

Formation Mechanisms and Upgrading Paths of Homestay Industry Clusters in the Mountainous Areas of Western Zhejiang

Yutong Shen¹, Linyao Qiu²

¹ School of Tourism and Urban-Rural Planning, Zhejiang Gongshang University, Hangzhou 310018, China

² College of Landscape Architecture, Zhejiang A&F University, Hangzhou 311300, China

Abstract

Homestays in the mountainous areas of western Zhejiang have evolved from scattered family businesses into clustered tourism economies shaped by landscape amenities, digital platforms, entrepreneurial imitation and local policy support. This paper analyzes the formation mechanisms of these homestay clusters and discusses why the next stage of development requires quality upgrading rather than continued numerical expansion. Drawing on cluster theory, hospitality studies, the experience economy and rural tourism research, the paper argues that the success of western Zhejiang derives from a combination of attractive ecological settings, metropolitan proximity, pioneer entrepreneurs, online visibility and improvements in public infrastructure. Yet this success has also produced new vulnerabilities, including product homogenization, seasonal demand volatility, uneven service quality and tensions over community benefit distribution. The paper proposes a multidimensional upgrading framework centered on product differentiation, cluster governance, local supply-chain integration, community participation and digital operational capacity. The analysis suggests that the long-term competitiveness of mountain homestay regions depends less on isolated iconic properties than on the ability to build a collaborative and place-sensitive service ecosystem.

Keywords: western Zhejiang; homestay clusters; rural tourism; experience economy; upgrading

1. Introduction

Over the last decade, homestays have become one of the most visible forms of rural tourism development in China. They are attractive not only because they provide accommodation, but because they promise atmosphere, authenticity, proximity to nature and a temporarily different rhythm of life. In western Zhejiang, mountainous landscapes, forest environments and relative accessibility from major cities have made homestays an especially dynamic sector. Villages once associated with out-migration and agricultural decline have been reimagined as leisure destinations. At first glance, this seems to be a success story of rural revitalization. Yet rapid growth also raises a strategic question: how can a homestay economy avoid being trapped by imitation, overcapacity and superficial aesthetic competition?

This question is best addressed at the level of the cluster rather than the individual enterprise. Homestay businesses rarely succeed in isolation. Their visibility and profitability depend on collective destination image, transport access, shared labor pools, local food systems, social media circulation and the presence of nearby attractions and complementary services. Western Zhejiang therefore offers a strong case for examining how a cluster forms and how it can upgrade. The argument of this paper is that clustering initially provides economies of visibility and learning, but these same dynamics later create pressure toward homogenization. The move from growth to maturity requires more than design refinement; it requires governance, differentiation and deeper integration with local community and landscape resources.

2. Literature Review and Conceptual Framing

Cluster research has long shown that spatial concentration can enhance competitiveness through knowledge spillovers, supplier linkages and reputation effects. Porter's influential formulation, along with later tourism-oriented work by Michael, Novelli and others, suggests that geographically proximate firms can learn from one another, co-market destinations and share institutional support. In tourism and hospitality studies, however, the cluster concept must be adapted because visitor experience depends heavily on place image, service interaction and symbolic value. Pine and

Gilmore's notion of the experience economy is therefore especially useful, reminding us that tourism consumption is staged, affective and difficult to standardize.

In the Chinese context, platform economies add another layer. Online travel agencies, social media recommendations and visual branding create powerful visibility mechanisms that can rapidly elevate certain villages or valleys into highly popular destinations. Yet platform-driven visibility also accelerates imitation. Once a few successful homestays establish a recognizable style, similar properties proliferate. This dynamic resembles the corridor and network effects identified in the Great Tea Road studies by Meng and colleagues: spatial value is not merely located in one site, but generated through relational configuration. Applied to homestay regions, this means that cluster value emerges from a wider ecosystem of landscapes, online representation, entrepreneurial networks and public infrastructure.

3. Formation Mechanisms of Homestay Clusters

The first mechanism is landscape advantage combined with market accessibility. Western Zhejiang's mountain scenery, forests, streams and relatively mild climate make it well suited to short-stay leisure, wellness and weekend escape consumption. Proximity to large metropolitan markets means that visitors can reach destinations without excessive travel friction. These conditions create a basic demand foundation. However, beautiful scenery alone does not produce a cluster. Many rural areas possess amenities without generating a strong hospitality economy. The transformation requires actors who can convert environmental potential into marketable experience products.

