The market status and development trend of shared homestays in China

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Abstract. Sharing economy has become one of the most popular trends in large areas of the globe. Sharing economy has undergone strong growth with the control of pandemics. In this paper, we focused on reviewing the statement of the development of shared homestays in China, and expounded the future development trend. According to some research reports about the homestays in China, we analyzed the impact of the epidemic on shared homestays and development opportunities. Therefore, more studies investigating this new ecosystem, under which the gradual demise of some conventional institutions and industries, as well as increasing new businesses and trends, could be an orientation of future research to better understand sharing economics.

Keywords: Shared homestays; Development trend; Airbnb.

1. Introduction

Sharing economy has become one of the most popular trends in large areas of the globe for the past few years. According to Lessig (2008), the term refers to the collective process of consumption under the practices of sharing, transacting, alteration of resources without having ownership of the goods. Fueled by the advance in technology and the benefits of the e-age, new forms of business models have transformed. According to Puschmann and Alt (2016), there are several entries regarding today's shared sources. The B-to-B sharing business model refers to a make of transaction between businesses, for example, the cooperation reached between raw material suppliers and factories. B-to-B often takes place in the supply chain, where large scares of production and transportation are common. B-to-C model, similarly, accounts for the direct procedure of selling products from a business to customers. B-to-C also has taken great advantage of the evolution of the Internet. As the case in China, Taobao, one of the largest online retail platforms in the Asia-pacific region, provides the platform for retailers to sell products and services to consumers who will directly pay for them. C-to-C mode is evolved from B-to-C thanks to changes in consuming habits, both offline and online networking, and the increasing convenience of mobile devices (Botsman 2014, p. 24; Hamari et al. 2015, pp. 5 ff., as cited in Puschmaan and Alt 2016). One prominent example of the C-to-C business pattern is sharing economics, where networking-based online services or mediations in B2C models modeled the organization of C2C chains (Hamari et al. 2015). Under the trend, products like sharable charges, bicycles and even umbrellas seize a huge market all of a sudden. In recent years, more attention has been drawn to the issue of house sharing worldwide, which is partly due to the market on both sides by supply and demand, as the increase in population and dwelling expenses has made it more challenging for people to find and rent more desirable homes. China, under these

circumstances, is no exception. Compared to the traditional hospitality industry, a shared home-stay does not necessarily need to show a magnificent appearance, nor put a five-star indoor furnishing. Neat and safe circumstances are people need for the basis of shared home-stay, whereas special local activities and characteristic services are the core of the whole concept. Usual hotels seldom provide the feeling of home for any customer. In such case, shared home-stay avoid to compete with those huge hotel companies such as Marriott because they do not have the same customer orientation [1-3].

Airbnb has now become to a popular trend which people would like to choose during vacation. Finding a comfortable and reasonably priced hotel is arduous, because characteristic hotels usually locate far away from downtown and gorgeous or convenient hotels usually charge high prices which is not suitable for teenagers. Moreover, if travellers want to stay in a place for a relatively long time, hotels' price could be high sometimes for many people In contrast, Airbnb always offers discount for long-time travelers which is a considerable benefit. So, Airbnb's price is more affordable for most people. In addition, Airbnb can accept a large number of people while hotels are not allowed for more than two people in a standard room. Although residential suites may accommodate more people, yet the same price is beyond the reach of the average family. Airbnb, on the other hand, does offer various options which meet people's diversified needs, since although it is regulated by a company, houses in Airbnb are belong to different owners. Therefore, each place offered by Airbnb has its own distinctive, and it is an absolute advantage compared to hotels. Since people not only want a place to live during vacation, but also want to experience different customs. Some places even offer the option of living together with households, then travelers are able to experience the most local living styles. These are all special advantages which hotels can't offer, and these reasons make Airbnb becomes to one of dominate choices.

From 2014 until currently, policies has come out to boost the tourism industry. For instance, the General Office of the State Council issued an "Implementation Project Plan Facilitating the Consumption System and Institutions (2018-2020)". The plan clearly states the nation's motivation and the government's encouragement towards the development of shared accommodations which includes short-term renting of the apartment unit, housing, and homestay. Since tourism positively impacts the economy of rural communities, government officials pointed out the necessity of developing a mature and localize featured accommodation structure. According to the Forward Economist's analysis, people's demand for shared accommodation will continue to grow in recent years when Chinese travelers are more aware of this new practice. Besides, as more policies came out that favors shared accommodation, it is expected that local government will gradually provide more supports and rules to regulate this industry.

