

## REVIEW ARTICLE

# Marketing strategies for mid-/low-end B&Bs in China: A SWOT analysis

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**Abstract:** With the implementation of the rural revitalization strategy and the promotion of the sharing economy, the boom of the domestic B&B industry has set off and the B&B industry has entered a period of explosive growth. The prosperity of the B&B market has attracted a large number of investors to invest and operate B&Bs, especially small-scale accommodations with low thresholds and small investments. Hence, such mid-/low-end B&Bs occupy the mainstream position in the B&Bs market. Therefore, there is a need to investigate this new phenomenon from different facets and perspectives in the commercial accommodation market, such as tourists, policymakers, community hosts, and stakeholders. Collectively, this study aimed at providing marketing strategies for the future development and expansion of mid-/low-end B&Bs in the Chinese domestic market by analyzing their Strengths (S), Weaknesses (W), Opportunities (O) and Threats (T) as well as SWOT matrix of SO, WO, ST, and WT.

**Keywords:** mid-/low-end B&B; SWOT analysis; marketing strategies; sustainable development

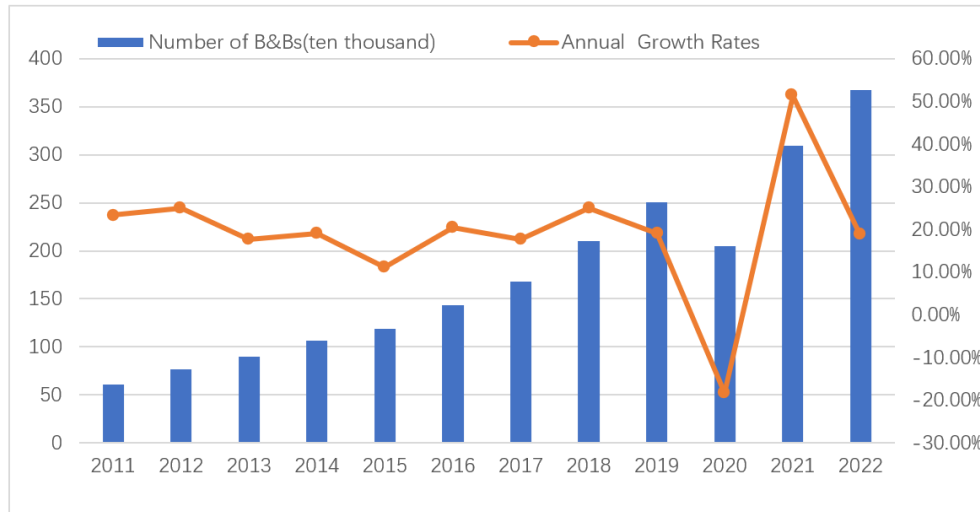
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## 1. Introduction

As an emerging force in the tourism accommodation industry, Bed & Breakfast (B&B) not only meet the personalized and differentiated accommodation needs of tourists, but also focus on the creation of local characteristics and a comfortable atmosphere, providing tourists with a poetic living space, which is currently one of the most popular forms of tourist accommodation in the world and has become an important part of the economy supporting tourism in many countries<sup>[1]</sup>. In China, the number of B&B is continuously growing (except the very beginning of COVID-19). The amount of growth and incremental rate of B&Bs in China's mainland market were summarized in **Figure 1**. At the same time, a series of relevant policies have been introduced in the mainland to regulate and support the development of the B&B industry, for example, the revised *Basic Requirements and Evaluation of Tourist B&Bs* released in 2021, which stipulates the grades and signs, basic requirements, grade classification conditions and grade classification methods for tourist B&Bs.



