

Analysis and Research on the Business Model of Vacation Rentals in Coastal Cities

-- An Example of a Vacation Rental Company's Business Plan in China's Fujian Province

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Abstract

Condo rentals, cottage rentals, chalet rentals, villa rentals, apartment rentals, farmhouse rentals, and boat house rentals are all part of the vacation rental business. In fact, China is expected to have 6.8 million vacation homes. This demonstrates that Chinese enjoy spending time on vacation properties. As a business owner, this means opportunity. Typically, business owners will purchase a few cabins, rent them out, and profit. The purpose of this form of business is to meet expenses, such as the mortgage, while still earning enough money to pay one's well-deserved income or even better, buy more rental houses as an investment. The global vacation rental market is expected to rise at a compound annual growth rate of roughly 7.1 percent between 2017 and 2021. According to the survey, millennials account for 40% of leisure travelers who book their vacation online. They do it on their phones, make personal holidays out of professional travel, and spend more money on vacations than other age groups.

Keywords

Vacation Rental; Marketing Strategy; Customer Experience; Marketing.

1. Introduction

In recent years, with the development of the economy and the gradual improvement of the living standard of the residents, the lifestyle and consumption concept of the residents have changed greatly, and people are often not satisfied with the earlier forms of travel and tourism, but pay more attention to the leisure and entertainment vacation with personal characteristics. And, with the development and perfection of this new type of tourism market, leisure vacation rental project is also gradually developing and growing, many investors also take travel vacation rental as one of the ideal projects for their investment, and more and more tourists accept and welcome this kind of vacation rental tourism products. Putian City, Fujian Province, China, as one of the cities near the sea, has many tourist attractions, and its beautiful scenery and unique regional characteristics make it the first choice of tourists from the surrounding areas and even other cities. The development of the vacation rental model in Fujian's coastal area is gradually standardized, while the introduction of learning from other coastal cities mature vacation rental business methods, it is also actively exploring a new model suitable for local development.

2. Analysis of the Current Situation of Tourism Vacation Rental Industry

Compared with hotels, vacation rental apartments provide free and convenient, warm and comfortable, and cost-effective living experience, and they are also different from the crude operation mode of most family-type hotels in China in the past because most of them have standardized management in hardware facilities investment and service management. Vacation rentals are more often used by tourists who travel on their own. The difference between vacation rentals and traditional hotels is that they are free from the standard single-room pattern of hotels and usually provide more customized services such as living rooms and kitchens to meet individual needs. The location near the beach is chosen. Therefore, more and more tourists will choose travel vacation rental apartments as their choice when they come to the beach for vacation.

At the same time, the development and improvement of the travel vacation rental industry has attracted more and more investors' attention, and more and more investors take the travel vacation rental industry as a project with intention to invest. However, because the industry model is different from the traditional tourism accommodation industry, tourism vacation rental is not yet very perfect and mature, so investors need to get rid of blind investment decision-making behavior, complete understanding of the development status of tourism vacation rental in the intended area, from the location factors, economic factors, policy factors, social factors, industry factors and other aspects of specific analysis, so as to provide a scientific and reasonable basis for investment decisions.

3. Definition of the Concept of Tourist Vacation Rental Apartments

In essence, tourism vacation rentals are a kind of serviced apartments, whose rooms are often complete and independent self-service accommodation facilities, with independent living rooms, fully equipped kitchens, dining areas, etc. More investment in hardware facilities and standardized management provides guests with a much warm and free-living experience. Compared with hotels, vacation rentals have a higher price/performance ratio, and compared with the traditional rough family bed and breakfast style, vacation rentals provide guests with a more comfortable living experience, and serve a wide range of people and flexible, short, medium and long-term guests can live.