Though most analysts and investors have a forward-looking attitude towards shared accommodation, the 2020 Covid-19 pandemic drastically changed every industry, letting small businesses owners went bankrupt. In the beginning, the value-added tax-free policy was published to compensate for the loss when the whole country was locked down. After the pandemic gets more control in April, the government official sent out an order clearing the exclusiveness, gradual opening of tourism-related business, which helped shared accommodation to begin its' revival. During the same month, the "Bank-Tax Interaction" was encouraged by officials. In specific, government-directed institutions like taxation, banking, insurance, and regulatory commission should provide relative pieces of advice and help small business-based companies operating with the benefit of recent policy that was made. Besides these favorable policies, the market has witnessed the power of the online platform. VR touring, live streaming and peripheral products made a transforming effect on shared accommodation, attracting people to make travel plans for themselves. In May and June 2020, different finical reports express the government's interest in pushing the online commercial system. The online service should include but not be restricted to providing information on public transportation, traveling, sports events, and activities. Finally, the "Suggestions on supporting the healthy development of new business formats and models, activating the consumer market and expanding employment rates" was published in July. It was the first time the term "shared accommodation" was included in government documentation. Although the Covid pandemic hurts

the industry badly, lots of adverse policies come to support the development of shared accommodation. For relative businesses that suffered during the beginning of the pandemic, they would soon find more opportunities with the revival of tourism. For those who want to start up their shared accommodation businesses, the online platform and positive policies have set up a solid foundation for their development.

At the end of 2020, the country's economy has undergone strong growth with the control of pandemics. The shared accommodation online platforms like Airbnb, Tujia, XiaoZhu have offered more services, expanded their businesses, and enhance the training program to accommodation hosts. Overall, the government's supportive policies can be concluded into four categories: boosting the employment rate, motivating consumerism, offering aid and investment to small businesses, and allowing certain tax exemptions or reductions.

2. The overall current situation of home sharing in China

In July 2020, the China Shared Accommodation Development Report 2020 was released by the National Information Center from Shared Economic Research. Fortunately, by the prevalence of China's sharing economy industry, the shared accommodation industry has developed rapidly in the last few years. From 2017 to 2019, the transaction volume of Chinese shared accommodation increased every year, reaching 22.5 billion yuan in 2019, up by 36.4%.

2019 was a booming year for China's shared accommodation industry. In 2019, China's shared accommodation industry reached 200 million participants, up 53.8%. From the perspective of participant structure, the number of shared accommodation service providers in China in 2019 reached 6.180 million, up 54.5%; the number of tenants reached 193.82 million, up 53.8%.

According to the data from inside Airbnb, primarily focusing on the capital of China, Beijing, almost 60% of Airbnb hosts list entire homes or apartments on Airbnb and less than 6% of the host list shared rooms. The neighborhoods and cities could receive an average estimated income of 1841 CNY per month brought by renting out a room or apartment to a tourist full time rather than a resident living in. Furthermore, the income from Airbnb could be 600 CNY per night higher than a long-term lease. Most importantly, Airbnb guests may leave a review after their stay, and these can be used as an indicator of Airbnb activity. Beginning from the middle of 2015, the count of reviews starts to grow and by the end of 2018, numbers of reviews count grow rapidly until the end of 2019 which indicates the activity of Airbnb renting was thriving. However, due to the Covid-19 epidemic started in January 2020 in China, the transaction value of home-sharing was down 72.1% from January to May 2020. Airbnb, for instance, lost about 96% of its online bookings affected by the Covid-19 related restrictions from the government (Dubois, 2020). Although the whole industry took a massive hit due to the lack of customers caused directly by the pandemic, once the restrictions was lift up, it is possible that Airbnb will recover, with regulations boosting the market instead of posing so many regulations on it (Dolnicar & Zare, 2020).

Because of the quick development of share accommodation in Beijing, Airbnb host begins to make it a full-time career. There are more than 86% of the time that homes or apartments are available for rent shown in figure 1. At the same time, some Airbnb hosts have multiple listings. 76.4% of the listing are multi-listings in the market. Airbnb hosts with multiple listings are most likely to treat this as their own business and unlikely to be living in the property.