**Figure 1.** The development of the B&B market in China.

In recent years, the boom in the B&B market and relatively low entrance of the business have led to an increasing number of outside operators investing in small-scale B&Bs for personal and financial gain, and these operators rent traditional houses from local residents and pay rent, which has been one of the important costs incurred in running the business<sup>[2]</sup>. However, these small entrepreneurs also face many other difficulties<sup>[1]</sup>. For example, in addition to low occupancy rates due to the epidemic in the last three years, low-price competition has become the norm in the industry. In addition, due to imitation investments, the development of B&Bs has been mixed, showing a polarization, with high-end B&Bs often having a hard time finding a room due to their unique architectural design and service experience, while the mid-/low-end B&B market is saturated and homogenized, making it difficult to attract customers in the off-season. At the same time, since most B&Bs concentrated in rural areas, these B&Bs often face problems such as manpower shortage and internal brain drain, and in the face of fierce business competition, many of them lack the ability to resist risks and suffer substantial losses<sup>[1]</sup>.

According to the *China Accommodation Industry Development Data Report of 2022*, the average price of sold B&B rooms is CNY 296.3, of which Z-era guests account for more than half of B&B guests, with post-00 and post-95 guests spending less money and preferring more cost-effective products (<http://www.199it.com/achives/1554956.Html>). This illustrates that the mid-/low-end B&Bs still account for a very large portion of the market. Getz & Page claim that small business owners need to perform market segmentation if they want to succeed in the market, and this information is critical to understanding the present B&B market as well<sup>[3]</sup>. Currently, most research concerning B&Bs addressed issues such as customers' perceived value and the impact of customers' demographic characteristics<sup>[4]</sup>, work-life balance for B&B operators<sup>[5]</sup>, functional value<sup>[6]</sup>, and the experiential quality<sup>[7]</sup>, while few studies have segmented the market for mid-/low-end B&Bs. Therefore, this study aimed at analyzing the mid-/low-end B&B products in China and proposing some strategies for the development of mid-/low-end B&Bs from four respects, that is, strengths, weaknesses, opportunities, and threats.

## 2. Literature review

### 2.1. The development of B&B industry in China

B&Bs, differing from traditional lodging hotels, are small accommodation facilities provided to tourists by B&B owners using vacant houses combined with local human, natural landscape, ecological and environmental resources<sup>[8,9]</sup>. B&Bs originated in the European region<sup>[10]</sup>, with bed and breakfasts in England being the original form of B&Bs, and later appeared in Japan and Taiwan, China<sup>[11]</sup>. B&B and homestay are the two mainstream terms currently used<sup>[2]</sup>. The mainland's B&B sprang up around the 1990s, and first appeared in the form of farmhouses, family hotels, etc.<sup>[7]</sup>. Since the 21<sup>st</sup> century, the boom in tourism has led to the development of accommodation, especially small-scale accommodation, and as a result, rural B&Bs located in attractions around the mainland have been very successful<sup>[2]</sup>. Meanwhile, the sharing economy penetrated the B&B industry, and the B&B boom started in Mainland. The B&B industry entered an explosive growth period, showing the development trend of clustering and branding<sup>[12]</sup>. Although the development of mainland B&Bs has only been around for about thirty years, they have shown a good momentum of booming development in terms of quantity scale and economic benefits, relying on the support of tourism and government policies. The evolutionary status of B&Bs in China was indicated in **Table 1**.

B&Bs create a home-like atmosphere, interaction and emotional connection between hosts and tourists, small scale and privacy, characteristics that are making more and more tourists choose B&Bs over standardized accommodation<sup>[4]</sup>. Besides, by choosing B&Bs, tourists can gain an in-depth understanding of customs and folklore, experience the rural lifestyle and enjoy the natural scenery<sup>[7]</sup>. In addition to generating economic benefits, the development of B&Bs has strongly promoted rural revitalization and played a positive role in the protection of both the ecological environment and cultural resources<sup>[13]</sup>. Consequently, this sector plays an irreplaceable role in the tourism industry<sup>[14]</sup>. The rapid growth of B&Bs has also attracted the attention of many domestic and international scholars, from the perspective of tourists' experience, Ma *et al.* have established a set of evaluation systems to understand tourists' occupancy needs, with a view to improving the risk resistance of rural B&Bs and promoting the sustainable development of rural B&Bs<sup>[15]</sup>. Kulshreshtha & Kulshreshtha reveals the emerging trend of B&B, analyzing the benefits of B&B tourism from the perspective of B&B stakeholders (tourists and owners) and the impact of the growth of the B&B concept on the economic, social and cultural life of India<sup>[16]</sup>. Peng *et al.* elucidate the interrelationship between various influencing factors such as service quality, homestay guest, and hardware

