

The Hotel Industry in China: Overview, Observations, and Future Prospects of 5-Star properties within the Chinese hotel industry

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Abstract. This paper examines the evolution of 5-star hotels in China, focusing on the shifting trends in design, services, and customer preferences. The study explores the impact of cultural and generational changes on luxury hotel standards, alongside the effects of the COVID-19 pandemic on hotel operations and recovery. Using industry data, personal observations, and an analysis of market trends, this research critically discusses the challenges faced by 5-star properties in maintaining uniqueness and high-quality service. The purpose of this study is to assess the status quo of luxury hotels and propose strategies for sustaining innovation and excellence in a rapidly changing hospitality landscape.

Keywords: E5-star Hotels, China Hospitality Industry, China Tourism, COVID-19 Impact.

1. Introduction

In this article, my main focus is on 5-star properties because statistics show that these properties represent the hotel industry's top qualities amongst all properties in the hotel industry. For the whole of my life, I have been amazed each time I visit a 5-star hotel as the signature scents and the overall aesthetic prompt a stunning feeling when I first step inside. I often feel that this is what paradise must be like, and I always look forward to an enjoyable stay - whether for two nights or more. While many high end hotels share similarities, there are also distinct differences, which is why I've decided to do a deep dive and research 5-star hotel properties.

The first factor that I will discuss is what the differences are among the different kinds of hotels to provide a brief understanding of the hospitality industry overall. I will also provide statistics that review the current state of the industry and predict the future growth potential of the hotel industry in China. After researching the different types of hotels, I will discuss my own thoughts and ideas for the future of the hotel industry in China. In addition, I will cover how these different properties have a variety of designs and advantages and how I can connect all their advantages to innovate and contribute to future possibilities to make these 5-star hotels even more distinctive than what currently exists.

In the future, I see myself working in customer experience and information services within the hotel industry, specifically at a 5-star property. By researching and learning all that I can now about the industry, its future growth prospects, and how the global pandemic may continue to affect the industry, I believe that I will be extremely prepared for the future of the hotel industry in China.

2. General Analysis

2.1. Executive Summary

The most basic attributes of a 5-star hotel are the different types of facilities that are included for the convenience and comfort of the customer's stay. As hotels develop and change their style to accommodate the changing tastes and preferences of the current culture and to remain modern, some aspects of 5-star hotels have changed from luxurious and enormous properties into stylish and fairly smaller properties with unique designs. As young people start to become the largest group of people to stay in these properties, the facilities also must change in order to match the needs of these people.

Despite the growing number of luxury hotels and the popularity and growth of different styles of Airbnb resorts, the standards of 5-star hotels in China have diminished. In the past, 5-star properties primarily had the same structure and facilities and competed with one another based on which one had more facilities. Now, they must compete through the styles, unique design, and the environment because of people's new expectations. A 5-star hotel these days must have characteristics that include a considerable level of personalized service, unique design, and a signature sleep experience. This all adds up to not only a comfortable stay for the customer but also an exclusive experience reserved for only a few. There is no doubt that these trends will continue due to consumers constantly changing preferences and desires for uniqueness. 5-star hotels will be forced to rapidly innovate and distinguish themselves from one another, across all areas to become more and more unique. With all of this as a backdrop, there are also other forces at play, most notably the global pandemic that continues to have a negative impact on all hotels in China and around the world, which cannot be ignored.

2.2. History and Prediction for Future Growth

Since the early 2000s, China's hotel industry has developed by leaps and bounds. Despite setbacks from the pandemic, China's hotel market has experienced meteoric growth in recent years. Its hotel construction pipeline has just hit record highs, with 3,711 new projects (8% increase YOY) and 704,101 additional rooms (7% increase YOY) in Q1 of 2022 [1]. Large-scale high-end hotels began to slowly spread to all cities in China and construction of these hotels happened at a rapid pace. According to articles and industry sources, there was a sense in the hotel industry that concept hotels and new interior design and creativity would expand everywhere.

