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## **Fuelling scientific innovation: eu funding opportunities for high growth enterprises**

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### **ABSTRACT**

Scientific innovation is essential for economic growth, societal progress, and global competitiveness. High-tech startups are key players in transforming research into market-ready products. However, they often face challenges in bridging the gap between research and commercialization. The European Union (EU) addresses these challenges through funding mechanisms such as Horizon Europe, which provide substantial support for high-risk innovations in areas like artificial intelligence, healthcare, and sustainability.

By utilising EU funding opportunities enabling technological progress, startups can contribute to a sustainable European economy, while addressing global challenges as well.

*Keywords: European Union (EU) funding, Scientific innovation, High-tech startups, Research to Commercialization, Horizon Europe, EIC Accelerator*

### **1. Introduction**

#### *Importance of Scientific Innovation*

Scientific innovation is a cornerstone of economic growth, competitiveness, and societal advancement. High-tech startups play an important role in forming cutting-edge research into marketable applications. However, bridging the gap between research and commercialization often requires substantial resources. EU funding is instrumental in addressing this gap by supporting high-risk, high-reward innovations and enabling tech startups to scale and succeed globally.

#### *Role of Startups in the EU Economy*

High-growth enterprises serve as engines of job creation, industrial renewal, and productivity in the EU's single market. These companies are essential to post-COVID-19 economic recovery and vital for continuous EU economic growth. The symbiotic relationship between startups and innovation emphasises their collective role in shaping a healthy economy.

#### *Practical guidance*

There are many European funding programmes, and as we will see below, they can be quite difficult to navigate. Fortunately, there are effective methods available to help find the right funding opportunities for our small and medium-sized enterprises (SMEs). The aim of this

article is not only to provide an overview but also to offer guidance on accessing suitable resources for our own business.

## 2. Research methodology

My paper focuses on two main topics:

1. The overview and statistical comparison of European countries based on their innovation index and number of high growth companies in the country.
2. The funding mechanism structures of the European Commission.

I synthesise data from EU policy documents, funding program guidelines, statistics, and case studies to evaluate the scope and impact of EU funding opportunities. My approach begins with an evaluation of the innovative characteristics of various European countries. This is followed by a quantitative analysis of high-growth enterprises using statistical datasets. For the statistical analysis I will analyse the relationship between the innovative value and the number of startups and SMEs by examining statistical data. Finally, the two indicators are compared to draw conclusions from the findings.

## 3. Theoretical background

### 3.1. Importance of Scientific Innovation

Economic literature and policy initiatives suggest (Smaranda and Tkacik 2024) that venture capital (VC) plays a key role in helping innovative start-ups grow by providing both finance and business know-how. A review of 34 firm-level studies in Europe found that VC has a predominantly positive impact on firm expansion and reducing credit limitations, though its effects on innovation, productivity, and positive exits are miscellaneous. The findings support the use of government VC (GVC) as a policy instrument to scale up high-tech start-ups.

Within the EU, the Multiannual Financial Framework (MFF) 2021-2027 allocates €1.211 trillion, with an emphasis on priorities such as the European Green Deal and digital transformation. Although the MFF is not fully a GVC, it includes several programmes that align with the concept of government venture capital.

The main topics supported by innovation funding mechanisms are technological advancements and economic competitiveness.

### 3.2. Examining SMEs in the EU Economy

To get a better view of the connection between the innovative value of innovative startups and SMEs, I will examine their statistical background. First I will focus on the number of a high-growth enterprises (HGE) using Eurostat quantitative statistics. Then I will take a look at the innovative nature of each European country. Finally I will make a comparison between these two indicators and draw conclusions based on the findings.

Definitions:

- Small and Medium-sized Enterprises (SMEs)

Small and Medium-sized Enterprises (SMEs) are businesses that are categorized based on their number of employees and annual turnover or balance sheet total. In the European Union, SMEs are classified into three categories: micro, small, and medium-sized enterprises. Micro enterprises have fewer than ten employees and an annual turnover or balance sheet total of up to €2 million. Small enterprises have between 10 to 49 employees and an annual turnover or balance sheet total of up to €10 million. Medium-sized enterprises employ between 50 and

249 people, with an annual turnover of up to €50 million or a balance sheet total of up to €43 million.

- **Startups**

A startup, as defined by Mitchell Grant at Investopedia (Grant 2024), is a young company founded by one or more entrepreneurs to develop a unique product or service, bring it to market, and make it irresistible and irreplaceable for customers. Startups are characterized by their innovative approach, high growth potential, and scalability. They often face high uncertainty and risk, but aim to disrupt existing markets or create new ones.

- **High-Growth Enterprises (HGEs)**

Based on the definition by **Eurostat** (Eurostat, European Union 2025), HGE is a business that achieves substantial growth over a three-year period, demonstrating significant expansion either in turnover or in the number of employees. Average annualized growth refers to the consistent yearly rate at which a value (e.g., revenue or number of employees) increases.

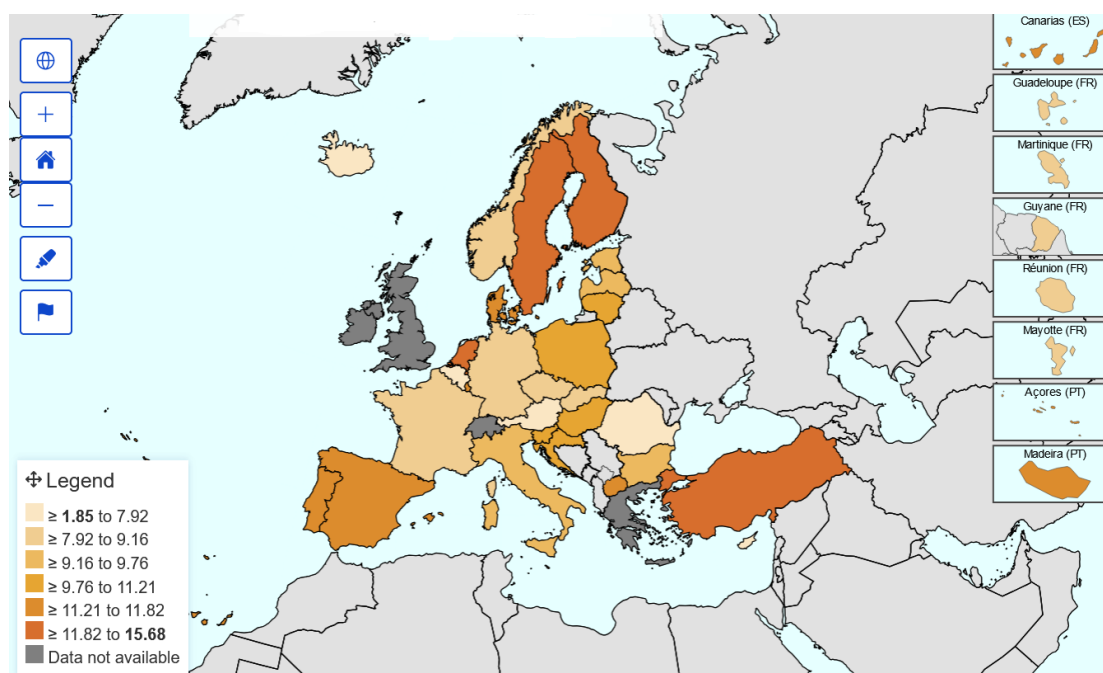
While they can be startups, not all startups achieve HGE status. HGEs can also be more established companies that have found a way to significantly accelerate their growth. These enterprises often invest heavily in innovation and expansion to capture larger market segments. HGEs are developing dynamically and fast, often overtaking their industry peers.

## **4. Main research findings/Results**

### *4.1. Comparison of two datasets*

In Figure 2 we can see the geographical representation of HGRs. Eurostat's methodology for these statistics analyses focuses on structural business data and uses specific indicators to assess the performance of enterprises. This Eurostat dataset provides statistics on high-growth enterprises (with at least 10% growth) and related employment across various industries (NACE Rev. 2 classification) in the EU from 2008 to 2020 (Eurostat 2024). It tracks business demographics, highlighting trends in rapidly expanding companies and their impact on employment. One of the main indicators is the **percentage of high-growth companies (Dataset 1)**, which grow quickly in terms of employment. This percentage is calculated by comparing the number of these fast-growing businesses to the total number of active companies with at least ten employees. The data also uses the NACE Rev. 2 classification system called, which focuses on the **overall business economy** but leaves out holding companies. This system ensures that data from different European countries can be compared easily. By combining these approaches, Eurostat provides a clear picture of how fast-growing businesses are contributing to the broader economy.

Figure 1 High growth enterprises (growth by 10% or more) and related employment



*Source: (Eurostat, European Union 2025) Innovation Index*

Our next dataset (**Dataset 2**) used is the **European Innovation Scoreboard** (European Innovation Scoreboard (EIS) 2025) which provides a comparative assessment of the Research and Innovation performance of EU Member States, other European, and selected third countries. It helps countries assess the relative strengths and weaknesses of their national innovation systems and identify challenges that they need to address. The European Innovation Scoreboard 2024 categorises Member States in four innovation groups based on their scores: Innovation Leaders (performance is above 125% of the EU average), Strong Innovators (between 100% and 125% of the EU average), Moderate Innovators (between 70% and 100% of the EU average) and Emerging Innovators (below 70% of the EU average). The European Innovation Scoreboard 2024 was released on 8 July 2024.

The index is calculated based on 32 indicators including a range of activities and factors related to innovation. EIS uses the year 2017 as the reference year for indexing.

Figure 2 The European Innovation Scoreboard's Innovation Index



Source: (European Innovation Council 2025)

EIS divides countries into 4 categories:

#### 1. Innovation Leaders:

Countries with the highest innovation index scores, indicating strong performance in innovation and high-growth enterprises. Among these frontrunners are Denmark, Sweden, Finland, and the Netherlands. Each of these nations has impressive innovation index scores—149.3, 146.2, 140.6, and 138.3, respectively.

#### 2. Strong Innovators

Following closely behind the leaders are the strong innovators, countries with solid innovation index scores, showing strong but slightly lower innovation performance than the leaders. Belgium, Austria, Ireland, Luxembourg, Germany, Cyprus, Estonia, and France fall into this category. Their innovation index scores range from 136.0 in Belgium to 114.4 in France.

#### 3. Moderate Innovators

Countries with moderate innovation index scores occupy the middle ground, performing above emerging nations but below the strong innovators. Slovenia, Spain, Czechia, Italy, Malta, Lithuania, Portugal, Greece, and Hungary are part of this group. Their innovation index scores vary from Slovenia's 100.1 to Hungary's 77.6.

#### 4. Emerging Innovators

Finally, we have the emerging innovators, countries that are still developing their innovation capacity. Croatia, Poland, Slovakia, Latvia, Bulgaria, and Romania are included in this category, with innovation index scores ranging from 76.6 in Croatia to 37.4 in Romania.



#### 4.2. *Comparison of results (for the details see Annex I.)*

Observing trends in innovation and enterprise growth shows a definite pattern among countries. High growth and innovation leaders, such as Sweden, Denmark, and Finland, has higher innovation index values and correspondingly high growth rates in enterprises, with Sweden and Denmark leading both categories. Strong innovators like Belgium and Austria, despite having high innovation index values, show lower enterprise growth compared to some other countries in Dataset 2, such as Malta or Slovenia. Moderate innovators, including Slovenia and Portugal, display solid enterprise growth despite their lower innovation index. Emerging innovators, such as Croatia and Poland, have a bit lower innovation index scores but still maintain relatively high enterprise growth rates, with Croatia at 11.07% and Poland at 9.76%.

As **Hungary** is my home country, I have examined its metrics more deeply. Hungary is categorized as a Moderate Innovator in the Innovation Index dataset, with an innovation index score of 77.6. In terms of high-growth enterprises, Hungary shows a growth rate of 10.37% in 2020, which is relatively strong compared to other countries in the Moderate Innovators group. This growth rate positions Hungary in the middle of the group in the high-growth enterprises dataset.

It demonstrates that while Hungary may not lead in innovation metrics, its growing number of high-growth enterprises points to a dynamic business environment. Hungary has **a healthy entrepreneurial ecosystem, with several high-growth companies** driving the economy.

#### 4.3. *Statistical analysis*

##### 4.3.1. *Reasoning*

Innovation drives economic growth and the success of enterprises. According to Wong et al. (Wong, P.K.; Ho, Y.P.; Autio, E. 2005) high growth potential entrepreneurship is found to have a significant impact on economic growth. Countries with higher innovation capacities (as measured by the Innovation Index) are expected to support enterprise growth. The Innovation Index and High Growth Enterprises datasets are complementing each other, thus analysing the relationship between innovation and enterprise growth can offer valuable insights into how innovation translates into economic performance.

##### 4.3.2. *Limitations*

Comparing the Innovation Index and High-Growth Enterprises by Country is feasible, but with important caveats. On the one hand the Innovation Index is a composite measure examining broader factors, e.g., R&D spending, human capital, digital infrastructure. On the other hand, the figures of high-growth enterprises are actual outcomes of such an ecosystem, being a single metric focused on business performance.

Also the two datasets do not fully align, as not all countries appear in both datasets, which could distort results or reduce the soundness of statistical analysis. To solve this issue I cleaned the data and included only those countries which appear in both the Innovation Index and High Growth Enterprises datasets. So I present it as an exploratory analysis, rather than a definitive conclusion.

### 4.3.3. Results

Based on the comparison of the two values, the following observation can be made:

For defining the connection between the Innovation Index and High Growth Enterprises I calculated the Pearson correlation coefficient. For the countries that appear in both datasets **Pearson's r is approximately 0.316**. This indicates a moderate positive correlation, suggesting that countries with higher innovation index scores tend to have higher growth in enterprises, but the relationship is not very strong. Other factors may also play a role in influencing growth in enterprises. For the detailed calculation see Annex II.

## 4.4. Funding Mechanisms

### 4.4.1. European overview

The European Union has a comprehensive set of funding mechanisms that are categorized into several policy areas, each addressing specific aspects of regional and global development. These programmes aim to support high-potential start-ups and innovation by providing financial resources.

1. **Horizon Europe:** This program focuses on research and innovation, with a budget of €95.5 billion, funding for cutting-edge projects and startups. This flagship research program tackling climate change, digital transformation, and innovation.
  - a. **European Innovation Council (EIC) Accelerator:** The EIC Accelerator is a funding program under Horizon Europe and the European Innovation Council that supports SMEs and startups through grants, equity investments, and business acceleration services. It focuses on high-risk, high-impact innovations startups and SMEs developing game-changing innovations with significant scale-up potential.
2. **InvestEU:** This program aims to boost investment in innovation, small and medium-sized enterprises (SMEs), and infrastructure projects across the EU.
3. **Digital Europe Programme:** Supports the digital transformation of businesses and public services, including funding for digital innovation and startups.
4. **Cohesion Fund:** Provides financial support to less developed regions, helping to reduce economic disparities and promote sustainable development.

### 4.4.2. Domestic landscape

Drilling down to country level, funding mechanisms are managed by decentralised programmes. Decentralised programmes are partially or fully implemented with the support of national or regional entities. Some programmes have both centralised and decentralised components, managed by European agencies and designated National Agencies in Member States. Understanding this distinction is vital as it affects application processes, project selection, fund distribution, and points of contact.

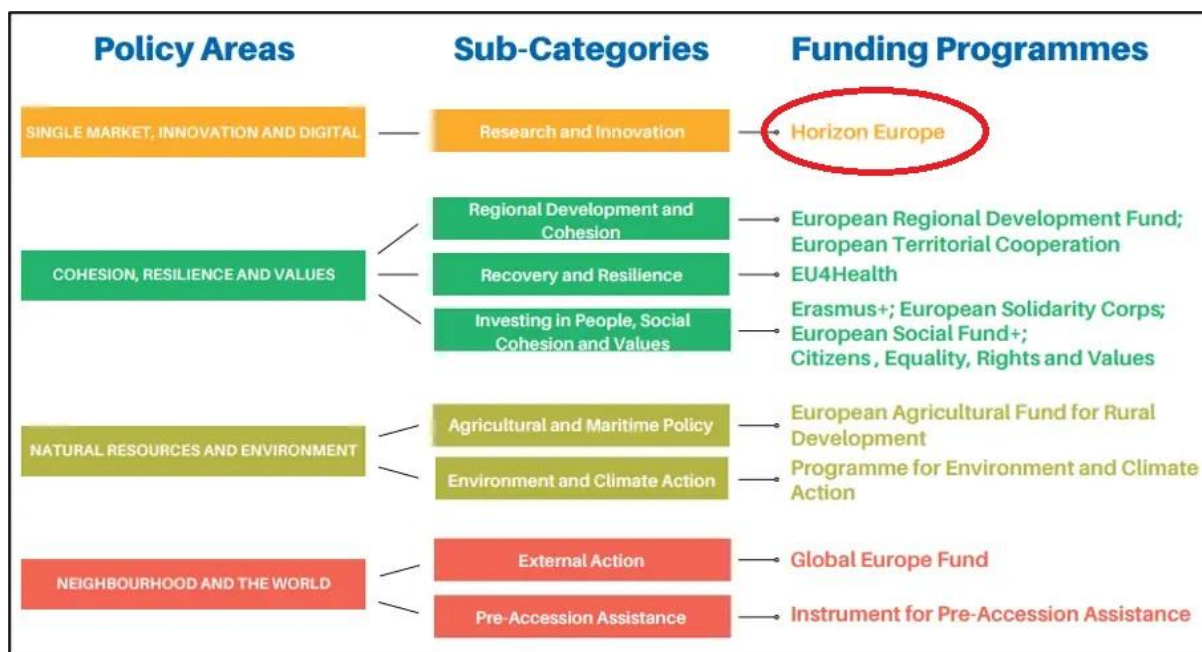
The EU funding system in Hungary is structured around several key mechanisms and programmes (About Hungary 2023). The main sources of EU funding include the European Regional Development Fund (ERDF), the European Social Fund (ESF), and the Cohesion Fund, which are part of the broader Multiannual Financial Framework (MFF) for 2021-2027.

Additionally, Hungary benefits from specific programmes like the Recovery and Resilience Facility (RRF), which provides grants and loans to support recovery efforts from the COVID-19 pandemic. The Common Agricultural Policy (CAP) also plays a significant role in providing financial support to the agricultural sector.

#### 4.5. Structure of Policies and Funding

The EU's budget of Multiannual Financial Framework (MFF) 2021-2027 contains €1.211 trillion, averaging around €173 billion annually. The policy areas are broken down to several funding programmes that assist Member States and associated third countries in developing and implementing EU and national policies, see Figure 1.

Figure 3 EU Funding Programmes



Source: (EOC EU Office 2024)

One major policy area is the Single Market, Innovation, and Digital. This encompasses initiatives aimed at enhancing the single market and fostering innovation and digital technologies. A notable program within this policy area is **Horizon Europe**, which focuses on research and innovation projects.

