

# *Transformation of Business Models in Chinese Resort Hotels and B&B: A Research of Innovative Approaches in Operations, Management and Future Development*

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**Abstract:** In the ever-evolving landscape of the hospitality industry, the transformation of business models has emerged as a pivotal force driving innovation and growth. Chinese resort hotels and bed-and-breakfast (B&B) establishments have garnered significant attention within this context. As the demands and preferences of travelers continue to diversify, these accommodations have risen to prominence, offering unique experiences that blend natural surroundings, cultural immersion, and innovative concepts. This paradigm shift, however, brings forth a new set of challenges and opportunities. The aim of this research is to delve deep into the realm of Chinese resort hotels and B&Bs, examining the transformative shifts in their business models, innovative strategies in operations and management, and their implications for future development. Through a comprehensive exploration of existing literature and insightful case studies, this study endeavors to provide practical recommendations to the industry on addressing challenges, seizing opportunities, and charting a course towards sustainable growth while maintaining a balance between commercial objectives and the pursuit of value-driven sustainability.

## **1. Introduction**

The robust expansion of China's tourism sector has engendered a paradigm shift in the tourism landscape, driven by the escalating demand from both domestic and international travelers. As the tourism industry advances, China is undergoing a marked transition from conventional sightseeing-based tourism to a more leisure-oriented and vacation-centric model, signaling the advent of what is commonly referred to as the "mass tourism" era [1]. This evolutionary trajectory underscores the profound alterations in traveler preferences and the concomitant reconfiguration of the tourism market.

Of particular significance is the meteoric rise of homestay accommodations, which has become intricately interwoven with the propagation and celebration of local culture [2]. Within this multifaceted and intensely competitive milieu, the ascendancy of vacation hotels and Bed and Breakfast (B&B) establishments stands pronounced, captivating travelers with their distinctive propositions. These accommodations transcend the offerings of traditional hotels by fusing natural surroundings, cultural immersion, and innovative concepts, thus yielding distinctive and memorable

sojourns [3]. However, commensurate with their popularity, vacation hotels and B&Bs confront new complexities in their business models, operational frameworks, and management practices. The intensification of market competition places a premium on the reimagining of business paradigms, enhancing operational efficiency, and elevating the guest experience, all of which have crystallized as imperative focal points within the industry.

This study endeavors to undertake a comprehensive exploration of innovative trajectories within the realms of business model evolution, operational dynamics, and management strategies in China's vacation hotel and lodging sector. In addition, the research endeavors to elucidate the ripple effects of these innovations on the sector's forthcoming developmental trajectories. Drawing upon a synthesis of extant scholarly literature and empirical case studies, the research endeavors to proffer pragmatic and actionable insights to industry stakeholders. These insights are aimed at addressing incumbent challenges, capitalizing on emergent opportunities, and cultivating an environment conducive to innovative progression, while simultaneously ensuring a harmonious equilibrium between commercial imperatives and the pursuit of sustainable value creation.

By situating this study within the existing academic discourse and underpinning it with empirical illustrations, we endeavor to contribute not only to theoretical understandings of business model innovation and operational enhancement but also to provide tangible strategic guidance for practitioners navigating the intricate landscape of China's dynamic vacation hotel and lodging sector.

## 2. Literature Review

In recent years, the vacation hotel and vacation home rental tourism models have gradually gained acceptance and recognition among consumers, demonstrating significant growth momentum and positive industry impact. These two distinctive accommodation choices offer travelers not only comfortable lodging environments but also immersive regional cultural experiences. With the increasing diversification of travel patterns, vacation hotels and vacation home rentals are gradually becoming mainstream options for consumers. In the context of sustainable tourism development, vacation hotels and vacation home rentals have played an active role, contributing to the development of regional tourism industries and the preservation of local traditional cultures.[4] These accommodation options emphasize the integration with nature and interaction with local cultures, thus potentially holding advantages for promoting sustainable tourism practices. Visitors staying in vacation hotels and vacation homes often place a higher emphasis on the importance of environmental protection, providing opportunities for operators to achieve green development.

