

CHINA HOTEL INDUSTRY STUDY 2026 PRESENTATION AND OUTLOOK

FY2025

Commentary 2025

In 2025, after two years of volatility and adjustment, China's hotel industry entered a period of modest recovery, though performance continued to diverge across segments and markets. On the revenue side, rooms once again became the main driver of recovery. Some tiers and markets, including five-star and four-star hotels, saw both occupancy and rates improve. The recovery in revenue and profit, however, was uneven. F&B, meetings, and other non-room revenue remained under pressure. Labor productivity and channel costs also continued to weigh on margins. The industry is therefore moving beyond a simple demand-led rebound. It is now in a more structural phase of adjustment, shaped by the quality of demand, channel strategy, non-room revenue conversion, and the ability of hotel organizations.

While the rooms department saw an overall recovery, hotel performance in 2025 remained uneven across location types, star ratings, positioning, and rate bands. Each category showed a different pattern of fluctuation in revenue, profit, and rooms yield.

- **By Hotel Locations:** Market performance in 2025 was no longer defined by city tier alone. Destination resorts regained momentum after a period of correction and returned to the top in both total revenue and operating profit, supported by strong spending on higher-quality leisure stays. Performance within first-tier cities was more mixed. Shanghai and Shenzhen held up better, helped by core business demand and higher-spending individual travelers. Beijing and Guangzhou faced greater pressure from slower business recovery, weaker high-value leisure demand, and more intense rate competition. Second-tier and third-tier cities also showed pockets of strength, especially in markets with both active tourism and a stable business base. Increasingly, a market's ability to attract high-value demand is becoming a more important driver of performance divergence than city-tier labels alone.
- **By Star Ratings:** Higher-star hotels continued to show relatively stronger recovery capacity, although their operating quality was not determined by rooms revenue alone. Five-star hotels demonstrated the strongest resilience, with a clear recovery in the rooms department and some improvement in profitability. However, the increase in total revenue per available room was lower than the growth in RevPAR, indicating that non-room revenues had yet to fully recover. Four-star hotels remained squeezed by product depth, pricing power, and cost structure. They recorded a moderate recovery, but total revenue saw only limited improvement. Three-star and limited-service hotels relied on lower rates to support occupancy, while both total revenue and profit fell sharply. Therefore, the segmentation divergence seen in 2025 was essentially the result of the combined effects of pricing power, non-room revenue performance, and cost structure.
- **By Room Rate Levels:** From the perspective of rate positioning, the K-shaped consumption trend became more evident in 2025. Hotels with an ADR above RMB1,000 performed strongly on the back of differentiated experiences and a solid high-net-worth customer base, with key indicators continuing to improve. Hotels priced below RMB700 benefited from resilient essential demand amid tighter budgets, leading to some recovery in selected revenue and profit indicators. By contrast, hotels in the RMB701–1,000 range faced dual pressure from value compression by higher-end products and demand diversion to lower-priced alternatives, resulting in further performance pressure. This pattern of consumption stratification indicates that the industry's competitive focus has shifted from restoring guest volume to capturing high-quality revenue, with higher-value guests, product value, and revenue structure becoming key determinants of resilience across cycles.

Part I

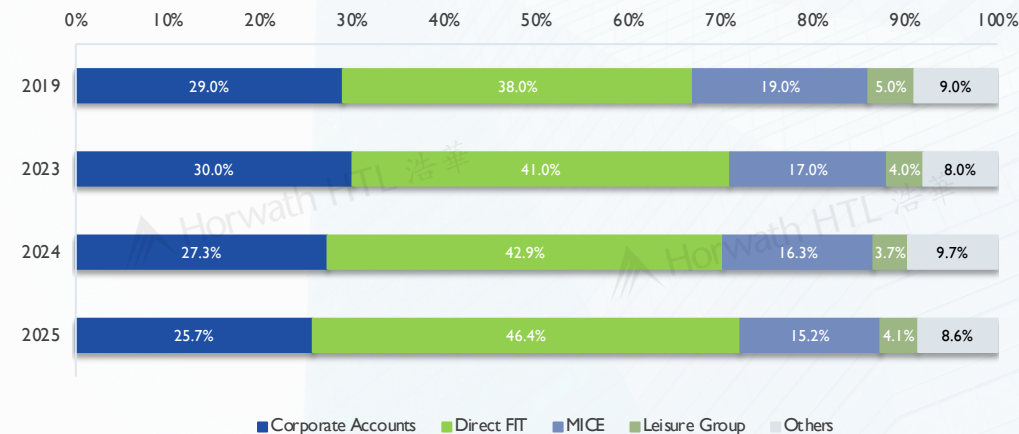
Demand Divergence: High-Quality Individual Travelers Drive Market Recovery

Demand Evolution: Leisure and Overseas Travelers Reshape Growth Opportunities

Behind the moderate recovery in the rooms department, the more noteworthy change in China’s hotel market in 2025 was the rebalancing of demand structure. In the past, hotel performance was often explained primarily through city tier or market positioning. In the current cycle, business versus leisure demand, and domestic versus inbound demand, are becoming important coordinates for assessing the quality of hotel performance.

From the perspective of business and leisure demand, business travel remains the core demand base for hotels in certain cities. However, its recovery has been uneven, while the comprehensive spending capacity generated by traditional corporate accounts, meetings, and business banquets has weakened significantly compared with the pre-pandemic period. Taking the demand mix of five-star hotels as an example, in 2025, the shares of corporate accounts and MICE demand declined by 3 and 4 percentage points respectively compared with 2019. By contrast, the share of Direct FIT increased by 8 percentage points over the same period, becoming the most important growth component in the demand mix. This growth was mainly driven by leisure and resort-oriented individual travelers with stronger spending capacity.

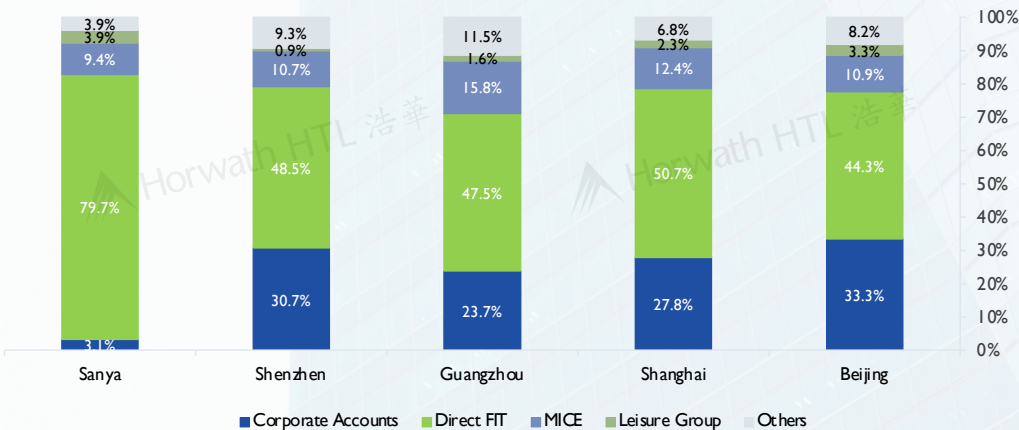
Changes in Five-Star Hotel Market Mix in Key Years Before and After the Pandemic