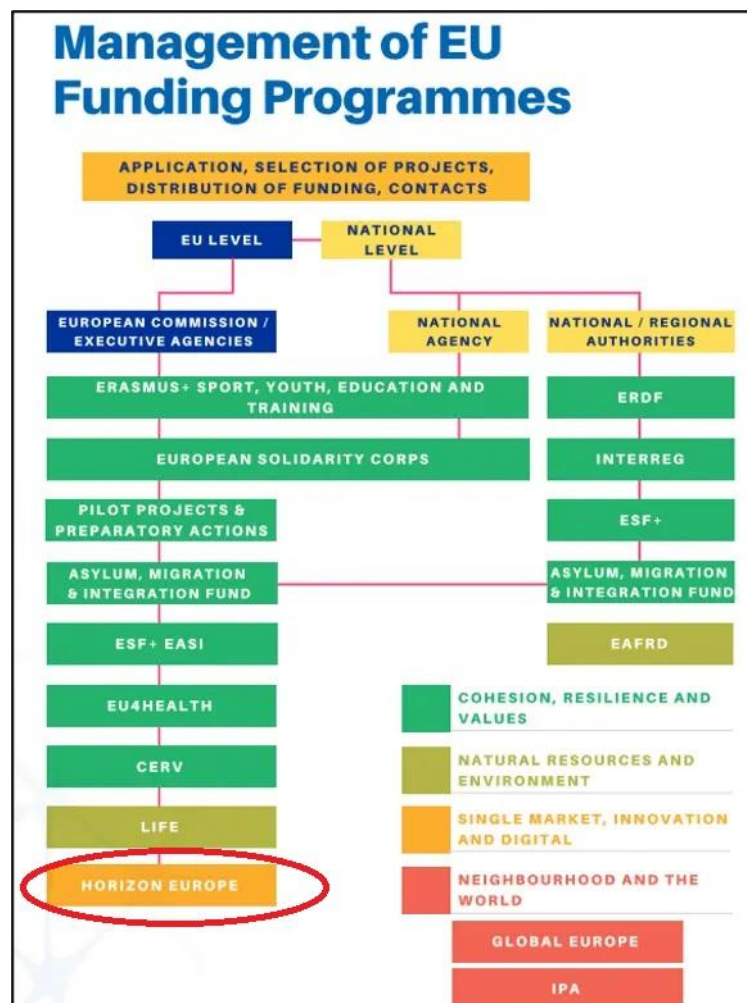
Centralised programmes are managed by six EU Executive Agencies and not by Member States.

The six agencies are as follows (EUR-Lex 2003):

- European Climate, Infrastructure and Environment Executive Agency (CINEA)
- European Education and Culture Executive Agency (EACEA)
- European Health and Digital Executive Agency (HaDEA)
- European Innovation Council and Small and Medium-sized Executive Agency (EISMEA)
- European Research Council Executive Agency (ERCEA)
- European Research Executive Agency (REA)

These agencies manage various EU programmes and initiatives, ensuring effective implementation and support across different policy areas. It is beneficial to know about them, as different funding programmes belong to different agencies with different grant application requirements.

Figure 4 Funding Programme Management



Source: (EOC EU Office 2024)

I outlined Horizon Europe as an example to have an understanding of the horizontal and vertical structure of the different programmes.

#### 4.5.1. Focus Areas for EU Funding

The focus areas below are part of the broader EU funding. These areas align with the EU's strategic priorities across various funding programmes:

- **Artificial Intelligence (AI):** Supported across multiple programmes, including Horizon Europe, Digital Europe Programme, and InvestEU, with a focus on ethical development and applications in sectors such as healthcare, manufacturing, and public services.
- **Healthcare Technologies:** Funding through Horizon Europe, EU4Health, and the European Regional Development Fund (ERDF) to advance medical technologies, pharmaceuticals, and digital health solutions to enhance patient care and system efficiency.
- **Sustainability and Green Technologies:** A core focus of the European Green Deal, with funding from Horizon Europe, the Cohesion Fund, the LIFE programme, and the Innovation Fund, driving innovation to reduce greenhouse gas emissions and achieve climate neutrality.

These focus areas are integrated into various EU funding mechanisms to ensure comprehensive support for innovation, sustainability, and technological advancement across the Union.

#### 4.6. *How to write a good proposal*

Securing EU funding is not an easy process. First we need to identify the right program, then prepare the proposal itself, which is a long and difficult procedure and involves our whole team and in some cases external grant writer experts.

To search for the right programme we have to use **EU Funding & Tenders Portal**.

The EU Funding & Tenders Portal is the official platform for finding funding opportunities to European Union programs. It is the central database for seeking EU grants, contracts, or procurement opportunities.

To find information about already funded project, which is also enormously useful before starting our application, we have to search in CORDIS. **CORDIS (Community Research and Development Information Service)** is the main public repository and portal for disseminating information on all European Union-funded research projects and their results.

After identifying the right call, we have to start the application process: identifying the right funding program, preparing the proposal, submitting it and waiting for the evaluation results.

Writing a grant application lasts from 3-4 weeks to 3-4 months depending on the type of grant, but it is rather the month-length type. For writing the proposal you need experts from different fields: CEOs, project managers, technical, IT and marketing experts. You have to follow the rigorous requirements of the Work Programme and the Call Document. The criteria of EU proposals in general are Relevance/Innovation, Impact, and Implementation Quality.

The evaluation process is very strict, thus the landscape highly competitive with low success rates. For example, the EIC Accelerator number of submitted applications and success rates is as follows, see Table 1.

Table 1 Success rates of EIC Accelerator grant applications in 2023.

<b>EIC Accelerator Statistics</b>
<b>Step 2:</b> 969 submissions, 347 (35.6%) passed
<b>Step 3:</b> 347 interviews, 68 (19.6%) were funded
<b>Combined Success Rate for Step 2 &amp; 3:</b> 7%

*Source: Edited by the author based on data from Strata*

Some tips for Startups for successful application:

- Clear vision and impact: Clearly articulate the problem and solution, and demonstrate the potential societal and/or economic impact. Include lots of KPIs and indicators!!!
- Market readiness: Highlight commercialization strategy and market demand.
- Partnerships: Building consortiums or partnerships can strengthen proposals and increase chances of success.



#### 4.7. Case Studies

Here I briefly present two real-life examples of successful European startups applying and winning funding resources. For GDPR reasons their names are obviously not given.

A successful startup secured funding to develop advanced video AI-powered technology. They use real-time Computer Vision automation to detect dangers on the manufacturing line aiming to achieve "problem-free production" in mostly glass manufacturing. The technology improves manufacturing efficiency and safety to achieve higher productivity, while saving human resources. Their main innovative feature is real-time anomaly detection and decision support, consequently employees handle complex tasks more effectively.

Figure 5: Example of the AI.  
*Source details cannot be disclosed due to data protection regulations.*

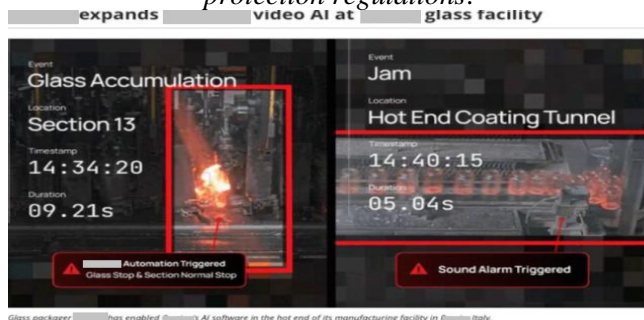
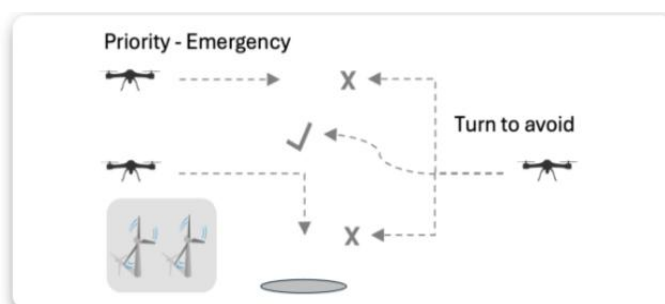


Figure 6: Drone Digital Air Traffic Control  
*Source details cannot be disclosed due to data protection regulations.*



## 5. Conclusions, recommendations

As we have seen, the European Union offers several funding mechanisms to support innovation, sustainability, and digital transformation in various fields. These programmes, such as Horizon Europe, InvestEU, and the Digital Europe Programme, align with strategic priorities like artificial intelligence, healthcare technologies, and green innovations. Centralized and decentralized funding structures makes it sure that applicants will find the opportunity which fits them best.

Obtaining EU grants requires a strong dedication, a solution which is already proven to be needed for the market, and a well-written proposal with lots of supporting data and indicators that meet strict evaluation criteria. Case studies further illustrate the potential of EU-funded initiatives in advancing cutting-edge solutions across industries.

To further enhance the impact of EU funding on innovation, the following recommendations are proposed:

- Increasing outreach to underrepresented regions, ensuring broader access to funding opportunities.
- Simplifying the application process to encourage greater participation from diverse startups, making it easier for innovators to access resources.
- Enhancing mentorship and support services for grant recipients, providing the guidance necessary for startups to succeed and scale.

These measures will strengthen the EU's ability to support technological innovation across its member states.

## **6. Summary**

EU funding plays a crucial role as a catalyst for innovation in bridging the gap between research and commercialization. It helps turning ambitious ideas into practical, market-ready solutions. By prioritizing advancements in fields like AI, healthcare, and sustainability, the EU not only drives technological progress but also addresses important societal challenges.

Startups and SMEs in high-tech industries are benefitting from utilising these opportunities to scale their innovations and compete globally. As a result, EU funding contributes to building a strong and progressive economy.

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## ANNEX I.

**Correlation Analysis Details:** Comparing the countries' Innovation Index and their high-growth enterprise performance:

### 1. Innovation Leaders (Dataset 1) and High-Growth Enterprises (Dataset 2):

- Denmark: Innovation index = 149.3, High-growth enterprises = 11.59%
- Sweden: Innovation index = 146.2, High-growth enterprises = 15.68%
- Finland: Innovation index = 140.6, High-growth enterprises = 12.53%
- Netherlands: Innovation index = 138.3, High-growth enterprises = 12.52%

### 2. Strong Innovators (Dataset 1) and High-Growth Enterprises (Dataset 2):

- Belgium: Innovation index = 136.0, High-growth enterprises = 6.88%
- Austria: Innovation index = 127.9, High-growth enterprises = 7.26%
- Germany: Innovation index = 122.8, High-growth enterprises = 8.25%
- Cyprus: Innovation index = 116.9, High-growth enterprises = 1.90%
- Estonia: Innovation index = 115.3, High-growth enterprises = 9.53%
- France: Innovation index = 114.4, High-growth enterprises = 8.63%

### 3. Moderate Innovators (Dataset 1) and High-Growth Enterprises (Dataset 2):

- Slovenia: Innovation index = 100.1, High-growth enterprises = 11.04%
- Spain: Innovation index = 98.9, High-growth enterprises = 11.28%
- Czechia: Innovation index = 98.7, High-growth enterprises = 8.84%
- Italy: Innovation index = 98.6, High-growth enterprises = 9.53%
- Malta: Innovation index = 96.8, High-growth enterprises = 12.13%
- Lithuania: Innovation index = 92.0, High-growth enterprises = 10.87%
- Portugal: Innovation index = 91.8, High-growth enterprises = 11.62%
- Greece: Innovation index = 85.3, High-growth enterprises = (not listed in Dataset 2)
- Hungary: Innovation index = 77.6, High-growth enterprises = 10.37%

### 4. Emerging Innovators (Dataset 1) and High-Growth Enterprises (Dataset 2):

- Croatia: Innovation index = 76.6, High-growth enterprises = 11.07%
- Poland: Innovation index = 72.5, High-growth enterprises = 9.76%
- Slovakia: Innovation index = 71.6, High-growth enterprises = 8.63%
- Latvia: Innovation index = 59.0, High-growth enterprises = 9.49%
- Bulgaria: Innovation index = 50.6, High-growth enterprises = 9.24%
- Romania: Innovation index = 37.4, High-growth enterprises = 1.85%