Influenced by the global digital wave, the widespread application of digital technology in the tourism sector has become an undeniable trend. This digital wave not only changes the operational methods of the tourism industry but also brings new opportunities for business model innovation and operational transformation in the vacation hotel and vacation home rental sectors.[5] From online booking to the digital experience during check-in, the application of these technologies enhances not only the convenience and comfort of tourists but also demonstrates significant potential in providing personalized and customized services. In the realm of digitization, technologies such as Virtual Reality (VR) and Augmented Reality (AR) are gradually being incorporated into the customer experience of vacation hotels and vacation home rentals.[6] With virtual reality technology, tourists can gain in-depth insights into the accommodation environment before making reservations, accurately experiencing the layout, scenery, and facilities of the rooms. This immersive pre-experience helps travelers make more informed choices and enhances their anticipation of the trip. On the other hand, augmented reality technology can provide richer interactive experiences for guests during their stay. For example, an AR navigation system can help

tourists easily explore nearby attractions, restaurants, and cultural activities. Furthermore, digital technology provides more efficient tools for the management and operation of vacation hotels and vacation home rentals. The application of data analysis and artificial intelligence enables operators to better understand customer needs and preferences, thus customizing more appealing services and activities. For instance, based on big data analysis, hotels can more accurately predict peak and off-peak customer flows, thereby allocating resources and pricing strategies rationally to enhance operational efficiency. Simultaneously, through intelligent room management systems, hotels can remotely monitor and maintain room facilities, thus improving customer satisfaction and operational efficiency. Meanwhile, the rise of the experience economy further drives innovation in the vacation hotel and vacation home rental industry. Modern travelers increasingly value the emotional value and personalized experiences of their journeys. Against this backdrop, vacation hotels and vacation homes can use digital technology to create unique and personalized services. From customized itinerary planning to individually tailored services based on personal preferences, these innovations not only provide travelers with comfortable travel experiences but also enable enterprises to shape higher product added value and competitive advantages.

### **3. Business Model Transformation and Innovation**

The domain of vacation hotels and lodgings is inherently entwined with the imperatives of business model transformation and innovation, substantiating its significance within the industry landscape. This metamorphic journey is not solely shaped by extrinsic determinants such as prevailing market dynamics and evolving global travel trends, but also by intrinsic variables including evolving consumer proclivities and the relentless march of technological progress. In concert, these multifarious factors synergistically impel the sector towards pioneering trajectories of operational refinement characterized by innovation and sustainability.

#### **3.1 Dynamics Driven by Market Competition**

Foremost among the propulsive agents instigating business model innovation is the crucible of market competition. Evidently, the China Tourism Academy's report underscores the sustained expansion of the domestic tourism market, evidenced by a remarkable total revenue surge to 5.35 trillion RMB in 2023, emblematic of a substantial year-on-year escalation of 48.4%. Within this expansive arena, both the vacation hotels and lodgings sectors have borne witness to a burgeoning congregation of competitors. Navigating this heightened competitive landscape necessitates an indelible imprint of innovation to distinguish enterprises amid the proliferating crowd.

Significantly, empirical data gleaned from surveys underscores a compelling trend—over 70% of travelers exhibit a pronounced proclivity towards lodgings that encapsulate distinctive themes and immersive experiences. This entails an imperative to curate compelling narratives that transmute mundane accommodation into memorable sojourns. This could encompass a gamut of strategies including the creation of unparalleled experiential offerings, the augmentation of service quality, and the extension of the reach to encompass an expanded spectrum of target clientele. In light of these exigencies, the crucible of market competition emerges as an indispensable stimulus compelling industry players to perpetually recalibrate their business models, deploying innovative paradigms to safeguard their competitive vantage.