Data source: China Hotel Industry Study

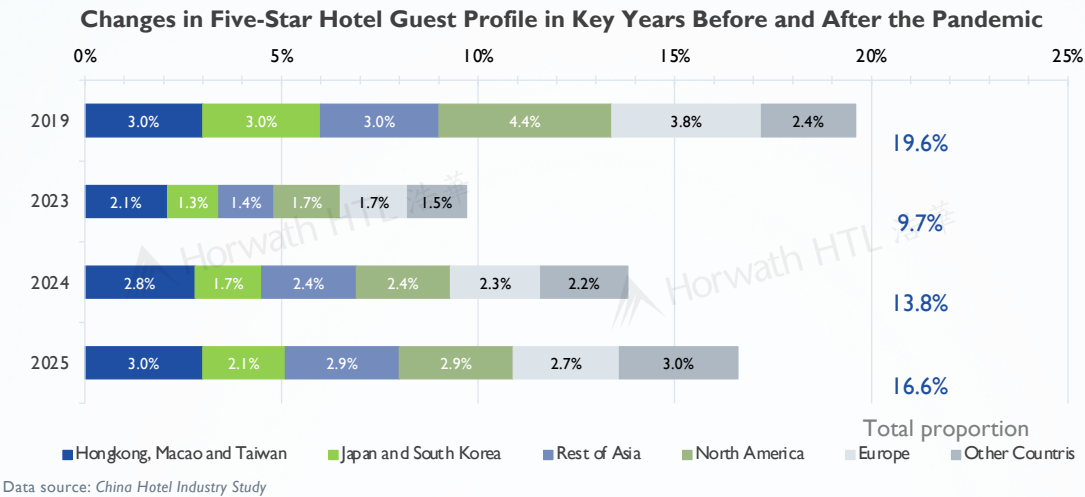
Performance of first-tier cities further supports this trend. In Shanghai and Shenzhen, Direct FIT accounted for a higher share of five-star hotel demand than in Beijing and Guangzhou, while meetings and group demand took a smaller share. This stronger base of FIT, especially leisure FIT, helped hotels achieve stronger performance. Shenzhen was an example. Its proximity to Hong Kong allowed the city to capture a large volume of northbound leisure demand, which supported its upscale hotel market. In 2025, both OCC and ADR of five-star hotels in Shenzhen recorded significant growth compared with 2024.

Market Mix of Five-Star Hotels in Core Cities, 2025



Data source: China Hotel Industry Study

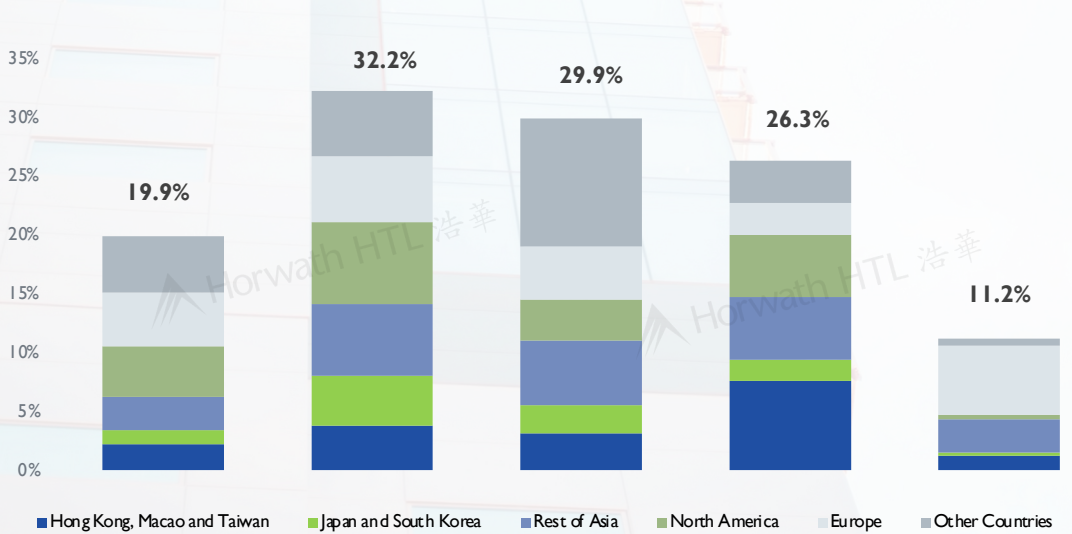
From the perspective of domestic and overseas demand, the recovery of travelers from Hong Kong, Macao, Taiwan, and overseas markets became an important variable for certain core markets. In 2025, travelers from those areas accounted for 17% of five-star hotel demand, still below the pre-pandemic level. The mix of overseas guests also changed. In 2019, North America and Europe were the main sources of overseas demand, together accounting for 40%. By 2025, traditional high-spending markets such as North America, Europe, Japan, and South Korea had not fully recovered. Demand from Hong Kong, Macao, and Taiwan was broadly back to its pre-pandemic share, while the Middle East, Africa, and Southeast Asia took a larger share than before. For hotels and travel operators, this shift affects more than guest quality. It also requires adjustments in destination management channels, marketing resources, and service capabilities.



Looking at core markets, Shanghai benefited from more diversified visa-free policies, growth in inbound demand from source markets such as South Korea, and the recovery of international exchanges. In 2025, the city’s inbound visitor arrivals reached a record high. Among core cities, Shanghai also had the highest share of foreign guests and the highest proportion of high-spending European and North American travelers, helping drive its ADR to a historical peak. A similar logic was observed in destination resort markets. The recovery of overseas travelers, including Russian guests, further lifted the share of foreign guests in Sanya, which increased by 51% compared with 2024. Supported by both domestic high-end leisure demand and overseas resort demand, Sanya’s hotels recorded significant growth in both OCC and ADR. OCC reached a historical high, while RevPAR increased by more than 14% compared with 2024.

Therefore, demand assessment in 2025 is no longer focused solely on whether guest volume has recovered, but on whether that demand carries sufficient spending power, willingness to stay, and broader consumption potential. Markets capable of attracting high-value FIT guests, travelers from Hong Kong, Macao and Taiwan, overseas guests, and quality-oriented leisure demand are more likely to develop a performance advantage and demonstrate stronger long-term growth potential.

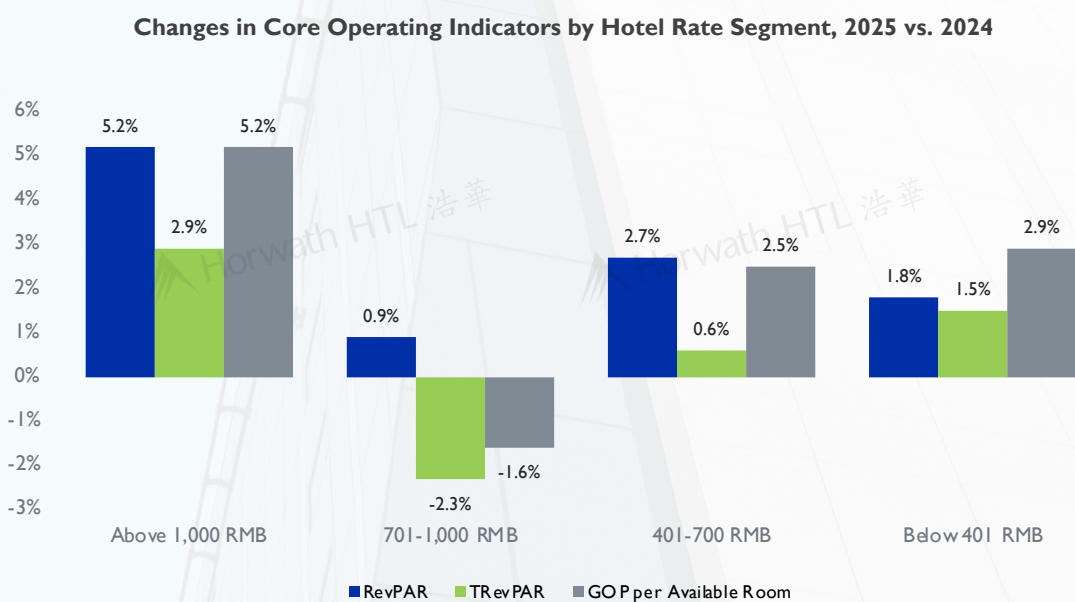
Five-Star Hotel Guest Profile Mix in Core Cities, 2025 (Excluding the Chinese mainland region)



K-Shaped Divergence: Consumption Stratification Shapes Demand Upside

The other side of the shift in demand structure is the further deepening of consumption stratification. In 2025, the hotel market did not experience a simple, across-the-board upgrade or downgrade. Instead, a clear K-shaped divergence emerged: at one end, high-net-worth guests remained willing to pay premiums for scarce resources, quality experiences, and strong brands; at the other, resilient essential accommodation demand under tighter budgets supported the lower-priced market. Hotels in the middle price band, meanwhile, faced dual pressure from premium compression by higher-end products and demand diversion to lower-priced alternatives.