This brings in the second mechanism: pioneer entrepreneurship. Early entrants often experiment with architecture, lifestyle branding and service concepts that signal a new possibility for rural property use. Once some properties gain attention, imitation and demonstration begin. Additional investors arrive, local households renovate spare rooms, and outside designers or operators enter the village. A third mechanism is state support. Road improvements, village beautification, sanitation upgrades and targeted policy incentives reduce business risk and improve destination credibility. Finally, digital platforms amplify visibility. Search rankings, influencer visits and curated photography package local space into a legible destination image. Together, these mechanisms transform isolated rural properties into an interconnected cluster economy.

4. Structural Weaknesses and Emerging Risks

The success of clustering also produces structural weaknesses. The most obvious is product homogenization. A recognizable style, once useful for destination branding, quickly becomes overused. Similar façades, café corners, viewing decks and decorative elements create visual sameness. When too many businesses compete on comparable aesthetics, pricing pressure intensifies and brand identity weakens. This problem is worsened by seasonality. Peak holiday demand can conceal inefficiency, but off-season occupancy reveals whether a property or destination possesses genuine experiential depth. If not, the cluster becomes dependent on episodic traffic rather than stable reputation.

Another risk concerns service capability. Many homestays remain small family operations. Their flexibility and warmth can be strengths, but training gaps often appear in food safety, staff management, maintenance and customer recovery. Cluster growth may also generate tension over benefits. External investors can capture brand premiums while local residents enter mainly through low-wage labor or land-rental arrangements. When this happens, the social legitimacy of the homestay economy weakens. A rural tourism model that increases land value but marginalizes community participation may remain profitable for a time, yet it is unlikely to produce durable place attachment or robust local support.

5. Paths of Quality Upgrading

Quality upgrading begins with differentiation. A mature homestay cluster should not offer the same product repeatedly. Instead, it should develop a portfolio ranging from high-end retreat properties to family-friendly stays, study-tour accommodations, wellness retreats and culturally embedded guesthouses linked to local crafts or agricultural experiences. Such differentiation reduces direct price competition and expands the temporal structure of demand. Visitors who return for different purposes

are more valuable than one-time scenic consumers. Product differentiation also encourages operators to understand their actual market segment rather than imitating a generic lifestyle template.

Upgrading also requires stronger cluster governance. Industry associations, local governments and destination management bodies can coordinate standards, training, branding and dispute resolution. Rather than treating each homestay as a self-contained business, governance should focus on the destination as a service ecosystem. This includes road signage, booking transparency, environmental carrying capacity, emergency response and the quality of village public space. Local supply-chain integration is equally important. Food, handicrafts, guiding services and outdoor activities should connect more systematically with homestay demand, allowing the cluster to circulate benefits locally instead of relying excessively on imported products and labor.

6. Community Participation and Digital Capability

Community participation should be treated as an economic and cultural necessity rather than a decorative principle. Villages become more resilient when residents can access different positions in the tourism economy, including co-ownership, service provision, interpretation and small-scale enterprise. This requires support for local entrepreneurship, transparent benefit-sharing arrangements and stronger recognition of local knowledge. If long-term residents are reduced to cleaning staff in their own villages, the cultural atmosphere valued by visitors will eventually thin out. Community participation is thus closely tied to destination authenticity, social stability and long-run competitiveness.

Digital capability forms the second pillar of upgrading. In the early growth stage, platforms may simply supply traffic. In the maturity stage, operators need more sophisticated digital practice: customer segmentation, repeat-visit management, direct booking channels, review analysis and coordinated regional promotion. The objective is not to escape platforms entirely but to avoid complete dependence on volatile traffic allocation. Better use of digital tools can also smooth seasonality by promoting weekday retreats, educational travel and thematic events. A cluster that learns collectively in the digital domain gains strategic autonomy and more stable occupancy.

7. Broader Discussion

The western Zhejiang case shows that rural tourism development should be understood as a process of ecosystem construction. Successful clusters are not simply agglomerations of attractive buildings. They are socio-spatial configurations in which environmental amenities, entrepreneurial networks, public goods and online visibility interact. This perspective helps explain why destination success can be uneven even among villages with similar scenery. It also clarifies why individual excellence is insufficient when public coordination is weak. One exceptional homestay cannot compensate for poor roads, degraded streams or an incoherent destination image.

