Rural Lodging Establishments as Drivers of Rural Development

Rosa M. Hernández-Maestro and Óscar González-Benito

Abstract
Different programs designed to develop rural areas in Europe grant significant funds to support several economic activities. In particular, rural lodging establishments have been key recipients of many development investments. Therefore, identifying the determinants of business success for these establishments is important for authorities, who must allocate their funding accordingly. The establishments themselves can benefit from such knowledge as well. This article examines the influence of three general factors related to the business and the entrepreneur—product, knowledge, and promotional tools—on performance, measured as occupancy, prices, sales, and profits. A survey conducted in a rural Spanish region produces results that largely confirm the proposed hypotheses.

Keywords
rural development, rural tourism, rural lodging establishments, business performance

Introduction
The strong risk of depopulation in rural areas, combined with the importance of rural areas throughout the European Union’s (EU) geography, has induced several different programs that attempt to encourage the development of these areas. The implemented policies entail important economic efforts in various sectors, such that the relative amount of funds applied to each sector reflects the importance that the EU has assigned to it. In particular, rural tourism has been promoted as a key driver of rural development, and many funds have been devoted to supporting the development of rural lodging establishments. However, not all supported entrepreneurial initiatives in rural lodging establishments have been equally successful.

Previous research suggests that the outcomes of entrepreneurial initiatives are determined to a great extent by their own characteristics and traits. Several factors emerge as likely determinants of performance, such as the business’s size, management practices, product characteristics, the entrepreneur’s personality, or the entrepreneur’s knowledge (De Boer, Van Den Bosch, and Volberda 1999; Dunne, Roberts, and Samuelson 1989; Honig 1998; Krauss et al. 2005; Maiga and Jacobs 2005; Monfort Mir 2004; Runyan, Huddleston, and Swinney 2006; Tamásy 2006; Tseng, Kuo, and Chou 2008; Van Raaij and Stoelhorst 2008). In each case, these factors define the business’s potential to attract and satisfy customers. Research that pertains specifically to rural tourism confirms their influence on business success in this sector too (Dolli and Pinfold 1997; Hernández-Maestro and González-Benito 2011; Polo Peña, Frías Jamilena, and Rodríguez Molina 2011; Roberts and Hall 2001; Schiebel 2005; Sharpley 2002; Siemens 2007; Valdés Peláez and De La Ballina-Ballina 2005). But prior work also notes a unique determinant of success in the rural lodging establishment sector, because its consumers (i.e., tourists) often seek interactions with the service supplier (i.e., the host) as an important element of their tourism experience. Therefore, business success for rural lodging establishments depends on the entrepreneur’s level of hospitality, as well as that of the rural community in general. These elements likely affect tourists’ satisfaction, word-of-mouth recommendations, and repeat business (Hwang, Stewart, and Ko 2012; Mcintosh and Siggs 2005; Reichel, Lowengart, and Milman 2000; Wilson et al. 2001).

For this research, we go beyond such elemental determinants of business success to consider a different perspective, derived from the types of frameworks employed by area development programs. That is, we consider the factors that area development programs use to determine the level of economic support to devote to a particular region. In transforming these indicators from the macro level (area) to a

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We present our main conclusions and the key managerial hypotheses. We then outline the methodology we used for development programs’ role in relation to its development. In this study, followed by a description of the results. Finally, considering both the concept of rural tourism and rural development aid. Area development programs generally acknowledge the varying degrees of economic development in different regions and grant more funds to particularly disadvantaged areas. The underlying rationale holds that local people in these areas need more incentives and support to be able to start up new businesses. Therefore, for this study we consider the Castilla and León region, a disadvantaged area in Spain, which during 1991–2006 was classified as an objective 1 region (i.e., its gross domestic product was less than 75% of the EU average).

In the next sections, we detail this study context further, considering both the concept of rural tourism and rural development programs’ role in relation to its development. In developing our theoretical framework, we derive several hypotheses. We then outline the methodology we used for this study, followed by a description of the results. Finally, we present our main conclusions and the key managerial implications of this research.

Table 1. Definitions of Rural Tourism.