**Table 1.** The evolutionary status of B&B industry

Stage	Period	Main features
The first stage	Early 1990s	In the beginning, it was in the form of farmhouses, family hotels, etc. Generally located in popular tourist places and around big cities.
The second stage	2002–2016	B&B operators are beginning to focus on quality, expanding in scale, constantly transforming, and upgrading, and improving hardware facilities and service levels. B&B is beginning to show their own unique characteristics, and sales are becoming increasingly diversified. A typical representative is the Moganshan B&B cluster.
The third stage	2017 to present	With the support of the government and relevant policies, B&Bs began to develop in the direction of standardization and boutique. The economic effects of B&Bs began to emerge, developing toward branding, chainization and high-end.

facilities in rural B&B operation from a performance perspective<sup>[17]</sup>. Zhao *et al.* using a multilevel hierarchical approach, explored the effects of demographic variables such as visitors' age, gender, education, occupation, and disposable income on their perceived functioning, affect, and social values<sup>[4]</sup>.

## 2.2. SWOT analysis

SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis is a common research method in the process of developing strategic planning<sup>[18]</sup>. Developed by Albert Humphrey, professor of Stanford University, in the late 1960s and early 1970s, the SWOT analysis is a strategic posture<sup>[19,20]</sup>, and it can be divided into two parts: the analysis of the organization's internal conditions and the analysis of the external environment. The internal conditions analysis includes a discussion of the competitive advantages and weaknesses of the target, while the external environment analysis involves the opportunities that exist in the external environment and the threats posed for the external environment<sup>[21]</sup>.

SWOT analysis systematically identifies the internal strengths and weaknesses, external opportunities, and threats by analyzing and summarizing the internal and external environment and strategic capabilities of the subject, and then matches them with each other in the form of a matrix, which allows managers or investors to specify four strategies, namely SO (strengths–opportunities), ST (strengths–threats), WO (weaknesses–opportunities) and WT (weaknesses–threats)<sup>[22]</sup>. The SWOT matrix is summarized in **Table 2**.

Currently, SWOT analysis has been widely used in the fields of general management<sup>[19]</sup>, education<sup>[23]</sup>, marketing and social media<sup>[24]</sup>, health and healthcare<sup>[25]</sup>, and sustainable tourism<sup>[26]</sup>. Therefore, this study adopted a SWOT analysis to identify the strengths, weaknesses, opportunities, and threats of mid-/low-end B&Bs in the Chinese mainland market. Therefore, insightful implications for promoting the development and establishment of marketing strategies of mid-/low-end B&Bs could be well-discussed and postulated. Specifically, the present research was conducted to answer the following research questions.

- 1) How can mid-/low-end B&Bs capitalize on external opportunities by using internal strengths?
- 2) How can mid-/low-end B&Bs exploit their opportunities and overcome their weaknesses?
- 3) How can mid-/low-end B&Bs use their internal strengths to avoid threats?
- 4) How can mid-/low-end B&Bs overcome their weaknesses and avoid threats?
- 5) What should operators or investors of mid-/low-end B&Bs do to survive and stand out from the competitive market?