For the definition of the concept of tourism vacation rental apartments, because it is a relatively new product of the times, there is no exact and detailed basic concept in the industry, and it is often confused with the concepts of family hotels and hotel-style apartments. Generally speaking, vacation rental refers to a comfortable and cozy rental house with complete facilities for tourists whose main purpose is to travel and vacation, which meets the personalized needs, including living rooms, fully equipped kitchens, restaurants, TVs, washing machines, etc., and is operated and managed by professional vacation rental companies, with the chosen address close to scenic spots, convenient transportation and high-cost performance.

4. Empirical Study --Take Putian City, Fujian Province, China, Adiente Vacation Rentals as an Example

Condo rentals, cottage rentals, chalet rentals, villa rentals, apartment rentals, farmhouse rentals, and boat house rentals are all part of the vacation rental business. In fact, China is expected to have 6.8 million vacation homes. This demonstrates that Chinese enjoy spending time on vacation properties. As a business owner, this means opportunity. Typically, business owners will purchase a few cabins, rent them out, and profit. The purpose of this form of business is to meet expenses, such as the mortgage, while still earning enough money to pay one's well-deserved income... or, even better, buy more rental houses as an investment. The global

vacation rental market is expected to rise at a compound annual growth rate of roughly 7.1 percent between 2017 and 2021. According to the survey, millennials account for 40% of leisure travelers who book their vacation online. They do it on their phones, make personal holidays out of professional travel, and spend more money on vacations than other age groups.

4.1. Overview

Ardiente Vacation Rentals is a fully licensed vacation rental company. We were fortunate to get a conventional facility in Fu Quan Gao Su Chu Kou, Xianyou Xian, Putian Shi, Fujian Sheng, in a central and active region. We are well-positioned to compete in the extremely competitive and fragmented vacation market, not only in the Fu Quan Gao Su Chu Kou, Xianyou Xian, Putian Shi, Fujian Sheng, China area but throughout the country. As the firm grows, our workers and attendants will be chosen from a pool of devoted, creative, and highly experienced individuals in and around the region, as well as from any part of the Fujian Sheng, China. We will make certain that all of our employees receive the necessary training to enable them to meet the company's expectations. By accurately and totally addressing our clients' needs, we will ensure that we hold ourselves to the highest standards.

4.2. Products and Services

Ardiente Vacation Rentals was founded with the goal of making the most money possible in the tourism business. We aim to compete favorably with the Fujian Sheng, China' best vacation rental homes, which is why we've put together a capable staff to ensure that our vacation rental facility meets, if not exceeds, our clients' expectations. We will work hard to ensure that Ardiente Vacation Rentals is welcomed not just in Fu Quan Gao Su Chu Kou, Xianyou Xian, Putian Shi, Fujian Sheng, China Norte, but also in other tourist destinations around the country where we plan to develop vacation rental salon networks. The following is a list of our products and services:

- (1) Providing a comfortable space for folks and tourists who are on vacation.
- (2) Providing top class hospitality and entertainment as they vacation.

4.3. Financing

Ardiente Vacation Rentals is a private company with partners that own and fund the company. They want to welcome any external business partner, but for the time being, we have decided to limit the startup finance sources to three key sources.

- (1) Generate part of the startup capital from personal savings
- (2) Source for soft loans from family members and friends
- (3) Apply for loan from the bank

4.4. Mission

Our purpose is to offer vacation rental services to customers who do not want to be responsible for the upkeep of a typical facility. We wish to create a vacation rental home that can compete favorably with other industry leaders.

4.5. Vision

Our vision is to develop a standard vacation rental facility whose brand will be recognized not only in Fujian Sheng, China but also in other places across the United States where we want to construct vacation rental salon franchises.

4.6. Objectives

We want to establish a brand that can compete well with the industry's other leading brands, thus we'll put a premium on our clients' safety.

4.7. Sourcing

Ardiente Vacation Rentals is established with the aim of maximizing profits in the industry and we are going to ensure that we do all it takes to meet and surpass the expectations of all our clients.