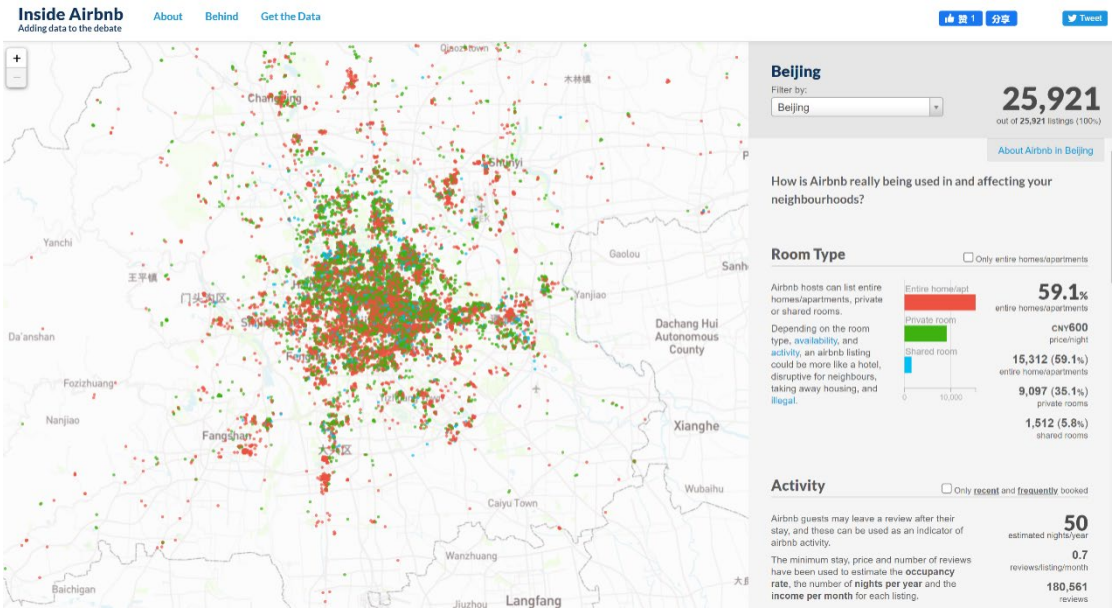


Figure 1. Development of share accommodation in Beijing

3. The development of shared homestays in China

According to *2018-2023 China's homestay industry status analysis and investment prospect forecast report*, three conditions have to be met to ensure the flourishing home-stay market —— enough idle housing, exclusive market uniqueness, and reliable social credit system. Fortunately, China's market meets these conditions. Many travel software recommends shared home-stay to their users. Travel companies including Qunar, Trip, and Elong accounted for 86.7% of the market share. The high market share concentration helps the travel agency use its influence and existing customers to promote the business of shared home-stay. According to "China Shared Accommodation Development Report 2020", from 2017 to 2019, the transaction volume of shared accommodation in China increased year by year, reaching 22.5 billion (yuan) in 2019, and the year-over-year increase is up to 36.4%. Besides the transaction value of shared home-staying, the number of participants in China's industry reached 200 million in 2019, up 53.8 percent year on year "China Shared Accommodation Development Report 2020" After a boom in the years 2017 and 2018, the capital market for home-sharing in China has calmed down as the year 2019 witnessed the financing of shared accommodation in China touch only 150 million (yuan), down 95.5 percent compared to the year earlier "China Shared Accommodation Development Report 2020" At the beginning of 2020, the global outbreak of the COVID-19 not only greatly reduced people's travel demand, but also made the sharing business activities in various countries more vulnerable, including that of the shared housing industry (Hossain, 2021). As indicated by "China Shared Accommodation Development Report 2020",2020), from January to May 2020, the number of shared accommodation orders in China fell by 65%, the number of visitors fell by 63%, and the average room night price fell by 16%. Despite the negative influence of the epidemic has slowed down the development of China's shared accommodation industry to varying degrees, new forms of development have also emerged "National Information Center Sharing Economy Research Center". Driven by the boom of live broadcasting and short video industry like TikTok, some enterprises in the shared accommodation field began to publicize the accommodation environment and scenic spots in the form of live broadcasting, which to a large extent strengthened attracted the consumers' interests, bringing new opportunities for the development of the industry as well "National Information Center Sharing Economy Research Center". As for the policy-making side, the state has also continuously issued policies to encourage consumption and promote the recovery of tourism, accommodation and other industries, aiming to promote a new system of effective life service supply and cultivate online brands of high quality.

"Opinions on supporting the healthy development of new business formats and new models, activating the consumer market and driving employment expansion".

With national policies to encourage new forms of accommodation business, general economic development that objectively stimulates users' emotional consumption, and alternations of people's consumption concepts; a new upsurge in the homestay industry is in the making. In 2015, the national government introduced 5, in which the importance of land for new industrial development is emphasized. The state encourages the construction of new industries and new forms of business, thus all localities may, in light of their local conditions, determine new industries to be prioritized for development and give priority to land supply (5). At the same time, the state vigorously promotes Internet plus initiative, and the operation mode of "Internet + hotel" has injected new blood into the development of homestay (5, 6).

During the years 2017 and 2019, the home-stay market is expanding rapidly. From 2017 to 2019, the number of online shared house supplies in China rose every year, from 81.5 million yuan in 2017 to 134.1 million yuan in 2019. PIC1 (SEE ATTACHMENTS) The transaction volume shares the same trend, reaching 22.5 billion yuan in 2019, and the year-over-year increase is up to 36.4%. As the government incentive policies in 2015 have enabled the plan to promote the "Internet+" proposal (5), this also led to the annual increase of online transactions in China's homestay, with the online transaction volume of homestays in China increased from 7.81 billion yuan in 2017 to 20.94 billion yuan in 2019. PIC2 (SEE ATTACHMENTS). In terms of the number of participants, the year 2019 has witnessed an unprecedented figure of 200 million, which is up 53.8 % by year (4). All the data shows without a doubt that 2019 is a booming year for China's shared accommodation industry.