**Table 2.** The SWOT matrix

	Internal factors	Strengths	Weaknesses
External factors			
Opportunities		SO	WO
Threats		ST	WT

**Table 3.** SWOT analysis of mid-/low-end B&B in mainland China

	External factors	Opportunities	Threats
<b>Internal factors</b>		<p><b>O1.</b> People’s leisure style has changed and the concept of B&amp;B is gaining popularity.</p> <p><b>O2.</b> The development of online travel agencies provides new marketing platforms for the drumbeating of B&amp;Bs.</p> <p><b>O3.</b> Support from government policies due to the rural revitalization of China.</p> <p><b>O4.</b> Stimulating the development of relevant local industries.</p>	<p><b>T1.</b> Competition from economy hotels.</p> <p><b>T2.</b> Relying on local natural scenery, low accessibility to B&amp;Bs, poor transportation conditions, and low patronage.</p> <p><b>T3.</b> Compared to the chain or franchised hotels, the marketing of B&amp;Bs mainly concentrates on word-of-mouth by customers.</p>
<b>Strengths</b>		<b>SO</b>	<b>ST</b>
<p><b>S1.</b> The Z generation of consumer groups, pursue personalized and unique service.</p> <p><b>S2.</b> “Home-like atmosphere” and “positive interaction between hosts and guests”.</p> <p><b>S3.</b> Good value for money.</p> <p><b>S4.</b> A wide variety of room types with kitchen facilities.</p> <p><b>S5.</b> The low investment and low entry threshold.</p>	<p><b>SO1.</b> Using self-media platforms such as “Little Red Book”, “Bilibili” and “Official Accounts” to strengthen the word-of-mouth effect and attract traffic.</p> <p><b>SO2.</b> Take advantage of policy support for the B&amp;B industry, strengthen staff training, and enhance B&amp;B branding.</p>	<p><b>ST1.</b> B&amp;B owners can make the most of their niche market and focus on creating an exclusive experience for their customers.</p> <p><b>ST2.</b> B&amp;B operators can consider providing station pick-up and drop-off services.</p> <p><b>ST3.</b> The relevant governments should strengthen local infrastructure development.</p>	
<b>Weaknesses</b>		<b>WO</b>	<b>WT</b>
<p><b>W1.</b> Low tourists flow in the off-season.</p> <p><b>W2.</b> Serious homogenization.</p> <p><b>W3.</b> B&amp;B employees didn’t receive professional training and lack the professional ability to handle emergencies.</p> <p><b>W4.</b> There are no unified standards and norms for hygiene and cleanliness.</p> <p><b>W5.</b> The safety and privacy of B&amp;Bs cannot be fully guaranteed.</p> <p><b>W6.</b> Inadequate hardware facilities for B&amp;Bs.</p> <p><b>W7.</b> Cause damage to the ecological environment in the process of construction and operation.</p>	<p><b>WO1.</b> Transforming the single B&amp;B with poor risk resistance into a B&amp;B cluster IP with brand appeal.</p> <p><b>WO2.</b> Developing parent-child products, leisure agricultural products (fruit picking, farming experience, etc.), and rural cultural experience products.</p> <p><b>WO3.</b> Improving the corresponding infrastructure, such as parking lot, internet signal, sanitation inside and outside the B&amp;B, etc.</p> <p><b>WO4.</b> Hiring professionals to enhance internal training for staff to improve their service level and ability to respond to any emergency.</p>	<p><b>WT1.</b> The government should strengthen infrastructure construction in the planning process, improve waste and sewage treatment facilities.</p> <p><b>WT2.</b> Guiding B&amp;B owners to strengthen awareness of eco-environmental protection.</p> <p><b>WT3.</b> Listening carefully to customer feedback, learning about B&amp;B operations, and regularly studying overall decoration and related aesthetics knowledge.</p>	