According to the data, in 2025, core operating indicators improved across all price bands compared with 2024, except for hotels in the RMB 701–1,000 range. Although the rooms department in this price band remained broadly stable, declines in F&B and other revenues weighed on total revenue and operating profit, making it the most pressured segment within the rate-based divergence.



Data source: China Hotel Industry Study

The resilience of higher-rate hotels shows that high-end consumption remains solid, but guests are making more selective choices. Hotels must offer clear product value, distinctive experiences, and differentiated services to secure continued spending and loyalty from high-end guests. Traditional star ratings or location advantages alone are no longer enough. Product scarcity and a complete guest experience now carry more weight in sustaining competitiveness.

Supported by essential accommodation demand and budget-sensitive guests, hotels in the mid-to-lower rate segments were still able to maintain a stable base. Their revenue improvement depended more on cost control and operating efficiency than on substantial rate increases. Middle-price hotels, by contrast, are more vulnerable to pressure from both ends when their positioning is unclear or their products lack differentiation. This makes it harder for them to capture the benefits of demand recovery. Looking ahead, hotels need a clearer positioning. They can either move up by capturing higher-value demand through stronger products or stay close to essential demand through more efficient operations. Without a clear position, it will be difficult to benefit from market stratification.

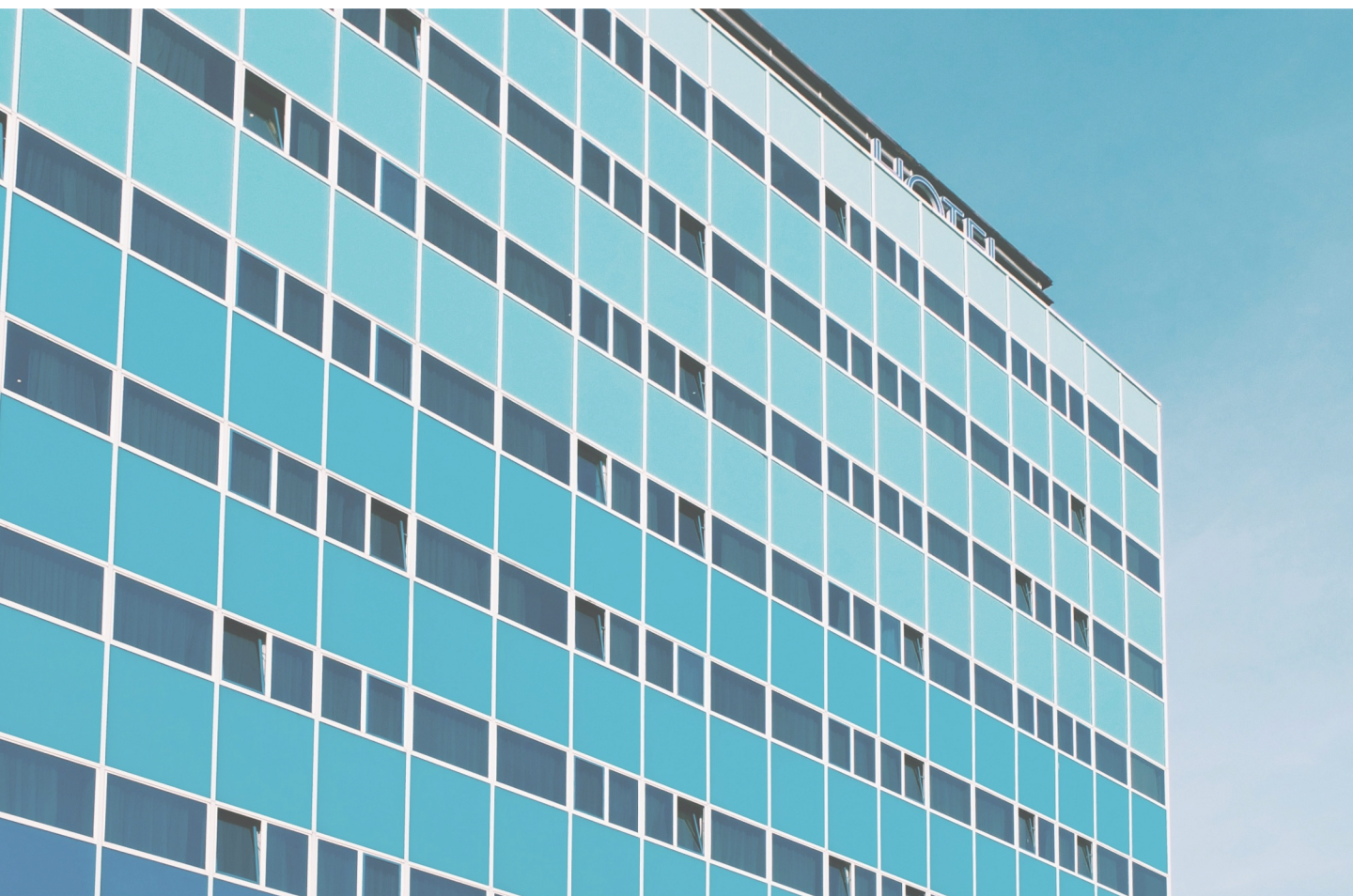
Therefore, K-shaped divergence is not merely in spending power, but also in hotels’ positioning capabilities. Hotels need to define their positioning more clearly: whether to capture high-value demand through stronger product offerings, or to serve essential demand through greater operating efficiency. Only when customer positioning is clear, product value is well defined, and the operating model is properly aligned can hotels truly convert demand stratification into their own demand opportunities.

Trend Outlook: From Demand Opportunities to Revenue-Generating Capability

Being in a market with high-value demand does not necessarily mean that a hotel will achieve strong performance. The key determinant is whether the hotel can convert market dividends into room rates, total revenue, and operating profit through clear customer positioning, effective channel reach, and an operating strategy aligned with demand.

Taking Banyan Tree Shanghai On The Bund as an example, although the hotel has been open for more than a decade and has not undergone a large-scale renovation, it has continued to maintain a relatively strong level of operating profit among five-star hotels in Shanghai. By flexibly utilizing its presidential suite, terrace, lawn, and meeting spaces for wedding salons, brand events, festive parties, and private dinners, the hotel has turned physical space into social and spending occasions that can be actively operated, extending guest dwell time and increasing non-stay spending. At the same time, by combining social media, livestream pre-sales, and themed events, the hotel links offline space operations with online demand conversion, continuously attracting high-value FIT guests and local demand.

This shows that, in markets supported by high-value demand, leading hotels derive their advantage not only from the market environment, but more importantly from proactive operating capabilities. More precise revenue management, more active capture of incremental demand, and more effective conversion through online channels and loyalty programs help these hotels reinforce their value proposition among target customer segments. Looking ahead, hotels that are truly able to gain an edge amid market divergence will need to go beyond benefiting from favorable market conditions. They must continuously convert demand sources, consumption scenarios, and operating strategies into revenue-generating capability.