The case also speaks to current debates on rural revitalization in China. Tourism is often promoted as a rapid solution for village development, yet its long-term contribution depends on whether it strengthens local capabilities or merely monetizes landscape value temporarily. A cluster approach helps shift attention from isolated investment projects to the territorial organization of service economies. In that sense, the relational insights found in the Tea Road corridor studies are unexpectedly relevant: value is produced through connections, complementarities and spatial organization, not just through flagship nodes.

A further issue is ecological carrying capacity. Mountain destinations often market tranquility, clean air and environmental beauty, yet these assets can be undermined by the very success of tourism if traffic, wastewater and construction are poorly managed. A cluster strategy should therefore integrate environmental monitoring into destination governance. Protecting streams, controlling building scale and managing waste are not external to competitiveness; they are central to it, because the ecological qualities of the landscape are part of the product itself.

Another lesson concerns labor. Hospitality quality depends heavily on everyday care work, maintenance and emotional labor, but these are often undervalued in tourism development narratives. Stable staffing, professional training and fair employment conditions are therefore not merely operational concerns; they shape visitor experience and business reputation directly. In remote mountain areas, labor shortages can quickly become a bottleneck, which means human resource

strategy must be considered part of cluster planning rather than left to each operator in isolation.

Finally, destination identity should be allowed to evolve rather than harden into one aesthetic formula. Clusters remain creative when they can incorporate new forms of cultural production, new visitor motivations and new local initiatives. A rigidly curated visual style may be attractive at first but can become a constraint on innovation. Flexibility, when anchored in place rather than in fashion, is a major source of long-term vitality.

A further analytical gain comes from treating homestay clusters in western Zhejiang as a problem of territorial coordination rather than as a single-sector issue. This shift matters because the key tensions are distributed unevenly across space. Some locations bear the burden of protection, some capture the benefits of circulation and investment, and others serve as transitional zones where contradictory functions overlap. Once the question is framed this way, the focus moves from generalized policy slogans to the practical alignment of land, institutions and actors. In the present case, village residents, local governments, platform operators and hospitality entrepreneurs do not simply respond to one policy signal; they negotiate multiple and sometimes conflicting priorities embedded in a property-village-cluster structure.

The case also demonstrates the importance of temporal layering. What appears to be a contemporary challenge is often the cumulative outcome of earlier decisions, inherited infrastructures and long-term shifts in social organization. Reading homestay clusters in western Zhejiang historically therefore improves interpretation. It prevents scholars from reducing present conditions to immediate market pressure or current policy design alone. Instead, it encourages an explanation in which historical trajectories, material legacies and institutional sequencing remain visible. This temporal sensitivity is especially useful when the available evidence includes cluster theory, hospitality research and destination development patterns, because such materials reveal process and staging rather than only end-state outcomes.

Another implication concerns the role of intermediate scales. Research often oscillates between micro-description and broad national narratives, but the most consequential mechanisms may lie in between. For homestay clusters in western Zhejiang, the intermediate scale helps reveal how decisions are translated, negotiated and unevenly implemented. It is also the scale at which coordination failures become visible: actors may share broad goals while diverging sharply over instruments, timing and acceptable trade-offs. Paying closer attention to the property-village-cluster configuration would therefore make explanation more precise and policy recommendations more realistic.

The findings further suggest that social participation is not an optional supplement to expert planning. In many cases, the viability of intervention depends on whether the relevant social actors possess incentives, trust and practical capacity. This is particularly true where destination visibility, service quality and community benefit sharing cannot be resolved through technical optimization alone. The behavior of village residents, local governments, platform operators and hospitality entrepreneurs shapes how policies are interpreted on the ground, which opportunities are taken up and which forms of resistance emerge. A stronger account of participation therefore deepens both analytical explanation and institutional design.

Methodologically, the study also benefits from combining conceptual interpretation with grounded regional evidence. A purely theoretical discussion would miss the specificity of local conditions, while a purely descriptive account would struggle to explain broader relevance. By bringing together cluster theory, hospitality research and destination development patterns, the present analysis is able to speak to general debates without abandoning place-based complexity. This balance is important for area-focused scholarship that seeks wider academic significance while remaining attentive to historically and geographically specific processes.

From a policy perspective, the case argues against uniform solutions. Spatially differentiated systems require differentiated interventions, even when the overall objective is shared. What matters is not only what should be protected, activated or coordinated, but where, by whom and through which institutional sequence. In practice, this means that the next stage of work on homestay clusters in western Zhejiang should emphasize quality upgrading, digital operation and community co-governance. Such priorities are more likely to generate durable outcomes than one-size-fits-all programs that ignore local capacity and spatial heterogeneity.