The intricate interplay of market dynamics, consumer preferences, and strategic innovation converges to underscore that business model transformation is both a mandate and an opportunity. In this milieu, astute industry participants recognize that the pursuit of innovative business models not only enhances their market positioning but also invigorates the sector's overall fabric, auguring well for the holistic trajectory of the vacation hotels and lodgings industry.

### 3.2 Impact of Digital Technology

The relentless march of digital technology constitutes a pivotal dimension of business model transformation within the domain of vacation hotels and lodgings. This epochal shift is underscored by the profound impact of digitalization on the operational landscape, especially in the wake of the COVID-19 pandemic which catalyzed the integration of technology-driven solutions. The temporal context is pivotal, as exemplified by data from 2020 (Figure 1) when the growth rate of online lodging resources and transaction volume in China was impeded by pandemic-induced constraints. Nonetheless, subsequent trends signify the resurgence of the sector, reinforced by data from 2022 reflecting a rebound in accommodation bookings, underscoring the industry's resilience and adaptive capacity.

Concurrent with these market dynamics, the embrace of digital technology has assumed a seminal role in reshaping the contours of the vacation hotels and lodgings experience. Evidently, the exponential proliferation of internet users, exemplified by the upsurge of 35.49 million in 2022, resonates with the pervasive digital penetration, reaching 75.6% [7]. This burgeoning digital landscape provides an opportune landscape for the infusion of digital upgrades within vacation hotels and lodgings. Notably, the utilization of technologies such as online booking platforms, smart room control systems, and virtual guides is engendering a holistic reconfiguration of the customer journey. Leveraging mobile applications, guests can seamlessly book accommodations, curate personalized itineraries, and access comprehensive destination information, engendering a heightened degree of convenience and personalization. Remarkably, data underscores the efficacy of this transformation, as evidenced by a significant over 30% reduction in average booking duration for travelers who engage with vacation hotels and lodgings through online platforms [8].

Integral to this evolution is the augmentation of customer satisfaction, underpinned by the multifarious capabilities of digital technology. Beyond enhancing the guest experience, digital technology serves as a potent enabler for data analysis and operational management, empowering enterprises to undertake real-time adjustments predicated on nuanced customer preferences. Data from reputable sources, including Ctrip, underscores the resounding growth trajectory of China's lodging market, attaining a remarkable valuation of approximately 70 billion RMB, indicative of an impressive year-on-year expansion of over 40%. Notably, the lodgings' booking volume mirrors this upward trajectory, surging by over 50% in 2022. This pronounced growth underscores the burgeoning popularity of lodgings as a preferred accommodation choice.

Furthermore, empirical evidence gleaned from lodging platforms accentuates the catalytic role of digital technology, amplifying not only customer booking experiences but also fostering a proliferation of business opportunities for these platforms. Evidently, the augmentation of digital technology has triggered a 30% upsurge in lodging listings on platforms compared to the preceding year.

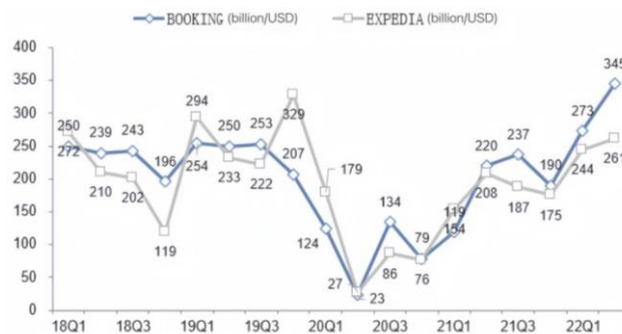


Figure 1: Total bookings by BOOKING and EXPEDIA from 2018 to 2022.

In aggregate, the dual forces of market competition and digital technology converge as potent catalysts propelling business model transformation and innovation within the domain of vacation hotels and lodgings. This inexorable transformation is underscored by an adaptive resonance with dynamic consumer preferences, culminating in heightened customer experiences. Thus, this nexus of business acumen and technological prowess encapsulates the industry's unwavering commitment towards crafting a sustainable and future-oriented paradigm.