## ANNEX II.

To calculate the Pearson correlation coefficient I used Python provided by OpenAi:

```
# Country names that appear in both datasets

common_countries = [

    'Denmark', 'Sweden', 'Finland', 'Netherlands', 'Belgium', 'Austria', 'Germany',
    'Cyprus', 'Estonia',

    'France', 'Slovenia', 'Spain', 'Czechia', 'Italy', 'Malta', 'Lithuania', 'Portugal',
    'Hungary', 'Poland',

    'Latvia', 'Bulgaria', 'Romania', 'Croatia'

]

# Data aligned with common countries (Innovation index and High growth
enterprises)

innovation_index_common = [

    149.3, 146.2, 140.6, 138.3, 136.0, 127.9, 122.8, 116.9, 115.3, 114.4, 100.1, 98.9,
    98.7, 98.6,

    96.8, 92.0, 91.8, 85.3, 77.6, 72.5, 59.0, 50.6, 37.4, 76.6

]

high_growth_enterprises_common = [

    15.68, 12.53, 12.52, 11.59, 6.88, 7.26, 8.25, 1.90, 9.53, 8.63, 11.04, 11.28, 8.84,
    9.53,

    12.13, 10.87, 11.62, 10.37, 11.07, 9.76, 9.49, 9.24, 1.85, 11.07

]

# Calculate the Pearson correlation coefficient again

correlation, _ = pearsonr(innovation_index_common,
high_growth_enterprises_common)

correlation

Result: 0.3164195559884479
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LINK: <https://www.edutus.hu/cikk/sustainability-of-the-chinese-luxury-goods-market-strategies-for-the-future/>

## **Sustainability of the chinese luxury goods market - strategies for the future**

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### **ABSTRACT**

In our contemporary age, the globalising competitive market includes many driving forces increasing focus on sustainable consumption in the luxury industry. Wealthy consumers are increasingly aware of environmental and social issues, and are therefore seeking new types of luxury goods that respect natural resources and people, while combining traditional elements such as quality, rarity and value, which stand out. The luxury goods market in China has undergone significant changes over the years, driven by consumer behavior, economic development, and global trends including digitization, e-commerce

This study aiming to reveal the different challenges and opportunities in the transforming Chinese Luxury Goods Market, which is one of the largest in its size around the globe: from political changes to sustainability issues. Finally, this paper provide reviews about some successful strategies that luxury brands have adopted to preserve their prosperity in this dynamic and competitive environment of the Chinese market.

*Keywords: Chinese Luxury Goods Market, emerging trends, brand strategies, sustainability*

### **1. Introduction**

The Chinese market for luxury goods is expected to grow to 25% of the global market by the end of this year. That share is expected to reach around 40% in by 2030, making China the largest market for luxury goods in the world, overtaking Europe and the Americas. With the growing popularity of luxury brands and higher overall levels of wealth, China's luxury market is expected to reach around \$80 billion in 2023, on the back of a year-on-year growth of 8%. This remarkable growth will be underpinned by several factors, including the spending propensity of high-net-worth individuals, the infusion of new demand from the post-90s generation, the expanded presence of online channels, and the successful fine-tuning of pricing, products, and marketing strategies by luxury brands (Lin 2023).

From a products perspective, bags and suitcases account for over one third (35%) of the total market for luxury goods in China, with clothing at around 23% of the market, and jewelry and watches at 19% and 15% respectively (Cao 2006; Consultacy.asia 2023; Bain&Company 2023).

In this paper, the authors analysing the Chinese luxury goods market, examining key factors such market size, growth trends including evolving consumer demands, digital transformation and e-commerce. Furthermore, this research work also focuses on challenges and opportunities that shape the market landscape for luxury brands in China, from policy changes to sustainability issues. Finally, the study evaluates successful strategies adopted by luxury brands to thrive in this dynamic and competitive environment in the Chinese market.

## **2. Methodology**

In this review paper, the authors had studied the available relevant theoretical literatures as reference base, gathering, structuring data and draw conclusions. The implementation methodology based on secondary or “desk” research analysing international organisations documents and special databasis (Baidu, Consultancy.asia, Daxueconsulting, McKinsey, MoodieDavid, Morgan Stanley, Souhu, Yaoke Research Institute), scientific publications, studies, online literature sources. The conclusions and suggestions made by this research work in this article reflect the private professional view of the authors.

## **3. Landscape of the Chinese Luxury Goods Market**

Chinese society has not had a strong attachment to luxury goods since ancient times, because luxury goods in ancient China were positioned exclusively for the imperial class. These luxury goods were not used for purchase, but were products specially supplied to the privileged class.

In the late 1970s, China began to implement the policy of reform and opening up. As manifested consequences China's economy and society has undergone unprecedented transformation, and more and more middle-class people have appeared in society, and these people have begun to desire high-quality and high-end consumer goods. Smart international luxury brands have begun to sense the huge potential of the Chinese market. In 1976, the Omega watch became the world's first luxury product to enter the Chinese market. Although European luxury goods also came to China as royal gifts at the end of the Qing Dynasty and the beginning of the Republic of China, after the founding of New China in 1949, Omega was the first example. At this time, the target of luxury brands is already the ordinary Chinese group, because there is no royal class in China at this time. Pierce Cardin in China photographed by an Associated Press reporter On March 19, 1979, Pierce Cardin came to China. As the first European fashion designer to come to China, he held the first fashion show in New China at the Palace of National Culture in Beijing. At that time, there was no concept of fashion in China, so his arrival was an adventure. try. In this year, the wave of reform and opening up swept across the country, creating the most suitable opportunity for luxury goods to enter China. This year, French Remy Martin wine entered the Chinese market and became the most influential luxury product in China. In 1986, Bally fashion entered the Chinese market. The 1980s was the infancy of China's luxury goods market, and people were not very interested in it at that time. In 1990, the jewelry emperor Cartier entered the Chinese luxury goods market, leading a large number of international luxury goods to enter China. The 1990s was the period when most international luxury goods entered China. One brand stood out in particular, and that was the international luxury goods giant Louis Vuitton (L), which also opened its first store in Beijing's Wangfu Hotel in this year. Directly operated stores. When LV came to China, even in Shanghai, which was relatively developed at that time, the average salary per person per month was less than 200 yuan. In the second year, these expensive things triggered a controversy- - "Economic Daily" criticized Seth Mall, which sold foreign brands at that time, "Saite, you are too outrageous." But not long after, "when the head and horse start, good things will come naturally" and it became the most famous luxury store in China. Advertising slogan, this sentence has influenced three generations of Chinese wealthy

people, and its advertising power has not been surpassed by luxury goods to this day. 1993 was the year that many luxury brands entered China, such as Lancôme, which we are all familiar with, Estee Lauder, Clinique, Cognac. In 1993, Cognac became a fashion product that Chinese female consumers were pursuing. In 1994, the famous man's clothing brand Huo Zi Bo entered China. In the late 1990s, Brands such as Armani and Hermès are not lagging behind, and have come to China to open stores. The timetable for luxury brands entering China in the 1990s reached 2003, when China's per capita GDP reached US\$1,000, and the consumption structure began to change. This kicked off the consumption of luxury goods, and since then luxury goods have entered a stage of rapid growth. International media such as the British Financial Times and Financial Home magazine began to pay attention to the Chinese luxury goods market. In 2004, China promulgated the "Foreign Investment in Commercial Fields" The "Administrative Measures" opened the commercial market to foreign enterprises. This is a landmark document in the promotion of luxury goods. It actively promotes the heavy investment of international luxury goods in China. Internationally owned luxury goods stores such as It has grown like mushrooms. This laid the foundation for China to become a major consumer of luxury goods. In just a few years, the Chinese became obsessed with luxury goods and quickly became a large consumer of luxury goods. Some people joked, On the Champs Elysées in France and Fifth Avenue in the United States, where the world's top luxury goods gather, "the world is neither flat nor round, but belongs to the Chinese people"(Degen 2009; Yang 2009).

### **3.1. Consumer behavior**

Sustained and stable economic growth has significantly improved the living standards of the Chinese people, which is accompanied by Chinese consumers' acceptance, recognition and pursuit of luxury goods. Major international luxury goods giants have also entered the Chinese market. However, influenced by Eastern culture, there are certain differences in the consumption concepts of Chinese and Western consumers. Chinese consumers have their own particularities in terms of luxury consumption motivations. A significant difference in China's consumption behavior is that it is greatly influenced by groups. Chinese people pay more attention to the views and opinions of others when consuming, pay more attention to the social group effect of personal consumption, and pay attention to their own recognition in the group. Face, favor and relationship are the intermediaries and platforms for Chinese people's daily interpersonal interactions. "Face" consumption behavior and "relationship" consumption behavior are prevalent in Chinese society, creating China's special luxury goods consumption market. The main motivations for luxury goods consumption under "face consumption" and "relationship consumption" are:

#### *Conspicuous motivation*

Conspicuous consumption refers to the consumption of goods for the purpose of showing off, rather than to satisfy normal consumption needs. As early as the 18th century, foreign scholars proposed the term "Conspicuous Consumption". He explained the nature and utility of luxury goods from the perspective of human vanity. He believed that vanity is only a desire to surpass others, with the purpose of possessing others. Something that has never been possessed. Conspicuous consumption is consumption activities that provide evidence of wealth or power to gain and maintain respect (O'Cass, McEwen 2004).

Among Chinese luxury goods consumers, a considerable number of consumers consume luxury goods out of showing off. They will deliberately display the luxury goods they own to imply their economic strength and social status. There are many people in China who "consume first, worry later". According to the analysis of sociologists, luxury consumption is a reflection of a specific social psychology in the transition period from a society of scarcity

to a society of wealth. When people face a sudden increase in wealth, they will not hesitate to choose the "sign of wealth". Luxury goods are used to express one's new economic and social status. This is to satisfy a psychological release after a sudden increase in wealth. Although this consumption method has irrational elements, from a marketing perspective, it is also a phase, natural psychological needs.

#### *Herd motivation*

The consumption of luxury goods by a certain group will promote the impulse of other consumer groups to purchase the luxury brand. This purchasing motivation is called the herd motivation of luxury consumption. Many Chinese regard luxury consumption as a sign of status, strength, and taste. In order to live up to the expectations of others to save "face" and to "be valued", some Chinese who are not wealthy are also driven by the herd motive. consumption of luxury goods (Cao 2006).

#### *Motives for gift-giving*

In China, many luxury goods are not purchased to meet their own needs, but as gifts to others. Gift-giving is one of the main purposes for Chinese consumers to purchase luxury goods. Gifts can be used to express respect and respect to others, or they can be used as a favor resource to be distributed to others. As career of favor and face, gifts are an important link in establishing and maintaining social relationships (Liu, Li 2010)

#### *Status symbol*

Luxury goods consumption is not only physical or material consumption, but also symbolic consumption. Luxury goods consumers express and convey certain meanings and information through consumption, including their status, identity, personality, taste and taste. Luxury goods are given to people in China as a symbol of privilege and status, and people classify their social status through the details of consumption. The purchasing behavior of Chinese luxury goods consumers confuses many luxury goods companies. From this perspective, this classification study is like painting portraits of different Chinese luxury consumers, allowing us to see their faces more clearly and formulate marketing strategies in a targeted manner (Li 2010).

### **3.2. Chinese Luxury Market Trends**

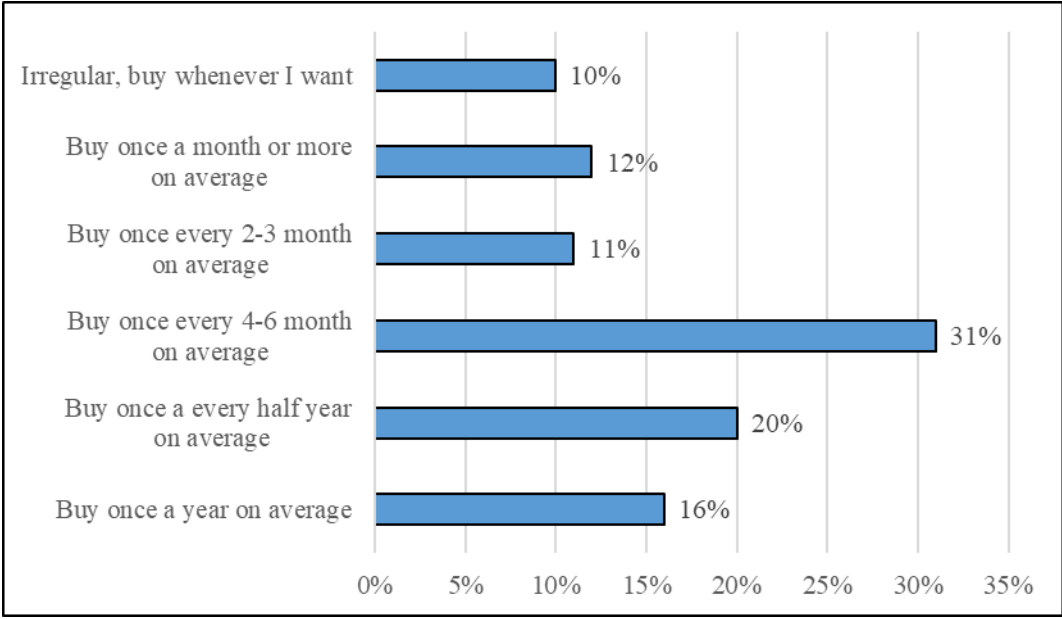
China's luxury goods market is one of the largest luxury goods markets in the world. With the rapid development of China's economy and the rise of its middle class, luxury goods consumption has gradually become a symbol of fashion and lifestyle in China (McKinsey 2019).

Although first-tier cities are the main consumption areas of China's luxury goods market, the development potential of second-tier and third-tier cities and rural markets cannot be ignored. With the increase of the middle class and changes in consumption concepts, consumer demand in these areas will continue to grow, becoming a hot spot for luxury brands.

The younger generation of consumers (Generation Z) has an increasing interest in and demand for luxury goods. They pay more attention to the social responsibility and sustainable development of brands, while paying more attention to personalized and unique shopping experiences. Brands need to continue to innovate and innovate to meet the needs of this group of consumers, since this age cohort has a different behavioral attitudes, customs, preferences, life-style with different communication habits compared to the elderly generation (e.g. Generation Millennials or Generation X). The below Figure 1. depicts the luxury items purchase frequency distribution in the Chinese population.



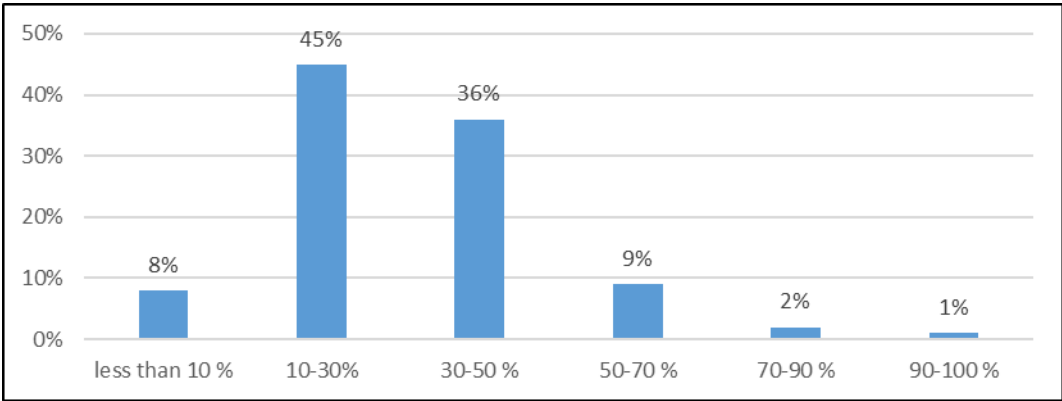
Figure 1 Luxury purchase frequency (2023)



Source: Own edition based on Contancy.asia (2023); Daxueconsulting (2024)

Furthermore, buying luxury goods for investment purposes can be a crucial driving motivator in both higher and lower-tier cities. However, consumers in higher-tier cities, accounting for 53% of total spending, exhibit greater openness to niche or emerging labels and are less price-sensitive compared to their counterparts in lower-tier cities. Those prefer classic, high-profile and recognizable luxury brands (as a means to showcase their social status and wealth) and are more receptive to promotions and discounts. Figure 2. demonstrates distribution of the amount spent on luxury goods as a percentage of annual income.

Figure 2 Annual income rate distribution spent on luxury goods purchase



Source: Own edition based on Consultancy.asia (2023); Daxueconsulting (2024)

In the consumer market in 2023, the post-90s generation will account for a large proportion of both the existing and incremental markets. In terms of luxury purchase frequency, the highest proportion of people will purchase luxury goods once every 4-6 months, followed by half a year to a year; in terms of spending, 45% of people will spend 10-30% of their annual income on purchases. Luxury, followed closely by 30-50% (BAIDU 2023a).

The importance of online channels has increased. With the development of Internet technology, online channels have become increasingly important in the luxury retail market.

Consumers can get a more convenient shopping experience through online channels and can shop anytime and anywhere. Brands need to strengthen the construction of online sales channels and provide better pre-sales and after-sales services to meet the needs of consumers.

In addition to offline, comprehensive e-commerce and other channels, short video platforms led by Tiktok and Kuaishou and content platforms led by Xiaohongshu and Bilibili are constantly occupying users' minds and becoming important luxury information collection channels (Liu, Qing. 2011).

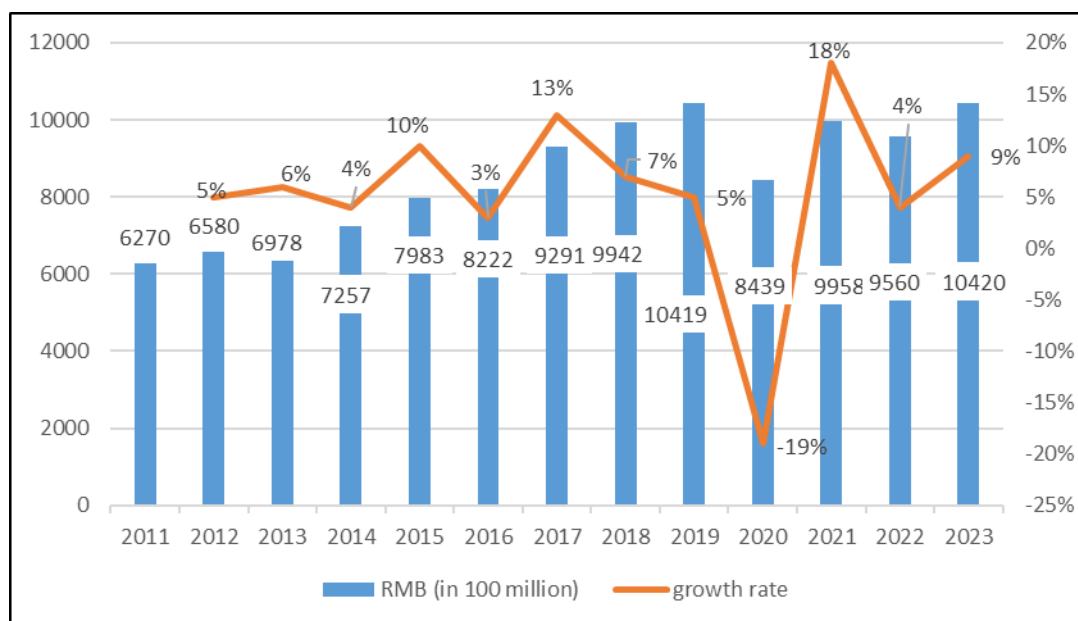
#### *The rise of personalization*

Consumers have an increasingly strong demand for personalization and uniqueness, and brands need to provide personalized and customized services to meet consumers' needs for uniqueness. Personalized customization can enhance the added value of the brand and increase consumer loyalty (Yu 2011).

#### *Pick now and buy now*

Offline brand counters are still the preferred consumption channel for luxury buyers. Professional product knowledge, thoughtful service and consumer experience make more than 60% of luxury buyers prefer to go to offline counters to purchase products. E-commerce platforms and brands purchase luxury goods online. Channels, etc., have also become popular channels due to their convenience, timeliness and other characteristics. According to market research data, China's luxury goods market has maintained a steady growth trend in the past few years. According to the latest data, China's luxury goods market reached 500 billion yuan in 2019, a year-on-year increase of 10%. In 2023, the global luxury goods market will reach 2.3 trillion yuan, and China's luxury goods market will account for as much as 25%. The market size is expected to reach 1.4 trillion yuan by 2030. Occupying 40% of the global luxury goods market. It is expected to surpass Europe and the United States to become the world's largest single market (BAIDU 2023b). The size of the Chinese global luxury market consumption and its annual growth rate summarized in the Figure 3.

Figure 3 Size of the Chinese global luxury consumption and its growth rate (2011-2023)



Source: Own edition based on Lin (2023); The MoodieDavitt Report (2023); Daxueconsulting (2024)



### *Consumer demand*

The changing economic environment is also affecting the consumption philosophy of young people, and even wealthy young people tend to be conservative in their consumption of luxury goods. According to a survey by Vogue Business and Barclays Research, young Chinese consumers have a higher preference for jewelry (48%) and sports shoes (38.7%) than ready to wear (20%).

The latest report released by Bernstein in collaboration with the Italian luxury goods association Altagamma is not as optimistic. The report believes that the trend of the luxury goods industry is clearly polarized after the epidemic, and wealthy consumers are more willing to pay for top brand products. Mid range luxury brands are facing challenges. As Luca Solca, a senior luxury goods analyst at Bernstein, said, Chinese consumers are more diversified than before the pandemic, and young people under 30 and consumers from lower tier markets will become increasingly important for the growth of personal luxury goods consumption (Bain&Company 2023; Daxueconsulting 2024).

One major characteristic of the Chinese market stems from its unique digital ecosystem, and another notable feature is its large and diverse consumer group (Morgan Stanley 2023).

In addition, second tier and below cities also contain enormous potential. The above factors together have created unique opportunities in the Chinese luxury goods market in recent years. Decision making and purchasing considerations: The restoration of the "extroverted" social value of luxury goods is in line with the increasing maturity of consumers, emphasizing the appreciation of classic and timeless designs and the desire for self-satisfaction. The consumer group is becoming increasingly diverse: young customers and customers in second tier and below cities deserve brand attention. Heavy customers contribute more than 40% of the market size, and self-rewards have become the main theme. The number of people who agree with the concept of "luxury goods as a way of life" is increasing (Bailey et al. 2009).

Young customer group; For brands, nearly 90% of consumers who first purchase luxury goods before the age of 30 need to pay more attention to and cultivate a younger demographic.

The second tier and below customer group accounts for 51% of the overall consumer group, with the majority completing cognition to purchase online.

From the perspective of consumer trends, modern consumers are increasingly inclined towards a "less but more refined" purchasing approach. This means they place more emphasis on the quality and value of their products, not just on quantity. Among the various subcategories of luxury goods, watches and jewelry have become the best performing categories. In addition, the iconic bags, perfume and other beauty products also maintained a positive growth trajectory.

In recent years, with the rapid development of the economy and changes in social structure, the demand of Chinese consumers has undergone tremendous changes. Especially for the younger generation of consumers, their consumption concepts and habits have undergone earth shattering changes compared to the past. This also brings new challenges and opportunities to the luxury goods market.

On the one hand, the demand for luxury goods among young consumers is constantly increasing. They pursue unique personality, quality assurance, and cutting-edge fashion, and have also higher requirements for the brand's storytelling and social value.

