

A Study of Consumer Experience Enhancement in the Leisure Industry Based on Peak-End Rule: the Case of Atour

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Abstract. As people's incomes rise and consumer tiers increase, the leisure industry has become one of the focal points of the consumer and investment markets. For companies to break through the fierce competition in the leisure industry, enhancing the consumer experience is one of the key factors for success. Based on the Peak-End Rule proposed by Kahneman et al. which emphasizes both the peak and the end aspects of the consumer experience to create consumer satisfaction ultimately. Atour, an emerging mid-end hotel chain group in China, as a case study to gain insights into ways to improve the consumer experience in the leisure industry through a SWOT analysis of its operational data and a discussion of its consumer characteristics and service touchpoint innovations. The study finds that establishing a positive first impression, enhancing key service touchpoints, stimulating potential experience peaks, and reinforcing positive perceptions at the end, can effectively improve the consumer experience in all steps of the process and enhance consumer satisfaction, thus winning consumers over and gaining advantages in the market competition.

Keywords: Peak-End Rule; consumer experience; leisure industry; hotel.

1. Introduction

Since 1978 when China began the process of Reform and Opening up, the Chinese economy has returned to the development track. Facing the growing number of tourists [1], the development of the hotel industry became one of the pressing issues affecting China's tourism image [2]. Starting with the introduction of overseas Chinese and foreign capital for hotel construction, China's hotels have evolved from single state-run hotels to modern enterprises. With continued rapid economic development, the addition of relevant policies [3-4], and the tourism industry moving from nascent to prosperous, China's hospitality industry has seen one boom after another. As China's hotels were initially geared towards serving high-income earners, both the earliest, Guangzhou White Swan Hotel and Beijing Jianguo Hotel, a joint venture with the Peninsula Group, were both luxury hotels, with international hotel luxury brands entering the Chinese market earlier and expanding more aggressively. In the 1990s, the Jinjiang Group opened its first budget hotel, and the budget hotel investment boom that followed saw an exponential increase in numbers [5]. However, the number of hotels of all classes in China shows an hourglass distribution that does not match the current olive-shaped income structure of the population, and the needs of the growing middle class are not well met.

As China's consumption upgrades, the mid-range consumer market is increasingly active and demand for leisure travel is strong. However, the middle class with stable income and high literacy levels is discerning and has higher requirements for environment, service, quality, and personalization. Atour Hotels, an emerging mid-range hotel brand, has taken the lead in catering to their emotional pursuit of the "Better Life" by using Peak-End Rule, which is favored by the Chinese middle class and capital [6]. It is a good model for studying how to enhance the consumer experience in the leisure industry today.

This paper is organized according follows: Section 2 introduces the research trials of Atour and Peak-End Rule, Section 3 uses SWOT to analyze the current market competitiveness of the research subjects, and Section 4 details the measures taken by the research subjects to improve the consumer experience based on the rule, and the final section presents the conclusions of the research.

2. Research Description

2.1 Introduction of Atour

Atour Lifestyle Holdings Limited, a Chinese mid-to-high-end hotel group founded in 2012, is based in Shanghai. Atour owns six hotel brands - A.T. House, Atour S, ZHotel, Atour Hotel, Atour X and Atour Light - as well as Atour Market, a retail brand, and has incubated three original lifestyle brands covering areas such as sleep, fragrance, and personal care and travel. Based on the accommodation industry, the Atour's mission is to "Make a warmer connection with people" and to convey a humanistic, warm, and fun lifestyle. Since the first shop opened in 2013 in Xi'an, Shaanxi Province, Atour has opened in over 155 cities covering all provinces in China Mainland. (Until August 2022, Fig.1).



Source: Atour App

Fig 1. Atour hotels distribution in China.

The rapid growth of Atour is due to its precise targeting of the consumer market, with a firm grasp of China's most active middle-income group, particularly intellectuals and business travelers. Compared to other consumer groups, the middle-income group demands accommodation not only in terms of basic facilities but also in terms of "soft amenities" such as service quality and cultural ambiance [6]. Meanwhile, Atour offers a paid membership program, Aplus, for high-frequency travelers, which uses a comprehensive guest history record to document members' specific needs and preferences and provide them with customized services to enhance their repeat behavior.

2.2 Peak-End Rule

Kahneman, Fredrickson, Schreiber, and Redelmeier [7-8] illustrated through laboratory experiments that people tend to evaluate their experience in terms of the best experience, rather than assessing final experience based on overall or average experience [9-13]. One experimental group was where participants placed their hands in painfully cold water at 14°C for 60 seconds. The reference group was participants who placed their hands in water at 14°C for 60 seconds and then placed their hands in water at 15°C for a further 30 seconds. Participants rated their preference for the second condition based on their perception at the end of the experience, even though the second condition resulted in a longer unpleasant experience [14]. The resulting experiment suggests that humans evaluate a series of events, such as peak and end utilities, based on heuristics [15], a finding that has been referred to as the "Peak-End Rule."