<table>
<thead>
<tr>
<th>Source</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Commission (1990)</td>
<td>Although this source does not provide a specific definition, it proposes to develop one by taking into account that rural tourism should embrace not just agro tourism and not just rural lodging establishments, but it should cover other facets and businesses.</td>
</tr>
<tr>
<td>Bardón Fernández (1990)</td>
<td>Rural tourism is an ample concept that covers not just tourism in the house of the farmer but also any other tourist activity in rural areas.</td>
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<tr>
<td>Frederick (1993)</td>
<td>Reviews rural tourism from various social science perspectives: economic, sociological, psychological, and anthropological.</td>
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<td>Lane (1994)</td>
<td>Differentiates “rural tourism” from “tourism in rural areas”: Not all tourism in rural areas is essentially rural. The important feature is the countryside and the kinds of tourism activities it allows.</td>
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<tr>
<td>Oppermann (1996)</td>
<td>Rural tourism necessarily takes place in non-urban environments, but not all non-urban tourism is rural tourism, which requires that permanent human activity is going on in the area. This definition excludes, for example, tourism in wilderness areas.</td>
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<tr>
<td>Björk (2000)</td>
<td>An activity in which authorities, the tourism industry, tourists, and local people co-operate to make it possible for tourists to travel to genuine areas to admire, study, and enjoy nature and culture in a way that does not exploit resources but rather contributes to sustainable development.</td>
</tr>
<tr>
<td>Hernández-Maestro, Muñoz-Gallego, and Santos-Requejo (2007)</td>
<td>Tourist activity developed in rural areas, though the definition of rural areas also differs among countries or even across regions within a country. The main motivation for rural tourists is contact with a rural way of life and/or nature (adventure activities, farming, excursions, traditional home cooking). Finally, the stays are short, often for only a weekend.</td>
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</table>

Study Context

In this section, we outline some notable issues and concepts related to rural tourism, as well as further information about the importance of rural development programs for this sector.

Rural Tourism

Confusion and a lack of consensus persist regarding the meaning of rural tourism. Part of the confusion stems from the use of different labels to refer to it, such as green tourism or ecotourism, agro-tourism, adventure tourism, or cultural tourism. We argue that these forms actually are facets of the overriding notion of rural tourism, though their unique differences make it challenging to develop an effective definition of rural tourism. Furthermore, inherent geographical differences impose different traits that indicate “rural” in different areas, such that various, equally justifiable indicators of rural tourism exist side by side. Despite widespread research attention to rural tourism (Díaz Martín and Vázquez Casielles 1998; Fleischer and Pizam 1997; Frochot 2005; Hall 1998; Hall, Kirkpatrick, and Mitchell 2005; Oppermann 1995, 1996; Page and Getz 1997; Roberts and Hall 2001; Sharpley 2002; Valdés 1996; Yagüe 2002), a commonly agreed on definition thus remains elusive. To gain some sense of cohesion though, we summarize some important contributions in Table 1.

For the particular case of Spain, Gascón (1993) describes the antecedents of rural tourism, which largely began in the 1960s, when a general migration occurred from rural areas to cities, which increased the perception that rural areas were sites for holidays taken by urban dwellers. However, this phenomenon did not constitute a commercial activity, because...
people lodged in their own houses or those of relatives who had remained in the rural area. The first official commercial rural tourism initiative began in 1968 as a government project to subsidize rural houses to serve as lodging facilities. Thereafter, rural tourism continued to grow, such that various private initiatives (including rural lodging facilities, restaurants, adventure tourism firms, and so forth) have received subsidies from different government administrative levels (local, regional, European), with domestic tourists as their main market.

In Spain, rural lodging establishments remain the most prominent type of business developed in rural areas. These establishments have been attractive to potential entrepreneurs for several reasons:

- **Low entry barriers.** Entrepreneurs generally have perceived running a rural lodging establishment as easy to carry out, by simply hosting guests. They may already own the house, and in the past, they were able to find financial assistance to retrofit it easily.
- **Low exit barriers.** If the business fails, entrepreneurs might have assumed that at least they would have an updated house for their own use or to sell, which seemed especially appealing when property values were continuously increasing.
- **Lifestyle.** By offering a quiet place to live, with little stress and appealing benefits for families, a rural lodging establishment has long suggested a nice alternative for people who did not want to leave rural areas, as well as for urban dwellers who wanted to change their lifestyles (Roberts and Hall 2001). Lifestyle entrepreneurs have been relatively common (Getz and Carlsen 2000, 2005; Meccheri and Pelloni 2006).
- **Work diversification.** Rural lodging entrepreneurs could undertake other activities simultaneously (e.g., livestock and agricultural activities). Farm diversification, often through tourism activities, also has taken place in other places in Europe, which can provide superior net total income, even if the extra income constitutes only a small portion of the overall income earned (Carter 1998; Clark 2009; Oppermann 1995, 1996; Sharpley 2002).