### 3.3 Pursuit of Sustainability

In the contemporary business landscape of the tourism sector, the imperative of sustainability has risen to the echelons of prominence within the precincts of vacation rentals and hotels. Indeed, industry stakeholders are progressively embedding sustainability within the very fabric of their business models as a proactive response to mitigate the ecological ramifications of their operations. This conscientious shift towards sustainable practices is propelled not only by environmental imperatives but also discerned as prospective competitive advantages within the realm of commercial discourse. The strategic integration of sustainability underscores an astute recognition of the dynamic interplay between ecological consciousness and corporate viability. Evidently, this transformative trajectory is punctuated by multifarious manifestations, foremost among them being the ascendancy of green architectural designs. Industry entities are increasingly embracing eco-friendly construction practices, fostering energy-efficient accommodations that not only mitigate environmental encumbrances but also augur substantial savings in operational costs. This dual-sided impact delineates the integral link between environmental stewardship and the overarching sustainability of business endeavors [9-10].

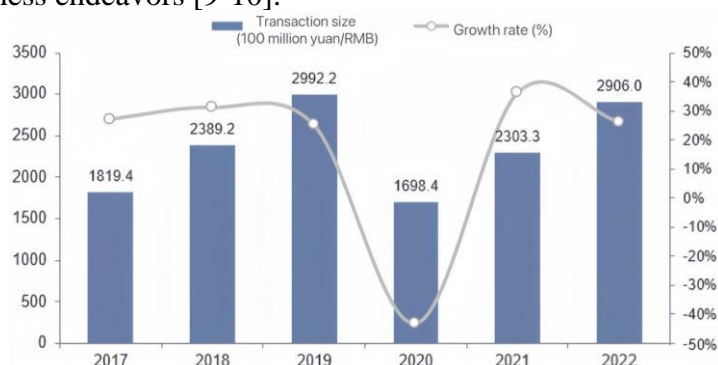


Figure 2: Transaction size of China's online accommodation market, 2017-2022 (China Huajing Industrial Research Institute in 2023).

In 2019, domestic tourists in China spent approximately 250 billion Chinese Yuan on domestic vacation rentals, reflecting a nearly 40% growth compared to 2018. And according to the latest market data, from the scale of China's online accommodation transactions, domestic accommodation in 2020 has also been affected by the epidemic, and the scale has declined. With the improvement of the epidemic, the domestic online accommodation market is expected to recover in 2023 and 2024. The figure 2 directly reflects the thriving growth of the vacation rental industry, indicating significant business opportunities within the tourism market. Against this backdrop, an increasing number of vacation rental enterprises are integrating sustainability into their core operational strategies. For instance, certain vacation rental companies are opting for eco-friendly materials when constructing new accommodations, introducing energy-efficient equipment, and even utilizing renewable energy sources. These practices not only align with the international environmental trends but also cater to the rising demand among consumers for eco-friendly travel experiences.



In summation, through the prism of market competition, digital technology, and sustainability, the trajectory of business model innovation and transformation within the homestay industry exudes a salient positive trend. Enterprises are deftly straddling the dual mandate of market adaptability and digital amplification to curate enhanced customer experiences and operational efficiencies. Coalescing seamlessly with these objectives, the cultivation of sustainability within the homestay industry transcends the realm of social responsibility, metamorphosing into a strategic vantage point to amass distinctive business leverage. Anchored by empirical business data and real-world exemplars, the amalgamation of sustainability and digital business tenets bespeaks a dual benefit of heightened competitiveness and the overarching catalysis of industry-wide sustainability. Gazing forward, within the cadence of perpetual innovation, the homestay sector stands poised to traverse a trajectory punctuated by sustained business model evolution, propelled by the dynamic synergy of sustainability and digitization.

#### **4. Innovative Approaches to Operations and Management**

Amid the fiercely competitive landscape of the current tourism industry, China's vacation hotels and lodging businesses are redefining their operations and management through technological innovation and sustainable development. These innovative approaches not only enhance efficiency but also create more enjoyable and seamless experiences for customers. Simultaneously, the industry is actively taking measures to promote sustainable practices, contributing to environmental protection and social responsibility.