At the same time, with the popularity of the Internet and social media, young people are more easily exposed to various fashion trends and brand information, and they have more autonomy and personalized needs for consumer decision-making.

On the other hand, the younger generation of consumers place greater emphasis on value and experience when shopping. They are more willing to pay for meaningful and impact brand consumption, rather than just meeting material needs. They enjoy participating in brand interactive activities, paying attention to the brand's social responsibility and sustainable development, and have a higher sense of brand identity and loyalty.

Faced with these new consumer trends and demands, the luxury goods market needs to make corresponding adjustments and transformations. Firstly, brands need to focus on innovation and uniqueness. The demand of the younger generation of consumers for luxury goods is no longer simply symbolic consumption, but more focused on product design, materials, and craftsmanship. Brands need to launch innovative and personalized products to meet the needs of young people pursuing individuality and fashion.

The growth of the consumer market is slowing down, but China's ability to consume luxury goods still cannot be underestimated.

According to the "China Luxury Goods Report" released by the high-end brand professional research and consulting firm Yaoke Research Institute, in 2023. China's luxury goods consumption emerged from the pressure of 2022, began to recover growth, and finally recorded a growth rate of 9%, achieving 1042 billion yuan, reaching the level of 2019, and returning to the trillion yuan market size. The proportion of Chinese luxury goods consumption in global luxury goods consumption is still around 38%, and there has been no significant change. Chinese consumers are still the most important force in the global luxury goods market (The MoodieDavitt Report 2023).

According to the Yaoke Research Institute, the online transaction volume of luxury goods will exceed 60% in the next 3-5 years. At the same time, "one city, one store, one network" will become the core strategy for many luxury brands to open stores, especially for emerging and sinking markets. Many high-end niche brands, especially customized brands, will completely abandon opening stores, and the "online platform plus offline experience store or VIP service center" model will become mainstream. At the same time, location will no longer be the most important condition for selecting locations for luxury brand stores in the future. Single story stores will replace mall stores and become the most popular location target for luxury brands. In terms of consumer groups, starting from 2023, the luxury consumption of China's VIP (Very Important Customer/Client, meaning very important customers who are more prestigious than VIP) group has also entered the stage of cost-effectiveness. The report shows that for luxury goods consumption in China, the formula for combined cost-effectiveness is "(brand value plus product or brand value plus service value)/price=product cost-effectiveness". Unlike in the past, the cost-effectiveness of products and services has been elevated to a more important position. The consumer psychology of blindly pursuing big brands has gradually been replaced by a rational evaluation of the comprehensive cost-effectiveness of products, services, and brands. The prospects of luxury brands and categories that are useless are worrying, and replacement has become another manifestation of consumption upgrading when consumption power decreases. This has also given many unknown high-end niche brands or designer brands more opportunities. In addition, the cost-effectiveness of services has become one of the most important luxury consumption values for China's important customer groups, and customized services have become an important purchasing decision factor for many luxury consumers.

The Yaoke Research Institute believes that high-end consumption will become the largest source of profit for many industries. High end development, meeting people's pursuit of a better life, and changing the trend of catching up and meeting consumer needs to lead and educate consumers, will become an important way for Chinese brands, especially leading brands in various industries (SOUHU 2024).

### **3. Digital transformation and e-commerce**

As one of the hottest luxury goods markets in the world, the Chinese luxury goods market is showing a strong trend. Based on this, global luxury brands have begun to develop strategies for Chinese consumers, focusing on local experiences, cultural resonance, and digital channels to achieve ideal results.

*Accelerate the penetration of digitalization and upgrade the omnichannel shopping model*

Showcasing the natural connection with China's long history reflects the precision and maturity of global brand development in the Chinese market. Understanding the subtle differences on Chinese social media platforms and adjusting marketing information is an effective strategy for enterprises to adapt to local conditions. Currently, as a leader in global e-commerce, China provides a high-quality development foundation for digital transformation of enterprises.

BCG Boston Consulting mentioned in "Insight into the Digital Trends of China's Luxury Market in 2023" that a major characteristic of the Chinese luxury market is its unique digital ecosystem, which, with the support of rich media touchpoints and advertising creativity, exhibits extraordinary connectivity and diversity. Through observation, it has been found that major luxury brands are constantly increasing their localization and digital layout in China, and more and more brands are starting to layout online sales and service scenarios to broaden the boundaries of offline scenarios. In addition, by integrating Chinese elements, the brand is more closely connected with local consumers, injecting strong resilience and growth vitality into future development (Joint Enterprise Studio 2023; Mintel Store 2023).

Despite the varying demands of Chinese consumers, online digitization permeates almost every consumer's shopping experience in terms of channels. In the purchasing decision-making channels, the penetration rate of online shopping channels has maintained rapid growth, accounting for 46% of all shopping channels in mainland China.

It is understood that during 2023, Kering has launched a series of digital innovation initiatives to continue embracing and experimenting with digital solutions. Taking jewelry brands as an example, Boucheron, a high-end jewelry brand under its umbrella, has launched a digital ring size recommendation tool on the official WeChat mini program and Tmall in China, further enhancing the user experience for jewelry customers when shopping online. At the same time, Pomellato introduced this technology solution to the brand headquarters and launched it on the brand's global official website.

Moreover, multiple brands under Kaiyun, such as Gucci and Boucheron, are actively expanding their channels and scenarios for reaching customers. They have introduced solutions for brand private live streaming services in both online channels and offline stores, further expanding their sales scenarios.

In fact, as early as the end of 2021, Kaiyun established the "Imagination Lab" to empower digital innovation initiatives. This is a space that inspires inspiration and creativity through a series of activities, bringing innovative perspectives to Kaiyun's global employees. The goal is to empower every member of Kaiyun to create a high-quality future through disruptive and promising digital technologies.

Nowadays, the localization development of the luxury goods market is gradually maturing. Whether it is a variety of digital cutting-edge applications and attempts online and offline, or unique consumer characteristics, they all demonstrate unique characteristics unique to China. Based on the latest changes in the Chinese luxury goods market in 2023, BCG Boston Consulting has summarized three major brand strategies: omnichannel shopping upgrade: with the comprehensive integration of online and offline shopping experiences, brands need to flexibly layout omnichannel touchpoints, refine operations, continuously enrich product and service combinations, and provide consumers with a smoother shopping experience. Redefining localization innovation: Brands need to be rooted in local culture, integrating it into various aspects such as product design, store layout, advertising, celebrity/KOL collaborations, art exhibitions, etc., to establish deep connections and resonance with consumers (The MoodieDavitt Report 2023).

Further exploration of new markets: In response to the rapidly growing young customer base and second tier and below city customer groups, brands can shape a youthful image through cross-border creative marketing, accelerate breakthroughs, and expand brand influence.

The digitalization process and the reshaping of the retail system with online as the core are not just simple requirements for brands to establish online sales channels. Yaoke Research Institute has found that online business breaks through time and space limitations to the greatest extent possible, with strong accessibility and high convenience. Based on big data and intelligent algorithms, precise product recommendations can be achieved to customers, with a high input-output ratio, and personalized services can be achieved. It can also establish a professional evaluation system based on user big data, replacing subjective opinions such as KOLs with more reliable professional recommendations. The future luxury brand retail system will focus on establishing large comprehensive brand display centers both online and offline, achieving integrated full scene marketing. Luxury brands will build a retail system with online as the core, customer-oriented, breaking the state of time and space, and creating as much space as possible for personalization, full scene, and high efficiency (Joint Enterprise Studio 2023).

Just like splitting a heavy, unstable large atom to generate energy, it may form nuclear fission. Although the luxury goods industry as a whole is relatively conservative and cautious and resistant to online business in the early stages of digitalization, they were still able to fully enter the e-commerce era around 2016, dividing into two important channels: online and offline. Just like combining small atoms with ultra-high atomic energy to generate energy, it may form nuclear fusion. In the next cycle, with online as the core, breaking through time and space limitations, creating more space for personalization and full scene, is also like an integration and innovation. In these two processes, surviving and growing luxury brands have released a lot of energy. Online channels are not just a battlefield, but also an opportunity for reshaping.

Evolving from a SaaS stage that organically combines online and offline experiences to a fully customer-centric customization stage, brands began to directly face all consumers through self-built channels and third-party platforms. Based on big platforms and big data, the contradiction between personalized customization and large-scale production has been completely resolved, and customization has begun to develop on a large scale.

Consumption is upward looking, forward looking. The high luxury demand centered around high net worth individuals is certainly not cool. Immersive experience and customization bring luxury to high net worth individuals, which is also one of the important meanings of reshaping the retail system with online as the core (ZHIHU 2023).

Online sales of luxury goods have rapidly expanded after the pandemic. In 2020, luxury brands achieved an 88% increase in online sales in the Chinese market, reaching 14.1 billion US dollars and a market share of 21%. Gucci, Balenciaga, Louis Vuitton, Coach and Tiffany became the first brands to open official Tiktok accounts that year. Gucci, Givenchy, Tiffany, Celine, Prada, Balenciaga became one of the earlier brands to open official social media accounts that year.

In 2021, the online business of the Chinese luxury goods market further developed rapidly on the basis of 2020, with a growth rate still as high as 75%, reaching 24.7 billion US dollars, exceeding 150 billion yuan, accounting for 26% of the luxury goods sales in the Chinese market. Online sales have become an important sales channel for almost all luxury brands.

The full online layout of luxury brands is a common strategy for international luxury brands in China in 2022. Brand official website, WeChat applet, e-commerce platform, Tiktok have become the battleground. Content operation based on Tiktok, event planning based on applet, and circle marketing based on social software are the three highlights of online business of international luxury brands. This year, the degree of internetization of luxury stores at all levels and levels in the world reached more than 80%, involving more than 95% of luxury brands.

The Yaoke Research Institute predicts that within 2 years, the digital transformation of luxury brand stores will involve all luxury brands and all luxury stores. The digitalization of the luxury industry is not only e-commerce, but also E-service.

According to the 2021 Luxury Brand China Digitalization Index List exclusively released by Yaoke Research Institute, luxury brands are assigned different weights to their digital infrastructure index, communication power index, and retail power index, and the most prominent brands in overall digitalization that year are Gucci, Christian Dior, and Burberry (Yaoke Research Institute 2021).

#### 4.1. Potential growth areas for Chinese luxury goods relative to Western luxury goods

Compared to the potential growth areas of the luxury goods market in the East and West, customized services: Chinese consumers are increasingly focusing on personalization and uniqueness, so customized services have become an important trend in the luxury goods market. Customized products and services can meet the personalized needs of consumers and provide more growth opportunities for brands. The below Table 1. summarizes the Chinese Luxury Goods Market growth opportunities

Table 1 Main future growth areas

Growth area	Description
Digital channels and online sales	With the popularization of digital consumption in China, luxury brands will continue to expand their online sales channels. Through e-commerce platforms and social media, brands can better reach a wide range of consumer groups, especially the younger generation. Almost every brand has achieved a comprehensive layout from the brand's official website, brand WeChat, e-commerce platform, and Tiktok.
Luxury experience and lifestyle brands	The luxury goods market is also shifting towards luxury experience and lifestyle brands. This includes the development of high-end hotels, catering, health, and entertainment, providing broader growth opportunities for luxury brands.



Sustainability and social responsibility	Chinese consumers are increasingly concerned about environmental protection and social responsibility, so luxury brands need to make more efforts in sustainability and social responsibility. Brands committed to sustainable development and social responsibility will be more favored by consumers and are expected to achieve greater growth in the Chinese market
Emerging consumer groups in China	With the growth of emerging consumer groups in China, such as those born in the 1990s and 2000s, their awareness and demand for fashion and brands are constantly increasing. Brands can explore new growth areas through products and marketing strategies targeting these emerging consumer groups.
Rise of Local Luxury Brands	Chinese local luxury brands such as Chow Tai Fook and Wangfujing are gradually gaining favor from consumers. These brands integrate Chinese cultural elements in their design and marketing, and are positioned for different consumer groups, thus having a unique competitive advantage in the Chinese market. These local brands also have a better understanding of the needs of Chinese consumers and can more flexibly meet their personalized needs, thus standing out in the fiercely competitive market
Growth in second tier and third tier cities	The consumption in first tier cities in China has become relatively saturated, while second tier and third tier cities are rapidly rising, with enormous consumption potential in these regions. With the development of the economy and the advancement of urbanization, the purchasing power of consumers in second - and third tier cities is constantly increasing, and the demand for luxury goods is also increasing, becoming an important opportunity for luxury brands to explore new markets.

*Source: Own edition based on (Joint Enterprise Studio 2023; Daxueconsulting 2024).*

The luxury goods market in China is becoming increasingly digitized, and consumers are increasingly inclined to shop through online channels, especially the younger generation. Luxury brands can interact with consumers through social media, e-commerce platforms, and virtual reality technology to enhance brand awareness and sales.

Chinese luxury consumers are mainly concentrated in first tier cities and new first tier cities, accounting for 40% and 30% of the market respectively, while second tier cities and third tier cities account for 20% and 10%, respectively. This is different from the regional structure of global luxury consumers, who are mainly distributed in Europe, North America, Asia Pacific and other regions, with Europe accounting for about 35%, North America accounting for about 25%, and Asia Pacific accounting for about 20%. Consumers from different regions have different consumer psychology, preferences, and behaviors. (Daxueconsulting 2024).

Against the backdrop of economic and consumer slowdown, it has become particularly crucial for luxury brands to actively explore new sources of growth. For example, the top luxury brand will further focus on high net worth individuals in 2023 and drive revenue and profit growth through price increases; Some mid to high end brands targeting the middle class are launching more cost-effective product lines or lower priced categories to help find adaptable and sustainable growth paths in the face of adversity.

Meanwhile, even in adversity, companies should continue to invest in brand building, enhancing consumer engagement and responding to longer-term development through deeper consumer interactions and rich experiential elements.

From a brand perspective, Chinese luxury brands need to start from their core consumer groups, explore growth points from brand positioning, product design, channel layout, communication methods, and other aspects, and find a path of strong adaptability and sustainable development in the face of adversity. For the Chinese market, brands can enhance compatibility with Chinese culture in product design, marketing strategies, and consumer experience to better cater to the aesthetic and values of local consumers. In addition, the brand needs to flexibly respond to and adapt to the changing channel pattern, and actively explore suitable new channel opportunities, such as the high growth Tiktok channel.

With the gradual recovery of physical customer flow, how to continuously optimize the layout of offline stores will also become the focus of major brands, and brands may optimize their offline stores from three aspects. 1) Post pandemic consumers are increasingly looking forward to offline interaction and diverse experiences with the brand. Brands should actively create offline spaces, enhance consumer engagement through deeper consumer interaction and rich experiential elements. 2) Brands also need to clarify the positioning of each store, classify planning and management, in order to create a store matrix that is in line with brand strategy. 3) Brands also need to be flexible in responding to the constantly changing channel landscape, actively exploring suitable new channel opportunities, such as the high growth Olay discount channel. In the current economic environment and consumer recovery uncertainty, luxury goods enterprises need to consider six key dimensions for sustained and stable growth, including exploring business growth pillars, resonating with consumers, integrating local culture, optimizing sales channels, maintaining supply chain agility, and reasonable cooperation with local partners (Joint Enterprise Studio 2023).

In 2023, with global economic fluctuations and an overall downward trend in the luxury goods market, the Chinese market has become an important engine for the entire industry. French luxury goods giant Kaiyun Group released its third quarter performance report for 2023, with sales falling 13% year-on-year to 4.464 billion euros. Morgan Stanley pointed out in its article "Chinese Consumers Boost the Luxury Industry" that in 2023, Chinese consumers will further drive demand for high-end clothing, accessories, and other luxury goods, making the Chinese market an important source of revenue for most luxury brands. In 2022, international luxury brands achieved a high-speed growth of 31% in online transactions in China, reaching 220 billion yuan. The luxury online retail industry in China is one of the largest in the world, and although the market environment is still uncertain, we see that the demand from high net worth consumers continues to grow this year (Morgan Stanley 2023).

## **4.2. Challenges and opportunitites**

### *Tariff adjustment*

China imposes steep tariffs of 30 to 50 percent on luxury goods. The current tax rate of China's luxury goods market is the highest in the world, and the price of 20 brands of high-end consumer goods in five categories of watches, bags, clothing, wine and electronics is about 45% higher than in Hong Kong, 51% higher than in the United States and 72% higher than in France. According to the Provisional Regulations of the People's Republic of China on Consumption Tax, consumption tax is currently levied on only four categories of goods (INSIGHT AND INFO 2022; QINTIAN 2024).

The first category: excessive consumption will cause harm to health, social order, ecological environment and other aspects of special consumer goods, such as tobacco, wine, alcohol, firecrackers, fireworks. The second category: luxury goods and other non-daily necessities, such as precious jewelry and jewelry jade, cosmetics and skin and hair care products. The third category: high energy consumption of high-end consumer goods, such as cars, motorcycles, car tires. The fourth category: Non-renewable and alternative petroleum consumer goods, such as gasoline and diesel.