These appeals have led entrepreneurs to set up various types of Spanish rural lodging establishments, including traditional houses located in small towns, farmhouses in the countryside, and historic sites and old palaces renovated to serve as rural hotels. Regardless of the type, two characteristics are common among these facilities: they reflect the traditional architecture of the area, and they are relatively small. Most of these micro-sized, family-run businesses provide supplementary income, beyond what the family earns from its agricultural, commercial, or construction activities. The size of the facility is limited by regulations, which differ from one region to the next, and by its categorization. For example, tourist facilities in some regions in Spain may offer a maximum of 6 beds, whereas a few rural lodgments may provide up to 60 beds.

Furthermore, among the many different regional types of establishments, we can distinguish two general categories of facilities: those that rent individual rooms (which also constitute the entrepreneur’s home and offer breakfast and often also lunch and dinner) and those that rent the house as a whole. All these facilities usually feature complementary activities focused on contact with nature and/or traditional ways of life (e.g., farm-based activities, horseback riding, home-cooked meals).

### Rural Development Programs

In recent years, economists and policy makers have paid increasing attention to local models of development and local intervention policies. Local development entails a process of economic growth and structural change that can improve local standards of living (Coffey and Polese 1984, 1985). The public funds devoted to specific activities, as determined by the administration of the rural development programs, signals their importance; in this regard, because rural tourism appears to drive the development of poor rural areas effectively, it has been well supported and promoted. In particular, despite some potential negative consequences for locals, such as property tax increases (Perdue, Long, and Allen 1990), tourism offers the strong potential to bring money to the area, support retail growth, and generate jobs. Through the flow of tourists, many related economic activities can develop (e.g., restaurants, shopping, traditional artwork). The social results of rural tourism are important too; by increasing employment opportunities, it allows young people to stay in rural areas and maintain and preserve traditional ways of life. Finally, rural tourism can have positive environmental consequences, such as the preservation of natural sites, traditional paths, and traditional architecture in town layouts and historic buildings. The preservation of nature, architecture, and traditions is part of the value offered to consumers by rural tourism operators. However, the implementation of rural tourism development measures is not universally positive; in some rural areas, the progress has not been as rapid or extensive as was initially predicted, and observers have warned about the need to qualify the assumption that rural tourism is the solution to all the problems facing rural areas (Sharpley 2002).

Despite such concerns, area development programs have recognized the great potential for positive outcomes through rural tourism and thus have offered rural tourism operators substantial funding. For example, the global LEADER I program (1991-1994) devoted 42.1% of its public funds to rural tourism (490 million euros). Rural tourism projects also have been adopted by Local Action Groups (LAGs) in 71 of the 217 LEADER areas (Leader Magazine 1993). In Spain, across the various development programs (LEADER I,
LEADER II, LEADER +, PRODER I, PRODER II), rural tourism remains very relevant, representing approximately half of the total investment. Most of the funds earmarked to support rural tourism in Spain focus on rural lodging establishments in particular (Cánoves, Villarino, and Herrera 2006; Junta de Castilla y León 2012). Consequently, the number of rural lodging establishments in Spain has increased, from 1,074 in 1994 to 14,320 in 2010 (Cánoves et al. 2004; Spanish Institute of Statistics 2011).

Among the 17 different Spanish regions, not all have received equal funding. The distribution of funds across regions depends on their gross domestic product; if it is less than 75% of the EU average, the region is considered a priority (objective 1 region). Until 2006, Castilla and León was categorized as an objective 1 region and received substantial development funds. Table 2 details the key rural development programs in Castilla and León (1991–2006), including the public funds it received as a proportion of funds for Spain overall: Castilla and León represented anywhere from 13% (LEADER +) to 31% (LEADER I) of the funding received.