3. Marketing Competitive Analysis

3.1 Strengths

As one of the first hotel brands to target China's emerging middle-class market, Atour has been the first to establish a reputation in the minds of consumers by tapping into consumer pain points from multiple angles, and by being the first to enter (see section 4 for details), it has become the first choice for consumption.

As younger consumers are becoming more conscious of corporate social responsibility [16-21], Atour has earned social recognition by establishing a tea factory in Yunnan Province in southwest China as a source of supply for the hotel's tea beverages, contributing to the cause of rural poverty alleviation.

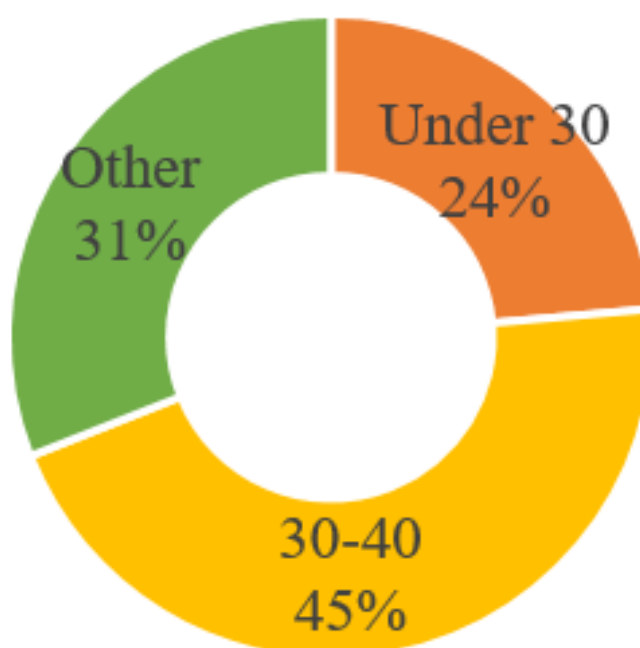
3.2 Weaknesses

Successful business models may be imitated by competitors as soon as they are disclosed. At the same time, some emerging business models entering a certain industry sector that their rapid growth will trigger many competitors to imitate the new business model in a neck and pillow shape, forming a disruptive innovation in business models [18-19]. In a service-oriented leisure service industry, since the business model is not protected by intellectual property rights [20], the innovation of the service point obviously does not have long-lasting exclusivity, and once this service point proves to be successful, imitation by competitors is inevitable.

3.3 Opportunities

Atour's clearly differentiated market strategy has allowed it to capture user growth faster, allowing Atour's member retention to grow year-on-year from 2019 to 2021, with a 52.8% member repurchase rate in 2021 [16]. Membership will grow at a compound annual growth rate (CAGR) of 48.7% from 2016 to 2021, while the CAGR of registered members under 30 years old reaches 83.9% in the same period.

At the same time, their consumer base has a clear youthful trend, focused on Generation Y, which has more purchasing power, and Generation Z (Fig.2), which values consumer experience and taste [17].



Source: Public Document

Fig 2. Consumer Age Distribution of Atour Chart.

3.4 Threats

According to Atour's public prospectus on NASDAQ (Tab.1), its revenue from 2019 to 2021 will be \$1,567 million, \$1,567 million, and \$2,121.48 million, and its net profit for the same period will be \$60.8 million, \$37.8 million and \$140 million respectively. As a result of the COVID-19 "black swan" incident, Atour's overall occupancy rate for 2021 is 67.0%, still less than the 73.4% in 2019, and in terms of RevPAR, a measure of revenue capacity, is \$288.1 in 2021 (excluding expropriated hotels), a decrease of around 8% compared to the pre-exposure period of 2019 down around 8%. It is evident that Atour has not yet emerged from its gloom financially.

Tab 1. Key Operating Data of Atour Lifestyle Holding Limited.