4.8. Budgeting

To guarantee the business's openness and dignity, the budget will be shared with all workers and owners. We're in the garment manufacturing business to earn money, and we'll go to great lengths to make sure our goals and objectives are met. To guarantee that expenses stay under budget, the company's budget will be predicted and charted. Any unanticipated occurrences or expenses will be anticipated in advance, allowing for the creation of contingency reserves in the case of future unforeseen costs.

4.9. Evaluating

Client reviews may indicate exactly what your consumers' desire, giving your organization a greater knowledge of total client happiness. Allow customers to voice their opinions in order to increase client loyalty. Customers can feel like they have a voice by writing a review and building a relationship with your brand, whether they're on a desktop, smartphone, or tablet. As a consequence, they are able to make both relevant and entertaining comments. Customers who take the time to provide a positive internet review for your business are far more likely to remain loyal and return. To improve the customer experience, learn more about your consumers.

4.10. Marketing Objectives

This business strategy allows ambitious entrepreneurs to pitch their product or service in high-end neighborhoods without breaking the bank. All they have to do is ensure that their services are of the highest quality, and they won't have to spend a lot of money on facility maintenance or marketing. Offering top-notch services is the key to making it large in this industry. When visitors feel at ease, they are more likely to return.

4.11. Market Situation

In terms of revenue, the home accommodation type dominated the market for vacation rental with a share of 47.2% in 2019. This is attributed to the high popularity of home among travelers owing to its space availability, safety, and access to amenities. Moreover, the low cost of accommodation in rural and travel destinations is acting as a major factor for the growth of the segment.

4.12. Company Situation

Surviving and keeping your wits about you in the corporate world necessitates not only your knowledge, innovation, and ability to perform basic services, but also the ability to network with critical individuals who matter. Because of the competitive nature of the vacation rental industry, there is a growing number of associated commercial operations, with large companies dominating the market. The state-of-the-art facility that we have gave us a competitive advantage. We also have a team of professionals who are certified, creative, and well-trained and experienced. Our services will be governed by industry best practices, in addition to the synergy that exists in our carefully picked team.

4.13. SWOT Analysis

Strength Analysis: The power of our team; our employees, is our core strength. We have a group of workers who are certified, creative, well-trained, and experienced. Our services will be governed by industry best practices, in addition to the synergy that exists in our carefully

picked team. Another advantage we have is the location of our vacation rental home; it is in the best possible position.

Weakness Analysis: As a new vacation rental property, it may take some time for our company to break into the market and achieve acceptability, particularly from high-profile clients, in an already crowded and competitive industry; this is likely our biggest flaw. Another drawback is that we may not have the necessary funds to promote our company as aggressively as we would like.

Opportunity Analysis: As a new vacation rental property, it may take some time for our company to break into the market and achieve acceptability, particularly from high-profile clients, in an already crowded and competitive industry; this is likely our biggest flaw. Another drawback is that we may not have the necessary funds to promote our company as aggressively as we would like.

Threat Analysis: Economic downturn, like any other business, is likely to be one of the key dangers we will confront. The impact of the economic slump on purchasing/spending power is undeniable. Another threat that we may face is the establishment of a new vacation rental firm in the same place as our target market, which may wish to follow our business model.

4.14. Marketing Strategy

We completed a thorough market investigation and feasibility studies before launching our vacation rental home, and we are confident that there are many holiday rental homes that may not be able to accommodate a significant number of clients due to their size. As a result, Ardiente Vacation Rentals will strive to provide services, amenities, and an environment that will assist us in reaching our target market. The persons to whom we will specifically promote our facilities are listed below: Foreigners, Filipino, Students, Children, Place/Distribution Channel.

Our distribution channel strategies will be focused on attaining specific objectives that complement the organization's strategic goals. The truth is that everything we do will be focused on developing new market channels, growing sales, and expanding our market share. Our sales and marketing team will be hired based on their extensive industry knowledge, and they will be trained on a regular basis to ensure that they are well-equipped to meet their targets and the overall company aim.