In turn, Castilla and León offers the most rural lodging establishments, people employed in establishments, and tourists in Spain. In 2010 for example, 3,053 of the total of 14,320 rural lodging establishments in Spain were in Castilla and León, or 21.3%. It accounts for 22.3% of people employed in rural lodging establishments (4,845 of 21,722) and welcomes 593,785 of the 2,647,370 tourists (22.4%). Even the second-ranking region in terms of rural tourism figures falls well below these levels: Catalonia features 1,611 rural lodging establishments, employs 2,177 people, and attracts 298,281 tourists. As Table 3 shows, the number of rural lodging establishments and people employed in Castilla and León has increased each year from 2001 to 2010, with only a slight decrease in the number of tourists in the global recession years of 2008 and 2010 (Spanish Institute of Statistics 2011).

**Theoretical Framework**

From a macro-economic perspective, development programs (e.g., Ireland’s Operational Programmes for Tourism, 1989-1993 and 1994-1999) tend to pursue three relevant developments: product, knowledge, and promotion (Figure 1). Product development usually refers to the development of the surrounding territory, such as its infrastructure, museums, theaters, and accommodations; knowledge development refers to training for operators; and promotion development usually means the implementation of advertising campaigns for a particular area. Development programs in Spain (e.g., LEADER I, LEADER II, PRODER I, LEADER +, PRODER 2)
Figure 1. General model.

have assigned funds to private and public projects for infrastructure development, training for entrepreneurs, and promotional assistance. The mentioned factors (product, knowledge, and promotion) should promote the development of rural tourism, according to prior literature (Croes 2012; Hwang, Stewart, and Ko 2012; Koutra and Edwards 2012; Látková and Vogt 2012; Roberts and Hall 2001, 2004; Wilson et al. 2001).

Beyond the macro perspective, a similar development structure can be adapted to the business level, where these three main factors likely determine business success. Area development demands not just new business start-ups but also their ongoing success.

First, for a business, product development likely involves adding services/features to complement the existing offer and achieving greater product quality. In rural lodging establishments, various initiatives have aimed to improve the quality of the establishments, with the assumption that quality is important for ensuring success, especially if the quality implementation takes clients’ preferences into account. Therefore, product quality relates to the provision of a complete range of attributes valued by clients. Such quality should prompt positive performance consequences (Anderson, Fornell, and Lehmann 1994; Anderson, Fornell, and Rust 1997; Behn and Riley 1999; Huang 2006; Maiga and Jacobs 2005; Smith and Wright 2004). Different indicators of business performance relate positively to quality, such as occupancy (Hartline and Ferrell 1984), price (Gutiérrez Cillán and Fortuna Lindo 1999), and sales or profits (Behn and Riley 1999; Kimes 1999; Maiga and Jacobs 2005). Greater sales volumes can result from clients’ acceptance of higher prices or higher occupancy rates. Profitability also usually demands efficiency. Because quality relates positively to occupancy, price, sales, and profits, a link that should hold for rural lodging establishments in Spain as well (Hernández-Maestro and González-Beníto 2011; Valdés Peláez and De la Ballina-Ballina 2005), we hypothesize:

**Hypothesis 1:** Product development relates positively to business performance.

Second, rural development programs encourage knowledge development through training for operators. The knowledge held within the firm is a key factor for ensuring a business’s competitive advantage (De Boer, Van Den Bosch, and Volberda 1999; Monfort Mir 2004). In particular, two main sources of knowledge are crucial: active (e.g., special courses, education) and passive (e.g., experience). Highly educated persons appear more receptive to new ideas (Hua et al. 2000; Kimberly and Evanisko 1981), and prior research notes a positive relationship between an entrepreneur’s attendance in business courses and his or her participation in activities related to starting a new firm (Davidsson and Honig 2003). Moreover, some evidence suggests a positive relationship between an entrepreneur’s educational level and the firm’s growth, sales, profitability, and identification of new opportunities (Honig 1998; Jo and Lee 1996; Tamásy 2006; Ucbasaran, Westhead, and Wright 2008; Van de Ven, Hudson, and Schroeder 1984). Education also relates directly to the implementation of service quality and thus better business performance (price, sales) by rural lodging establishments (Hernández-Maestro and González-Beníto 2011; Hernández-Maestro, Muñoz-Gallego, and Requejo 2009). The type of education is significant too: a technical degree, MBA, or degree related to the entrepreneurial activity can have especially positive effects on growth (Almus and Nerlinger 1999; Jo and Lee 1996).

