Analysis Report on the Development of China’s Online Hotel Reservation Industry in the First Half of 2019

August 2019

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Research Overview

- Object: Chinese mobile Internet users
- Data source: sample set of Android users built by Trustdata with a DAU of over 100 million (and an MAU of over 320 million), according to the demographic structure and geographical distribution of Chinese mobile Internet users, as well as mobile app iOS
- Calculated by the model built based on various factors including the proportional relationship with Android
- Collection method: data are only collected when the screen is bright to ensure the authenticity and validity of data. Regarding frequency, every 10 seconds for apps without payment function, and every 1 second for apps with payment function
- Time: 2017-2019

Indicators:

- DAU -- Daily Active Users
- MAU -- Monthly Active Users
- Monthly coverage -- the percentage of MAU of the app in the total number of mobile Internet users
- Monthly new -- newly added users per month
- Monthly retention rate -- the probability that a new user has used the app for 1 day or more in the following month
- TGI index -- user index/target group’s user feature index

Source: Trustdata Mobile Big Data Monitoring Platform
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III. Competition Landscape of China’s Online Hotel Reservation Industry

IV. Trend Forecast for China’s Online Hotel Reservation Industry

Source: Trustdata Mobile Big Data Monitoring Platform
1. China’s online hotel reservation market continues to grow, with huge potential in online rate compared with developed markets such as Europe, US and Japan

2. The accelerated expansion of supply side resources will lead to the number of hotel rooms in China exceeding 20 million in 2019

3. China’s per capita GDP is expected to exceed $10,000 in 2019, accelerating the increase of new tourists and boosting the demand for hotel reservations

4. In the first half of 2019, local orders have continued to increase, with Q2 orders accounting for more than 30%
In the first half of 2019, the number of online hotel reservation users has continued to grow, reaching a scale of 100 million in Q2.

Online hotel reservation quarterly MAU 2017-2019 (unit: 10,000)

Note: Trustdata mobile big data monitoring third-party reservation platforms (excluding hotel group’s official websites)

Source: Trustdata Mobile Big Data Monitoring Platform
In H1 of 2019, the number of room nights reserved via online hotel reservation increased by 20% year-on-year, reaching the scale of nearly 400 million.

Source: Trustdata Mobile Big Data Monitoring Platform
The number of hotel rooms in China is increasing steadily, and will exceed 20 million in 2019.

Hotel room numbers in China from 2015 to 2019 (unit: 10,000 rooms)

Note: the data on this page are compiled by Trustdata according to the public information of China Hospitality Association.

Source: Trustdata Mobile Big Data Monitoring Platform
China’s online hotel reservation market continues to grow, with huge potential in the rise of online rate compared with developed markets such as Europe, US and Japan.

Penetration rate of online hotels in major economies in 2018:
- Japan: 58.9%
- Germany: 55.5%
- US: 47.4%
- UK: 46.5%
- China: 35.0%

Innovative users: 2.5%
Early adopters: 13.5%
Early mass users: 34%
Late mass users: 34%
Late users: 16%

Note: Data of this page is from Euromonitor.
China’s per capita GDP is expected to exceed $10,000 in 2019, accelerating the increase of new tourists and boosting the demand for hotel reservations.

Note: data on this page refer to data from the National Bureau of Statistics.

**Annual growth of China’s per capita GDP (unit: USD)**

When per capita GDP is closer to **$10,000**, ways of leisure travel are more diverse, and long-travel vacation and short-distance leisure travel will grow fast.

When per capita GDP exceeds **$5,000**, long-distance leisure travel and outbound tourism will rise.

With the increase of per capita GDP and residents’ consumption capacity, the types of tourism have gradually increased and **leisure travel appeared**.