4.15. Promotional Technique

We've been able to work with our brand and publicity advisors to develop public relations and marketing strategies that will help us break into our target market's heart. We're on track to become the first choice when it comes to vacation rentals in Fu Quan Gao Su Chu Kou, Xianyou Xian, Putian Shi, Fujian Sheng, China, and other parts of the country.

4.16. Management Aspect

Financial Objectives:

- (1) Investigating any financial difficulties with the assistance of a professional and qualified accountant.
- (2) Predict future financial flow with accuracy.
- (3) The capacity to make smart adjustments that generate money.
- (4) To ensure that future cash budgeted amounts are met, as well as to watch for any unforeseen future developments.
- (5) To establish a long-term start-up firm that meets the needs of clients while being cost-effective.
- (6) To use discoverable pricing to constantly improve the company's revenue.

Technical Objective:

(1) Demonstrate and identify everything necessary for the company's functioning, as well as the items' manufacturing process.

(2) Determine the suitability of the chosen location and if natural catastrophes such as floods or other natural disasters will have an impact on the company's environment.

(3) Show and assess the company's many divisions in connection to the company's needs.

4.17. Financial Aspect

We looked at a range of financial accounts from different companies with the objective of comparing what we did with what the owners did on their own to get the desired benefit and correct description of the business.

Table 1. Partners Capital Contribution

Partner	Share	Currency	Contribution
Partner 1	20%	RMB	1,600,000.00
Partner 2	20%	RMB	1,600,000.00
Partner 3	20%	RMB	1,600,000.00
Partner 4	20%	RMB	1,600,000.00
Partner 5	20%	RMB	1,600,000.00
	100%	RMB	8,000,000.00

Table 2. Projected Sales Forecast

Year	Currency	Sales
2021	RMB	2,362,532.00
2022	RMB	2,573,293.00
2023	RMB	3,143,923.00
2024	RMB	3,967,281.00
2025	RMB	4,826,324.00

Table 3. Projected Cost of Goods Sold Forecast

Year	Currency	Cost of Goods Sold
2021	RMB	945,012.80
2022	RMB	1,029,317.20
2023	RMB	1,257,569.20
2024	RMB	1,586,912.40
2025	RMB	1,930,529.60

Table 4. Projected Income Statement

		Income Statement				
SALES		2021	2022	2023	2024	2025
Cash Sales	RMB	2,362,532.00	2,573,293.00	3,143,923.00	3,967,281.00	4,826,324.00
Credit Sales	RMB	-	-	-	-	-
Cost of Goods	RMB	945,012.80	1,029,317.20	1,257,569.20	1,586,912.40	1,930,529.60
Gross Profit	RMB	1,417,519.20	1,543,975.80	1,886,353.80	2,380,368.60	2,895,794.40
Operating Expenses						
Legal and Consultants	RMB	50,000.00	50,000.00	35,000.00	15,000.00	10,000.00
Salaries and Wages	RMB	250,000.00	250,000.00	250,000.00	250,000.00	250,000.00
Advertising and Promotion	RMB	45,000.00	50,000.00	75,000.00	100,000.00	85,000.00
Insurance	RMB	150,000.00	150,000.00	130,000.00	95,000.00	275,000.00
Utilities	RMB	95,000.00	98,500.00	65,000.00	60,000.00	98,000.00
Depreciation	RMB	400,000.00	400,000.00	400,000.00	400,000.00	400,000.00
Other Expenses	RMB	40,000.00	35,000.00	30,000.00	52,000.00	85,900.00
Total Operating Expenses	RMB	1,055,000.00	1,063,500.00	1,010,000.00	997,000.00	1,228,900.00
Net Income Before Tax	RMB	362,519.20	480,475.80	876,353.80	1,383,368.60	1,666,894.40
Income Tax (30%)	RMB	108,755.76	144,142.74	262,906.14	415,010.58	500,068.32
Net Income After Tax	RMB	253,763.44	336,333.06	613,447.66	968,358.02	1,166,826.08