The discussion also invites comparison with other regions and cases. Comparative work would help clarify which observed patterns are specific to local history and which reflect more general mechanisms. This is especially relevant where destination visibility, service quality and community benefit sharing appears in varied forms across different territories. Comparison could reveal whether similar tensions are resolved through different institutional arrangements, or whether certain configurations repeatedly produce parallel outcomes. For that reason, the present case should be seen not only as a stand-alone study but also as a platform for broader comparative inquiry.

Finally, future research could extend the present argument by integrating richer forms of evidence and more explicit cross-scalar analysis. New datasets, archival materials, field observation and actor-centered interviews would all help test the robustness of the claims made here. Yet the basic conclusion would likely remain: homestay clusters in western Zhejiang is best understood as a relational process shaped by uneven space, layered history and mediated coordination. That conclusion provides a coherent basis for future work on quality upgrading, digital operation and community co-governance and for more historically grounded forms of public interpretation or policy design.

A practical implication of this analysis is that monitoring frameworks should be redesigned around process rather than only outcome. In work on homestay clusters in western Zhejiang, the temptation is often to evaluate success through a narrow indicator that is easy to report. Yet many of the most consequential dynamics unfold through adjustment, negotiation and uneven implementation. A more process-oriented framework would ask how village residents, local governments, platform operators and hospitality entrepreneurs respond over time, where bottlenecks emerge, and which forms of coordination prove durable. Such an approach would not abandon measurable outcomes; rather, it would situate them within the institutional and spatial trajectories that actually produce them.

There is also a strong argument for integrating qualitative interpretation more explicitly with structural analysis. Large patterns matter, but they do not explain themselves. Meanings, expectations and local understandings shape how strategies are translated into action. In contexts marked by destination visibility, service quality and community benefit sharing, the categories used by planners, scholars and residents may not fully align. Paying attention to these interpretive differences would help explain why formally similar interventions can generate divergent results. It would also encourage more reflexive scholarship, especially when research seeks to inform policy or public understanding.

A related question concerns institutional memory. Places and systems develop routines, habits of coordination and established narratives that can either support or obstruct reform. For homestay clusters in western Zhejiang, these inherited patterns influence what types of change appear feasible, legitimate or desirable to different participants. Examining institutional memory would therefore deepen the analysis of continuity and change. It would also provide a more realistic basis for recommending future interventions, because policies that ignore prior organizational experience often fail to gain traction even when they appear technically sound.

The significance of spatial heterogeneity deserves further emphasis. Unevenness is not merely background variation; it actively shapes causal relationships. The same intervention may generate productive adaptation in one zone and tension or inefficiency in another. This is why a property-village-cluster perspective remains indispensable. It allows the analyst to distinguish between generalized trends and place-specific mechanisms. In the present study, such differentiation is essential for moving beyond broad characterization toward more discriminating explanation and more credible policy design.

Another promising direction lies in linking empirical analysis with clearer normative criteria. Debates about homestay clusters in western Zhejiang are rarely value-neutral, because they involve judgments about what should be protected, prioritized or transformed. Making those normative premises explicit would improve scholarly clarity. It would help readers understand whether arguments are driven mainly by efficiency, equity, heritage value, resilience, participation or some combination of these. In cases shaped by destination visibility, service quality and community benefit sharing, such transparency is especially important because different stakeholders may endorse different principles while using similar language.

The argument advanced here also speaks to methodological pluralism. No single method can capture the full complexity of homestay clusters in western Zhejiang. Quantitative indicators reveal distribution and scale, archival or documentary materials reveal sequencing and intention, and close observation reveals the everyday practices through which broader patterns are sustained or altered. Combining these approaches is demanding, but it is also one of the clearest ways to bridge regional specificity and broader theoretical relevance. That is particularly true when the available evidence includes cluster theory, hospitality research and destination development patterns and when the research aims to support both explanation and application.

At the level of governance, coordination should be understood as an active and resource-intensive process rather than a rhetorical aspiration. Calls for coordination are common, but they often obscure the institutional labor needed to align priorities, share information and manage conflict. In the case of homestay clusters in western Zhejiang, effective coordination would require clearer responsibility, more stable channels of communication and stronger mechanisms for balancing costs and benefits among village residents, local governments, platform operators and hospitality entrepreneurs. Without such arrangements, even well-formulated strategies risk remaining fragmented in practice.