Mainly **sightseeing tours**

Future

Early stage

The proportion of leisure tourists

Growing number of “new tourists”

As China’s economic development is further accelerated, more provinces and municipalities have lifted their per capital GDP to over USD 10,000, attracting more and more new tourists. Tourists spend more on leisure and vacation, and book significantly increased number of hotel rooms during their personal or family trips.
In the first half of 2019, local orders have continued to grow, with Q2 orders accounting for more than 30%.

Analysis of quarterly proportion of online reservation of local and non-local hotels from 2018 to 2019

Source: Trustdata Mobile Big Data Monitoring Platform
User Research for Online Hotel Reservation Industry in China

1. The age composition of Chinese online hotel reservation users has changed, with post-90s and post-00s becoming the main consumers.

2. Online hotel reservation has continued to penetrate in county-level markets, with "small town areas" registering multiple growth.

3. Young users’ strong willingness to buy, diverse needs and multiple scenarios for consumption drive the growth of online hotel reservation.

4. Young users’ needs and scenarios for online hotel reservation are becoming increasingly diversified and personalized.

Source: Trustdata Mobile Big Data Monitoring Platform
Majority of new online hotel reservation users are small town youths, who have diversified needs and strong willingness to consume online.

**Younger users**
- The number of young users born in the 1990s and 2000s has increased rapidly.

**Small town youths**
- The number of users in third-tier and lower-tier cities has increased significantly.

**Strong willingness to consume online**
- Young users born in the 1990s and 2000s have no pressure from buying houses & cars and raising kid(s), and they are more willing to consume based on personal interests and hobbies than other users.

**Diversified demands**
- The consumption scenarios for online hotel reservation of young users born in the 1990s and 2000s are diversified, covering travel, theme parties, star-chasing and travel list-completing.

Source: Trustdata Mobile Big Data Monitoring Platform.
In the first half of 2019, the share of male users was slightly more than female. Young users are increasing, with the share of post-90s exceeding post-80s for the first time. The potential for the post-2000s is huge.

**Proportion of male and female users for online hotel reservation in H1 2019**

- Male: 52.7%
- Female: 47.3%

**Age composition of users and YoY changes in H1 2019**

- Post-70s: 12%
- Post-80s: 37%
- Post-90s: 39% (growth: 11%)
- Post-00s: 7% (growth: 3%)
- Others: 5% (growth: -10%)

Source: Trustdata Mobile Big Data Monitoring Platform
Online hotel reservation has continued to penetrate in county-level markets in H1 of 2019, with 70% of new users from third and lower tier cities.
Number of users in some cities in southwest, northwest and central China grew multiple times. “Tourism-resources-led consumption” + “economic-growth-driven consumption” are the dual drivers of hotel order increase.

In H1 2019, the TOP15 user growth areas were mainly in the southwest, northwest, Central China and part of South China. There are two main factors promoting such growth. First, the strong promotion of tourism resources, such as Southeast Guizhou and Dehong in Southwest China. Second, economic development drove consumption growth. The increase of consumption of leisure tourism promoted the release of demand for online hotel reservation. Performance of Linxia, Jinchang, Chizhou, and Jiaxing is outstanding.

**TOP15 cities for growth of users of online hotel reservation in H1 2019**

<table>
<thead>
<tr>
<th>Southwest</th>
<th>Northwest</th>
<th>Central China</th>
<th>South China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southeast Guizhou</td>
<td>Dehong</td>
<td>Southwest Guizhou</td>
<td>Wenshan</td>
</tr>
<tr>
<td>24.0</td>
<td>5.0</td>
<td>3.5</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Note: In the chart, blue means regions driven by tourist resources, while green means regions driven by economic growth.

Source: Trustdata Mobile Big Data Monitoring Platform
Young users born in the 1990s and 2000s have less pressure of parenting, mortgage and car expenses. They have strong willingness to spend online, with higher demand for online hotel reservation.
Young users’ leisure and entertainment are rich and colorful. Multi-scene interaction drives the growth of demand for online hotel reservation.