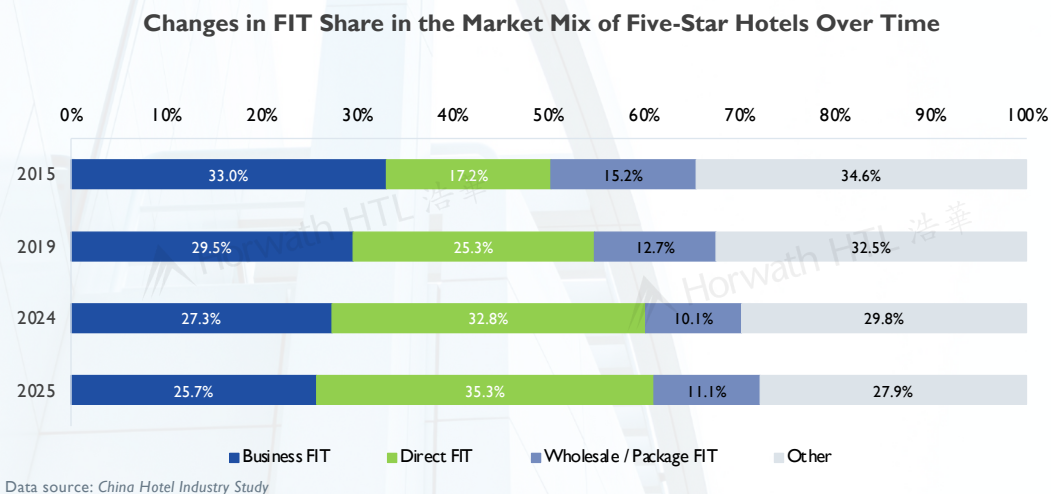


Part II

Channel Evolution: Guest Flow Patterns Reshape the Revenue Logic

FIT Expansion: Fragmented Booking Paths Increase Management Complexity

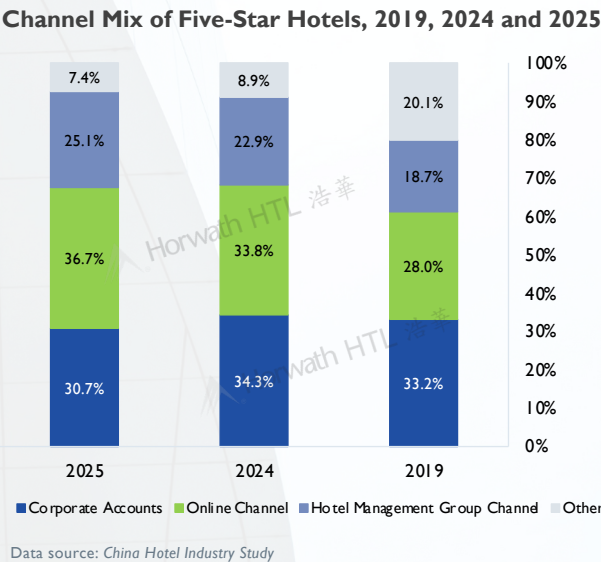
As booking methods become increasingly diversified, the boundaries between demand segments and channel sources are becoming blurred, reducing the explanatory power of traditional demand segmentation in capturing hotels' actual demand structure. In 2025, FIT guests accounted for 72% of five-star hotel demand, reaching a historical high. The rising share of FIT guests does not necessarily mean a decline in business demand. Rather, some business travelers are no longer booking entirely through traditional corporate account channels, but are shifting to different gateways such as OTAs, hotel group loyalty platforms, and TMCs. This suggests that the rise in the FIT share essentially reflects the fragmentation of hotels' demand entry points and the increasing complexity of channel management.



Hotels can no longer judge revenue quality only by traditional demand categories such as business, leisure, or group guests. They need to look more closely at what sits behind each channel: rate performance, acquisition cost, customer stickiness, and repeat potential. Competition is shifting from waiting for demand to managing. For revenue management, the key question is no longer just who the guest is, but how the guest books and how much the hotel pays to acquire that demand.

Cost Divergence: Resource Inputs Vary by Channel

Compared with the pre-pandemic period, hotel channel mix has changed significantly. Online third-party channels and hotel group proprietary channels have continued to gain share. In 2025, these two channels reached record highs among five-star hotels, at 37% and 25% respectively, up by 9 and 6 percentage points from 2019. This shift is changing more than booking sources. It is also reshaping hotels' cost structure and organizational capabilities. Traditional corporate accounts depend on sales team and local market development. Online third-party platforms require rate management, content operations, and commission spending. Hotel group proprietary channels rely on brand membership systems and central distribution capabilities. Channels are not just sources of bookings. They also determine how hotel resources are allocated. As the channel mix changes, hotels need to adjust their capabilities in sales staffing, revenue management, online operations, and member conversion.



Channel Type	Operating Logic	Cost Structure
Corporate accounts	Depend on sales team, client relationships, local prospecting, and corporate account maintenance	High labor cost
Online third-party channels (including OTAs, social media, GDS, etc.)	Depend on platform rules, demand operations, advertising, and content capabilities	High commission and operating costs
Hotel group proprietary channels (including online and offline group channels)	Depend on brand membership, central reservations, and loyalty systems	Brand distribution fees and system costs

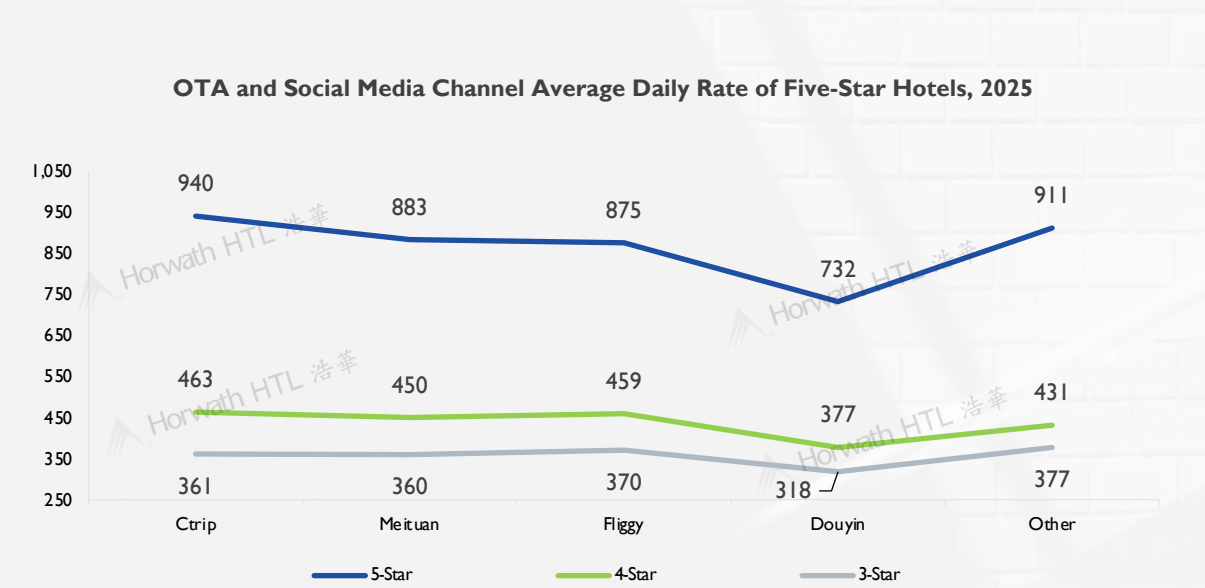
Therefore, channel diversification does not necessarily mean stronger channel management capability. For large, full-service high-end hotels, a multi-channel mix can help spread risk and reduce dependence on any single channel. For smaller hotels or independent properties with limited resources, however, investing evenly across all channels is rarely realistic. Hotels need to be clearer about their primary channels, then align pricing, sales resources, and operating capabilities accordingly. With ROI as the anchor, channel investment should involve more disciplined trade-offs between resource input and revenue return.

Quality Divergence: Platform Demand Comes with Rate Concessions

OTA channel data further shows the rate differences within hotel online distribution. Despite the rapid growth of short-video, local lifestyle, and content platforms, traditional OTAs remain the core infrastructure for online hotel bookings. Across hotel tiers, location types, and rate segments, Ctrip accounts for close to 60% of OTA channel share. Meituan, Douyin, and Fliggy play a larger role in local lifestyle consumption, content-driven demand, and price-sensitive bookings.