### 3. Discussion

This study was conducted by analyzing strengths, weaknesses, opportunities, and threats of mid-/low-end B&Bs in China. In order to draw the research results, B&B-related policies released by the government, newspaper articles, and statistics provided by online travel agencies (OTA) were employed to generate a comprehensive understanding of the current state of mid-/low-end B&Bs. The specific internal and external factors of mid-/low-end B&Bs were summarized into different categories of SWOT. Afterwards, the synthesized contents of SWOT were reviewed by two independent

researchers to remove conflicting or duplicate elements separately. Discussions have been conducted until the final agreement was achieved. Consequently, each element that best fits a particular category was clustered. Collectively, the purposes of this study were to summarize the strengths, weaknesses, opportunities, and threats by analyzing the business environment of mid-/low-end B&Bs in mainland of China, and to develop strategies to address these issues from problems faced by mid-/low-end B&Bs. Based on the structure and content of the SWOT analysis, the detailed summarizations of strengths, weakness, opportunities and threats as well as the SO, WO, ST, and WT of mid-/low-end B&Bs were synthesized in **Table 3**.

### **3.1. Strengths**

In recent years, the tourism consumption market is increasingly expanding, tourists are no longer satisfied with sightseeing, but are more focused on their feelings of the experience, and the pursuit of personalized, unique services, especially for the Z generation of consumer groups<sup>[27,28]</sup>. This consumer group tends to explore and experience the local culture, and the B&B model fits their need to pursue themselves as opposed to traditional accommodation<sup>[16]</sup>. Moreover, this type of consumer group in the mid-/low-end B&B market occupies a more significant proportion, the core product of B&B is “home-like atmosphere” and “positive interaction between hosts and guests”, which is one of the important factors to attract tourists to choose B&B rather than economy hotels<sup>[29]</sup>. For mid-/low-end B&Bs of China mainland, the greatest advantage lies in their price. These B&Bs are less expensive compared to hotels, but are cost-effective, with a wide range of room types and B&B owners are able to provide kitchens, restaurants, and other equipment for tourists to cook, making them highly preferable to tourists. Moreover, the low investment and low entry threshold of mid-/low-end B&Bs have attracted a growing number of operators, and this not only revitalizes the idle housing resources which can drive the development of the local economy but also comply with the sustainable development strategy. The development of the B&B industry has provided sufficient employment opportunities for surplus rural labor and drive the construction of local infrastructure, which has a very important role in promoting rural economic development and narrowing the gap between urban and rural areas<sup>[30]</sup>.

### **3.2. Weakness**

For the flow of customers, mid-/low-end B&Bs have very typical seasonal characteristics. From May to October, mid-/low-end B&Bs experience high tourist flow while from November to next March, B&Bs would be in the off-season due to location restrictions with which these B&Bs are usually near scenic spots, limited marketing, restricted publicity and so forth<sup>[31]</sup>. Meanwhile, since mid-/low-end B&Bs have grown rapidly in recent years, the problem of homogenization has been recognized by the market with similar styles of B&Bs and insufficient product features. On the other hand, mid-/low-end B&Bs are small in size and most of B&Bs have a limited number of rooms. As for the software service, B&Bs are mostly operated by local residents, and are staffed by family members and relatives of B&B owners, who have not undergone professional training and lack the professional ability to deal with emergencies<sup>[32]</sup>. More importantly, there are no unified standards and norms for hygiene and cleanliness in mid-/low-end B&Bs. For example, many B&Bs are in rural areas, where it is difficult to access urban running water and only water purification stations can be built, and the safety and privacy of B&Bs cannot be fully guaranteed, which is also a concern for most tourists. Since mid-/low-end B&Bs are different from hotels, general B&B owners are not

equipped with hardware facilities such as washing machines and dryers, and there are few services such as luggage storage, which could cause customer dissatisfaction concerning the hygiene issue<sup>[33]</sup>. At last, the rapid development of mid-/low-end B&Bs will then cause damage to the ecological environment in the process of construction and operation, generating problems such as sewage and garbage, and improper handling will bring potential threats to the local natural ecological environment, which is one of the weaknesses for the development and market expansion of B&Bs<sup>[34]</sup>.