Average number of APP starts in H1 2019: 7.1 times
Monthly average number of reservations in H1 2019: 2.6 times

1.5 times higher than other users
1.6 times higher than other users

Young users’ leisure and entertainment are rich and colorful:

- Self-driving for leisure
- Travel list-completion
- Food & Consumption
- Graduate/gap year travel
- Overseas study
- Cartoon exhibition/lectures/music/star-chasing
- Theme parties & entertainment

Source: Trustdata Mobile Big Data Monitoring Platform
Competitive Landscape of China’s Online Hotel Reservation Industry

1. Competition in the industry continues to rise, and Meituan gains at higher speed

2. Meituan and Fliggy users are younger, with 50% post-90s and post-00s

3. User stickiness of mainstream platforms are above 20%, Ctrip has the best performance of 24.3%

Source: Trustdata Mobile Big Data Monitoring Platform
Meituan tops the online hotel reservation industry in H1 2019, gaining over 50% of orders in the industry.

Accumulated orders of online hotel reservation platforms in China in H1 2019 (unit: million)

Proportion of orders of different platforms in the online hotel reservation industry in China in H1 2019

Note: data on this page are statistics of users in the Chinese mainland, excluding Hong Kong, Macao, Taiwan. Number of orders here refers to number of paid orders.

Source: Trustdata Mobile Big Data Monitoring Platform
In H1 2019, Meituan led the industry in terms of room nights reserved, accounting for 47.3% of the market, more than the total share of Ctrip, Qunar and eLong combined.

Market share of China's platforms in terms of room nights reserved in H1 2019

Note: data on this page are statistics of users in China’s mainland, excluding Hong Kong, Macao, Taiwan and overseas.

Source: Trustdata Mobile Big Data Monitoring Platform
Meituan’s room nights reserved increased rapidly, surpassing the Ctrip-related platforms in a steady manner

Meituan vs. Ctrip-related OTA platforms regarding room nights reserved during 2018-2019

- Meituan’s room nights reserved (million)
- Ctrip’s room nights reserved (million)
- Meituan/Ctrip-related’s room nights reserved

Note: Ctrip-related refers to OTA platforms such as Ctrip, Qunar, Tongcheng-Elong

Source: Trustdata Mobile Big Data Monitoring Platform
In H1 2019, users of China's online reservation platforms have continued to grow, adding up to 5 million per month. Meituan accounts for half of the new user market, while Qunar and Ctrip rank second and third.
Meituan & Fliggy led the industry regarding number of young users, with post-90s and post-00s accounting for more than 50%.

### Age composition of users of major platforms in H1 2019

<table>
<thead>
<tr>
<th>Platform</th>
<th>post-90s</th>
<th>post-00s</th>
<th>post-80s</th>
<th>post-70s</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meituan Hotel</td>
<td>44.3%</td>
<td>7.0%</td>
<td>34.4%</td>
<td>10.6%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Fliggy</td>
<td>43.5%</td>
<td>6.9%</td>
<td>34.0%</td>
<td>11.6%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Qunar</td>
<td>41.0%</td>
<td>6.5%</td>
<td>37.5%</td>
<td>11.2%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Tongcheng-Elong</td>
<td>40.1%</td>
<td>6.8%</td>
<td>38.7%</td>
<td>10.8%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Ctrip</td>
<td>38.0%</td>
<td>6.3%</td>
<td>36.5%</td>
<td>14.8%</td>
<td>4.4%</td>
</tr>
</tbody>
</table>

Source: Trustdata Mobile Big Data Monitoring Platform
Ctrip ranked first in user stickiness, while Tongcheng-eLong and Meituan ranked second and third.

