooms are 42 m². Suites range from 60 to 115 m². The hotel is located on the Yellow Sea coast. Its back garden connects directly to the Silver Beach scenic area. It has 28 multi-functional meeting rooms with a total area of 12,800 m². It can host meetings, banquets, and weddings of different themes. It also includes four restaurants and a lobby bar. Qingdao Jinshi International Hotel is the tallest building in Huangdao. Standard rooms are 52 m². Suites are 120 m². Guestrooms adopt a classic Baroque style. Floors 39–50 provide a "cloud-level" stay with stronger sea-view visibility. The hotel offers buffet breakfast. It can host small meetings and small wedding banquets. Jinshi has advantages in room size and views. However, its conference facilities and service breadth remain weaker than luxury hotels. Relative to upper-midscale hotels, Jinshi offers larger space and higher-elevation views. Yet facilities are relatively dated. Some modern smart features are missing. It also lacks pricing advantage.

4.3 Operating data of Atour properties

As of June 2024, Atour Group operated 1,116 upper-midscale properties under its core brands (Atour flagship and Atour X). This includes 23 self-operated hotels. The portfolio contained 139,384 rooms. The average property size was 124 rooms. The project team collected operating data for two Atour upper-midscale hotels in Huangdao District, Qingdao, for the first three quarters of 2024. Atour Tangdao Bay Wetland Park has 84 sellable rooms. Atour Huangdao Golden Beach has 127 sellable rooms. March to August is the peak season. Occupancy can remain above 80%. In summer, it can exceed 90%. In the off-season, occupancy can still remain above 70%. For Tangdao Bay Wetland Park, the off-season standard rate is around RMB 300. In August, ADR reached RMB 600.43. For Huangdao Golden Beach, overall occupancy is 8–10 percentage points lower. However, it achieves a higher ADR in peak season. In August, revenue reached RMB 3.1966 million. ADR exceeded RMB 800 while occupancy remained high at 90.6%. According to Atour's Q2 2024 financial report, the average occupancy of franchised hotels was 78.2%. Average ADR was RMB 436.4. Average RevPAR was RMB 354.5. These figures are broadly consistent with the two Huangdao properties. Using the identity annual revenue = RevPAR × number of rooms, the project team estimates that in 2024, annual revenue of Tangdao Bay Wetland Park is about RMB 10.7382 million. Average annual revenue per room is RMB 0.1278 million. Annual revenue of Huangdao Golden Beach is about RMB 19.0266 million. Average annual revenue per room is RMB 0.1498 million. The revenue gap is mainly explained by location advantages. Golden Beach has 43 more rooms. It is also closer to the coastline. This attracts higher-spending tourists during peak periods.

5. Trends

5.1 The "Hotel+" model

As competition intensifies and consumer needs diversify, traditional hotel services are increasingly insufficient to fully capture demand. Consumers born in the 1990s and 2000s are becoming the main customer base. This group is more willing to pay for emotional value. They respond more strongly to experiences that are interesting, distinctive, and interactive. For hotels, converting this large customer base into high-quality users is a central strategic issue. It will also shape future sources of competitive advantage. Atour's "hotel + retail" approach provides a new pathway. The broader "Hotel+" concept may become an important trend for upper-midscale development. It expands hotel offerings by integrating local culture and tourism resources. For example, in Luoyang, many hotels have explored "hotel + hanfu." Guests can use hanfu for free during their stay. Makeup and styling services are offered at prices below typical market rates. According to Meituan data, in 2023, the number of themed hotels in Luoyang offering hanfu services increased fivefold year on year. This exceeded the national growth rate by a wide margin. Some hotels have also explored "hotel + intangible cultural heritage." During the Spring Festival, the Hilton Group combined intangible cultural heritage elements with holiday themes. It provided related experiences, including themed food offerings and digital room keys designed around holiday red envelopes. Atour's stronger results from "hotel + retail" are supported by its service quality, customer experience, brand reputation, and traffic base. For later entrants, this model remains constrained by multiple factors. These include the market environment, consumer demand, and operational efficiency. Sustainability also requires capability in supply chain management,

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inventory control, and consumer acceptance. These areas can become binding constraints.

5.2 Digital transformation

The upper-midscale segment still faces the industry-wide pattern of "revenue growth without proportional profit growth." Cost reduction and efficiency improvement are therefore urgent. Digital transformation is becoming unavoidable. Mobile booking, smart rooms, and automated services are increasingly necessary to improve conversion and retention. Mobile booking platforms allow customers to compare room types, prices, and reviews in real time. Hotels are also deploying smart devices. Examples include intelligent lighting and temperature control, self-service front desks, and service robots. These systems reduce routine labor tasks. They free staff to engage more with guests. This can improve service quality while generating economic benefits. In practice, digital tools can lower labor costs. They can also provide customers with differentiated experiences.

6. Conclusion

China's upper-midscale hotel market has grown rapidly in recent years. Key drivers include rising household consumption levels and hotel groups' brand mix upgrading. Although economy hotels still dominate the overall market, the share of upper-midscale hotels has increased steadily. First-tier and new first-tier cities show strong opening momentum. Chain penetration for 3–5 star hotels has continued to rise. This reflects increasing demand for higher-quality accommodation. In terms of revenue capacity, major hotel groups performed strongly in the first half of 2024. Huazhu Group led the market with revenue of RMB 11.43 billion. Atour Group, supported by its upper-midscale positioning, achieved revenue of RMB 3.265 billion, up 74.93% year on year. While the overall market shows "revenue growth without profit growth," Atour's attributable net profit increased by 118.33%. This indicates improved profitability supported by differentiation and retail integration. However, hotel groups also face slowing growth. This is driven by macroeconomic conditions and intensifying competition. Although occupancy (OCC) has improved, ADR and RevPAR have generally declined. This suggests weaker willingness to pay under a high-base effect. Looking forward, upper-midscale development will focus more on diversified "Hotel+" models and digital transformation. Atour's "hotel + retail" has successfully created a second growth curve through scenario-based retail. This increases customer value and strengthens brand competitiveness. Meanwhile, broader adoption of mobile booking and smart-room technologies can reduce costs and improve efficiency. This helps address the industry's profitability constraints. Overall, the upper-midscale hotel market has positive prospects in brand upgrading and revenue capability. Yet sustaining growth under intensified competition will remain the key strategic challenge for major hotel groups.

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