Import duties range from 6.5% to 18%, value-added tax is 17%, and consumption tax is as high as 30%, with cumulative taxes of up to more than 60%. Imported perfumes are subject to a 10% duty, a 17% VAT on imported goods and a 30% excise tax on imported goods.

Some wines are subject to import duties of up to 65%, plus a 17% value-added tax on imported goods and a 10% excise tax on imported goods. A luxury tax is a type of consumption tax levied on luxury goods. In China, there is no accurate definition and classification standard for "luxury". Under certain social and economic conditions, the definition of "luxury" is always relative. The luxury tax needs to be adjusted according to the social and economic development. In April 2006, China adjusted the consumption tax items, including some luxury goods that are not subject to consumption tax, with the purpose of adjusting the gap between the rich and the poor and promoting social equity (BAIDU 2024).

#### *Cross-border e-commerce policy*

With the continuous growth of China's economy, the luxury consumption market continues to be hot. Overseas purchasing has become an important channel for many consumers to buy overseas luxury goods. In 2024, the overseas purchasing market will usher in a new round of changes, and the New Deal of cross-border e-commerce will have a major impact on the way overseas luxury goods sent directly to China. This article will detail how overseas luxury goods will be sent directly to China in 2024, and give a detailed interpretation of customs duties.

Direct mail: Line mail and e-commerce, each consumer can enjoy 5,000 yuan per year duty-free quota. Customs duty and postal tax have to pay if the duty-free limit is exceeded. Cross-border e-commerce direct mail, by cross-border e-commerce enterprises after customs declaration and tax mailed to China. Consumers do not need to declare their own taxes, customs and postal taxes are included in the price of goods.

#### *Customs Policy changes in 2024*

According to the latest notice issued by the General Administration of Customs, the Customs will strengthen the supervision of cross-border e-commerce in 2024, focusing on cracking down on Daigou and other behaviors. It is expected that the tax policy of cross-border e-commerce direct mail will be stricter, and the tariff and postal tax will be increased. The purpose of foreign exchange control is to maintain the country's financial security, stabilize the exchange rate, balance the balance of payments, and promote economic development. As a large developing country, China is faced with a complex and changing international environment and internal challenges, so it is necessary to implement a certain degree of foreign exchange control to protect national interests and cope with risks.

Guard against cross-border capital flows. Due to volatility and uncertainty in international financial markets, cross-border capital flows may adversely affect China's financial stability and economic growth. For example, if there is a large-scale capital flight, it may lead to the depreciation of the RMB, the reduction of foreign exchange reserves, and the credit crunch.



If there is a large-scale influx of hot money, it may lead to the appreciation of the yuan, inflation, asset bubbles and other problems.

China needs to control the size and direction of capital flows through foreign exchange controls to maintain the stability and expectations of the financial market.

We will keep the RMB exchange rate relatively stable. The RMB exchange rate is an important factor affecting China's economic operation and foreign trade, and also an important indicator reflecting China's comprehensive national strength and international status. If the RMB exchange rate fluctuates excessively, it may damage China's export competitiveness, affect corporate profits, and disrupt market order. Therefore, China needs to adjust the supply and demand relationship of RMB exchange rate through foreign exchange control to keep the basic stability of RMB exchange rate at a reasonable and equilibrium level.

We will promote the healthy development of the foreign exchange market. The foreign exchange market is an important bridge connecting domestic and foreign financial markets, as well as an important platform providing foreign exchange trading and risk management services. If the foreign exchange market lacks effective supervision and regulation, there may be market failure, information asymmetry, price manipulation, tax evasion and other problems. China needs to regulate the subjects and behaviors of the foreign exchange market through foreign exchange control in order to improve the transparency and efficiency of the foreign exchange market.

To support the transformation and upgrading of the real economy. The real economy is the foundation and driving force for China's economic development and the fundamental way to improve people's well-being and social progress. If the real economy lacks sufficient foreign exchange support, it may affect its ability to expand opening-up, introduce technology, and participate in international competition. China should make efforts to optimize the allocation and utilization of foreign exchange resources through foreign exchange control to support the transformation and upgrading of the real economy (QINTIAN 2024).

#### *China's imposition of foreign exchange controls*

In 1994, China carried out a major exchange rate reform. It abolished the original dual exchange rate system and adopted a single market-based exchange rate system. This based on the supply and demand of the inter-bank foreign exchange market, the central parity rate of the RMB against the US dollar was determined, and the daily fluctuation of the RMB against the US dollar allowed to be 0.3%. This reform marked a major shift in China's foreign exchange management system and laid the foundation for the subsequent reform of foreign exchange control.

In 2005, China carried out a gradual exchange rate reform. It abolished the previous fixed exchange rate system with the US dollar as the anchor currency, and adopted a managed floating exchange rate system with a basket of currencies as reference. That is, according to market supply and demand conditions and changes in a basket of currencies, the central parity rate of the RMB against the US dollar was determined and used as the benchmark. Gradually expand the daily fluctuation range of the RMB against the US dollar from 0.3% to 0.5%, 1%, 2% and 3%. This reform marks the further opening and improvement of China's foreign exchange market and provides conditions for the subsequent adjustment of foreign exchange control (BAIDU 2024).

In 2015, China carried out a preventive exchange rate adjustment. In response to the sharp fluctuations, in the international financial market and the expected reversal of the RMB exchange rate, China adopted a series of measures. These included lowering the central parity rate of the RMB against the US dollar by about 3%, expanding the number and scope of quotation institutions in the inter-bank foreign exchange market, strengthening the supervision of the foreign exchange market and cracking down on illegal transactions. This adjustment marks the further improvement and adaptability of China's foreign exchange management mechanism, and provides support for the subsequent optimization of foreign exchange control.

In 2017, China implemented a proactive adjustment of its foreign exchange policy. In order to improve and stabilize the balance of payments and the operation of the foreign exchange market, China adopted a series of measures, including lifting some restrictions and approval requirements on cross-border capital flows and foreign exchange, and relaxing some conditions and regulations on cross-border investment and financing and the use of foreign exchange. Promote the opening up and pilot of some cross-border financial services and foreign exchange innovation business. This adjustment marks the further flexibility and initiative of China's foreign exchange management policy and provides the direction for the subsequent reform of foreign exchange control (Zhang 1987).

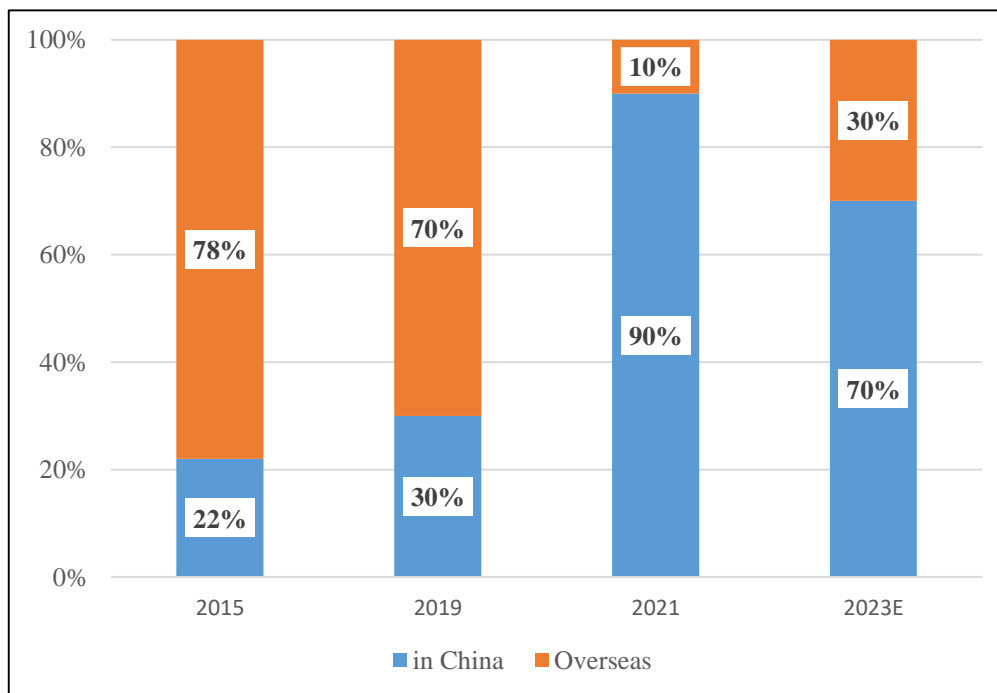
#### *Economic fluctuation*

From the perspective of category segmentation, all luxury categories have ushered in a rebound. The beauty category showed a solid performance, up about 8% year on year, in which the two sub-categories of perfume and makeup saw particularly strong growth. Fashion and lifestyle, leather goods and jewelry categories increased by 10%-20%, the recovery trend is good, of which leather goods performance is slightly weaker than the other two categories, mainly because consumption is concentrated in the lower price of luggage; The recovery was weakest in the watch category (up 5-10% year on year), with uneven performance among brands. In 2023, the domestic tourism industry began to recover fully, and a large number of tourists returned to drive luxury sales to pick up, at the same time, Hainan Province promulgated measures to stimulate luxury consumption. Under the role of dual factors, Hainan's duty-free sales achieved a year-on-year growth of about 25%, but it has not yet recovered to the level of 2021. Per capita consumption fell more than 25 per cent, with weaker discounting, less daigou activity and more rational consumers among the underlying reasons.

#### *Trend 1: Overseas luxury spending*

In 2021-2022, more than 90% of luxury consumption by mainland Chinese consumers will come from the mainland market. According to the forecast, in 2023, the consumption of luxury goods by mainland Chinese tourists in Europe and Asia will return to the pre-epidemic level of 40% and 65% respectively in 2019.

Figure 4 Distribution of Chinese Luxury shoppers' domestic and overseas spending



Source: Own edition based on Bain & Company (2023).

The price difference between mainland China and overseas markets is an important factor in the recovery of overseas consumption. A spot check of major SKUs in mainland China, Europe and Asia showed that the prices of luxury fashion and leather goods in mainland China are significantly higher, than those in the preferred destinations for outbound travel. This price difference has hardly changed compared to 2022, thus attracting mainland consumers to go overseas to buy luxury goods. The price gaps between China and Europe play a critical role in the return of overseas shopping, and they remained unchanged since 2022.

#### *Trend 2: Purchasing agent market*

For a long time, South Korea's duty-free market (Daigou) has been an important source of luxury goods, especially luxury beauty products. In 2023, South Korea's duty-free sales to foreign tourists are expected to shrink by 30% to 60-65 billion yuan. This is mainly because duty-free retailers have been restricted from paying commissions to travel agencies associated with Daigou, while luxury brands have restricted the availability of some of the best-selling beauty products in the Chinese market. Despite recovery in international travelers, Korean duty-free sales shrunk as South Korean government and brands took actions against Daigou. At the same time as the restrictions on beauty Daigou increased, new and more professional Daigou models began to emerge, especially in the field of fashion and leather goods. Purchasing agencies adopt a platform-based approach to bring consumers rich and fidelity shopping choices, and provide overseas market goods at lower prices through wholesale channels.

### *Trend 3. E-commerce platform to seize the economic opportunities*

In recent years, e-commerce platform and multi-channel retail have become a new development trend in China's luxury retail industry. Emerging Internet luxury brands such as Samsonite and Miniso have grown rapidly to meet consumer demand and become a new force in China's luxury retail market. The luxury industry should seize economic opportunities and challenges, and formulate reasonable pricing strategies and promotion strategies according to the economic conditions of different regions and markets to improve the cost performance and competitiveness of products. The luxury industry should also comply with policy norms and requirements, adjust its operating model and development strategy according to policy changes in different regions and markets, and avoid policy risks and compliance risks.

The luxury industry should build consumer trust and loyalty by improving product quality and authenticity assurance, improving service level and satisfaction, and maintaining brand image and reputation, etc., to enhance consumer trust and love for luxury brands (Bain & Company 2023).

### *Trend 4: Sustainable practices in the luxury industry*

In response to the international community's call for sustainable development, the luxury industry has strengthened its sustainability practices in order to reduce its environmental impact and improve its level of social responsibility.

The luxury industry advocates environmentally friendly manufacturing. In order to reduce the impact on the environment, the industry has adopted many environmental protection technologies and processes. For example, some brands are starting to use renewable materials instead of traditional materials to promote sustainable production methods. Second, the industry encourages consumers to make sustainable purchases. By launching the Sustainable Consumption movement, luxury brands educate and promote products that are good for the environment and society, and encourage consumers to make meaningful purchasing choices.

Although the luxury industry has made some progress in terms of social responsibility and sustainability, it still needs to continue to work hard to continuously improve its level of sustainability. First, the industry should enhance transparency and information disclosure. By disclosing relevant social responsibility information to the public, industry enterprises can gain more trust and recognition. Transparency is the foundation of corporate social responsibility and an important factor in promoting sustainable development. Secondly, strengthen cooperation and exchanges within the industry to jointly solve the social responsibility problems faced by the industry. Through the establishment of industry organizations and resource sharing, industry enterprises can better work together and jointly promote the sustainable development of the industry (BAIDU 2023, Gazzola et al., 2017).

## **4.3. Strategies for successful luxury brands**

### *Digital Performance Indicators in China: Gucci and Dior*

The booming digital performance industry in China is a battleground for luxury brands such as Gucci and Dior. We will delve into the performance of these two fashion giants in terms of recognition indicators and purchase intentions, as well as the strategies they have adopted to maintain their brand image. Customer loyalty level.

A strong brand story can achieve or destroy the success of luxury brands in China. Gucci has successfully established an identity that resonates with Chinese consumers, thereby establishing highly personalized relationships with customers. Gucci's storytelling style combines its rich historical and modern elements to ensure its success. For today's audience, it still has relevance and appeal.

### *Strategies adopted by competitors such as Louis Vuitton or Chanel*

In contrast, Dior leads in recognition indicators, but lags behind in purchasing intentions compared to the first quarter data. To maintain competitiveness, both Gucci and Dior must learn from other successful participants, such as Louis Vuitton or Chanel, who have mastered the art of connection. These brands often use celebrity endorsements, limited edition products, and exclusive events to create a sensation and drive sales.

### *Adjusting strategies for the Chinese market*

In order to succeed in the field of digital performance in China, luxury brands must adjust their strategies to cater to local preferences. This includes using popular platforms such as Weibo and WeChat to carry out marketing activities that resonate with Chinese consumers. In addition, when creating attractive information, it is crucial to understand the subtle cultural differences and target different audiences while remaining loyal to the brand image.

### *Key points: Comparison between Gucci and Dior in China*

Both Gucci and Dior have unique advantages in the digital performance field in China, but face fierce competition from other luxury brands such as Louis Vuitton or Chanel. Maintaining customer loyalty requires a strong brand story and effective marketing strategies tailored specifically for the Chinese market.

Gucci and Dior are competing in the digital performance field in China. Gucci has established a strong brand story that resonates with Chinese consumers, while Dior leads in recognition indicators but lags behind in purchase intention. In order to maintain competitiveness, both brands must adjust their strategies to cater to the needs and preferences of Chinese consumers and learn from successful companies such as Louis Vuitton or Chanel, who use celebrity endorsements, limited edition products, and exclusive events to create a sensation and drive sales.

### *Continuously evolving products to meet ever-changing consumer preferences*

Innovation is the key to the luxury fashion industry.

Gucci is known for its Epilogue series, which breaks traditional seasonal rules and adopts more sustainable production methods.

Dior is also unwilling to fall behind, as its 2023 Spring/Summer ready to wear show showcases designs inspired by nature, resonating with today's ecologically conscious consumers. This is a wise move for Dior to maintain relevance and attract a wider audience.

### *Utilizing digital platforms to carry out effective marketing activities*

Gucci's brand story occupies the central stage of social media platforms such as Instagram and TikTok, attracting millions of fans through creative activities by celebrities or influencers. This is a good way to establish brand awareness and maintain customer loyalty.

Dior also uses digital channels such as YouTube to live stream fashion shows, allowing fans from all over the world to watch. Check out their YouTube channel for a front row experience.

Maintain a leading position by continuously improving your products to meet changing consumer preferences and global trends. Using digital platforms as powerful marketing tools can help you attract a wider audience and maintain customer loyalty in an increasingly competitive market. Never underestimate the power of a compelling brand story - it helps establish strong connections with customers and sets you apart from competitors.

If Gucci and Dior can do it, other fashion brands can also do it. Continue to create new ideas, make changes and adjustments based on the latest global fashion trends, and create a prosperous future in this vibrant industry. Happy strategizing.

### *Key points*

Gucci and Dior maintain a leading position in competition by adjusting their strategies to adapt to global trends. They continuously improve their product portfolio, utilize digital platforms to carry out effective marketing activities, tell engaging brand stories, and establish strong connections with customers. The key point is to constantly innovate, embrace digital channels, and never underestimate the power of a good brand story in the constantly changing fashion industry.

What are the key factors for Gucci's success in the Chinese luxury goods market?

Gucci's success is attributed to its strong brand image, innovative design, and focus on customer relationships. The brand effectively utilizes digital platforms for marketing activities and utilizes celebrity endorsements to increase visibility. In addition, Gucci adapts to global trends through its constantly evolving product line and services. *Targeting specific regional markets*

What makes Dior so successful in the Chinese luxury goods market?

Dior's transformation under LVMH has always been successful through creative leadership, exclusive collaborations, and a focus on craftsmanship. The brand incorporates modernity and timeless elegance into its design. The expansion into e-commerce platforms and immersive flagship stores further consolidated Dior's position as a brand. Leading luxury fashion house.

How is Gucci different from other brands?

Gucci stands out for its unique fusion of modern style and retro elements that embody Italian tradition. Its commitment to sustainable development initiatives also sets it apart from its competitors. In addition, the brand is committed to providing excellent customer experience, in store options, and gift packaging services through fast delivery, free returns, and search services.

How does Gucci attract customers in the Chinese market?

Gucci establishes emotional connections through storytelling to attract customers, emphasizing their rich history and values. This is achieved through cross digital channel marketing activities, including influential celebrities or collaborators who resonate with global target audiences.

Gucci and Dior emphasizes the importance of adjusting strategies based on the trends in the Chinese luxury goods market and competition in the luxury fashion industry. Both brands have successfully utilized digital platforms to carry out effective marketing activities and expanded into e-commerce to reach a wider audience.

Gucci focuses on customer relationships through its electronic store, providing fast delivery, free returns, in store search options, and gift packaging services, helping them maintain a loyal customer base. At the same time, Dior's immersive flagship store serves as a destination for brand enthusiasts and expands into e-commerce platforms.

### *Expanding to Chinese luxury e-commerce platforms*

Dior has taken strategic measures to enter e-commerce platforms and cater to modern consumers who love online shopping. The move to enter e-commerce allows customers to easily obtain the luxury goods they want without leaving their homes.



Creating a 'Chinese style' immersive flagship store as a destination for brand enthusiasts.

In addition to digital displays, Dior also focuses on creating immersive flagship stores as destinations for Chinese consumer brand enthusiasts. These flagship stores provide a unique experience where customers can immerse themselves in the world of Dior and feel a deeper connection with the brand