Notably, platforms do not only bring incremental demand. It also comes with different levels of rate quality. Some platforms help hotels reach new guest segments quickly, but their bookings often rely more on promotions, packages, and visible rate concessions. For hotels, these channels should not be evaluated by booking volume alone. ADR, commission level, package structure, repeat purchase rate, and direct conversion all need to be considered.

As booking channels become more diversified, the core value of channel management is not simply about expanding platform coverage. Hotels need to define the role of each channel more clearly and find a workable balance between demand quality, rate quality, and customer ownership. Otherwise, hotels risk falling into a channel trap of higher booking volume but lower yield.

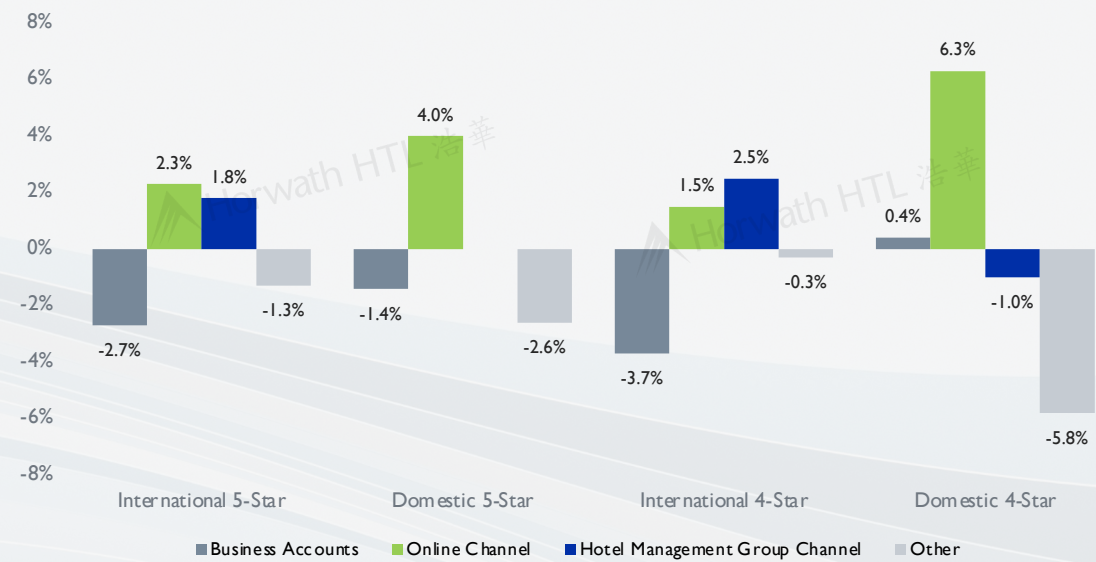


Note: Other channels include Booking.com, Expedia, etc.
 Data source: China Hotel Industry Study

Path Forward: From Platform Demand to Customer Assets

As online channels take a larger share, hotels are becoming more dependent on demand from OTA platforms. This is especially visible among domestic brands and independent hotels. Compared with 2024, domestic five-star and four-star hotels saw a more notable increase in online channel share than international brands in 2025. Within OTA direct-connect channels, the share rose by 4 percentage points for domestic five-star hotels and 8 percentage points for domestic four-star hotels, compared with a 2-percentage point increase among international brands. In some lower-tier markets, OTAs already account for more than 60% of channel share among independent hotels. Platforms give hotels a stable source of demand in the short term. But over time, heavy reliance on platform demand can weaken hotels' control over customer relationships, pricing, and inventory.

Changes in Hotel Channel Mix by Management Model, 2025 vs 2024



Data source: China Hotel Industry Study

Direct guest conversion is therefore becoming a more important part of channel management. Direct guests are not exclusive to large hotel groups or chain brands. Independent hotels can also use member benefits, private WeChat demand, content platforms, in-stay service touchpoints, and post-stay marketing to gradually convert third-party platform guests into owned customers and build a repeat guest base. The value of direct conversion goes beyond commission savings. It gives hotels more room to manage pricing and creates additional conversion opportunities in restaurants, banquets, and other spending occasions.

Seen this way, channel evolution is not simply a move from offline to online, or from OTAs to proprietary channels. Hotels need a more refined way to manage demand. The more resilient hotels will not necessarily be those with the broadest channel coverage, but those that can assess channel value, control channel costs, and turn external demand into owned customer relationships over time.

Part III

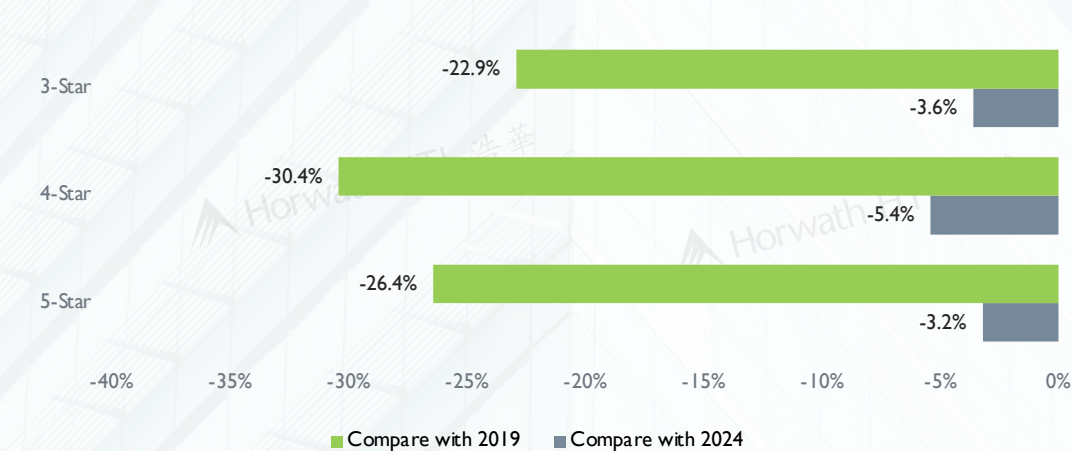
Food and Beverage Transformation: From Full-Service Standard to Standalone Business Unit

Demand Contraction: Traditional Hotel F&B Revenue Sources Continue to Weaken

In 2025, F&B remained one of the main pressure points in full-service hotel operations. Although the rooms department saw a modest recovery in most markets, F&B revenue did not rebound at the same pace. Across hotel tiers, F&B revenue per available room declined to varying degrees from 2024, leading to a slight contraction in F&B's share of total revenue. A more detailed breakdown shows that food, beverage, and other F&B-related income all declined across hotel tiers. Five-star hotels, which have the highest share of full-service offerings, were under pressure. Almost all restaurant outlets saw both lower attendance and lower average spend per guest.

Against this broader pressure on hotel F&B, leading restaurants still showed strong ability to generate demand on their own. Among hotels with higher F&B revenue per available room, most continued to achieve growth, with only a few recording slight declines. Their performance was supported by product recognition such as Michelin and Black Pearl listings, scarce settings such as high-floor or river-view dining spaces, and more market-driven efforts including community operations and chef collaborations. This divergence suggests that demand for hotel F&B has not disappeared. What has weakened is the appeal of traditional support-oriented hotel dining. F&B spaces that have clear product identities, distinct consumption settings, and the ability to convert external demand are better positioned to maintain revenue resilience in a soft market.