Under the rapid development of the industry, however, the competition gets intensified in the meantime. Not only domestic chains like Tujia, Zhenguo homestay, Xiaozhuduanzu are competing against one another to occupy the market, having sensed the business opportunities, companies from around the globe are also entering or expanding their Chinese home-stay shares at this stage, of which the most typical one is Airbnb. Airbnb is a service platform that connects travelers with homeowners who have available homes and offers users a variety of accommodations (8). Among mainstream home-stay booking platforms in 2018 and 2019, Zhenguo has a clear lead in the race for new users, while Airbnb shows no clear advantage. PIC3 (SEE ATTACHMENTS).

Fierce competition has also stimulated the issuance of China's first official tourism homestay industry-standard in 2018 (9). The introduction of the standard has milestone significance to the development of the Chinese shared house industry, as some long-requested solutions on certain dilemmas, such as the topic of personalized homestay V.S. standardized ones, find their final answers. In specific, the standard puts forward five evaluation principles for homestay providing units: (1) passing on life aesthetics, (2) pursuing product innovation, (3) carrying forward local culture, (4) calling for green environmental protection, and (5) targeting at co-existence and win-win benefits (9). At the same time, it also claims that homestay providers are to meet the basic requirements such as precise provisions on safe environment facilities, life services, etc. In terms of consumption, the standard divides homestay into two different levels, corresponding to different service facilities and qualities, which makes it more convenient for consumers to make their decisions from all manners of homestay services.

The homestay industry, for a long time, is not regulated by certain clear standards. As a result, it causes erratic quality of service depending on the holder. This problem is a hidden danger because it can negatively affect the image of the entire industry. Without a proper administrative standard, many homestay projects have stalled while well-established policies cannot be implemented effectively from town to town. Most rural area in China heavily relied on tourism and hospitality. Thus, rural homestay has become an important composition of China's homestay market. Due to its special geographical and economic limitations, some rural homestays have relatively poor quality and have been reported by several customers. Regulation policies are required to improve the average quality of homestays. On September 29th, 2020, a document issued by the government, known as Specification for service quality for rural homestay, stipulated the basic requirements, facilities, safety

management, environmental sanitation and service standard of rural homestay. In terms of facilities and equipment, the guest room is not required to provide disposable daily necessities; the kitchen shall be equipped with ventilation and smoke discharge equipment; Announcement, warning and guidance shall be conspicuous and coordinated. In terms of safety, there are specific requirements for building, facilities, food, and most importantly, the safety of guests and their property.

Nowadays, with the continuous improvement of rules and regulations, vicious competition among businesses will be greatly reduced and the whole industry will progress together.

4. Conclusion

From 2017 to 2019, the sharing economy, including housing sharing, showed a positive trend in China. Due to the COVID-19 epidemic in 2020, China's shared accommodation industry has suffered, as the indicators of trade volume and users involved identified a stagnant state of the time. However, in the long term, with the accelerated penetration of the new development mode of live broadcasting and short video, as well as the national policy support, it is possible that China's shared accommodation industry will have a broad space for development in the future. After all, compared with the traditional hospitality industry, home-sharing has its unique and competitive advantages such as autonomy, creativity, flexible price range (Heath, et al., 2017). In addition to the structural strengths of shared housing, China has a market of 1.4 billion people, an advantage that would leave most countries too far behind to catch up with. Indeed, the growth of airbnb active listings in China increased by 106,000 in 2019, 76.7% growth rate compared to 2018 (Adamiak, 2019). Finally, the popularization of modern technology (such as the popularity of various livestream apps) and the standardization of platform management may bring new hope for the brand-new form and potential of shared housing in China. The epidemic is posing unprecedented challenges to a wide range of traditional and innovative industries around the world, not just shared places. How to deal with these challenges and look for new opportunities and resolutions is undoubtedly one of the keys to the evolution of all industries in the post-epidemic era.

Besides, as the case for the whole industry, under innovative transformations from traditional service industry, the distinction between traditional service domains and the newly emergent forms like C-to-C and B-to-C become more ambiguous regarding consumers' demands, instead of what is provided by the supply side (Puschmann and Alt, 2016). Therefore, more studies investigating this new ecosystem, under which the gradual demise of some conventional institutions and industries, as well as increasing new businesses and trends, could be an orientation of future research to better understand sharing economics.

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