Although both Gucci and Dior have impressive digital performance indicators, Dior leads in recognition but lags behind in purchase intention compared to the first quarter data. Luxury brands such as Gucci and Dior utilize Chinese celebrity endorsements, collaborations, and creative activities targeting specific regional markets to effectively market globally.

Both brands are facing competition from leading companies such as Hermès, Chanel, Louis Vuitton, Prada, Versace, and Yves Saint Laurent, and continuously innovating and adjusting strategies according to the trend of China's policy adjustments.

In this constantly changing fashion and luxury retail industry, supply chain management plays a crucial role in the success stories of iconic brands such as Gucci and Dior. The key is to continuously innovate and combine customer-centric approaches to ensure a development trajectory in the face of long-term growth and fierce competition. Since its acquisition by LVMH, Dior has experienced significant growth in the Chinese luxury goods market, with sales doubling to £ 6.6 billion in 2023, and investing in fashion shows, boutiques, e-commerce platforms, and immersive flagship stores.

In stark contrast to Gucci's luxurious and affluent style, Dior focuses on combining continuous innovation with a customer-centric approach, achieving long-term growth trajectories in fierce competition with leading companies such as Hermès, Chanel, Louis Vuitton, Prada Versace, and Yves Saint Laurent (DAHAN 2021).

In terms of retail digitization and e-commerce, luxury goods groups still lag behind local retail enterprises in China. For example, the popular 'private domain' retail in China currently does not exist in the European market. Luxury goods groups are only accustomed to applying the European model to the Chinese market and have not yet learned how to apply China's advanced models to the Chinese market. Luxury brands, after initially slowing down their growth to adapt to the digital revolution, have started investing heavily to catch up. Most brands now have online sales channels (HUXIU 2022).

## Summary and conclusions

The luxury goods market in China has always been a focus of attention, and its development process and future trends not only reflect the changes in the Chinese economy, but also reveal the development direction of the global luxury goods industry. This article aims to gain an in-depth understanding of this dynamic market by exploring aspects such as the historical review of the Chinese luxury goods market, consumer behavior analysis, market size and growth trends. Additionally, it also analyzes potential future trends, challenges and opportunities, as well as strategies and experiences for successful entry into the Chinese market by luxury brands.

- Reviewing the historical trajectory of the Chinese luxury goods market reveals that with rapid economic development and improved living standards in China, the luxury goods market has undergone significant changes. In the past, luxury goods in China were often seen as a symbol of social status and wealth. However, with changing consumer attitudes and the rise of middle-class consumers, there has been a shift in demand for luxury goods. Understanding consumer behavior and demand changes is crucial for luxury brands to formulate marketing strategies.
- Analysis of market size and growth trends shows that the Chinese luxury goods market is experiencing rapid growth. Despite slight fluctuations in growth rates due to economic fluctuations and policy changes in recent years, China remains one of important driving forces behind global Luxury Goods Market. Especially under digital transformation drive Luxury Goods Market presents more diversified innovative development trend .In addition, sustainable development Corporate Social Responsibility (CSR) has become important factor for success on Luxury Brands entering into china's markets

It is worth to remark, that the unexpectedly outbroken Covid-19 pandemic significantly influenced consumers' values and priorities, leading to a shift in their perceptions of health. Currently, health and family safety became the primary focus on the horizon of the vast majority of the Chinese clients. This newly emerged trend led to food sometimes taking precedence over material acquisitions, preferring gourmet meals above any other luxury goods.

In addition, in comparison to Generation Millennials and Generation Z, the first one has tendency to prioritize the tangible features of luxury goods, emphasizing brand name, heritage and product quality, Generation Z focus mostly on brand values with its culture and history. They preferring trendy leading brands, but they are more likely to go for niche brands, as long as they offer unique designs and great values. Those consumers are also gaining interest in second-hand luxury, which has become a new trend in the Chinese market.

The Chinese Luxury Goods Market demonstrates great vitality and potential through continuous developments and transformations. Only by deeply understanding dynamic markets, timely adjusting strategies, focusing on brand image & social responsibility can Luxury Brands achieve long-term success within China's Markets



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LINK: <https://www.edutus.hu/cikk/current-challenges-and-development-opportunities-for-tourism-at-lake-velence/>

## Current challenges and development opportunities for tourism at lake velence

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### ABSTRACT

The aim of the study is to summarise and review the historical documents relating to the development and evolution of the Lake Velence area, not only to provide an insight into the history and changing functions of the Lake Velence municipalities, but also to provide a chronological overview of local economic development ideas, their implementation and practical results. A wide range of primary and secondary, quantitative and qualitative research methods were used to investigate the situation and development potential of the seven municipalities with tourist functions under study (Gárdony, Kápolnásnyék, Pákozd, Pázmánd, Sukoró, Nadap, Velence). In addition to identifying the untapped potential, it is also important to find an answer to the question of how to solve the fundamental problem of tourism businesses, namely the seasonal fluctuation of visitor flows.

*Keywords: local economic development, tourism products, destination management, Lake Velence*

### 1. Introduction

What makes tourism on Lake Velence special is the quick and easy accessibility of the destination from Budapest and Székesfehérvár, but it also poses great challenges. In the past, waterfront destinations in Hungary were almost exclusively based on beach tourism, and even today, tourism is still concentrated in the summer. Many organisations, local authorities and businesses are addressing the problems of the Lake Velence region, but the successful local development projects of recent years have still not lived up to expectations and have not brought the expected breakthrough for tourism in the region.

When considering the potential for economic development in the Lake Velence region, it is important to look at tourism and other sectors of the economy, but also the effects of suburbanisation, which make the situation and the problems facing the region unique.

Due to the characteristics of the area under study, the two municipalities with urban status on Lake Velence, Gárdony and Velence, which are not among our historic cities, are given special attention in the study. Given that tourism and its seasonality are assumed to permeate the whole economy of the municipalities, I have devoted a separate chapter to the analysis of the tourism function. The results thus obtained and the analysis of current economic development concepts also provide a very important starting point for future development plans.

The systemic development of Lake Velence's economy is closely linked to the intensification of the involvement of the hinterland in tourism in the region. The development of the hinterland and its involvement in Lake Velence tourism was set as an objective by the Lake Velence Tourism Development Committee in the 1980s, but the transport, commercial and catering infrastructure needed to ensure that tourists can enjoy a carefree stay is not yet in place.

Although the 21st century has seen major developments in tourist attractions and programmes, without adequate provision for visitors to the hinterland, these experiments cannot generate significant numbers of tourist arrivals.

## 2. Methodology

The development of a settlement or a region can only be interpreted from a historical perspective, since the results of any development can only be seen later and its long-term effects can only be interpreted in decades or centuries, so the research started with a historical analysis of the development of the settlements under study. As a result of this analysis, we can also identify current problems that still affect the region today and that have been addressed in the past. The study of the role of tourism in the region's municipalities is also a practical tool for researching the local economy, analysing the spatial concentration of tourism and defining future tourism development strategies. In the course of my research, I analysed the literature, the statistical data available on ksh.hu and igyutazunk.hu, and the development documents of different periods, and during my last field visit I conducted in-depth interviews with Zoltán Alekszi, the owner of Dinnyési Castle Park, and Zoltán Köteles, the mayor of Nadap.

I assess the weight of the tourism function of the Lake Velence municipalities by the tourism function value. Among the municipalities in the area, only those that have commercial and/or private accommodation facilities were considered appropriate for analysis. The municipalities of Gárdony, Kápolnásnyék, Nadap, Pákozd, Pázmánd, Sukoró and Velence are the only ones with a tourism function. The indicators were defined on the basis of data collected in the KSH and TeIR systems, and were selected in accordance with the principles of the acronym 'SMART': I aimed to identify indicators that are appropriate, measurable, accessible, realistic and timely in relation to the research objective. (Tóth - Káposzta 2010) From the indicators thus selected, my aim was to create a relatively objective system of indicators that reliably measures the function under study and is suitable for ranking municipalities, even if the results may only show us reality with some distortion, since, for example, in tourism research, measuring the number of "day-trippers" is still unresolved, so that we can rely mainly on the number of tourists, taking overnight stays as a basis. The tourism functions of the municipalities studied were defined on the basis of the following set of indicators:

- number of overnight stays
- tourists/population ratio
- number of accommodation units: sum of number of commercial and private accommodation places
- number of beds in the accommodation: sum of number of beds in commercial and private accommodation places
- the occupancy rate of accommodation in accommodation facilities in July: number of overnight stays/number of beds available for rent X31
- number of catering facilities
- number of foreign guests: number of foreign guests in commercial accommodation places + number of foreign guests in private accommodation places
- average length of stay: number of overnight stays/number of guests

After collecting the data and carrying out the arithmetic operations necessary for the defined indicators, I developed indicator rankings, which were summed up to give a ranking of the settlements according to their tourism function.

In the present paper, the author draws heavily on the research results published in his doctoral thesis defended in 2017, as well as on his subsequently published studies.

The author has elaborated the transport history of the Lake Velence area in the context of a comprehensive and centuries-long analytical and fact-finding work closely linked to the development and historical evolution of the lake.

### **3. Tourism development at Lake Velence in historical perspective**

The development of transport, from the era of railway construction in the 19th century onwards, significantly transformed the structure, economic fabric and society of the settlements on the shores of Lake Velence. The analysis of these profound historical changes has implications for many other areas of research, including tourism and local economic development.

Despite the fact that the lake had already been a favourite bathing place for many Budapest residents since 1907-1908, until the 1920s the economic exploitation of Lake Velence was centred on fishing and reed cutting. (Polgár 1914) After the First World War, most of the popular tourist destinations were located in the annexed territories, the remaining tourist capacity could not meet the domestic demand, so the Lake Velence accommodation and camping tourism was developed alongside Lake Balaton. (Galambos - Törzsök 2015) The development of the previously neglected lakeside in Gárdony began in the 1920s, when wealthier residents of the capital bought plots of land on the shores of Lake Velence. The locals quickly discovered the potential of tourism, and a beach bath and associated catering facilities were built (Vitek, 2009). The new holiday areas on the southern shore were connected to the road traffic between Budapest and Lake Balaton via a road through Kápolnásnyek, Kis- Velence, Gárdony, Agárd and Dinnyés, while the northern shore could be reached via the old road through Pákozd, Sukoró and Velence (Erdős et al. 2001)

The road network development policy of the Horthy era contributed significantly to the mass development of the Lake Velence visitor traffic. At least 95% of the people who bought a villa on Lake Velence were from the capital, and in 1934, 150,000 visitors came to the lake by train, car, carriage or bicycle. Of the estimated 150,000 passengers, at least 80% were residents of Budapest (Votisky 1934).

As early as 1934, Antal Votisky accurately described the future of the settlements on Lake Velence: 'if MÁV introduces the Árpád-type express motor, the ever-increasing settlement process will make Lake Velence one of the suburbs of Budapest.' (Votisky 1934: 25) Rail transport would thus have a decisive influence on the future of the settlements on the southern shore of Lake Velence, and the settlements would become part of the Budapest agglomeration as a result of the settlements that were partly associated with it.

The development of Lake Velence between 1958 and 1985 was coordinated by the Lake Velence Management Committee: the construction of the Zámoly and Pátka reservoirs ensured the water level of the lake, the dredging of the lake bed prevented siltation (Vitékóczy 2010), and the construction of campsites, accommodation and lakeside infrastructure (Szauer 1964).



The section of the M7 motorway between Budapest and Székesfehérvár was opened to traffic in 1968, which also had a positive impact on tourism on Lake Velence. Road and rail transport has always been a key factor in the development of the region, and there are negative examples of this: the closure of the Bicske-Székesfehérvár railway line, which was of regional importance, made several settlements difficult to reach (Molnár et al. 2002) The tourism development concepts published since the 1980s have invariably taken into account the local energies of Lake Velence: as the area is located in the most important tourist corridor of the country, the connections and links of the region with Székesfehérvár and Budapest have also been analysed. (VÁTI 1986)

In 1986, the VÁTI referred to the settlements of Gárdony, Velence, Kápolnásnyék, Sukoró and Pákozd as “agglomerating areas”, an indication of the growing attraction of Budapest. (VÁTI 1986) The increased traffic on the M7 motorway has also made noise pollution an increasingly serious problem, which has necessitated the construction of noise barriers. (Molnár et al. 2002) The population growth of the settlements on the shores of Lake Velence can be explained by several factors, namely the favourable transport-geographical situation - the M7 motorway, the proximity to Budapest and Székesfehérvár - and the attractive landscape and settlement environment. Settlements are changing their structure, local economy and society.

In the years following the change of regime, tourism on Lake Velence has also been in decline, with a decrease in the number of overnight stays in campsites and other accommodation facilities. The opening of the borders, problems related to the water level and water quality of the lake, ageing infrastructure, the opening of the borders and changes in travel habits have created a difficult situation for tourism in the area.

Up to the end of the first decade of the 21st century, the tourist landscape of Gárdony and Velence was dominated by bathing and beach facilities. Developments over the last 15 years have significantly increased the role of wellness and cycling tourism. The Velence Resort & Spa opened in 2008 and the Hotel Vital Nautis in 2010. The cycle path around the lake still attracts huge crowds, and the development has also contributed to an increase in the number of day visitors. The construction of the Bence Hill Lookout and the reconstruction of the Halász Castle in Kápolnásnyék were the two most highly publicised development projects, following the creation of the Velence Korzó and open-air beach. An analysis of the tourist attractions of Lake Velence shows that both natural and artificial attractions are present. The attractions opened in 2010 include the Bálint-Borárium, the Öko-Beach in Gárdony and the Pákozdi Pagony Wildlife Park and Arboretum.

Among the more recent attractions, we should mention the Gárdonyi Wooden Castle and the Dinnyés Castle Park. The Gárdonyi Rönkvár is modelled on the Egri Castle, offering entertainment and at the same time introducing the youngest generations to the story of the book *The Stars of Egri*. Visitors to the five-time Guinness World Record holder Dinnyés Castle Park can see miniature stone models of medieval Hungarian castles (Alekszi 2024)

However, the improvements made so far have not solved all the problems: changing the negative elements that make up the tourism milieu of the settlement is the biggest challenge for the coming period. For example, the Ifi hostel and restaurant, built in the socialist era and now closed, is still a dominant feature of the coastline when you get off the train, and its deteriorating condition and appearance give the coastline a ‘retro’ character.

The developments in the 21st century were not part of a strategy of a single lake tourism organisation, but were carried out as independent, point projects.

Despite these developments, a strong and attractive destination brand is still lacking and there is still no organisation to bring together the development of tourism in the area.

A historical overview of the development of Lake Velence has played a major role in the author's research to date, as the review of the processes has made it possible to identify the problems that still need to be solved. From the research carried out so far, it is clear that the problem of seasonality has been a defining feature of tourism on the lake for almost a century, and that the issue of water quality and water levels on the lake has also been the focus of attention on several occasions. In addition to the favourable geographical and transport geography, mainly determined by the proximity of Budapest and Székesfehérvár, the constantly developing transport infrastructure significantly shortens the journey to Lake Velence, with the number of day visitors to the lake shore constantly increasing (Wirth 2019).

On Tripadvisor.com, users of Lake Velence highlighted the cycling opportunities and the proximity to Budapest, while the disadvantages include the crowdedness of the shore in summer, the lack of parking spaces and the quality of the water. Apart from the beaches and the cycle path, only the Velence Resort & Spa and the Bence Hill Lookout are mentioned, reflecting the low visibility of other tourist attractions.

Transport improvements in recent years have led to a revitalisation of the links between the municipalities around the lake (Gárdony, Velence, Sukoró, Pákozd), with bus services around Lake Velence now operating on a new timetable and an extended network of routes. For those living further away from the lake, Budapest and Székesfehérvár will also be more easily accessible, with new bus services connecting to the suburban trains of the 30a (Budapest-Székesfehérvár) railway line, running regularly every 30-60 minutes during the day.

In July 2024, Gárdony and Velence also ranked 4th and 5th in the tourist area, with approximately 45,000 overnight stays between them, while nearby Székesfehérvár is the 3rd most popular settlement in terms of overnight stays. Not surprisingly, Visegrád and Esztergom occupy the top two places. (MTÜ)

Examining the MTÜ data on the number of overnight stays, we can conclude that within the tourism area around Budapest, two areas stand out: the Danube Bend and the Lake Velence area.

On the basis of the regional links and guest numbers, it seems to be a viable idea to create a tourist destination in the seven municipalities of Lake Velence with Székesfehérvár. This idea is also supported by the structure of the settlements, which, unlike Székesfehérvár, do not have a historic city centre and could therefore complement each other in terms of tourism product profile.

To date, Lake Velence has been defined as a tourist destination in various ways. The interpretation of Lake Velence and its surroundings, the Val Venosta Valley and the Vértes as a single tourist area was an important element in the development documents of the socialist system, and today the activities of the Development Council, which bears the name of the area, follow this logic. The designation of this territorial unit is justified by the catchment area and the geographical characteristics.

At the same time, the municipalities of Lake Velence are part of the tourist area around Budapest, which, according to Government Decree 429/2020, includes municipalities with very different characteristics and relatively distant locations. This is somewhat contradicted by the fact that in the image film of the Hungarian Tourism Agency Lake Velence is shown together with Székesfehérvár.