F&B Revenue per Available Room by Hotel Positioning, 2025 vs 2024 and 2019



Data source: China Hotel Industry Study

Facing pressure on the revenue side, hotels have continued to tighten F&B cost control. In 2025, most hotels worked to cushion the impact of weaker F&B revenue on profit by optimizing menu structures, controlling food procurement costs, reducing temporary labor, adjusting operating hours, and limiting the opening of underused banquet space. Across hotel tiers, F&B direct costs and labor costs both contracted noticeably. Overall, however, these cost reductions were still not enough to fully offset the decline in revenue. Pressure on F&B revenue mainly came from the continued contraction of three traditional demand pools that hotel F&B had long relied on:

1. Business banquets and business travel dining are unlikely to return to its previous frequency or spending level in the short to medium term, because of the decline of some traditional industries, tighter corporate budgets, stronger compliance awareness, and changing consumption habits.
2. Large meetings and banquet events segment have become smaller in scale, less frequent, and more restrained in catering standards. The role of meeting-related F&B in supporting full-service hotel revenue has weakened, and its recovery will depend on the reshaping of business activity and meeting formats.
3. Wedding banquets are facing pressure from fewer marriages, smaller table counts, tighter spending budgets, and competition from a wider range of social event venues. In 2025, five-star hotels recorded a 6% decline in the number of wedding banquet events and a 15% decline in wedding banquet tables compared with 2024. This has put further pressure on the utilization of traditional large banquet halls.

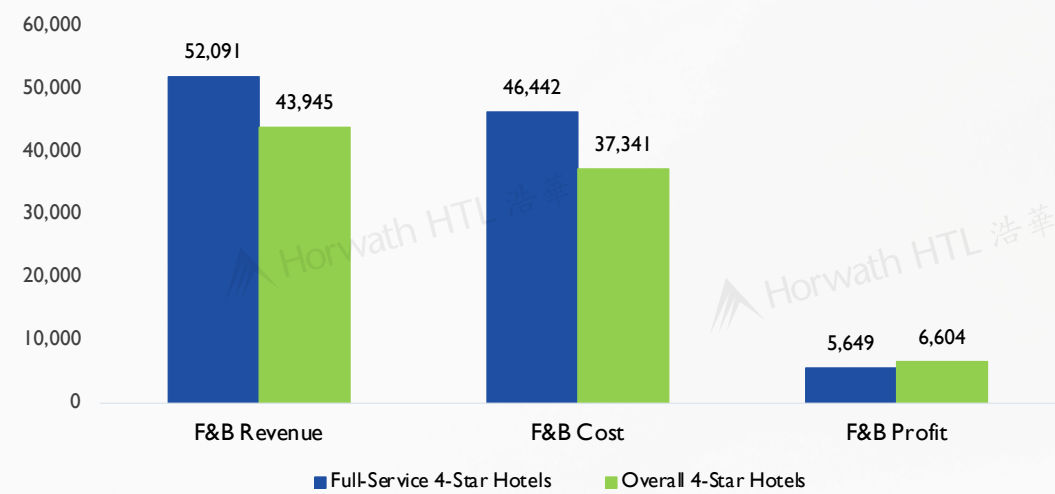
F&B pressure in 2025 is therefore not simply a cyclical decline. It reflects a change in the structure of traditional demand. For full-service hotels, F&B is no longer just a supplementary source of revenue. It has become a key factor affecting the quality of total revenue recovery and profit flexibility.

Space Reassessment: Full-Service Functions Shift from Product Advantage to Operating Test

Changes in F&B demand structure are forcing full-service hotels to reassess the value of their space. In the past, complete restaurant, banquet, and meeting facilities were a standard feature of upscale hotels and a key part of what set full-service hotels apart from limited-service hotels. In the current market, however, F&B space that cannot generate enough revenue may instead create pressure from staffing, utilities, materials, and maintenance costs. In this context, "full service" is shifting from a product advantage to an operating test.

This pressure is especially visible among mid-tier hotels. In recent years, some four-star hotels have started to reposition their products. Certain traditional four-star properties have reduced their F&B, banquet, and meeting functions and moved toward lighter operating models, including selected-service formats. Other full-service four-star hotels remain under strain. They often lack the brand pull to compete in high-end dining but also find it difficult to build the frequent local customer base that standalone restaurants depend on. At the same time, they still carry the space and labor costs of banquet halls, Chinese restaurants, all-day dining outlets, and other facilities. The data shows that full-service four-star hotels generated slightly higher F&B revenue than the wider four-star market, but their cost burden was heavier. As a result, their profit margin was only 11%, compared with 15% for the overall market.

F&B Revenue, Cost and Profit per Available Room of Full-Service Four-Star Hotels vs the Overall Four-Star Market



Data source: China Hotel Industry Study

By contrast, a small number of leading hotels with scarce locations and high-quality spaces may still be able to maintain F&B competitiveness during a period of market consolidation. For many other hotels, a clearer decision is needed. They may need to actively scale back and reposition their F&B business, whether through space reduction, functional adjustment, or external partnerships.

The divergence in hotel F&B is essentially a redistribution of space value within full-service hotels. Whether a hotel should keep a full F&B offering depends on whether that business can stand on its own in the local market: whether it can attract non-staying guests, convert banquet and member demand, generate stable cash flow, and support the hotel's overall brand value. The value of F&B space is no longer defined simply by its role as a standard product feature. It now reflects a combination of operating efficiency and market competitiveness.

Transformation Path: From Hotel Support Function to Standalone Business Capability

As traditional demand contracts, hotel F&B should be treated as a standalone business unit serving the local market. Its operating logic needs to be redesigned around target customers, product positioning, and marketing approach, with revenue performance assessed separately.

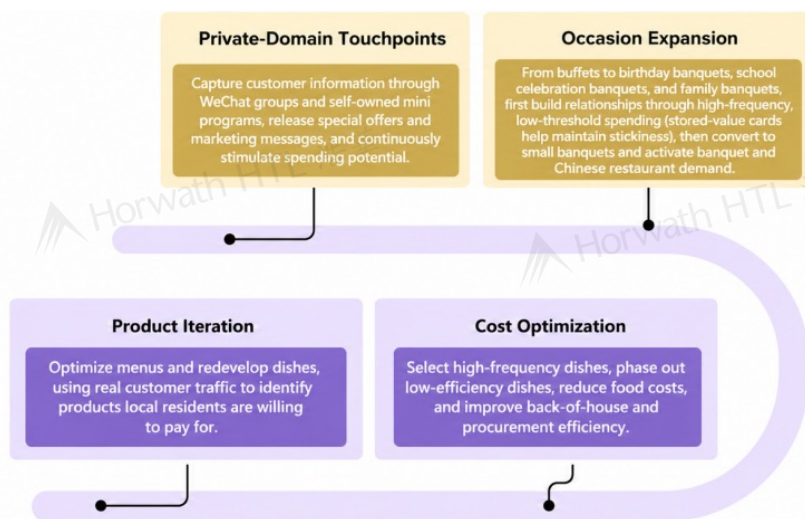
Path 1: Move Upscale and Compete with Boutique Standalone Restaurants

Hotels with strong location, space, brand, and chef resources can develop distinctive Chinese restaurants, Black Pearl-type products, or Michelin-style offerings with clear destination dining appeal. With the right product updates and market-oriented promotion, these restaurants can compete with leading standalone restaurants in the city. Jin Sha at Four Seasons Hotel Hangzhou at West Lake is a good example. Its value does not come from serving in-house guests. The restaurant itself has become a destination for high-end local banquets and purpose-led dining.

Path 2: Build Community Ties and Reconnect with Local Residents

For most hotels without standout resources, a more practical route is to re-enter local lifestyle consumption and bring nearby residents back into the hotel. Jinling Hotels has been a pioneer in this approach. By using high-frequency offerings such as buffets, family gatherings, and outdoor retail products as demand entry points, it has rebuilt awareness among residents and created new marketing touchpoints to activate Chinese restaurant and banquet demand.