Regarding passive knowledge, the peculiar context of rural lodging establishments means that most businesses are small, started by individual entrepreneurs with little business or management skill. This lack of skills can affect various elements of the firm, from operations to financing, and increase the risk of business failure. Therefore, more experienced entrepreneurs should enjoy more business success. However, contradictory results also appear regarding the effects of knowledge derived from experience. Lussier (2005) suggests a greater chance of success if the firm is managed by someone with prior experience in the particular industry. In a study of 48 small start-up firms, Jo and Lee (1996) find positive correlations between experience in that business and return on employees, growth rate of assets, and growth rate of employees. Davidsson and Honig (2003) also note that experience creating different businesses advances the development of activities needed to create a new firm. According to Harada (2004), an entrepreneur’s related prior business experience positively affects productivity. In rural lodging establishments, experience in the industry appears positively related to some performance measures, such as occupancy, but has no significant influence on sales, profits, composite measures of company performance, or productivity (Fleischcr and Tchetchik 2005; Hernández-Maestro and González-Beníto 2011; Van de Ven, Hudson, and Schroeder 1984). Some evidence even indicates that start-up experience or prior experience in small businesses relates negatively to performance (Jo and Lee 1996; Van de Ven, Hudson, and Schroeder 1984). Despite these contradictory findings for experience, we posit overall that
Hypothesis 2: Knowledge development relates positively to business performance.

Third, in relation to promotion development, ensuring that information flows to potential customers is important to any business but particularly critical for small businesses in rural areas, because of their scarce resources and remote locations (Dolli and Pinfold 1997; Roberts and Hall 2001; Sharpley 2002; Siemens 2007). In this regard, the Internet is an important tool, because tourists can easily search for information regarding their destination and lodging. Efforts by rural lodging establishments to advertise the area and specific business online therefore should prompt rewards, in the form of increased consumption. Furthermore, certain website characteristics may have significant effects on customer preferences and encourage positive behavioral intentions (Bart et al. 2005; Resnick and Montania 2003; Yoon 2002). Thus, the use of Internet technologies offers a likely source of competitiveness. For example, Polo and Frías (2010) show that information and communication technology deployment encourages competitive actions, which then enhance business performance (Ellinger, Lynch, and Hansen 2003; Polo Peña, Frías Jamilena, and Rodríguez Molina 2011). Specifically for rural lodging establishments, Nieto, Hernández-Maestro, and Muñoz-Gallego (2011) note that web content (i.e., richness of information offered) influences business performance (sales and benefits). An entrepreneur’s computer skills also may moderate this influence on success (Morrison and King 2002).

In Spain (and particularly in Castilla and León), rural lodging establishments appear on an official regional website, but each establishment also may place information on various other websites (e.g., their own hosted or a private association site). Most establishments undertake traditional promotions as well, such as guidebooks. Thus, we propose:

Hypothesis 3: Promotion development exerts a positive effect on business performance

Methodology

Data Collection

This research represents one branch of a wider project, focused on multiple samples and research hypotheses. For this study, we focused on the sample of rural lodging establishments in Castilla and León (Spain) to test our proposed hypotheses. The sample therefore consists of 150 rural establishments from among a total population of 1,445 (95% confidence level, \( p = q = 0.5 \), error = 7.6%). After contacting each establishment to request its collaboration, we sent the questionnaires by mail to 305 establishments (95% confidence level, \( p = q = 0.5 \), error = 5%), with a cover letter and a stamped, self-addressed envelope.

Measures

The study measures appear in Table 4; we selected them from the range of variables contained in the questionnaire for the wider study, such that the number of items was restricted by the questionnaire length. For business performance, we considered four measures: occupancy, price, sales, and profit. Entrepreneurs indicated if their establishment was completely occupied during busy times of the year. The price measure was comparative, assessed in relation to competitors and measured on a seven-point Likert-type scale (1 = much lower, 7 = much higher). Sales and profit indicated the annual sales volume and annual profits achieved, respectively, on interval scales.