User stickiness of mainstream platforms in H1 2019 (user stickiness = monthly DAU/MAU)

<table>
<thead>
<tr>
<th>Platform</th>
<th>User Stickiness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ctrip</td>
<td>24.3%</td>
</tr>
<tr>
<td>Tongcheng-Elong</td>
<td>23.1%</td>
</tr>
<tr>
<td>Meituan Hotel</td>
<td>22.0%</td>
</tr>
<tr>
<td>Fliggy</td>
<td>21.5%</td>
</tr>
<tr>
<td>Qunar</td>
<td>20.4%</td>
</tr>
</tbody>
</table>

Source: Trustdata Mobile Big Data Monitoring Platform
Qunar ranked first in terms of daily opens, followed by Tongcheng-eLong and Meituan.

Daily open times of platform users in H1 2019 (times):

- Qunar: 3.4
- Tongcheng-Elong: 3.3
- Meituan Hotel: 3.0
- Ctrip: 2.7
- Fliggy: 2.5

Source: Trustdata Mobile Big Data Monitoring Platform
Trend Forecast for China’s Online Hotel Reservation Industry

1. Online hotel reservation is deeply interlinked with scenarios of leisure and entertainment, and gradually upgraded to one-stop consumption model featured by diversification and high frequency.

2. Super platforms with huge customer traffic drive the upgrade of competition which focuses more on integrated strength of players.

3. OTA players around the world form a four-pole competitive landscape, and leisure travel is the key area battled for.

Source: Trustdata Mobile Big Data Monitoring Platform
Deeply interlinked with life, leisure and entertainment scenes, online hotel reservation is gradually upgrading to the one-stop consumption model

Rise of young users
Young users growing up together with the mobile Internet are largely different from traditional users in terms of consumption mindset, ways and demand. Under the scenario of tourism, young users are stronger than traditional ones regarding frequency of local and non-local travels, and most of such travels, dominated by free travels, are with close friends or freely formed groups. In addition to tourism, other scenarios such as leisure and entertainment, star-chasing, exhibition, games and parties, also tap the potential of online hotel reservation.

Diversified and one-stop consumption
Chinese users are getting more diversified. From business travelers in early days to people with “business + leisure and entertainment needs” today, the rapid change of user mix leads to the upgrading of consumption characteristics to one-stop consumption. Super APP platforms integrating ecosystems such as online hotel reservation, travel, leisure and entertainment are popular among users.

Source: Trustdata Mobile Big Data Monitoring Platform
Key factors of tourist consumption: from “air ticket & hotel” to “food, hotel, travel, tourism, shopping & entertainment”

The changing user needs lead to changes in tourist consuming behaviors. With the rise of recreational vacation and users' growing consuming ability, “air ticket + hotel” are no longer the most critical factors in tourist consumption decisions. After determining the destination, people prefer more in-depth local travel experience integrating food, hotel, ticket to scenic spots, travel, shopping and entertainment.
OTA players around the world form a four-pole competitive landscape, and leisure travel is the key area battled for

Both Booking and Expedia have been developing for more than 20 years. The former’s market is mainly Europe, which is dominated by leisure demand and the supply of which is relatively scattered, while the latter’s major market is the US, which focuses on business travel and boasts higher share of chain hotels. In early days of competition, Expedia had obvious advantages over its rival. But in 2010, the room nights reserved of Booking exceeded Expedia, and then Booking developed rapidly, widening the gap and maintaining the champion position.

Globally, Meituan and Ctrip have rapidly grown to form a four-pole pattern with Booking and Expedia in terms of scale. Similar to Expedia, Ctrip has been developing for 20 years and focusing on business travel. Meituan, though young, is similar to Booking in nature. Meituan mainly focuses on the leisure and vacation market, and expands in regions with little chain hotels and with rapid growth. At the same time, Meituan, as a comprehensive platform of life services, has access to different ecosystems and is able to drive the growth of low-frequency scenarios with high-frequency ones, forming its unique competitiveness.

Comparison of room nights reserved between Booking and Expedia from 2004 to 2018

Note: the data are from Booking and Expedia’s financial reports.

Source: Trustdata Mobile Big Data Monitoring Platform
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