Table 5. Projected Cash Flow Statement

		Cash Flow				
		2021	2022	2023	2024	2025
CASH IN-FLOW						
Initial Capital	RMB	8,000,000.00				
Cash Sales	RMB	2,362,532.00	2,573,293.00	3,143,923.00	3,967,281.00	4,826,324.00
Collections on Accounts Receivable	RMB					
Total	RMB	10,362,532.00	2,573,293.00	3,143,923.00	3,967,281.00	4,826,324.00
CASH OUT-FLOW						
Acquisition of Fixed Assets	RMB	4,000,000.00				
Cost of Sales	RMB	945,012.80	1,029,317.20	1,257,569.20	1,586,912.40	1,930,529.60
Operating Expenses	RMB	1,055,000.00	1,063,500.00	1,010,000.00	997,000.00	1,228,900.00
Income Tax Payable	RMB	108,755.76	144,142.74	262,906.14	415,010.58	500,068.32
Total	RMB	6,108,768.56	2,236,959.94	2,530,475.34	2,998,922.98	3,659,497.92
Excess of Receipt over Disbursement	RMB	4,253,763.44	336,333.06	613,447.66	968,358.02	1,166,826.08
Add: Cash Balance	RMB	-	4,253,763.44	4,590,096.50	5,203,544.16	6,171,902.18
Net Cash Balance	RMB	4,253,763.44	4,590,096.50	5,203,544.16	6,171,902.18	7,338,728.26

4.18. Sustainability and Expansion Strategy

A company's future is determined by the number of loyal consumers it has, the capacity and competence of its personnel, its investment strategy, and the structure of the company. If all of these elements are missing from a firm, it won't be long before it closes its doors. In fact, all of our management employees will be eligible for profit-sharing arrangements, which will be based on their success over a three-year period or longer. We know that if that is done, we will be able to hire and keep the greatest people in the field, and they will be more devoted to helping us build the company of our dreams.

4.19. Monthly Management Report

A management report is a compilation of statistics and operational information from many company divisions that is presented in an easy-to-understand style to help managers make better choices. The purpose of a month report is to have a better understanding of a company's position and health, as well as to recommend future measures. To establish the company's standards Ensures improved communication between executives, coworkers, and stakeholders by guiding corporate managers' next moves. Assist in the formulation of action plans and track performance on a regular basis to ensure that the firm continues to expand.

4.20. Product Quality Monitoring

People are encouraged to aim for the stars. The most important advantage of quality control is that it instills and develops quality consciousness in industrial workers, which is critical for achieving the desired level of product quality. Quality management ensures that all available resources are used to their maximum potential, avoiding waste and inefficiency. Quality management ensures that all available resources are utilized to their greatest potential, reducing waste and inefficiency. Customers benefit greatly from quality control since they receive higher-quality goods.

4.21. Review Customer Satisfaction and Feedback Quarterly

The information, thoughts, concerns, and comments given by your community regarding their experiences with your organization, product, or services is known as customer feedback. This input helps to improve the customer experience and may help any firm make beneficial changes, even (and particularly) when it's unfavorable. Customer feedback is crucial since it acts as a guiding resource for your company's success. There are jewels to be found in both the good and the bad, making it simpler to alter and adapt the client experience over time. In a nutshell, feedback is the best method to keep your community at the center of your efforts.

5. Conclusion

In conclusion, tourism vacation rentals, as a synthesis of tourism and real estate, have many influencing factors, making tourism vacation rental investment a comprehensive and complex analysis process, involving location factors, economic factors, policy factors, social factors, industry factors, late operation and other influences, which makes the decision-making behavior of investors more complex. Due to my limited level and the imperfection of the concept of tourism vacation rentals, this paper has various shortcomings and needs further research.

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