#### 4. The current role of Lake Velence settlements in tourism

The role of the settlements in tourism and the current state of tourism in the region was analysed by the author using the tourism function index (Table 1).

Table 1 Tourist Function Index of Lake Velence settlements

	Settlement						
	Gárdony	Kápolnásnyék	Pákozd	Pázmánd	Sukoró	Nadap	Velence
Indicator:							
number of overnight stays	25036	553	623	525	1304	124	19692
tourists/population ratio	71%	4,49%	5,6%	7,9%	19,7%	3,2%	87,7%
number of accommodation units	117	12	11	12	16	3	95
number of beds in the accommodation	1990	83	99	79	156	16	1977
the occupancy rate of accommodation in accommodation facilities	40,6%	21,5%	20,3%	21,4%	27%	25%	32%
number of catering facilities	140	14	16	7	8	3	98
number of foreign guests	5681	174	14	19	49	3	454
average length of stay	2,4	2,9	2,8	2,8	3,2	4,8	3
Ranking by indicators:							
number of overnight stays	1	5	4	6	3	7	2
tourists/population ratio	2	6	5	4	3	7	1
number of accommodation units	1	4	5	4	3	6	2
number of beds in the accommodation	1	5	4	6	3	7	2
the occupancy rate of accommodation in accommodation facilities	1	5	7	6	3	4	2
number of catering facilities	1	4	3	6	5	7	2
number of foreign guests	1	3	6	5	4	7	2
average length of stay	6	4	5	5	2	1	3
Average of positions by indicator:	1,75	4,5	4,8	5,25	3,25	5,75	2
<b>Ranking by tourism function:</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>3</b>	<b>7</b>	<b>2</b>

Source: own editing and calculation based on KSH dates, 2024

The study shows that tourism on Lake Velence is concentrated in Gárdony and Velence, so the development of these two municipalities with urban status has a decisive impact on the tourism of the whole region. It is also clear from the data in the table and from the research results so far that water-related leisure activities continue to dominate in the destination. This is also closely linked to the spatial and temporal concentration of tourism: the ratios of tourists to population are very high in Velence and Gárdony (Table 1), but these figures do not include day visitors, so that the ratio of people staying at the beaches and lakeside in the two largest municipalities at the same time in the high season, with the number of tourists staying overnight, to the local population would be much higher. This mass tourism overburdens both the natural environment of the lake and the infrastructure of the municipalities, so this half-century-old problem remains unsolved. Lake-side music festivals such as EFOTT or Campus do, of course, generate relatively high revenues for the municipalities in the short term, but they are not a step in the direction of sustainable tourism. The average length of stay in Sukoró, on the northern shore of Lake Velence, and in Nadap, one of the backwater settlements of the lake, proved to be the longest (Table 1), for several reasons of course.

It should be noted, however, that the northern shore of Lake Velence is not suitable for beach tourism and water-related activities, but for hiking, rural tourism, active tourism and gastronomy. In the Lake Velence part of the Etyek-Buda wine region, there are several traditional and younger-generation wineries, as the villages on the northern shore of the lake offer ideal conditions for the production of quality wines. Like Pázmánd, Nadap sees the future in quality gastronomy and wine tourism. (Köteles 2025) The National Monument in Pázmánd and the Pagony Wildlife Park could become important attractions for rural tourism. The occupancy rate of the accommodation facilities is not very high even in the peak tourist season (Table 1), so there is no justification for large-scale expansion of accommodation capacity. Given the number of foreign visitors, it is not at all surprising that the area is most attractive to domestic tourists. The highest proportion of foreign visitors in July 2024 was found in Gárdony with 22.26% (Table 1), the other municipalities being almost exclusively known to the domestic public.

In third place in the ranking of tourism functions is Sukoró, located on the northern shore of the lake, which is a very popular destination for the capital's residents to buy property and move out of the city, due to its peaceful and attractive natural environment and its quick accessibility via the M7 motorway. The distribution of catering establishments among the municipalities is in line with the visitor figures (Table 1). Based on the field survey, the data from the CSO and the interviews, it can be concluded that the basic problem of hospitality is caused by the seasonality of tourism in most cases.

## Summary and conclusions

In terms of their economic weight, the two settlements with the highest urban status in the region, Gardany and Velence, have the greatest responsibility for the design and implementation of future developments. The biggest question for the coming years will be to what extent the TDM organisations, with their modest resources, and the other development organisations in the region will be able to implement a coherent, well-planned concept.

The wide range of development organisations working in different contexts and with different interfaces has so far not proved capable of developing a coherent, systemic approach to development. The future of Velence and Lake Velence will therefore be determined by the question of how to create a coordinated, viable structure for tourism in the area and whether a destination can be developed that is defined in line with market needs. Villages further away from the shores of Lake Velence, such as Pázmánd, Nadap or Kápolnásnyék, could find their starting point in rural tourism. The expansion of the tourism function is also possible in close connection with local agriculture. In Pázmánd and Nadap, local wine producers have already recognised the potential of wine tourism in the municipality and on Lake Velence, and wine tasting is a major part of the offer, with a focus on local and regional wineries.

The results of the research also show that the advantageous geographic location of the area is a key determinant of local tourism. One-day visitors are expected to continue to dominate the region's visitor flows in the future, and the needs of this segment should therefore be integrated into the region's tourism and transport development strategies. The extension of cycle paths to more settlements and the development of cycling tourism services could also become a useful pillar of tourism on the lake.

Future developments should therefore be implemented in such a way that the hinterland settlements of Lake Velence can become part of the Lake Velence tourism system, while maintaining their rural character and traditions, which is also hampered by the negative effects of the expansion of the Budapest agglomeration. The development of the Lake Velence municipalities as a system, as a common economic unit, is only possible if the basic functions of each municipality and consequently their economic profile are defined. The development of tourism, one of the most dynamic and seasonal sectors of the economy, can only be envisaged in conjunction with the development of other functions. The agricultural sector can be linked to tourism and the hospitality sector by promoting local products.

The historical and cultural assets of the Lake of Velence area are not in themselves an attraction that would lead to a greater number of tourists and visitors, but the rich monuments of the former crown city could be used to create a more attractive and substantial programme of events, which, by combining the water-based and other attractions of Lake Velence and its municipalities, could even be positioned as a strong brand in an already very saturated tourist market.

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## GASTRONOMY TOURISM DRIVERS OF THE ALTERNATIVE FOOD NETWORKS (AFN) - CASE STUDIES FROM CHINA AND HUNGARY

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### ABSTRACT

The paper aims to present the preliminary results of a joint research on surveying the role and prospects of alternative food networks (AFNs) in rethinking and revitalizing rural development strategies in China and Hungary. Based on reviewing the most recent international literature the main concepts of short food supply chains (SFSCs), AFNs, and gastronomy tourism are introduced. The paper describes shortly the distribution of economic sectors, labour forces and the role and tendencies of agricultural and rural development from both countries which followed by the demonstration of their AFN cases. The China's case is based on JIFA high-tech agricultural tourist site showcases the modern ecological agriculture as an immersive educational opportunity as well. It also provides unique gastronomic experience for tourists based on utilizing diversified locally produced culinary ingredients. The Hungary's case is based on a special gastronomy tourism attraction of an old fish soup brewing cult and tradition in South-Danube region of Hungary and cross-border as well. The paper reflects the unique potential of the region for eco- and gastro-tourism based the joint interests of the target groups. The paper draws conclusions and lesson on the major research findings and makes recommendations for future research.

*Key words: alternative food networks (AFNs), gastronomy tourism, eco-tourism, case study methodology, China and Hungary*

### Introduction

Nowadays academic and policy spheres have paid more and more attention to the alternative ways of food production and consumption and role and prospects of gastronomy tourism in sustainable rural development. Localized, community-based food practices have attracted increasing attention among mounting concerns about the social and environmental effects of conventional food systems. The literature has conceptualized these trends as short food supply chains (SFSCs) and alternative food networks (AFNs), both of which provide creative means to link consumers and producers, boost local economies, and protect cultural food legacy.

By means of a comparative study of two distinctive case examples—the JIFA Ecological Agriculture Sightseeing Park in China and the fish soup brewing tradition in Hungary's South-Danube region—this paper attempts to investigate how AFNs and SFSCs might be drivers of rural revitalization and gastronomy tourism. These examples were chosen not only for their unique geographic and cultural settings but also for their common focus on sustainable food systems, community involvement, and tourism-driven local development. The main objectives of this initial study are:

- To identify the socio-political and financial aspects connecting AFNs with rural tourism growth.
- To analyse the processes by which food-related customs and innovations might be assets for community-based tourism.
- To investigate how various policy settings and historical paths affect the evolution and success of localized food systems in China and Hungary.

By suggesting an integrated framework combining the ideas of AFNs, SFSCs, and gastronomy tourism, this work ultimately aims to add to the continuous academic debate. It also provides suggestions for next studies and doable plans to assist food-based rural development projects across different national environments.

## 1. Basic concepts, literature review

The definition of local food and food systems has undergone significant changes in the history and in the scientific literature as well. In Japan local food consumption has long tradition. The Buddhist concept of ‘Shindo Huni’ was widespread in the early fourteenth century in Japan. This means that the body’s present condition is a result of its environment. According to the philosophy of ‘Shokuyoukai’, the organization established in 1907, became also a Buddhist teaching the local or regional food is good for the body and imported food has adverse effect. The further developed concept of ‘Shindo Huji’ encourages the consumption of seasonal local food (Tefler and Hashimoto 2013). In Japan, where traditions are taken into account to a greater extent, even today this age-old Buddhist philosophy is still well-known and has followers. The definition of the local food chains or local food systems (LFS) below is based on a theoretical and field research implemented in Japan (Vörös and Gemma 2011: 228.):

- A unique micro-agro-social- and ecosystem characterized by special natural endowments, soil micro-organism, climatic conditions, crop varieties, livestock-breeds as well as human, technical, resources and infrastructure;
- Intensive communications between food producers and consumers living in a certain region in order to produce and supply healthy, fresh, local agricultural and food products according to diversified consumer needs;
- The basic features and characteristics of food (e.g. special raw materials, dishes, tastes, food traditions and food culture) might always be closely tied to particular regions creating and maintaining the identity of these regions.

It has become necessary to distinguish the conventional ways and approach of food production from the alternatives. The conventional food system has been determined as highly mechanized, industrialized or large-scale agriculture with an increased use of monocultures, fertilizers and pesticides, also it encompasses long food supply chains with several nodes and food miles. (Ilbery and Maye, 2005; Michel-Villarreal 2022, Gori and Castellini 2023 etc.). In respect of consumers’ demand and environment protection there are opportunities to find alternative ways to improve conditions of food supply chains. The main characteristics of conventional food system and their comparison with alternatives can be followed in Table 1.

Table 1 Types and characteristics of food systems

Conventional	Alternative
Manufactured or processed	Natural or fresh
Mass (large scale) production	Craft or artisanal (small-scale) production
Rationalized	Traditional
Standardised	Different and diversified
Intensive	Extensive
Long food supply chains	Short food supply chains
Supermarkets, hypermarkets	Local farmer markets, local food shops
Fast food	Slow food
Conventional catering	Farm-to-table (FTT) catering
Monoculture	Biodiversity

*Source: B. Ilbery – D. Maye, 2005 revised and supplemented Vörös and Gemma 2011, Vörös 2022*

In conventional food system food products are purchased in big retail shops and the focus is on efficiency and rationalization, where standardized products ensure consistency in global markets. Intensive farming methods are widely used, often relying on monocultures, which can lead to biodiversity loss. In long supply chains food travels vast distances before reaching consumers. Supermarkets and hypermarkets dominate as the main distribution channels, offering fast food options prioritizing convenience over quality or sustainability.

In contrast, alternative food systems take a more localized and sustainable approach. Foods in these systems are typically natural or fresh, with processing, and produced on a smaller, more artisanal scale. These systems celebrate traditional food production methods and emphasize diversity, offering various unique products. Instead of relying on intensive farming, they promote extensive, sustainable practices that align with environmental health. Short food supply chains are a key feature of alternative food systems, as they prioritize sourcing and consuming food locally. Distribution occurs through farmers' markets and local shops, fostering a stronger connection between producers and consumers. Slow food is a global movement that promotes traditional food culture and sustainable practices in food production and consumption. This highlights carefully prepared meals made with locally sourced and sustainable ingredients. Finally, alternative systems support biodiversity by encouraging varied farming practices that benefit ecosystems.

The term of short food supply chains (SFSCs) refers to a direct and shortened food distribution system from producer to consumer which emphasises local production and distribution and aims to reduce the number of intermediaries involved in the supply chain. The term was defined in the EU regulation as “a short supply chain involving a limited number of economic operators committed to cooperation, local economic development, and close geographical and social relations between producers, processors, and consumers (EC 2013). The SFSCs form an integral part of LFS which prioritize sourcing and consuming food locally. SFSCs represent key feature of alternative food systems where distribution occurs through such alternative channels e.g. farmers' markets and local shops etc. fostering a stronger connection between producers and consumers. To categorize the farmer and consumer relationships three types of SFSC can be distinguished (Ilbery and Maye, 2005):

- Face-to-face, where consumers buy a product direct from the producer/processor on a face-to-face basis.
- Spatially proximate, where products are sold through local outlets in the area and consumers are immediately aware of its local nature.
- Spatially extended, where products are sold to consumers who are located outside the local area and who may have no or little knowledge of that area. Here, the key is to use product labelling and imagery to transfer information about the production process and the area to the consumer.

In the current international literature Michel-Villarreal 2022 reviewed the major roles of SFSCs in sustainable development. In relation to the three main dimensions of sustainability the sustainability practices of SFSCs are summarized in Table 2.

Regarding economic sustainability practices SFSCs can – among others - contribute to profitability, local employment and reduced economic uncertainties. Social sustainability practices are deeply rooted in trust, solidarity and shared values between producers and consumers, which result from the closer proximity between supply chain actors. Regarding environmental sustainability practices SFSCs can have a positive impact on the reduction of food mile. The growing interest in alternative systems reflects rising concerns about food production and consumption's environmental, social, and nutritional impacts.

Table 2 Economic, social, and environmental sustainability of SFSCs

Sustainability dimension	Practices
Economic	Profitability; Local employment; Reduced economic uncertainties; Rural development; Local economic regeneration
Social	Trust; Solidarity; Shared values; Consumer empowerment; Fairness; Promotion of healthy diet; Social inclusion
Environmental	Reduction of food miles; Reduction of greenhouse gas (GHG) emissions; Reduction of greenhouse gas (GHG) emissions; Reduction in energy use; Reduction in food waste

*Source: Michel-Villarreal 2022 pp. 3-4*

The term of alternative food networks (AFNs) emerged in the 1990s in order to describe networks of production, distribution and consumption of food which can be considered as alternatives to dominant or conventional food systems characterized by attributes of local production and short supply chains which integrate dimensions of spatial and social proximity. A summarised definition considers AFNs an emerging model distinct from conventional food systems, characterized by local production and short supply chains that foster direct connections between producers and consumers. Common examples of AFNs include among others direct farm retail, farmers' markets, urban agriculture, farm to table catering, the slow food movement, community supported agriculture, fair trade and specialized forms of organic agriculture etc.

AFNs address ecological and social challenges in traditional agriculture by emphasizing sustainability, fairness, and community engagement. This model reduces carbon emissions, supports eco-friendly farming practices, ensures food freshness and quality through shorter distribution, and provides fair income opportunities for local farmers. Despite challenges such as scaling impact and avoiding commercialization, AFNs offer a pathway to a greener, more equitable food system, calling for collaborative efforts from consumers, policymakers, and researchers while preserving cultural and nutritional traditions.

Last but not least alternative systems support biodiversity by encouraging varied farming practices that benefit ecosystems. AFNs seek to diversify and transform modern food provisioning by connecting ethical producers and consumers in more local, direct ways. They build on an ethics of environmental sustainability, social justice, and animal welfare. In summary AFNs are representing a form of local food system (LFS) encompassing short food supply chains (SFSCs) have emerged as a response to the crisis in conventional agribusiness which prioritize efficiency, scale, and global reach, while alternative food systems focus on sustainability, locality. (Ilbery and Maye, 2005, Edwards 2016, Michel-Villarreal 2022, Gori and Castellini 2023 Michel-Villarreal et al 2025).

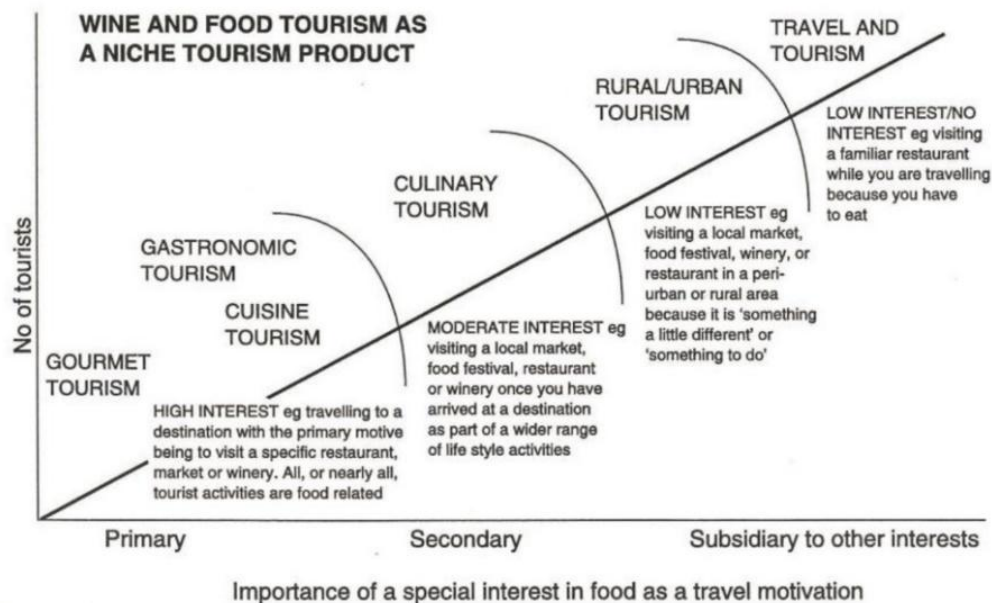
Intermediaries in SFSCs fulfil an important place in food systems with creating sustainability in supply chains by better connecting existing supply and demand, even when producers and consumers are isolated and fragmented, as well as creating supply and demand in new markets (Renkema and Hilletofth 2022a). Actors involved in the creation of SFSCs have several challenges to overcome to ensure the economic sustainability of the value chain (i.e. regulations, competences within the value chain and access to financing). Collaborations by using intermediaries can lead to intensification of the value chain through different collaboration schemes and increase the access to financing. By working with intermediaries, producers can enable market devices such as contracts, financial transactions and on-line functions necessary to make their supply chain function.