##### **4.1 Intelligent room management systems stand out as a significant innovation in the realm of vacation hotels and lodging.**

These systems integrate smart technology into daily operations, allowing guests to easily complete check-in and check-out procedures via their mobile phones, conveniently adjust room temperature, lighting brightness, and even control curtains. This innovation not only enhances guest convenience but also significantly reduces the time traditionally required for check-in procedures. Furthermore, intelligent systems can gather customer preferences and behavioral data, helping enterprises gain deeper insights into customer needs and thus providing more personalized services.

##### **4.2 In the wake of the global pandemic, touchless services have become a critical direction of innovation.**

Vacation hotels and lodging establishments have introduced touchless services such as online reservations, contactless ordering, and room cleaning to effectively reduce direct contact between customers and staff, significantly elevating hygiene, and safety standards. This service model not only meets the demands of the current pandemic environment but also has the potential to become the industry norm in the future.

##### **4.3 In response to the call for sustainable development, the resort hotels and guesthouse industry is also actively adopting sustainability measures.**

In terms of energy conservation and emissions reduction, some hotels are introducing advanced technologies such as solar power generation and automatic lighting control to reduce energy consumption. Meanwhile, the industry is focusing on promoting environmentally friendly building materials and reducing the consumption of disposable items. These measures not only help to mitigate the industry's negative impact on the environment but also earn praise from

environmentally conscious consumers.

#### **4.4 Talent shortage is a challenge that the resort hotels and guesthouse industry is facing.**

To address this issue, companies are employing innovative human resource management methods, such as training employees with multiple skills to meet the demands of diverse tasks and offering competitive salaries and benefits. Additionally, supply chain optimization is also bringing benefits to the business. Collaborating with reliable suppliers ensures timely supply of materials and food, enhancing the reliability and efficiency of business operations.

Operational and management innovations are playing an increasingly significant role in China's vacation hotel and guesthouse industry. The application of technology has not only enhanced efficiency but also elevated customer satisfaction. Sustainability measures have led to the implementation of environmentally friendly practices and social responsibility within the sector, paving the way for sustainable development in the future. Effective human resource management and supply chain optimization ensure the smooth operation of businesses. The introduction of these innovative approaches is heralding a promising future for China's vacation hotel and guesthouse industry.

### **5. Future Development Prospects**

The future development prospects of China's resort hotels and homestay industry are poised at the intersection of dynamic global tourism trends and rapid scientific and technological advancements. This juncture presents both opportunities and challenges that will significantly shape the trajectory of the industry's growth.

#### **5.1 Market Expansion and Evolution**

The upward trajectory of living standards and the pervasive influence of travel culture are catalysts for the continual expansion of the resort hotel and homestay market. As travelers increasingly seek distinctive and immersive experiences, industry stakeholders are compelled to innovate in order to capture consumer interest. The evolution of accommodations beyond traditional hospitality into novel thematic experiences not only enriches the traveler's journey but also serves as a unique value proposition. This shift in focus, from mere lodgings to experiential hubs, necessitates a strategic approach to adapt offerings to the changing preferences of diverse customer segments.

Moreover, the emergence of a new generation of travelers, characterized by their affinity for digital engagement, interactivity, and personalization, demands an attuned response from industry players. Their preferences for seamless digital experiences, social connectivity, and tailored services will guide the evolution of market requirements, emphasizing the role of technology in enabling personalized interactions and fostering customer loyalty.

#### **5.2 Technology-Enabled Guest Experiences**

Anticipating the future trajectory, the resort hotel and homestay industry must embrace technology-driven innovations to meet the growing expectations of tech-savvy travelers. The integration of digital platforms, artificial intelligence, and data analytics will lead to more efficient and personalized guest interactions. The convergence of technologies such as virtual reality and augmented reality will open avenues for immersive storytelling and experiential education, allowing travelers to forge deeper connections with local cultures and environments.