	Year Ended, 2019	Year Ended Dec. 31, 2020		6 Months Ended June 30, 2020		6 Months Ended June 30, 2021	
		Exclusive of requisitioned	Inclusive of requisitioned	Exclusive of requisitioned	Inclusive of requisitioned	Exclusive of requisitioned	Inclusive of requisitioned
Occupancy rate (in percentage)							
Manachized	72.30%	66.90%	63.20%	54.00%	48.20%	68.60%	68.00%
Leased	82.00%	68.60%	67.60%	54.80%	53.10%	73.20%	73.20%
All hotels	73.40%	67.10%	63.50%	54.10%	48.60%	69.00%	68.40%
ADR (in RMB)							
Manachized	415.9	382.2	379.2	344.7	340.1	405.7	404.2
Leased	530.1	467.7	467.4	407.8	407.2	506.9	506.9
All hotels	429.5	389.8	386.8	350.7	346.1	413.3	411.8
RevPAR (in RMB)							
Manachized	313.7	268.9	251.6	195.7	172.4	291.2	287.5
Leased	463.7	339.4	334.1	236.1	228.4	391.9	391.9
All hotels	329.5	275.1	258.3	199.5	177	298.3	294.7

Source: United States Securities and Exchange Commission

In the current Chinese market, hotels of the same type are still presented in the form of franchises. Compared to Jinjiang Group with over 5,500 mid-end hotels and Huazhu Club with over 1,500 mid-end hotel, Ji Hotel, Atour's 750 shops seem less competitive without the support of a huge group. After three failed IPOs, it remains to be seen whether Atour will escape the fate of being acquired by an industry giant.

4. Marketing Strategy Analysis

Based on the Peak-End Rule, Atour has refined the guest service process into 17 touchpoints to refine the granularity of operations, service, and management. In contrast to the management logic of the Support Oriented Process, Atour chooses "Service Productization" to find touchpoints based on consumer pain points and then to evolve the 17 touchpoints into 40 to 50 service selling points. To connect these selling points with consumers, Atour uses the following marketing strategies to achieve consumer purchase and reliance.

4.1 Ensure a Positive First Impression

The effect of first impressions on people's perceptions often becomes the basis for later choices and has a greater determinant and influence on the formation of the consumer's total impact regarding the product [13]. In the process of consumer service, all the information about the service that the consumer receives is acquired through his or her bodily experience. In embodied cognition theory, the physical experience is strongly linked to the psychological situation [12] and thus influences the consumer's attitude and evaluation. Positive first impressions in the leisure services industry, formed during the first contact with the consumer, can stimulate subsequent consumption and increase the economic efficiency of the business.

Apart from the basic greeting and luggage service when a consumer first enters a hotel, Atour has introduced a creative 'tea service', where the reception staffs bring a cup of warm black tea to the consumer at check-in, to take away the fatigue of the journey. In summer, the reception staffs also serve mung bean soup or coconut milk dessert (a traditional Chinese summer drink) to returning guests. The "tea service" addresses both innovations in service and giving consumers the best first impression at the first opportunity.

At the same time, the moment the consumer opens the door to the room is an important scene in the first impression evaluation of a hotel review. A standardized room is boring and uninspiring and does not create any significant mood swings for the consumer. Atour combines the lifestyle preferences of its target group with the standardization of the leisure services industry, using standardization to meet the individual needs of one type of consumer. Atour has created fitness-themed rooms, tearoom-themed rooms, audio-themed rooms and meditation-themed rooms.

4.2 Trade-offs in the "Peak"

Unlike budget hotels such as HomeInn, ibis and Super8, the most important feature of these budget hotels is that they offer "limited service" accommodation units for short-term travelers on a low budget, based on the principles of economies of scale and standardization [7]. They are also different from luxury hotels such as the Intercontinental, Marriott, and Ritz-Carlton, which are known for their excellent service and amenities, but their high prices often put them out of reach for consumers on a budget.

Atour found a balance between the two, understanding that its target consumers were mostly business travelers, with shorter stays in hotels, and that their sleep time was the peak of their experience of the service. As the peak period rule states, people tend to assess their experience based on the best perception rather than a more holistic or average perception of the final experience [8]. So, it expanded the size of the individual rooms, upgraded the sleeping facilities (e.g. neck pillows, "bare cotton" bedding) and offered Aplus members a sleep-aiding fragrance and eye masks. Instead, as most consumers spend very little time at the hotel, some of the larger recreational facilities (such as swimming pools and spas) have been removed, leaving only the basic meeting rooms (Gongyu), self-service laundry (Chuchen), gym (Hanchu) and breakfast restaurant (Xiangzhao). In addition, given the high literacy level of its target consumers, it has deliberately set up a small shared library (Zhuju) to provide an in-store book lending service. By "adding" to the areas where consumers spend more time and "minus" to the areas they less care about, the comfort and quality of the hotel is ensured and the cost of the public areas is reduced to a certain extent, creating a mutual benefit between the consumer and the hotel.