Hotel F&B Community-Based Transformation Path



Space leasing and partnered operations have also become common measures among hotels. This is not limited to the property level. Some hotel management companies have also started to introduce established standalone restaurant brands, local F&B resources, or professional operating partners to make up for their own capability gaps. This suggests that the future capability boundary of hotel management companies may shift from full self-operation to resource integration, content curation, and operating ecosystem management.

F&B transformation is not simply a choice between keeping the function or cutting it back. The more important question is what role F&B should play in hotel operations. Whether a hotel moves upscale or turns toward the local community, its F&B space needs to compete in the market again. It needs to reconnect with target customers and turn non-room spending into a more sustainable revenue source. Hotels that can do this will be more resilient in a soft market.

Part IV

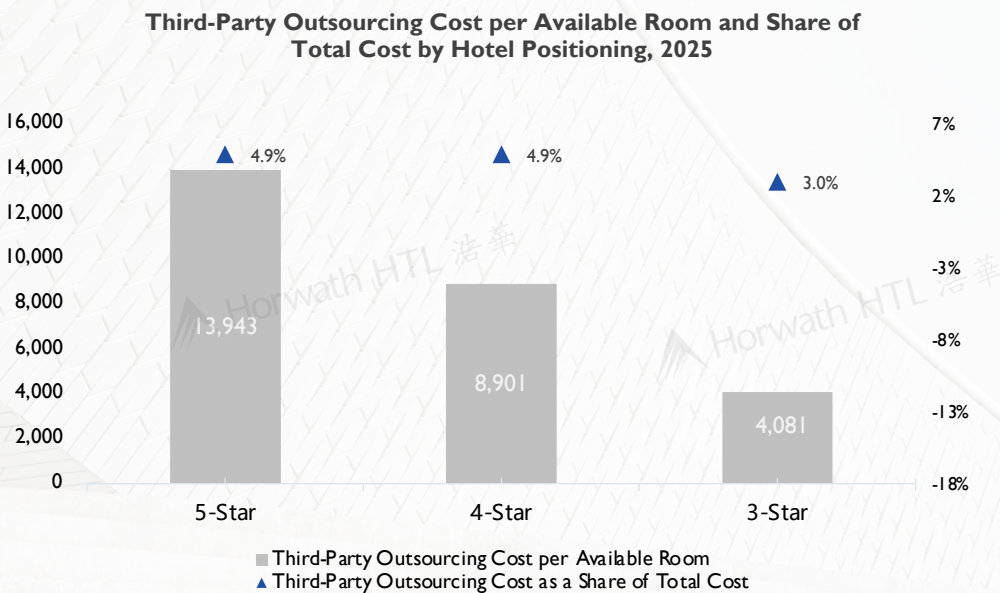
Labor Reallocation: From Headcount Reduction to Capability Optimization

Labor Adjustment: More Visible Outsourcing Reshapes the Labor Cost Profile

In 2025, labor remained one of the main cost items for hotels. Across hotel tiers, the number of employees per available room continued to decline, indicating that hotels maintained their labor reduction strategy even as the rooms department saw a modest recovery.

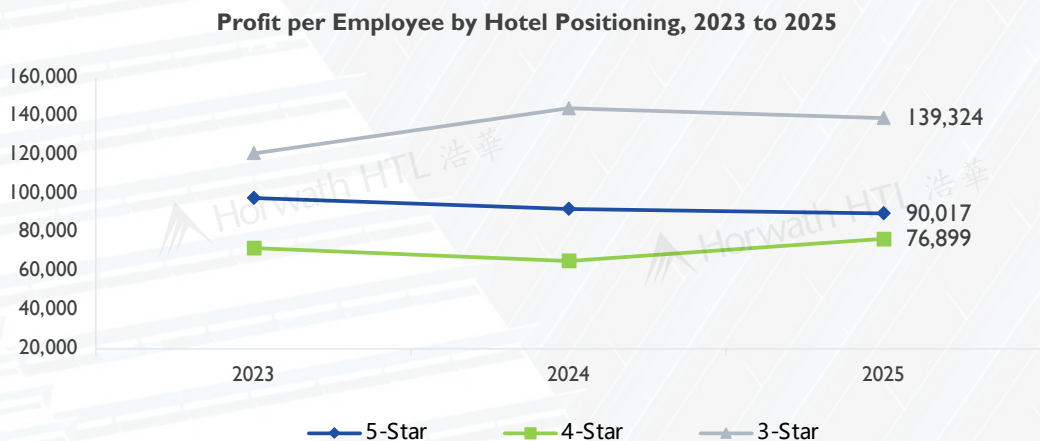


However, as the use of outsourcing and labor dispatch increases, the traditional employee-to-room ratio no longer fully captures actual labor intensity. "Hidden labor costs" are becoming a new variable. Data for 2025 shows that hotels across all tiers commonly used third-party outsourced labor, with usage rising by positioning level. The outsourced labor usage rates for five-star, four-star, and three-star hotels were 92%, 75%, and 60%, respectively, and were closely linked to the labor cost of full-time employees.



Reassessing Labor Efficiency: From Headcount Reduction to Value Contribution

For full-service hotels, staffing affects not only cost, but also service quality, product experience, and total revenue. Passive headcount reduction may improve short-term financial results, but it does little to strengthen long-term competitiveness. Compared with the employee-to-room ratio, labor productivity should be assessed more by staff contribution, especially revenue per employee and profit per employee. In 2025, as the employee-to-room ratio continued to decline, profit contribution per employee at five-star hotels still fell by 3%. At the same time, some high-performing hotels achieved stronger profit per employee despite higher staffing levels, supported by higher room rates, stronger non-room revenue, and better overall profitability. The Ritz-Carlton Shanghai, Pudong is one example. Its employee-to-room ratio was higher than the five-star hotel average in Shanghai, but its profit per employee was nearly 200% above the market average. By contrast, some hotels may cut staffing but still fall into a low-cost, low-yield cycle, as service capability weakens, channel operations lag, and F&B conversion remains limited.



Data source: China Hotel Industry Study
Note: For consistency in data scope, third-party outsourced labor was not included in the calculation of profit per employee in 2025.

Upgrade Direction: Optimizing Job Structure and Organizational Processes

As demand, channels, and F&B models change, hotels need different staff capabilities.

In the past, the labor system of full-service hotels was built mainly around stable corporate accounts, traditional meetings and banquets, and standardized operating procedures. In the current cycle, hotels are dealing with changing demand, more complex online channels, and tighter cost management. Labor optimization now needs to place people within a new growth logic, rebuilding staffing structure and capabilities around where future demand and revenue will come from.

In 2025, labor optimization is no longer just about reducing headcount. The focus has shifted to job capabilities and organizational processes. A hotel's resilience will depend on whether it can turn labor input into service value, channel capabilities, F&B conversion, and back-office efficiency.

Job Type	Previous Capabilities	Transformation Direction
Front office (front-line operations)	Standard service, reception, and execution	Maintain appropriate staffing levels while improving service quality and experience creation capabilities to serve high-end FIT guests and overseas travelers
Middle office (sales, revenue management, etc.)	Corporate account development, client maintenance, and strategy formulation	Strengthen online marketing, channel operations, content operations, and revenue management capabilities
Back office (finance, engineering, human resources, administration, etc.)	Supportive management	Reduce staffing levels and improve management efficiency through digital management and process optimization

CONCLUSION

Looking back at 2025, the recovery in headline hotel performance did not obscure the deeper shift in operating logic. The rooms department provided the basic support, but the quality of growth increasingly depended on whether hotels could identify high-value guests within a more fragmented demand base, regain control over demand across diversified channels, rebuild non-room value from pressured F&B space, and reshape organizational capabilities as headcount reduction reached its limits. Industry competition is therefore moving beyond the recovery of individual indicators. It is becoming a test of hotels' overall operating capability.

On the demand side, market opportunities have shifted from a simple recovery in guest volume to the capture of higher-value customer segments. Markets that can attract leisure FIT guests, travelers from Hong Kong and Macao, and overseas demand are more likely to build an advantage in room rates, total revenue, and profit. But market upside does not translate into performance automatically. Hotels need precise product matching and effective operating touchpoints to convert potential demand into actual revenue and profit.