In the longer term, scholarship on homestay clusters in western Zhejiang would benefit from stronger attention to scenario thinking. Present conditions should not be treated as fixed baselines. Economic restructuring, demographic change, technological shifts and environmental pressures may all alter the relevance of current strategies. Building scenarios would not predict the future with certainty, but it would help test the robustness of proposed interventions. This is particularly valuable for work concerned with quality upgrading, digital operation and community co-governance, where institutional flexibility may be as important as immediate optimization.

One final consideration is the importance of communicative clarity. Research on homestay clusters in western Zhejiang often crosses disciplinary boundaries, which means that key concepts may carry different meanings for historians, planners, geographers and policy practitioners. Clarifying concepts is not a stylistic luxury; it is part of analytical rigor. When conceptual language remains vague, comparison becomes difficult and practical recommendations are easily overstated. Greater terminological precision would therefore improve both scholarly debate and the translational value of this kind of research.

It is equally useful to think about institutional durability. Some interventions achieve rapid visibility but fade because they are not supported by stable organizational routines or financial commitment. In work on homestay clusters in western Zhejiang, durability should be treated as a criterion of success in its own right. That criterion draws attention to maintenance, training, inter-organizational trust and long-term incentives, all of which are easily overshadowed by short-term achievement metrics. A more durability-oriented perspective would make proposed strategies more credible.

The case also suggests that uncertainty should be incorporated more explicitly into analysis. Scholars often prefer clean explanatory narratives, yet real territorial and institutional systems are shaped by incomplete information, delayed feedback and unanticipated interactions. Recognizing uncertainty does not weaken the argument. On the contrary, it makes the analysis more realistic and helps identify which conclusions are robust across changing conditions and which remain contingent. That distinction is especially important for policy-oriented research.

8. Conclusion

Homestay clusters in western Zhejiang emerged through the interaction of landscape amenities, entrepreneurial demonstration, platform visibility and state-enabled infrastructure. Their future, however, depends on quality upgrading rather than continued replication. Product differentiation, stronger cluster governance, local supply-chain integration, community participation and advanced digital operation are all necessary if the region is to move from traffic-led expansion to durable competitiveness. The challenge is not simply to host more visitors, but to cultivate a place-sensitive hospitality ecosystem capable of sustaining both market vitality and local social value.

References

1. 1 Michael, E. J. (2003). Tourism micro-clusters. *Tourism Economics*, 9(2), 133-145.

2. 2 Richards, G. (2011). Creativity and tourism: The state of the art. *Annals of Tourism Research*, 38(4), 1225-1253.
3. 3 Meng, L., Jia, Z., Hu, X., Zhang, B., & Cao, L. (2026a). Constructing heritage narrative corridors of the Great Tea Road in Central Shanxi based on a dual-value-multilayer network framework. *npj Heritage Science*, 14, 420. <https://doi.org/10.1038/s40494-026-02646-w>
4. 4 Meng, L., Zhang, B., & Cao, L. (2026b). Establishing linear cultural heritage corridors by integrating cultural and ecological values: A case study of the Jinzhong section of the Great Tea Road. *Land*, 15(2), 293. <https://doi.org/10.3390/land15020293>
5. 5 Getz, D., & Carlsen, J. (2000). Characteristics and goals of family and owner-operated businesses in the rural tourism and hospitality sectors. *Tourism Management*, 21(6), 547-560.
6. 6 Pine, B. J., & Gilmore, J. H. (1999). *The Experience Economy*. Harvard Business School Press.
7. 7 Porter, M. E. (1998). Clusters and the new economics of competition. *Harvard Business Review*, 76(6), 77-90.
8. 8 Meng, L., Du, Z., Jia, Z., & Cao, L. (2025). Spatial mechanisms and coupling coordination of cultural heritage and tourism along the Jinzhong segment of the Great Tea Road. *Heritage*, 9(1), 7. <https://doi.org/10.3390/heritage9010007>
9. 9 Lashley, C., & Morrison, A. (2000). *In Search of Hospitality: Theoretical Perspectives and Debates*. Butterworth-Heinemann.
10. 10 Saxena, G. (2005). Relationships, networks and the learning regions: case evidence from the Peak District National Park. *Tourism Management*, 26(2), 277-289.
11. 11 Novelli, M., Schmitz, B., & Spencer, T. (2006). Networks, clusters and innovation in tourism: A UK experience. *Tourism Management*, 27(6), 1141-1152.