Among the success factors, we considered two elements in relation to the product: activities, or the number of complementary activities to which the entrepreneur facilitates tourists’ access (e.g., sports, cultural activities), measured with one observed item (activities access); and physical product, which combined the installations available in common spaces (e.g., swimming pool, garden, terrace, barbecue, fireplace) with the room elements that appear in a standard bedroom. For knowledge, we measured the entrepreneur’s education and experience. The two-item education measure asked about the number of business-related courses the entrepreneur has taken in the past two years and the level of education he or she achieved. The one-item experience measure determined the number of years the respondent had worked in rural lodging establishments or similar establishments (e.g., hotels, hostels). Finally, related to promotion, we measured online promotion as the number of websites on which the establishment appears and whether it had its own website (dichotomous variable). Then we assessed offline promotion according to the number of rural tourism guides in which the establishment appeared. We also included the establishment’s size (number of beds) as a control variable.

Analysis

For this analysis, we applied four models, one for each of the performance measures (occupancy, price, sales, and profit), as we show in Figure 2. Structural equation modeling (SEM) served to test the research hypotheses, though we used partial least squares (PLS), as opposed to covariance-based SEM. Not only has PLS been used in different sectors, including tourism (Helm 2005; Hulland 1999; Murphy, Pritchard, and Smith 2000; Pavlou and Fygenson 2006; Rodríguez-Pinto, Rodríguez-Escudero, and Gutiérrez-Cillán 2008), but two features of this research also make PLS appropriate. First, our data set included different types of variables (including dichotomous ones), and PLS can estimate both measurement and structural parameters through an iterative process that includes simple and multiple regression by traditional ordinary least squares. Thus, it avoids distributional assumptions about the observed variables. Second, our
We estimated our model using Smart-PLS 2.0 (Ringle, Wende, and Will 2005) and determined the level of statistical significance of the coefficients through a bootstrap resampling procedure (500 subsamples, randomly generated). Traditional parametric tests were inappropriate, because we

model included formative constructs (i.e., the emergent variable is affected by observable variables). For formative constructs, the indicators do not need to have the same or similar content, nor is it necessary for them to covary (Diamantopoulos and Winklhofer 2001; Jarvis, MacKenzie, and Podsakoff 2003).

### Table 4. Measures.

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Items</th>
<th>Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Success factors</td>
<td>Size (control variable)</td>
<td>Beds</td>
<td>Number of beds</td>
</tr>
<tr>
<td></td>
<td>Product</td>
<td>Activities</td>
<td>Please specify the number of complementary activities to which access is facilitated by your establishment (sports, cultural activities, etc.)</td>
</tr>
<tr>
<td></td>
<td>Physical product</td>
<td>Room elements</td>
<td>Please specify which of the following elements are contained in a standard bedroom: wardrobe, hangers, mirror, bin, one hand towel per person, one bath towel per person, chair, table lamp on bedside cabinet, heating, air conditioning, wooden slatted base or divan base, continuous spring or latex mattress, shutters</td>
</tr>
<tr>
<td></td>
<td>Installations</td>
<td></td>
<td>Please specify which of the following spaces and elements are available for additional activities: swimming pool, garden, terrace, barbecue, fireplace, TV room, lecture or games room</td>
</tr>
<tr>
<td>Knowledge</td>
<td>Education</td>
<td>Courses</td>
<td>Number of courses related to the business that the entrepreneur has attended in the last two years</td>
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<tr>
<td></td>
<td></td>
<td>Level</td>
<td>Level of education (no education, primary education, secondary education, university degree/postgraduate).</td>
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<tr>
<td></td>
<td></td>
<td>Experience, years</td>
<td>Number of years working in rural tourism establishments or similar establishments (hotels, hostels, etc.)</td>
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<tr>
<td>Promotion</td>
<td>Online</td>
<td>Web sites</td>
<td>Number of websites in which your establishment appears because you have paid for it (including the one of the association to which you belong)</td>
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<tr>
<td></td>
<td>Offline</td>
<td>Paper guides</td>
<td>Number of rural tourism guides in which your establishment appears</td>
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<tr>
<td>Business performance</td>
<td>Occupancy</td>
<td></td>
<td>Complete occupancy is achieved at:</td>
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<td></td>
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<td>Easter; first half of June; second half of June; first half of July; second half of July; first half of August; second half of August; first half of September; second half of September; Christmas; long weekends</td>
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<td></td>
<td>Price</td>
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<td>Price in comparison with competitors (7-point Likert-type scale from 1 = much lower to 7 = much higher)</td>
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<td>Sales</td>
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<td>The annual sales volume represents:</td>
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<td>Less than 6,000 €</td>
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<td>Between 30,001 and 36,000 €</td>
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<td>More than 36,000 €</td>
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<td>Profit</td>
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<td>Annual benefit represents:</td>
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<td>More than 18,000 €</td>
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made no assumption about the distribution of observable variables.