On the channel side, online platforms, group distribution, and direct guest systems are reshaping the demand structure together. More diversified booking paths bring higher cost and management pressure. They also require hotels to define clearer roles across channel mix, pricing strategy, and customer relationship management, and to turn external demand into customer assets that can be retained, operated, and converted into repeat demand.

On the F&B side, pressure on non-room revenue shows that full-service hotels need to reassess the value of their space. As demand from traditional business banquets, meetings, and weddings contracts, F&B space must be able to attract customers on its own and generate stable cash flow if it is to continue supporting hotel revenue. A small number of leading hotels have regained growth momentum through setting-based operations, content marketing, and local customer engagement. For many other full-service hotels, the boundary of the F&B business needs to be recalibrated through space reduction, functional adjustment, or external partnerships.

On the labor side, the marginal benefit of headcount reduction is weakening, while more visible outsourcing is pushing the industry to reassess real labor efficiency. Labor optimization is no longer about simple staffing cuts. It is about reallocating job capabilities and organizational processes around new demand, new channels, and new business lines, so that limited labor input can translate into stronger service delivery, channel capabilities, space utilization, and back-office efficiency.

At this point in the cycle, the hotel market in 2025 is increasingly defined by divergence and choice. On one side are hotels that can capture higher-quality demand, reshape their demand structure, activate the value of their space, and improve organizational capabilities. These hotels are better able to maintain pricing power and profit resilience during market volatility. On the other side are hotels that remain dependent on traditional operating models and are under greater pressure as demand and cost structures change. Together, these contrasting performances show that the hotel industry is moving beyond the old narrative of scale, facilities, and demand. A new phase is taking shape, one in which value is increasingly rebuilt around higher-value guest, operating depth, and organizational resilience.

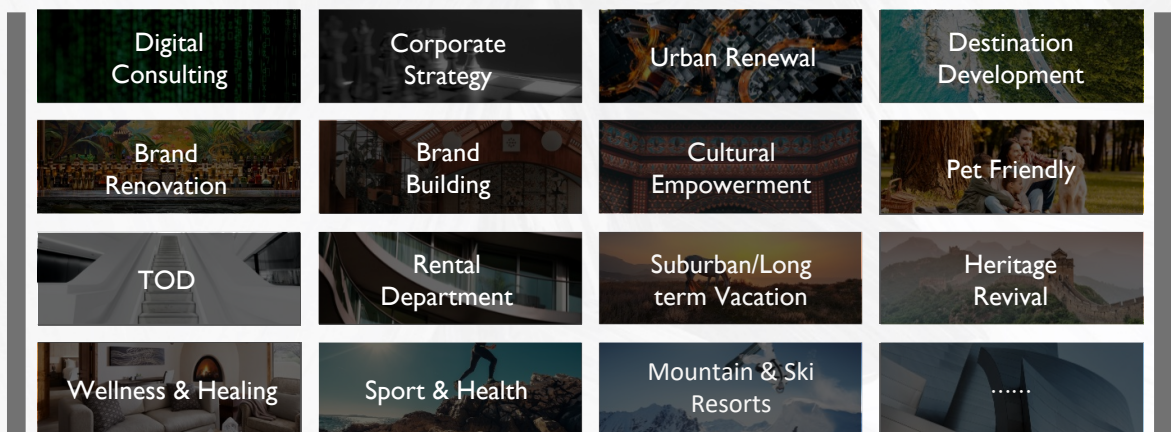
The path forward is not to wait for the market to return to its old trajectory, nor is it to rely on cost reduction alone. Hotels need to use data insights to set the right direction, operating capabilities to reorganize resources, and organizational efficiency to support growth. Only by bringing demand, channels, space, and labor into the same value creation system can hotels protect their revenue base amid structural divergence and move toward more stable, higher-quality growth in the next cycle.



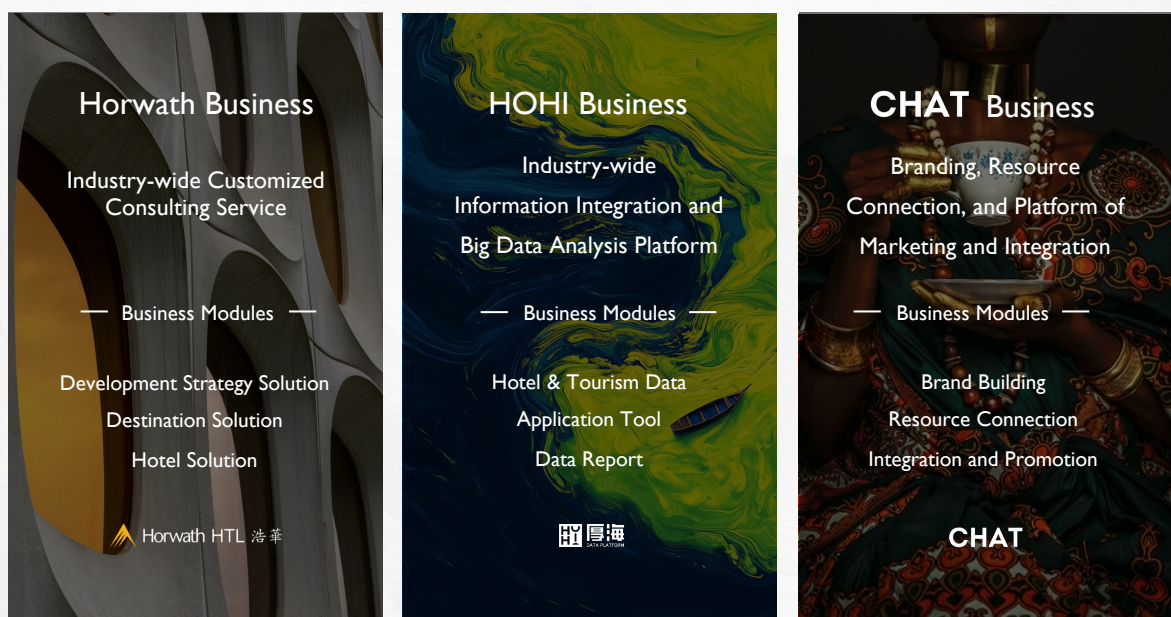
About Horwath HTL

As a centennial corporation, Horwath HTL participated in the creation of the “Uniform System of Accounts for the Lodging Industry”, which is still used worldwide. Starting from the beginning of its entry into the mainland China market in 2003, Horwath HTL collected and analyzed industry benchmarking data for the “China Hotel Industry Study” with the China Tourist Hotel Association. It has been leading industry development for 20 years in China as the first international consulting company to bring the international hotel investment and development standard process to the Chinese market. It was also the first to introduce the concept of “per square meter efficiency” to help the industry make accurate investment and asset management decisions. In addition, it created industry data standards such as MSI (Market Sentiment Index) and MVI (Market Value Index) to help upstream and downstream practitioners further understand the market. In 2022, Horwath HTL launched the HOHI Data platform and started to develop the ESG index system to further guide the industry’s digitalization and sustainable transformation. In the new era, Horwath HTL provides professional services covering multiple dimensions and the full life cycle, relying on abundant project experience, customized consulting services, the HOHI data platform, and CHAT branding and marketing platforms. Furthermore, it is always committed to providing various professional solutions to promote the continuous evolution of the wonderful lifestyle industry.

Multi-Dimensional and Full Life-Cycle Professional Solutions



Three Brands and Business Segments



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Contact Us

Horwath HTL (China Headquarters)

11th Floor, Shiji Information Building, No. 65, Fuxing Road, Haidian District, Beijing, 100036, China
Telephone: 86(10)8518 1833
Email: beijing@horwathhtl.com

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HOHI Data Platform

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