

## A qualitative study of urbanization effects on hotel development



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### ARTICLE INFO

#### Article history:

Received 11 November 2015

Received in revised form

26 June 2016

Accepted 4 July 2016

#### Keywords:

Urbanization  
Hotel development  
Guangdong  
China

### ABSTRACT

This study examined the critical factors of urbanization on hotel development in China via qualitative semi-structured interviews. Population, economic, geographical landscape and social cultural dimensions was identified as major connotations of urbanization impact on hotel development. This study suggested that urbanization possessed both positive and negative effects on hotel development. Therefore, to promote hospitality and tourism development, hotel stakeholders, including practitioners, government officers and city planners, could provide corresponding tourism and hospitality products according to the characteristics of the city, region or province.

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### 1. Introduction

The world urban population was expected to increase from 3.6 billion in 2011 to 6.3 billion in 2050, a 75 percent increase. By 2050, the world's urban population would likely be the same as the world's total population in 2002 (United Nations (UN) (2012)). Virtually all of the expected growth in the world population would be concentrated in the urban areas of the less developed regions, whose population was projected to increase from 2.7 billion in 2011 to 3.6 billion in 2025. In the more developed regions, the urban population was projected to increase modestly, from 1 billion in 2011 to 1.05 billion in 2025. Fig. 1 showed the urban population of the more developed region and less developed region from 1950 to 2025. As Fig. 1 showed, the urban population of more developed regions was relatively stable from 1950 to 2010, while there was a significant increase of urban population over the same period. This increase was mainly driven by the increase of urban population in the less developed regions. (see Fig. 1).

Urbanization was an integral element of industrialization and rapid income growth in all countries (Henderson, Quigley, & Lim, 2009). As places where innovations were incubated and sophisticated skills developed, cities became engines of growth. In the course of economic development, the largest cities evolved to

become financial and business service centers, while industrial production decentralized to small- and medium-sized cities which tend to highly specialized in particular lines of activities such as steel, autos, electronics, textiles, apparel, and wood products, as well as specialized services such as entertainment, insurance, certain forms of health care and tourism (Henderson et al., 2009).

Between the 19th and 20th centuries, urbanization was a notable social appearance. It changed human societies' spatial and social configurations. However, this issue seldom appeared in tourism and hospitality literature. Urbanization would bring certain benefits to the society, but at the same time, it would bring social and political problems. The goal was benefit and cost control (Spence, Annez, & Buckley, 2009). Some Chinese scholars made some systematic studies in this area, however, many questions were unresolved (Qiu, 2007). The objective of this study was to analyze and determine the nature of the relationship between hotel development and urbanization in China. This study intended to address the following questions:

- (1) What are the urbanization factors that may influence hotel development in China?
- (2) What are the effects of urbanization toward hotel development in China?

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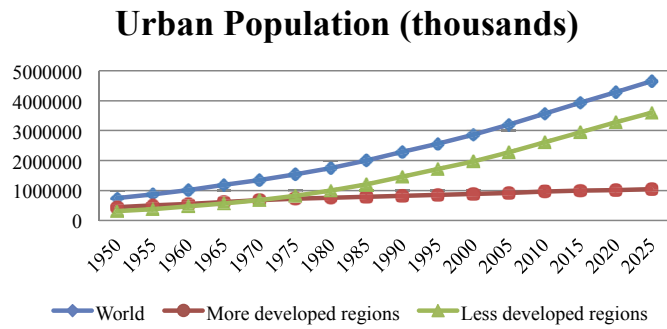


Fig. 1. Urban population from 1950 to 2025. (Sources: United Nations, 2012).

## 2. Literature review

### 2.1. Hotel development in China

China's tourism has developed rapidly since its initiation of the reform and opening up policies commencing in 1978. However, most of its tourist activities were concentrated in the coastal regions. Demurger (2000) believed that the implementation of the reform policy was unbalanced. The policy was implemented initially to several provinces near the coast. These provinces became the driving force of economic growth. The pattern of inequality was further enhanced by foreign direct investment (FDI). Ninety-three percent of FDI were invested in the east coast region of China in 1983 instead of the inland regions (Demurger, 2000). The Chinese government was trying to accommodate the imbalance in the mid-1990s through various development programs. These development programs were considered to be effective. In 2000, the inland region achieved a double-digit growth. However, due to the geographical factors, historical factors, and economic conditions, the tourism in China showed the regional unbalance (Zhu, Ding, & Han, 2001).