In parallel, the industry should anticipate the ethical and operational considerations associated with data privacy, cybersecurity, and the potential displacement of human interaction due to technology adoption. Striking a harmonious balance between digital enhancements and preserving the essence of hospitality will be a key factor in sustaining customer trust and satisfaction.

### **5.3 Sustainability Imperative**

The global imperative for sustainability will reverberate strongly within China's resort hotel and homestay industry. As environmentally conscious travelers increasingly seek eco-friendly options, industry participants must align with sustainable practices to meet evolving consumer preferences. Initiatives such as harnessing renewable energy sources, minimizing single-use plastics, and adopting eco-friendly building materials will underscore the industry's commitment to responsible tourism. This alignment with sustainability aligns not only with consumer expectations but also with China's broader sustainable development goals.

### **5.4 Synergy through Collaboration and Innovation**

The evolution of the resort hotel and homestay sector hinges upon the synergy of collaboration and innovation. Engaging with local communities fosters a sense of authenticity, immersing travelers in genuine cultural encounters. By collaborating with cultural institutions, the industry can enrich guests' experiences through curated programs, workshops, and exhibitions that illuminate the historical and artistic tapestry of the region.

Moreover, forging partnerships with technology companies opens avenues for cutting-edge solutions that streamline operations, elevate customer experiences, and optimize resource utilization. The convergence of tradition and technology, facilitated by collaborative efforts, creates a harmonious fusion that empowers the industry to address challenges and embrace evolving trends.

In summation, the future of China's resort hotels and homestay industry is anchored in a comprehensive understanding of shifting consumer expectations, technological disruptions, and the imperative of sustainability. By embracing collaborative innovation, ethical technology integration, and eco-conscious practices, the industry can position itself at the vanguard of sustainable tourism, offering travelers enriched experiences while contributing positively to economic and environmental landscapes.

## **6. Conclusion**

This study significantly contributes to the understanding of business model transformation, operation, and management innovation within China's resort hotels and homestay sector. By conducting an in-depth analysis of existing literature and empirical research, we have unveiled the critical role played by business model innovation and technological integration in maintaining competitiveness within this dynamic industry.

The evolution of resort hotels and homestays from simple accommodations to multifaceted platforms for immersive tourism experiences underscores their importance in showcasing traditional regional cultures and driving sustainable development. As the tourism industry continues to flourish, these establishments have become indispensable components of the overall travel experience, creating opportunities for cultural exchange and economic growth.

In response to intensified market competition and the growing demand for personalized services, enterprises in this sector are compelled to innovate continuously. The integration of digital technology has emerged as a powerful catalyst, reshaping user experiences and enabling the provision of services that are not only more convenient and efficient, but also tailored to individual



preferences. This technology-driven transformation is poised to further revolutionize industry operations and management practices.

As the market expands and international competition escalates, the ability of hotel industries to remain agile and innovative will be paramount. Flexibility in adapting to evolving market trends, consumer behaviors, and technological advancements will be crucial in sustaining growth and relevance. This rapidly changing landscape underscores the importance of proactive and forward-looking business strategies that embrace both incremental and disruptive innovation.

Looking ahead, it is evident that technology will become deeply entrenched in every facet of industry operations and management. From streamlined booking processes to data-driven customer insights, the application of technology will continue to enhance operational efficiency, refine service offerings, and contribute to sustainable business practices. Moreover, the interconnectedness of global markets and the influx of diverse customer segments will drive the need for adaptability and cross-cultural competency.

In conclusion, the transformation of business models and operational management within China's resort hotels and homestay sector emerges as a pivotal force in propelling the sustained growth of the nation's tourism industry. By fostering a culture of continuous innovation and resilience, businesses can effectively navigate challenges, harness opportunities, and contribute to sustainable development. As this sector paves the way for a prosperous and sustainable future, it underscores the intricate interplay between technology, cultural heritage, and economic advancement.

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