However, the pandemic struck suddenly, and everything changed. People did not expect that the pandemic would cause a one-year shutdown of everything, everywhere. This caused the tourism industry endless problems, and most of the hotels in China were mandated by the government to be used as isolation hotels. As might be obvious, this negatively impacted all types of hotels and hotel ownership. Unfortunately, hotel owners were not compensated and suffered greatly, as they were not able to generate the same type of income. Tourism basically died.

Now, in October of 2022, despite the pandemic's easing and government regulations loosening, there is still low visitor flow. This is causing the competition in the hotel industry to be extremely fierce, but also generic as hotel owners focus attention on what they all believe works and what generates stable income. In fact, prices have increased dramatically but the quality of service and cleanliness has not kept pace with those price increases. Copycat has always existed in China - not only in the hotel industry but also in many other industries as well. However, since the pandemic, this phenomenon has slightly changed. In the past, if a hotel added a certain feature or changed the decor in some way, other hotels would immediately jump on the bandwagon and make those changes as well - and quickly! Now, the pandemic has altered the approach ever so slightly. Now, when a 5-star hotel makes a change - such as adding a fancy bar, other hotels take a wait-and-see approach to get an indication that this new feature is successful before immediately copycatting. This is a noticeable change.

Therefore, the whole industry is developing in the same direction - whether it's business models or interior design, hotels are exceedingly similar. There is a real risk to income due to differentiation. Taking a look at the current situation of the pandemic, and the different sources of reserving websites, the guest reviews have lacked uniqueness and do not provide the reader with any means of effectively and accurately choosing among the different hotels. In this more generic hotel environment, the prospects for the hotel industry recovery appear very slim. Hotel owners must quickly find a way forward and reclaim lost income. However, many are reluctant because they don't want to take risks that could thrust them even deeper into debt.

Many of the newly built hotels have their general framework and functions in place. However, the pandemic stopped these hotels from advancing and implementing creative, unique interiors and superior new services. New statistics emerged that show that there is great hope for the future of the hotel industry. In fact, since 2020 Q2, the hotel market in China has shown signs of gradual recovery.

However, in August 2021, the Delta variant undid much of the hotel market's recovery progress, with average occupancy rates falling from 70% to just under 40%, (marking the revenue as half of what it was in 2019). Looking at the steady growth of China's hotel industry and despite the impacts of the pandemic in 2020, China's hotel industry was predicted to bring USD 64.82 billion in revenue in 2022. It's also worth noting that the industry market concentration is still relatively high, with Jinjiang Group, Huazhu Group Limited, and Guangdong (International) Hotel Management Holdings Limited being some of the top domestic hotel management brands in China. Currently, high-end hotels are dominated by foreign groups such as InterContinental Hotels Group (IHG) and Shangri-la Hotels and Resorts [1].

The good news is that once again, the hotel industry seems to be on the road to recovery. Generally, the statistics show that the tourism and hotel market in China was poised to grow by \$24.23 billion during 2022-2026, accelerating at a CAGR of 11.81% during the forecast period. The market is driven by increasing preference for local and authentic experiences, the growing popularity of the 24-hour visa-free transit rule, and attraction toward ice sports and cruise tourism [2]. In the first quarter, China opened 57 new hotels/8,949 rooms. Lodging Econometrics anticipates 817 new hotels with 124,951 rooms will open for all of 2022, while in 2023, 893 new hotels with 142,285 rooms are forecast to open [3]. This is a substantial improvement as the Chinese government is seeking chances to reinforce the economy that has been negatively affected by the pandemic. In Q3 of 2022, hotels' revenue per available room (RevPAR) reached 80% of the same period last year. All of this is good news. However, news reports from around the world are indicating that there could be another wave of COVID coming. This roller-coaster cycle of contraction and recovery is harmful to the on-going progress and growth of the hotel industry overall and doesn't give hotel owners any sense of comfort. Therefore, I believe hotel owners will be making short-term decisions and potentially cutting corners, leaving little hope for the continued evolution of further uniqueness and luxuriousness of 5-star properties.

3. First-hand Experience

3.1. Personal Observations

When I was younger, although China's hotel industry was not very prosperous, every time I visited a hotel, I was full of expectations and looked forward to the uniqueness of each hotel. Now, in this pandemic and post-pandemic environment, I'm gradually finding that when I visit a hotel, I do not have such expectations anymore. Sometimes I am even disappointed with the lack of service and lack of creativity that the hotels provide.