Results

We present the results in Table 5 and Figure 3. To start, we note that access to complementary activities had a significant effect on the rural lodging establishments’ occupancy and sales, but not on their price level or profit. Perhaps the costs created by offering such amenities surpassed the extra income achieved as a consequence of offering them. Moreover, the physical product (i.e., complete installations, rooms) did not influence any of the four outcomes. In response to this surprising result, we segmented the sample into those establishments that rented out individual rooms versus those that rented the house as a whole. Establishments that provided individual rooms (75) cited a significant effect (90% confidence level) of the physical product on occupancy and price. In particular, occupancy depended on the availability of room equipment, whereas price depended largely on the level of installations available (see Table 6). Establishments that hired the house as a whole instead showed no significant effects of product developments. This more detailed analysis implied that the physical product was diluted when we aggregated rural lodging establishments that rent out individual rooms versus those that rent the house as a whole. Establishments that provided individual rooms (75) cited a significant effect (90% confidence level) of the physical product on occupancy and price. In particular, occupancy depended on the availability of room equipment, whereas price depended largely on the level of installations available (see Table 6). Establishments that hired the house as a whole instead showed no significant effects of product developments. This more detailed analysis implied that the product effect was diluted when we aggregated rural lodging establishments that rent out individual rooms versus those that rent just a room. Better infrastructure and equipment improves the performance of single-room establishments, likely because the entrepreneur (often an entire family) generally lives in the house with the clients. However, entrepreneurs who rent the house as a whole can manage their establishment from a distance, which may hide underexploited establishments. Thus, further commercialization by single-room establishments appears more effective in terms of taking advantage of the potential infrastructure and equipment than it would be for houses rented as a whole.

In addition to our global assessment of the accumulated effect of the entrepreneur’s effort to provide better installations or rooms (and ultimately a better physical product), we ran a complementary analysis. Our database contains more disaggregated information about a limited set of variables, related to room elements and installations (see Table 4). We used these data to identify which specific elements have significant effects on performance for single-room establishments. We explored a correlation matrix with performance measures and binary variables to indicate whether specific room elements and installations (continuous spring or latex mattress, divan base, fireplace, swimming pool, garden) were available.

The room elements and installations did not relate individually to any of our performance measures, with the exception of a swimming pool, which related individually, positively, and significantly to price (0.253, 95% confidence level). We note that many of the room elements included in this supplementary analysis fulfill relatively basic needs of tourists, such as having a wardrobe, bath towels, a chair, a table lamp, and heating. Accordingly, these binary variables are nearly constants with a unique value of 1. In contrast, three elements can discriminate among the establishments: a continuous spring or latex mattress, traditional shutters on the windows, and air conditioning in the bedroom. These three elements thus appear mostly responsible for the effect of the physical product on occupancy rates for single-room establishments (see Table 6).

Regarding the knowledge hypothesis, we find that education positively determines prices, sales, and profit, whereas experience only has a negative influence on profits (90% confidence level). In previous research, we have uncovered nonsignificant or negative direct effects of different types of experience (e.g., experience in the industry, start-up experience, prior experience with small businesses) on several measures of performance (Fleischer and Tchetchik 2005; Hernández-Maestro and González-Benito 2011; Jo and Lee 1996; Van de Ven, Hudson, and Schroeder 1984). The nature of the experience (successful or unsuccessful) may help clarify these results. For example, having experienced problems with change could cause an entrepreneur to experience overconfidence in current practices, engage in loose or careless capital management, or adopt bureaucratic approaches (Baron 1998; Jo and Lee 1996). Also, for some experienced entrepreneurs, the desire for a simple, rural lifestyle may surpass the desire for benefits. The predominance of personal over economic goals is a key threat of failure in rural tourism, according to Roberts and Hall (2001). Therefore, despite the nonsignificant or negative direct effects we found for
### Table 5. Performance Measurement Items.