### 3.3. Opportunities

In recent years, with the improvement of the consumption level of the residents, people's leisure mode has changed. More and more tourists have begun to pursue personalized travel experiences. Urban residents are eager to escape from stress to seek a peaceful and relaxing life, and the B&B concept is gaining approval in their hearts, resulting in a vibrant mid-/low-end B&B market. The development of online travel agencies (OTA) such as Ctrip, Qunar, and Fliggy. have provided new marketing platforms for mid-/low-end B&Bs, changing the traditional single sales model for B&Bs, allowing travelers convenient-access to the relevant information, bringing fresh user experience with increased occupancy rates.

Rural tourism is a key area of tourism consumption in China, and rural B&B is a new hotspot for rural tourism. In recent years, the national level to the provinces and cities have issued supportive policies for B&Bs to encourage their development, including financial support, policy preferences, industrial support, standardized management, land use, talent training, etc. To help the development of B&Bs, which is very beneficial to the small owners of mid-/low-end B&Bs, and more and more residents use their unused houses to operate B&Bs, allowing part of the surplus rural labor force to increase additional income. In addition, the B&B economy drives local agricultural products and handicrafts into the market quickly and drives the development of related industries, which is not only beneficial for residents to increase their income, but also for the protection and inheritance of traditional culture.

### 3.4. Threats

Both economy hotels and mid-/low-end B&Bs address retail customers as their target markets, but economy hotels are backed by strong hotel conglomerates, expand rapidly, and have professional operation management systems, grabbing a large part of the mid-/low-end market, which will face a very high threat of substitution for small-scale B&Bs. While mid-/low-end B&Bs with small investments and lack of professional operation teams will also face numerous competitors' threat. In fact, the market for B&Bs is relatively narrow, with most of them relying on local natural scenery, low accessibility to B&Bs, poor transportation conditions, and low patronage.

## 4. Implications

### 4.1. S-O strategies

Although the high-end B&B is in the stage of rapid development and expansion with a group of high-level consumption consumers, some low-consumption groups should not be underestimated, especially the student groups and young people who have just joined the workforce, the consumption strength of this group is also occupying a large market position. Therefore, B&B owners can

make reasonable use of the power of network media to strengthen the power of publicity and promotion, using We-media platforms such as “Little Red Book”, “Bilibili” and “Official Accounts” to strengthen the word-of-mouth effect and attract customers from different groups<sup>[35]</sup>.

In China, the current national policy support for B&B is very forceful, such as regular job training of various types, in accordance with the relevant provisions to give training subsidies, in addition to investment in the construction of rural B&B, renovation and upgrading to subsidize or provide subsidized loans, the assessment of the level of B&B can be given financial incentives. This is a great opportunity for B&B owners to use policy support to improve the quality of staff, enhance and promote their B&B branding, encourage quality rural B&B brands to export B&B design, operations management, market development and other experience, and enhance the visibility and competitiveness of their B&B brands ([http://www.gov.cn/zhengce/zhengceku/202207/19/content\\_5701748.html](http://www.gov.cn/zhengce/zhengceku/202207/19/content_5701748.html)).

#### **4.2. W-O strategies**

Most mid-/low-end B&Bs rely on guest room income, a single source of revenues, and a dismal business in the off-season, while most of the existing mid-/low-end B&Bs are scattered operations since B&B products are identical. Therefore, it is necessary to create a B&B cluster, forming a B&B ecosystem, to achieve a centralized and optimal combination of resources. By converting single B&Bs with poor risk resistance into B&B cluster IPs with brand charm through professional division of labor, business complementation, and integral marketing, different industrial formats can be developed according to the differentiated needs of various customer groups, such as parent-child products<sup>[12]</sup>, leisure agriculture products (fruit picking, farming experience, etc.), rural cultural experience products, which can enhance customer experience through the creation of scenes, and effectively solve the problem of unbalanced supply and demand in the off-peak season of B&Bs. Furthermore, B&B owners should improve the corresponding infrastructure, such as parking lots, network signals, and environmental sanitation inside and outside of B&Bs, as well as hiring professionals to strengthen internal training for staff to improve their service level and ability to respond to any emergency.

