

Growth or Authenticity? A Difficult Choice for Rural Tourism

Owners of small business accommodation in rural China face a difficult choice over whether to expand or retain their authenticity, according to the findings of a study by the SHTM's Honggen Xiao and his co-researchers. In a recently published study, the researchers aim to settle a long-standing debate over whether business expansion is beneficial or harmful to rural tourism businesses, and conclude that entrepreneurs must make a "trade-off" between "enhancing guest experience and achieving economic goals" because growth brings both advantages and disadvantages.

Success of Rural Tourism in China

Small accommodation businesses (SABs) such as B&Bs, homestays and guesthouses are especially important in rural areas, where the researchers note they "play a central role in tourism development, poverty relief and rural revitalization". Visitors to rural China are most likely to stay in a type of accommodation known as *Nongjiale* (Happy Farm House), which emerged in the 1980s in response to the "flood of tourists heading to rural areas for leisure and sightseeing". The government later initiated an official programme to encourage peasants to start their own accommodation businesses, and by 2012 the number of *Nongjiale* had soared to 1.5 million.

Yet the researchers note that as these businesses expanded, problems started to emerge. Unlike in developed countries, where entrepreneurs tend to open SABs for "lifestyle motivations", rural

SABs in China tend to be profit-motivated, and as demand grew, owners were inclined to expand to increase their incomes. Yet expansion also brought greater homogenisation of products and damage to the rural culture and environment. In response, the government introduced a new policy that encouraged SABs to "take more delicate growth strategies". At the same time, new entrants began to offer what the researchers describe as "small-scale, exquisite, and well-designed-and-decorated" accommodation, referred to as *Minsu* (Local Home Stay), in an effort to overcome fierce competition.

Both *Nongjiale* and *Minsu* are popular with tourists, and local governments encourage their development as a means of revitalising rural areas while preserving rural culture and fostering rural nostalgia. Nevertheless, the researchers comment that there remains a debate over whether growth in this sector has positive or negative effects on the small business owners' profits and on guests' satisfaction. As businesses grow, they can expect to increase the number of guests and to expand the range of services and facilities offered, which should provide greater satisfaction for guests and greater potential for profits due to economies of scale.

Such expansion, though, eventually changes the nature of the business from a host family accommodating occasional guests in peak seasons to a business enterprise attracting customers year round. Along with these changes, the researchers observe, the family home becomes more "specialised for market needs than for family use", the owners

become more business-oriented and entrepreneurial and business management and operation relationships become more important than family relationships. While these changes might have positive effects, they may also influence guests' perceptions of the business as offering an "authentic experience" of rural life.

SABs and Guests Surveyed

The issue of whether expansion is good for SABs and their guests has remained unresolved, argue the researchers, because previous studies have taken a "static perspective" that does not take account of how SABs grow and change over time. In this study they collected data from 188 rural SABs and 873 of their guests that enabled them to examine the relationship between business size, financial performance and guest experience.

The SABs were located in five villages in Zhejiang province, in China's Yangtze River Delta, described as "the most popular place among rural tourism entrepreneurs in China", where SABs account for the great majority of the available accommodation. The number of SABs offering accommodation in these villages gives some indication of the popularity of tourism in the area: Guzhu, for instance, with a population of just over 2,500, had the highest number of SABs (312), while Lingkengli, with a population of less than 1,500, had the lowest number (53).

The SAB owners completed a questionnaire about their

businesses, including the number of beds, amount of investment per bed, number of staff members per bed and annual revenue per bed. The guests completed a survey about their experiences while staying at the SABs. The questions were focused on three dimensions: functional experience, referring to the guest's perception of the quality of goods and services; emotional experience, referring to the guest's sensory pleasure and enjoyment during the stay; and authentic experience, referring to whether the guest perceives the SAB as providing authentic and genuine contact with the local people and lifestyle.

Growth Increases Profits

The results confirmed the researchers' expectation that larger SABs have better financial performance. The greatest benefits were found among SABs that increased investment and the number of staff members, whereas increasing accommodation capacity had less of a beneficial effect. Hence, larger businesses with more staff and resources seem to be "more efficient and effective" than smaller ones, and investing in these areas would seem to make more sense than increasing the amount of accommodation in the hope of achieving economies of scale.

The Cost of Increasing Profits

Although the financial implications of SAB growth seem quite straightforward, the effects on customer satisfaction are rather more complex. The study's findings showed that the most worrying consequence of growth is that it reduces authenticity. The

amount of investment and the size of the staff contributed most to this loss of authenticity. The number of beds had less of an impact, although as most of the SABs had less than 30 beds, the researchers comment that variation in size may have been too small "to capture its influence on guest experience".

This finding is a concern because although an SAB generally starts out offering authentic rural experiences, commercialisation and development can turn it into what the researchers describe as "a profit-oriented organisation fully devoted to satisfying market needs". As the primary motivation for rural tourists is to seek authenticity, the loss of small, family-run businesses could end up diminishing the attractiveness of rural destinations overall.

Bigger can also be Better

Nevertheless, growth does benefit guests in other ways. SABs with more staff per bed provide guests with more satisfactory functional and emotional experiences. The researchers comment that this is "reasonable as both service and hedonic experience are mainly related to interaction between people". Employing more staff makes it easier to respond to customers' specific needs and provide a better level of service, although as noted above, this is at the expense of authenticity.

The amount of investment was not shown to have any effect on guests' emotional and functional experience. The researchers describe this finding as surprising because investment usually means improvements in design and facilities, which "are supposed to better serve guests' physiological and emotional needs". One potential explanation is that SABs

may not be investing their capital resources in the most effective way, which depends on the "strategy, taste and capability" of the owners.

Loss of Authenticity may Diminish Tourism

The study's findings provide insights into the long-standing issue of whether small businesses gain or lose from expansion. Unfortunately, even with the information provided by the study, owners are still faced with a difficult trade-off. Transforming a business from a home with accommodation to a commercial hotel may increase income and improve service quality, but it may also diminish the business' unique selling point: its authenticity. The issue is also one for destination management organisations to consider when making plans about rural SAB development, because the loss of an area's authentic rural lifestyle and culture may result in fewer tourists overall.

POINTS TO NOTE

- Small accommodation businesses in rural China are an important part of the tourism industry.
- Owners want to expand to meet demand and increase profits but there is a trade-off.
- Investment improves economic goals and some aspects of guest satisfaction.
- Growth diminishes the authenticity of guests' experience and risks dissatisfaction.

Shun Ye, Honggen Xiao, and Lingqiang Zhou. (2019). "Small Accommodation Business Growth in Rural Areas: Effects on Guest Experience and Financial Performance". *International Journal of Hospitality Management*, Vol. 76, pp. 29-38.