Hotel development was a very crucial part of the tourism system in China. The Sixth National Development Plan gave priority for hotel development (Yu, 1992). Before 2001, China's enterprises, both state-owned and collective-owned, tended to be "all in one" – providing all the services for their employees by the enterprises themselves (Luo, 2016). In 2002, there were 110 hotel management companies with a variety in size in China and they managed more than 700 hotels (Xu, 2003). The Twelfth National Development Plan included tourism to be another pillar industry (Yang, 2011). According to *Hotels Magazine* (2011), 26 China-based companies were listed on the top 300. Fifteen out of the top sixteen companies included new inventories in the previous year and planned to have new projects in the coming years.

### 2.2. Urbanization in China

As the largest developing nation in the world, with rapid economic growth, China has undergone fast – paced urbanization development since the 1990s (Li & Yao, 2009). China officials adopted the urbanization definition from UN (Department of Urban Socio-economic Surveys, National Bureau of Statistics (NBSC), 2009). The urbanization level rose from 26.4 percent in 1990 to 49.9 percent in 2010, with an average annual increase of 1 percent in China. According to UN's projections, more than half of the world's population lived in urban areas by the end of 2010. If current trends continue, the urban share of the global population will reach 68 percent by 2050. For instance, China's urban population was expected to increase from 636 million to 1037 million between

2010 and 2050 (UN, 2010). Fig. 2 showed the map of China with 31 provinces (municipalities and autonomous). Those provinces could be further divided into 4 economic regions with 10 provinces in Coastal Region, 6 provinces in Central Region, 3 provinces in Northeastern Region and 12 provinces in the Western Region. (See Fig. 2).

This study used Guangdong province to represent China. Guangdong was the first province opened to the outside world. To establish China's and opening policy, China established Special Economic Zones (SEZs) in Shantou, Shenzhen, and Zhuhai in Guangdong Province from 1980 to 1984. After 1985, more economic zones were created. These economic zones included Shanghai, Tin Jing and Zhen Jiang. Guangdong was not only the biggest export center in the world, but also the most popular tourist destination in China. According to the *Statistical Bureau of Guangdong (SBG)* (2015), Guangdong Province was a leading economic powerhouse and consisted of 21 cities and 1134 towns. The Pearl River Delta (PRD) region has been the pioneer in the economic reform, economic development and urbanization in Guangdong and China since 1978 (Weng, 1998; Wong & Shen, 2002). Therefore, the hotel development of Guangdong cities would be a representative study toward the hotel development in China cities.

### 2.3. Urbanization and hotel development

Urbanization was recognized as fundamental to the multidimensional structural transformation that low-income rural societies undergo to modernize and to join the ranks of middle and high income. For example, rapid economic growth was accompanied by significant structural changes in China's economy. The share of service industry in national GDP increased from 13 percent in 1970 to 21 percent in 1980 and 48. percent in 2014 (NBSC, 2015). Urbanization was one of the key factors to China's structural changes in terms of economic composition and employment (Huang & Bouis, 1996).

Urbanization's contribution to growth came from two sources: the difference between rural and urban productivity levels and more rapid productivity change in cities (Spence et al., 2009). The relationship between urbanization to level of economic growth was universally accepted (Kasarda & Crenshaw, 1991). Landes (1969) and Williamson (1987) situated urbanization as an essential ingredient in modernization. Dutt (2001), for instance, showed that areas experiencing a higher level of urbanization had a lower crude birth rate in general, improved life expectancy and a higher level of female participation in economic activities. Rostow (1990) indicated in a study that birth and death rates were negatively correlated with Gross National Product per capita. The argument here was that as countries become more developed, they tended to invest more in modern health care facilities to take care of the health needs.

Davis and Henderson (2003) conducted a study to establish a relationship between urbanization, development and agriculture. In their study, development was seen as GDP per capita and they were able to establish a positive correlation between the logarithms of GDP per capita and level of urbanization expressed as percentage of the total population between level of urbanization and agriculture value added expressed as a percentage of GDP. This indicated that as development took place, the contribution of agriculture to the GDP decreased. Henderson (2003) indicated that urbanization and development seem to be interconnected. The author found a positive correlation coefficient of about 0.85 between urbanization and the log of GDP. This was an indication that there was a relationship between urbanization and development.

Bertinelli and Black (2004) found that the process of urbanization and the process of development were linked but the causality

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