4.3 Stimulate the Potential "Peak"

Commercial brand collaborations are an underexploited and more cost-effective way for companies to expand their product lines and target the consumer market for information powders [9]. Pappu et al. [10] state that brand collaboration strategies can help consumer's foster positive attitudes by creating a sense of fit between the original brand and the co-branded product. At the same time, this positive brand association can lead to high levels of perceived value [11]. In recent years, the Chinese market has been very active in the phenomenon of brand partnerships, such as Heytea with

Adidas, Popmart with Uniqlo and Luxihe Pastry with Otaly. Consumers who prefer one of the collaborating brands, once they have developed an interest in the collaborative product, will have potential demand for the other brand, driving their preference for the other brand.

Atour realizes that brand collaborations are currently an effective way to attract consumers and expand its consumer base. Ye Lvyin, the founder of Atour, said in 2018 that Atour wanted to benchmark itself with Disney, describing its hotel model as "hotel + people + IP", creating higher awareness by introducing more crossover IPs. By identifying the interests of its target audience, especially the younger ones, Atour has partnered with several popular Chinese IPs, such as Shanghai Arts Film Studio and NetEase Cloud Music (Tab. 2), to open themed hotels, with elements of the collaborating brands fully reflected in the interior decoration. This allows consumers who are interested in these IPs to be attracted to these elements when they enter the hotel, inspiring a perceptual 'peak'.

Tab 2. List of Atour's brand collaboration theme hotels.

Collaborative Brand	City	Theme	Collaborative Brand	City	Theme
NetEase	Beijing			Beijing	
Cloud	Chengdu	Music	Channel Wu	Hangzhou	Intellectual
Music	Chongqing			Xi'an	Celebrity
NetEase Yeation	Chengdu	Lifestyle	Shanghai Art Film	Shanghai	Anime
	Hangzhou		Studio		
Tencent Cloud	Beijing	Technology	Tongdao Dashu	Chengdu	Astrology
Atour	Hangzhou	Music	Tencent QQ	Shenzhen	Social
Music					Media
Yiche	Shenzhen	Car	The Drama	Shanghai	Shakespeare
Funscenter	Beijing	Art	Zhihu	Shanghai	Knowledge
Hupu	Shanghai	Basketball			

Source: Atour App, Related News.

4.4 Finish with an Excellent "End"

With check-out times often concentrated in the morning, it can be difficult for most business travelers on a tight schedule to eat a local breakfast on the street in person, and Atour has designed local specialties to suit the region of the city, such as Hangzhou's Steamed Bun and Zhengzhou's Spicy Soup. Unlike most hotels where breakfast is only available for dine-in, Atour prepares packed breakfasts (called Lvmeng Luzao) for guests in a hurry, allowing them to feel the hotel's care at the end of their tour.

However, checking out does not mean the end of the service, the reviews of the entire service posted by consumers on online travel agency and social media play an important role in guiding consumers' repurchase behavior and other consumers' choices. Atour's managers write rectification plans for each poor review and review them in internal WeChat groups. In addition, some suggestions for optimization are taken on board and implemented.

5. Conclusion

Since China began the process of consumer upgrading in 2012, consumers, especially middle-income consumers, have seen a huge increase in their spending power, with the leisure industry accounting for an increasingly high proportion of expenditure. In the face of increasing competition in the leisure market, companies can break through and innovate in the consumer experience based on the Peak-End Rule to win the hearts and minds of consumers. The case of Atour demonstrates how the Peak-End Rule is practiced in the leisure industry and how it can enhance the consumer experience in the following ways.

First impressions are extremely important, starting at the first touchpoint of the service to stimulate the peak of the consumer experience. It is positive when the consumer makes an initial judgment of the service, making the consumer more willing to experience subsequent services.

Cost savings are reasonable, but it is important that the most critical service touchpoints are not neglected and even improved when necessary. Consumers do not remember all the details of the service, but they are critical of the key aspects of their consumption.

Stimulating the potential peak of the consumer is the key to winning over the competition. Consumers' latent desires, once identified by the company, are an important factor in significantly enhancing their experience.

The perfect end to an experience both brings it to a close at the climax and sets the stage for the next purchase. Doing a good service finish allows the consumer's positive comments about the experience to be reinforced at the end, while good feedback on shortcomings is also necessary.

By using the Peak-End Rule, the four points above, combined with own innovation, leisure businesses, and indeed all service industries, will be able to establish a competitive barrier in the market and gain long-term competitiveness.

The shortcomings of this paper are reflected in two aspects. The shortcomings of this article are reflected in two areas. One is the lack of the number of research targets, which only revolves around Atour and cannot adapt to the actual situation of each leisure industry enterprise, and the application of the theory, in reality, needs to be adapted to their own conditions and needs. The second is that the research subjects are still in the early stages of business development, and attention should be paid to the development of enterprises in the middle and late stages. For future research, the scope of the study needs to be extended to explore the application of the Peak-End Rule in other areas of the leisure industry, such as sports and entertainment services, so that the conclusions can be expanded and their applicability improved.

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