#### **4.3. S-T strategies**

Compared with economy hotels, the two main features of mid-/low-end B&Bs are “good value for money” and “family atmosphere”, which are the unique advantages of B&Bs. Thus, B&B owners can make the most of their niche market and focus on creating an exclusive experience for their customers. For example, they can provide a kitchen for cooking, customers can experience country life at a close distance since the locations of B&Bs are usually in the rural areas, and they can enjoy personalized services provided by owners themselves and have intimate interaction with owners or staff<sup>[36]</sup>. B&B operators can consider providing station pick-up and drop-off services to shorten the arrival time at the B&B and improve tourists’ satisfaction. Besides, it is essential for them to keep the operating budget and provide the products with high cost performance. The relevant governments should strengthen local infrastructure development, improve access to rural B&Bs, improve planning layouts, and optimize resource development.



#### 4.4. W-T strategies

B&Bs will damage the local ecological environment in the process of operation. The government should strengthen infrastructure construction in the planning process, improve waste and sewage treatment facilities, ensure that domestic waste is treated in a standardized manner and sewage is discharged in accordance with standards, guiding B&B owners to strengthen their awareness of ecological environmental protection and advocating a low-carbon and environmentally friendly business philosophy. Currently, consumers are increasingly aware of environmental issues and sustainability, and for B&B owners, seeking green marketing strategies, choosing natural, environmentally friendly, and recyclable materials, and enhancing green B&B strategies will attract more visitors<sup>[37]</sup>. For B&B operators, it is essential to listen carefully to customer feedback, learn about B&B operations, and regularly study overall decoration and related aesthetics knowledge to enhance customer satisfaction<sup>[31]</sup>.

### 5. Conclusions

There is no denying that the emerging concept of homestays or B&Bs has changed the landscape of commercial accommodation worldwide. Different from the formal accommodations such as hotels, new questions and circumstances have emerged with the expansion and popularity of B&Bs. As the major components of the B&B market, mid-/low-end B&Bs face numerous problems internal and external. Therefore, the present study synthesized previous studies and online resources pertinent to B&Bs, especially mid-/low-end B&Bs, to lay out some theoretical underpinnings of this new form of accommodation in the Chinese market by SWOT analysis. Collectively, the stakeholders of mid-/low-end B&Bs are supposed to take the most use of their internal strengths and external opportunities to develop themselves and promote their service to attract and maintain more customers. As for the internal weakness and external threats, operators, and investors of mid-/low-end B&Bs should take into consideration as well. The measures they can take to cope with these, for instance, learning from experienced hotels to promote their service, cooperating with local government by providing employment positions, and initiating green development in rural areas, etc.

Though the study has been completed, caution should be taken when interpreting the study due to several limitations. First, although there are many B&Bs at present, there is no subdivision of B&B rating in China, so it is not possible to obtain the exact number and certain information about mid-/low-end B&Bs. Therefore, for the sustainable development of B&Bs, marketing segmentation is essential. In addition, there are few domestic and international studies on this area of mid-/low-end B&Bs, the relevant literature and academic resources are limited. Thus, the depth and breadth of the analysis need to be strengthened. Finally, this study analyzed the B&Bs mainland market of China without being specific to a region. The consumption-ability of tourists and the situation of B&B operators may vary from one region to another due to the discrepancy of economic development, educational background of tourists, place dependency, virtual attachment to rural areas, etc. Therefore, in future research, it is necessary and more instrumental to analyze the market for mid-/low-end B&Bs by concentrating on certain typical rural areas by field surveys. Practical and specific strategies could be developed to solve the real problems and promote the development of mid-/low-end B&Bs.

## Conflict of interest

Authors declare no conflict of interest.

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