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Items</th>
<th>Occupancy</th>
<th>Price</th>
<th>Sales</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Loadings</td>
<td>Weights</td>
<td>t Value</td>
<td>Loadings</td>
</tr>
<tr>
<td>Size</td>
<td>Beds</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Activities</td>
<td></td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Physical</td>
<td>Room</td>
<td>0.333</td>
<td>0.089</td>
<td>0.338</td>
<td>0.274</td>
</tr>
<tr>
<td></td>
<td>elements</td>
<td>0.996</td>
<td>0.974</td>
<td>4.453</td>
<td>0.999</td>
</tr>
<tr>
<td></td>
<td>Installations</td>
<td>0.821</td>
<td>0.699</td>
<td>2.508</td>
<td>0.868</td>
</tr>
<tr>
<td></td>
<td>Level</td>
<td>0.730</td>
<td>0.584</td>
<td>2.014</td>
<td>0.667</td>
</tr>
<tr>
<td>Experience</td>
<td>Experience, years</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Online</td>
<td>Web sites</td>
<td>0.298</td>
<td>0.176</td>
<td>0.779</td>
<td>0.533</td>
</tr>
<tr>
<td>Offline</td>
<td>Paper guides</td>
<td>0.985</td>
<td>0.962</td>
<td>6.721</td>
<td>0.772</td>
</tr>
</tbody>
</table>

Note: VIF, variance inflation factor.

experience, we believe this result demands more careful analysis, including the consideration of potential moderating variables, such as the main objective actually pursued by the entrepreneur.

Finally, online promotion affects occupancy rates and sales (90% confidence level), as well as prices, but not profit. Again in this case, we posit that the extra income earned may be offset by the extra costs of such online tools. In another notable finding, we uncover no influence of offline promotion on any of the analyzed outcomes. Therefore, we confirm hypothesis 3 only for online promotion (occupancy, price, and sales), not for offline promotion.

### Conclusions and Implications

This study has identified and examined factors that can help rural communities promote tourism, through the successful development of rural lodging establishments. In particular, we have examined the influence of three general factors related to the business and the entrepreneur: product, knowledge, and promotional tools. The results generally confirm our proposed hypotheses and thus offer useful insights for policy makers and lodging businesses. Policy makers can use the findings of this study to evaluate entrepreneurs’ projects, allocate subsidies, and help establishments improve their commercialization. Rural lodging establishments should consider them when they elaborate their business plans and seek ways to achieve better performance. We offer several specific recommendations in turn:

1. Administrators should prioritize their support for establishments that provide clients with access to complementary activities and high-quality installations and equipment, discriminating between houses that rent single rooms versus those that hire the house as a whole. The latter do not appear to be taking advantage of better installations.

2. Similarly, businesses seeking to improve their performance should invest in good-quality installations and equipment and offer complementary activities, though proper management is necessary.

3. Education should be encouraged. The policy of subsidizing education courses for entrepreneurs appears proper.

4. As people become increasingly familiar with new technologies, tourists’ use of paper guidebooks when searching for accommodations may diminish. Therefore, subsidies for printed guides seem useless; it is not advisable for authorities or rural tourism establishments to invest further in paper guidebooks. They would benefit more from investing in new promotional tools, such as user-friendly websites.

Finally, we note some limitations of this study. This research is embedded within a wider project that includes different samples and research hypotheses, such that the questionnaire was quite long and each item needed to be concise. More refined variables, such as measures of the types of training or types of website, would be desirable. We also recognize that other variables, such as the entrepreneur’s hospitality or the establishment’s distance from a big city, could determine the success of rural lodging establishments. Yet we did not consider these elements in this study, because our
Figure 3. Structural path results.
focus centered on the factors that area development programs employ to make their support decisions. We encourage further research to address these concerns with relevant variables.

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References


Geoforum, 93

Table 6. Partial Least Squares Results for Product in Single-Room Rural Lodging Establishments.

<table>
<thead>
<tr>
<th></th>
<th>Loadings</th>
<th>Weights</th>
<th>t Value</th>
<th>Structural Path</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical product</td>
<td>0.154 (t = 1.702)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Room elements</td>
<td>0.995</td>
<td>0.989</td>
<td>7.275</td>
<td></td>
</tr>
<tr>
<td>Installations</td>
<td>0.211</td>
<td>0.041</td>
<td>0.338</td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>0.166 (t = 1.710)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loadings</td>
<td>Weights</td>
<td>t Value</td>
<td>Structural Path</td>
<td></td>
</tr>
</tbody>
</table>


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