To me, what makes a 5-star property unique is the service provided and the quality of the hotel rooms. The service is the most important aspect and is the differentiating factor between the different 5-star hotels, and the different services that a hotel offers is the very thing that can provide customers with the best impressions. The degree of comfort in the hotel rooms is the key to a nice stay, ensuring that the customer has the most restful night of sleep possible.

Each time I stay at a hotel, I am always amazed at the different designs and the different kinds of layouts of the rooms. As a family, we don't tend to stay at a hotel for a long period. Rather, we like to travel to many destinations. To me, one of the most exciting aspects of each travel day is what kind of hotel we are staying at - the designs, the environment, and the layout. Everything in a hotel has the ability to provide me with a unique feeling, and each hotel offers an important and different place and feeling for me.

I have observed that there are two different kinds of 5-star properties - ones built in the city and others built in the countryside. 5-star properties are mostly similar to one another in the city - offering the same types of rooms and facilities, but different in their service and location. These kinds of hotels are mostly built for business trips and short stays within the city. In contrast, 5-star properties in the countryside embrace a variety of different styles according to the environment and the culture of the location. The facilities are all different with more stylish utilities that create a unique experience.

These hotels are mainly visited by couples or families on vacation where they stay for a slightly longer period.

3.2. Specific Visit to A Unique 5-Star Property

In June of 2022, my family and I visited the most unique property that I have ever seen. It was located in Beijing and was created by a very wealthy man before the end of his life. This boutique 40 room property was a work of art - an absolutely perfect hotel in my opinion, with room prices starting at \$800M RNB per night and going up to \$3K for one night's stay. The day that we visited this extraordinary property, the weather was hot (35C) & humid outside. The location was on top of a mountain and all guests entered through an enormous gate. From the moment a guest drives through the gate, they immediately feel welcomed by the staff. As we walked into the lobby areas, the furniture and materials appeared to be inspired by nature, giving guests the feeling of both being connected to nature and like they are living in the lap of luxury. The entire service is curated to offer guests a relaxed atmosphere. The hotel was small and intimate, offering a personalized experience. The design was eye-catching, and most of the amenities like the gyms, the restaurant, and the bar were located outside of the main area, but they were all close enough so that a guest would never experience the humidity of the air. The guests were clearly wealthy and international as I observed fashion-forward women and CEO-type men talking about business. The type of people staying here would also stay in an international hotel such as the Peninsula - which is a historical hotel where people with generational wealth choose to stay.

4. Conclusion

In conclusion, for those who believed that 5-star properties in China were a thing of the past, my research supports that the industry still has a long way to go and that the evolution will continue. Prior to the pandemic, the industry was growing rapidly, with opportunities everywhere and the trend toward differentiation and uniqueness. Even though there were economic challenges alongside the challenges brought about by COVID, innovation continued. In fact, innovations happened that may not have occurred without the pandemic. While no one wanted the pandemic to happen, and it was awful for people, businesses, and the worldwide economy, it did force change in many areas of our lives. Through my research and personal observations, I believe there is still room for innovation and unique experiences to be created in the hotel industry. However, very real challenges for the industry still remain. Just as I wrapped up my research and felt a sense of hopefulness about the future, I found myself once again in lockdown. This reality has somewhat dampened my positive outlook on business overall, but also on an industry that I am so passionate about. I don't know what the future holds for the hotel industry, or for 5-star hotels. At this point, we all must take a wait-and-see approach. I hope that by the time I graduate from school and embark upon a career, the hotel industry is in a more stable place and has recovered from all of the hardships we are currently experiencing. I simply will not accept the fact that unique and differentiated 5-star hotels are a thing of the past. My passion was ignited when I was young and I know that this is an indication that my future is in this industry.

Acknowledgements

I, Jeffery Ni, hereby declare that the work presented in this paper is my own original work. Where information has been derived from other sources, I confirm that this has been clearly and fully identified and acknowledged.

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