A research study (Popp et al 2019), investigating the creation of SFSCs from socio-economic point of view in Europe, concluded that the globalized food trade networks can be characterized by a high level of vulnerability, a lack of transparency implying high level of environmental burden. This is why the development of SFSCs has attracted considerable attention in the last few decades in Europe and overseas. The study concludes that there is an urgent need for improving the current regulatory system of SFSCs in three main areas: (1) coordinated support by creating and implementing economic policy measures in order to defend the interests of small and medium-sized local producers, (2) support for the upgrade of food safety systems in SFSCs because local food producers do not have the necessary financial resources to establish internationally recognized food safety certification systems (3). As well as education and encouragement of local producers in the wide-ranging application of the latest methods of info-communication technologies. The study (Popp et al 2019) recommended that national governments should promote computer-literacy and different methods of internet-based marketing activities among agricultural and food producers. In this way, the present of long chains can be bypassed.

From the point of view of gastronomy and gastronomy tourism the regional and local characteristics of food (e.g. special raw materials, dishes, tastes, food traditions and food culture) might always be closely tied to particular regions creating and maintaining the identity of these regions. The 're-spatialisation' of food supply chains provides necessary opportunities for food small and medium scale enterprises (SMEs) to retain added value in the region, improve employment benefits, strengthen regional imagery and help other local industries e.g. agro-tourism, rural tourism, gastronomy tourism etc. (Ilbery and Maye, 200, Vörös and Gemma 2011, Ciani Vörös and Faggioli 2016). The cuisine of the destination has been more and more important aspect in the quality of the holiday experience for tourists driven by growing trends of a well-being lifestyle. Gastronomy tourism (GT) driven by travel motivations means an emerging phenomenon in the cultural tourism that is being developed as a new tourism product.



Figure 1 Gastronomy tourism as niche and special interest tourism



Source: Hall and Mitchell 2006 in „Gastronomy, food and wine tourism” p. 139, original source Hall and Sharples 2003

The horizontal axis in Figure 1 shows the importance of food and gastronomy as a travel motivation, ranging from a primary focus on the left to a minor interest on the right. The vertical axis measures the number of tourists engaged in each type of gastronomy-related travel. Moving from highly niche interests like gourmet tourism to broader tourism activities like rural/urban tourism, the number of tourists increases, but the relevance of food and gastronomy among travel experience decreases. This spectrum highlights that gastronomy tourism serves as a niche or a mainstream for travellers, adaption their diverse interests and motivations.

Farm to table (FTT) (or farm to fork in some cases farm to school) means a social movement which promotes serving local food at public or school catering service or restaurants preferably through direct acquisition from the producer which might be a farm, winery, brewery, fishery, or other type of food producer. In FTT food is produced and prepared as near as possible to the table which means a safety and traceability network that prevents unsafe food. FTT belongs to short food supply chain (SFSC) models as it covers localized food production and consumption or includes nearby networks without as little long distanced production elements as possible (Korthals 2014). The FTT movement hinges on the notion that the various components of a food system (or a restaurant) should exist in the closest proximity to each other as possible. The goal is to develop relationships between the various stakeholders in an organized food system such as farmers, processors, retailers, restaurateurs and consumers. (Lightspeed, 2022). FTT connection also produces employment, enhances rural liveability and brings people in contact with each other and with rural territories or with the soil. People who adhere to this system are often called ‘locavores’. Therefore, FTT is proud on its economic meaning for local people (Korthals 2014).

The most advanced form of FTT comprises an integrated catering business that produces the bulk of its kitchen ingredients directly on its own farm. It is a specific restaurant established and operated inside of farms producing and growing almost all the culinary ingredients for their cuisine. They can provide special authentic local gastronomy products for tourist visitors. Additionally, proximity reduces the environmental impact of transporting ingredients across states or countries (Lightspeed, 2022).

In conclusion, gastronomy tourism is more than just eating local food. It is about connecting with a destination's culture, economy, and traditions. There are three main categories of GT (Hall and Sharples 2003):

- (1) Gourmet/Cuisine tourism: the primary motive is visiting a specific restaurant, local market etc. (high interest).
- (2) Culinary tourism: visiting a gastronomy destination as a part of a wider range of lifestyle activities (moderate interest).
- (3) Rural gastronomy tourism: having a visit in a gastronomy destination as a part of a wider rural tourism program (low interest).

From another aspect GT can be determined as a strategic cross-sectoral intersection among agriculture, culture and tourism infrastructure. Agriculture provides special, typical, quality or origin food and terroir-origin wine, many of them are special culinary ingredients which are utilized in local gastronomy to provide authentic hospitality service for tourists. Culture comprises history, food production and processing traditions which guarantee and add history and authenticity to the gastronomy tourism services. Tourism resources ensure the proper infrastructure, supplementary services and management to offer opportunities and activities to be marketed as well as combine and aggregate the three components and attractions into a special, outstanding gastronomy tourism experience. Sustainable gastronomy tourism does not mean conservation of the place and time, but rather that inhabitants, suppliers and tourists as well can coexist with the heritage of gastronomy (Vörös and Gacnik 2023).

## 2. Methodology

This paper uses a qualitative comparative case study approach to investigate how two different national settings—China and Hungary—alternative food networks (AFNs) and short food supply chains (SFSCs) support rural development and gastronomy tourism. Combining case study analysis, document review, and comparative thematic interpretation, the methodological framework investigates the social, economic, and cultural aspects of every case.

Two chosen cases—the fish soup making custom in the South-Danube region of Hungary and the JIFA Ecological Agriculture Sightseeing Park in Qinhuangdao, China—form the basis of the study. These examples were selected because of their great connection to local gastronomy tourism and rural revitalization as well as their relevance to AFN and SFSC concepts.

From in-depth textual and empirical sources—including academic literature, local policy documents, field reports, tourism marketing materials, and official statistical databases from both countries—primary data were derived. Particularly the theoretical grounding came from recent studies on rural development and food networks (e.g., Liu et al., 2020; Gori and Castellini, 2023; Michel-Villareal, 2022). To better grasp institutional frameworks and policy environments, government publications, FAO databases, and documentation on EU rural development programs were also examined.

*Secondary data sources included:*

For China: Journal articles on food safety and e-commerce-based food distribution; tourism reports and promotional materials on Jifa Park; published studies on China's AFNs and urban-rural integration policies.

For Hungary: research on local food systems backed by EU funding programs, ethnographic documentation on the Baja fish soup tradition, rural development reports, Hungarian Central Statistical Office data, and so forth.

Seeking to find both convergences and divergences between the two case studies, the approach adopts the ideas of comparative analysis. Particularly focused on local stakeholder roles (farmers, civil organizations, consumers, visitors), institutional support, cultural embeddedness of food traditions, and the sustainability component of food networks was the dimension of this.

To ensure academic rigor, triangulation was employed through cross-checking multiple data sources and situating findings within broader academic discourse. All of the chosen resources were cross-checked and placed within the larger scholarly debate on sustainable food systems, rural tourism, and community-based development to guarantee academic rigor. The last comparison seeks not only to highlight best practices but also to propose a conceptual bridge inspiring future transnational cooperation in gastronomy tourism and food network innovation.

### **3. Main characteristics of agriculture and food economy, rural development problems, tendencies and prospects in China and Hungary**

#### **3.1. China**

In China, agriculture is one of the most significant sectors of the socio-economy since it offers jobs to approximately 22.8% of the population while contributing roughly 7.1% of the national GDP as depicted (see Figure 2 and 3)

To achieve the above contributions, as highlighted by Liu et al. (2018) and Wang et al. (2016), the industry has evolved drastically in the last few decades by realizing increased government investment and policy changes, as evidenced in Figure 4.

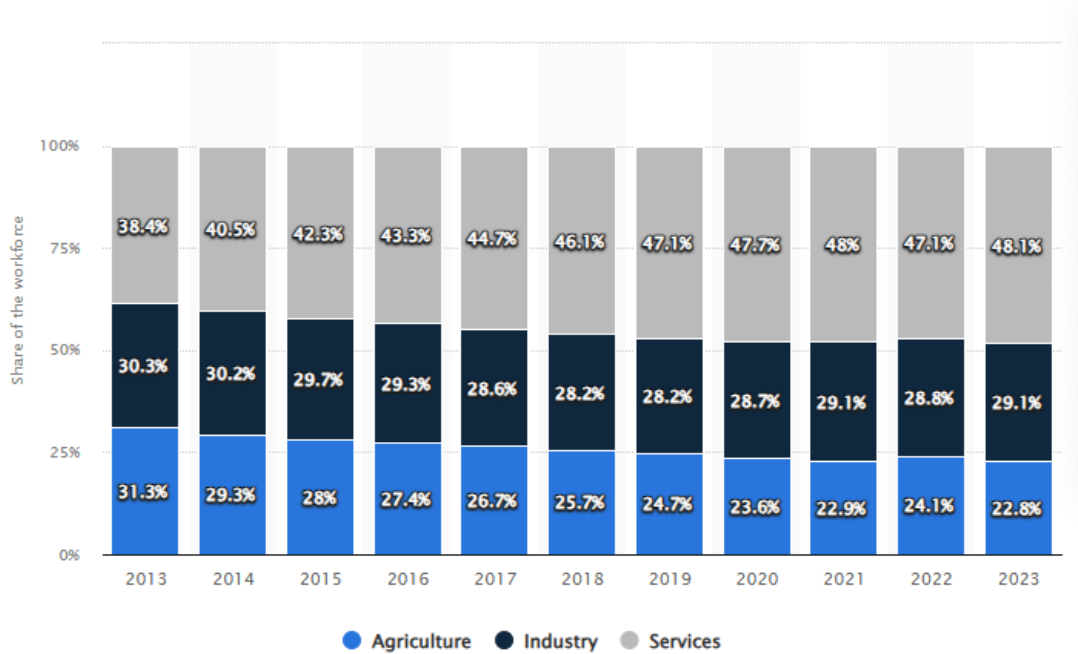
At the initial stage, it was all about providing people with food and clothing by implementing the rural household contract responsibility system and a single framework in agriculture. From 2005, a multi-functional mechanism began to form, aiming at poverty-targeted alleviation and the “new urbanization,” which integrated urban-rural partition to improve the quality of rural life (Liu et al., 2020).

The rural revitalization strategy took precedence by 2017, which called for industrial upgrades, infrastructure enhancement, and the contemporary improvement of the rural region. Post-2020, focus shifted towards developing a balanced urban-rural structure with strong frameworks that enhance sustainable agriculture, healthy ecosystems and socio-equality (Liu et al., 2020). When looking to the future, 2035 and 2050, the vision is to reach a level of agricultural modernization and rural development to establish an integral urban-rural development model. This progressive transformation shows the new China for modernization of agriculture, nominal eradication of rural-urban divide, and guaranteeing sustainable prosperity.

China has large-scale agriculture for domestic demand and export, small-scale farming for local usage, and organic farming (Chen, 2015). The challenges associated with China's agricultural sector include small and fragmented plots of land, environmental degradation, and inadequate human capital, especially in rural areas, caused by increased urbanization. These

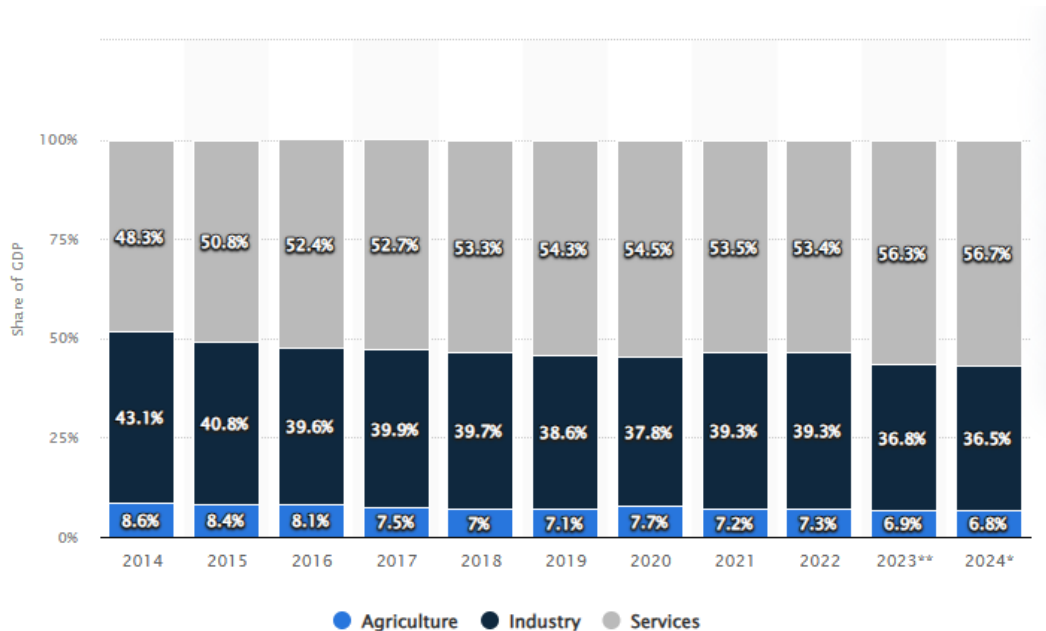
growing factors, coupled with modern industrialization and urbanization, have raised environmental concerns, soil erosion, water pollution and species loss (Cole and McCoskey, 2018; Yousaf et al., 2024).

Figure 2 Distribution of the workforce across economic sectors in China from 2013 to 2023



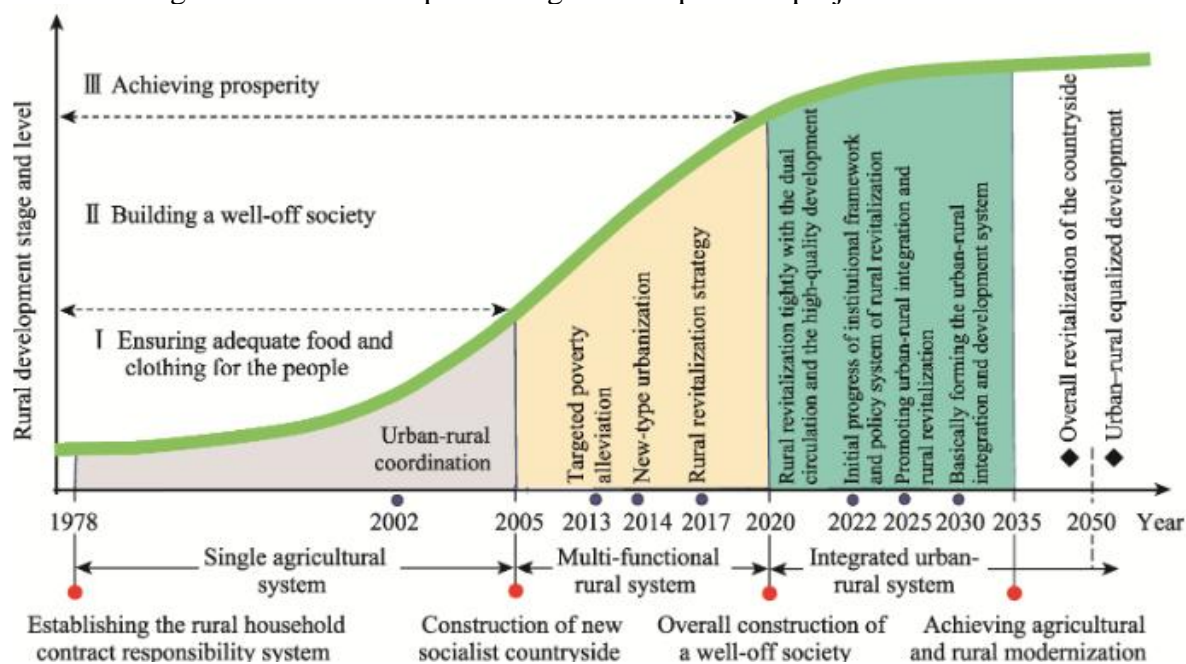
Source: World Bank © Statista.

Figure 3 Distribution of the gross domestic product (GDP) across economic sectors in China from 2013 to 2023



Source: World Bank © Statista.

Figure 4 Rural development stages in the past and projection in China



Source: Liu, Yansui, Zang, Yuzhu and Yang, Yuanyuan. (2020). *China's rural revitalization and development: Theory, technology and management*

China's agricultural sector is characterized by a mix of smallholder farms and large-scale industrial agriculture, producing a wide variety of crops, including rice, wheat, corn, and vegetables, as well as livestock and aquaculture products. This dual structure allows for high-volume production for domestic consumption and export, and smaller-scale farming aimed at local markets and sustainable practices (Giller et al., 2021). Smallholder farms are always disadvantaged in terms of markets, credit, and technologies. However, there are managerial opportunities for improvements by adopting sound agricultural practices that are ecologically sound, harnessing technology, and forging local markets (Cohen and Ilieva, 2015; Loconto and Vicovaro, 2016). They also argue that small farmers who produce food crops can directly market them through digital technologies such as e-commerce.

The Chinese government has implemented many policies to improve agriculture and rural areas of the country. Policies like the "No. 1 Central Document" focus on developing the new countryside, the modernization of agriculture, and environmental protection (Weiduo et al., 2021). Education and healthcare improvements have been made, especially in rural areas, since rural life quality is an essential factor of development (Strasser et al., 2016). China's agriculture modernization policy, similarly to the consolidation of land holdings in Brasilia, is focusing on centralization of farmland and rural industrial development (Gori and Castellini, 2023; Weiduo et al., 2021).

Alternative Food Networks (AFNs) and Short Food Supply Chains (SFSCs) are gaining popularity in China, contributing to the contemporary agriculture system (Gori and Castellini, 2023). The focus of these networks is to make the supply chain shorter, to make it more transparent and to improve the relationship between producers and consumers. Such networks help consumers get quality food that is 'green', 'clean' and locally grown to improve health and the environment. Since AFNs and SFSCs reduce the chain between the supply point and the consumption point and make the process clear, producers and consumers are made to be in contact (Renkema and Hilletoft, 2022).



Initiatives like farmers' markets and Community Supported Agriculture (CSA) offer fresh foods grown in local or nearby areas and contribute to small scale farming (Chen et al., 2022a; Woods et al., 2017).

This is well illustrated in case of Alibaba's "Village Taobao" project which matches farmers with consumers, improving the availability of local food and supporting sustainable agriculture practices (Nayak and Hartwell, 2023). This is advantage because it allows the producers, who are mostly farmers in the rural areas, to sell their products directly to the consumers in the urban areas without the middlemen.

Alibaba's "Village Taobao" initiative serves as an example of how digital platforms can empower rural communities by facilitating direct connections between producers and consumers. This effectively supports the development of Short Food Supply Chains (SFSCs) and Alternative Food Networks (AFNs) (Nayak and Hartwell, 2023). Shandong Province's Village D serves as an example. Agriculture and traditional crafts, such as handmade Yangge dance costumes, were the village's main sources of income prior to 2009. When a returning migrant worker opened a Taobao store and encouraged others to do the same, it started to change. Local start-ups in the fields of logistics, e-commerce, and photography gradually surfaced (Wang et al., 2023).

By 2013, the village was formally recognized as a Taobao Village, with over 90% of households running online stores. This change was largely caused by government assistance, such as funding for digital infrastructure and training for entrepreneurs (Wang et al., 2020). The program produced new non-agricultural job opportunities and greatly raised household income.

Taobao Villages are prime examples of how localized e-commerce can help AFNs by reducing supply chains, enhancing traceability, and building consumer and producer trust. By encouraging sustainable development and diversifying rural economies, they also aid in rural revitalization (Renkema and Hilletoft, 2022; Chen et al., 2022a).

China continues to rely heavily on its farming system and food culture concerning its food production and consumption. Modern Chinese consumers' food choices have greatly transformed due to several factors such as urbanization, improved income levels, and alterations in life patterns (Yuan, et al., 2019). Today's consumers are looking for a wider range of better-quality food products and are willing to buy organic and imported foods. However, clients in China are still very sensitive to issues of food safety and increasing environmental consciousness (Peng et al., 2015). These are concerns that the development of AFNs and SFSCs in China seeks to realize, particularly for locally produced safe and sustainable food (Chen et al., 2022b). Organic agriculture has been rapidly welcomed in China; the country now has more than thirty-million-hectare farmland, which is certified for organic farming systems in the year 2020, according to the Food and Agriculture Organization (FAO, 2023).

Trends in China indicate a growing interest in sustainable and locally produced food. Consumers are becoming more aware of their food choices' environmental and social impacts and are seeking alternatives to conventional food systems (Fanzo et al., 2021). Possible future trends comprise the extension of the AFNs and SFSCs, as well as the application of digital technologies to make the supply chains more efficient and connected, and the formulation of policies for sustainable food systems (Renkema and Hilletoft, 2022b; Pizzarelli, 2021).



Despite the fact even thou the goals of rural development strategies in China are quite similar, their vision, strategies, and results are dissimilar. China's rural development features include massive reserves used in developing infrastructures, training centres, and hospitals, among others (Ma et al., 2022). As part of the strategic plan of the Chinese government concerning rural areas, the major focuses are the modernization of agriculture, the centralization of farmland, and the development of industries in rural areas. Measures like the “No. 1 Central Document” are underlined by the need to increase agriculture's efficiency, improve rural areas' infrastructure, and promote sustainable development (Peng et al., 2023). These policies aim to equalize the urban-rural disparities for better regional integration.

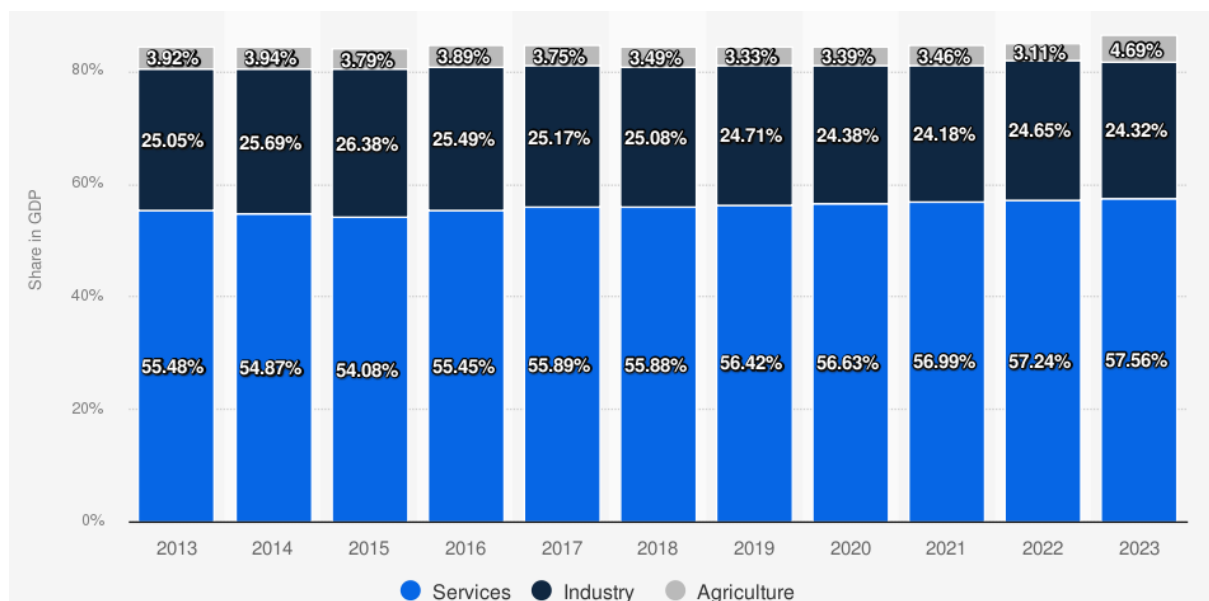
One of the best practices is the Chinese Chengdu Gastronomy City project has helped sell Sichuan food, increasing tourism and the overall economy. The project includes classes on cookery, food-related tours, and visits to the food markets, which help to popularize the local food culture (Chen et al., 2022a). Likewise, Zhejiang Province uses its well-known Longjing (Dragon Well) tea to appeal to plantation tourism and customized tea-drinking rituals (Jiang, 2019; Xu, 2022). Prospects include continuing to invest in sustainable agricultural practices, supporting rural entrepreneurship, and enhancing the integration of AFNs and SFSCs with rural development strategies (Floriš and Schwarcz, 2018; Vittoriet al., 2019).

There is a relevant initiative in China to build a circular economy for food within a larger systematic transformation vision. As Yu (2021) stresses in the Ellen MacArthur Foundation report. China has been actively trying to change its food system by cutting food loss and waste, restoring natural systems, and redesigning value chains to run within ecological limits. Through localized sourcing, composting, and regenerative agriculture, several pilot programs in cities including Shanghai and Suzhou have shown scalable solutions for transforming urban food systems. These approaches not only support the values of alternative food networks (AFNs) and short food supply chains (SFSCs) but also fit with national objectives for environmental protection and food safety.

### **3.2. Hungary**

Hungary is a rural country with 66.3% of its total territory (93,000 km<sup>2</sup>) classified as rural, 33.1% as intermediate and only 0.6% is considered urban territory. From the 9.59 million total population of the country 46% lives in rural areas. (EC 2024). The agricultural land covers 57% and forestry 21% of the total territory. Compared to the EU average the Hungarian agricultural sector is atypical with very high share of arable farming which occupies 81% from the total agricultural land and the grassland covers 14 % (EC 2024). In 2022 agriculture's share was relatively low 3.2 % in the country's gross domestic product (GDP). Concerning the tendency in the last decade (2012-2022) the share has been decreasing (Figure 5).

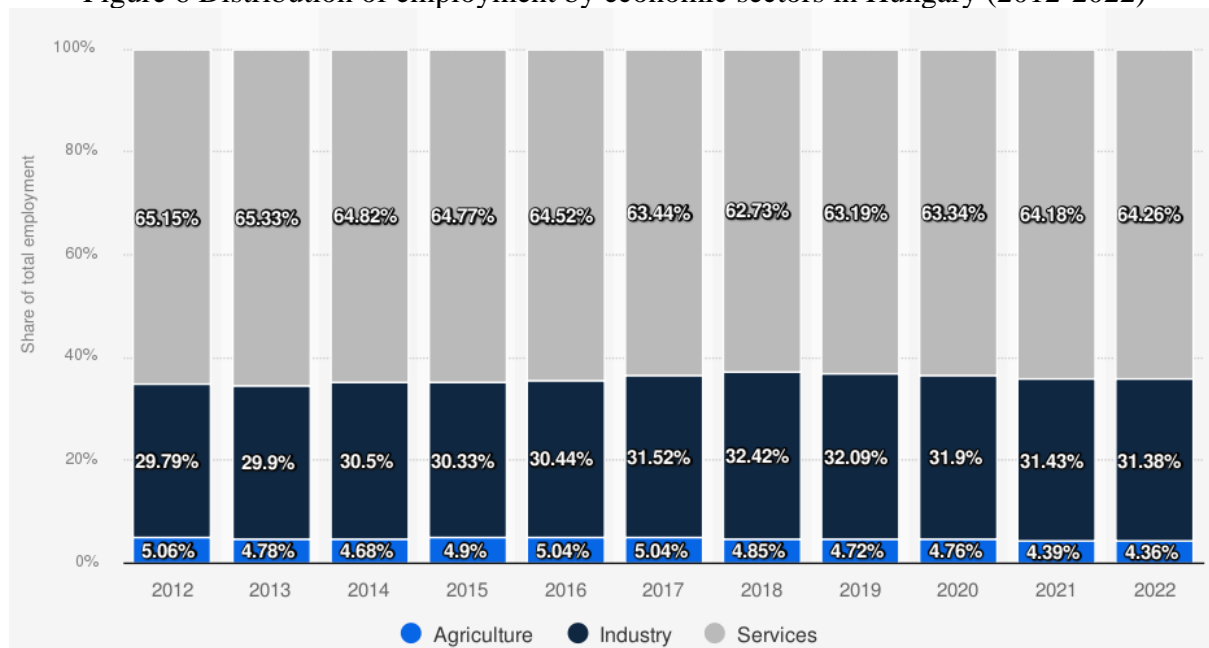
Figure 5 Share of economic sectors in gross domestic products (GDP) in Hungary (2012-2022)



Source: World Bank © Statistic 2024, Hungarian Central Statistical Office (CSO)

In 2023 agriculture's employment was 4.4% in the country's total labour force which has been also an ever-decreasing tendency during this decade (Figure 6). The share of the sector was slightly higher 5,1% ten years before (2012).

Figure 6 Distribution of employment by economic sectors in Hungary (2012-2022)

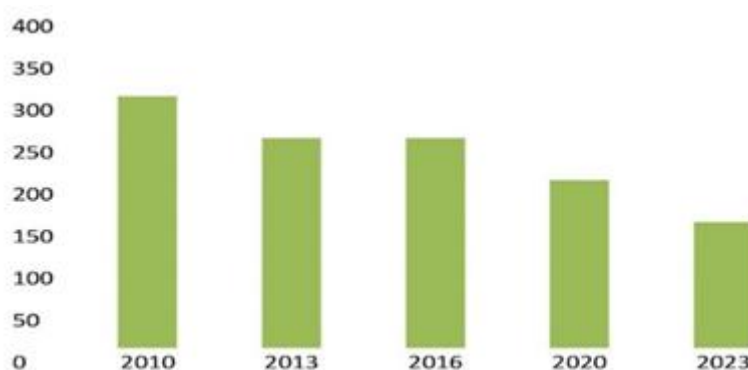


Source: World Bank © Statistic 2024, Hungarian Central Statistical Office (CSO)

The decline of farm operations accelerated over the decade of 2013-2023. The number of farms has been considerably decreased from 342,000 into 196,000 with 101,000 less holdings which is relevant 42.7% decline. Considering the second half of this decade the number of farm operations decreased with 45,000 which is 19% decline (Figure 7).

In last decade a significant concentration of farm sector has been going on in Hungary. The average farm size doubled from 14 ha up to 28 ha. The small farms made up the largest share that left the business. During this period the average number of animals on farm has also decreased. In 2023 the most typical farm operation was the 1-5 ha farm category (33%). From the total farm operation 15% cultivated an area less than 1 ha and 7% was livestock farm which doesn't use land. Around 20% of the total agricultural land owned by the 200-500 ha farm category (USDA-GAIN 2023).

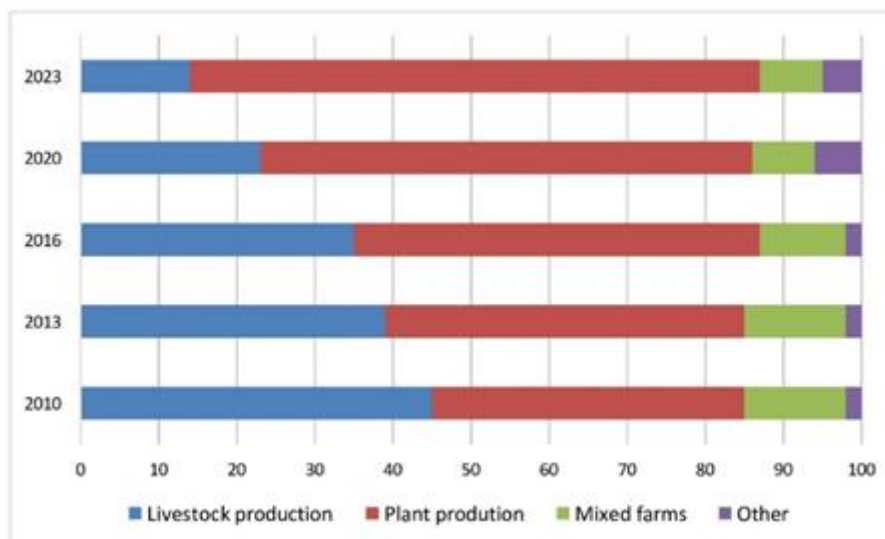
Figure 7 Number of agricultural operations (thousands) in Hungary



Source: Hungarian Central Statistical Office (CSO) USDA-GAIN 2023

During the period of 2010 - 2023 an unfavourable tendency of disproportional change of the ratio of plant production (mainly grain and oilseed) and of livestock production has been going on (Figure 8). The livestock production declined from 45% to 15% while the plant production increased from around 40% up to 70% (Figure 8). According to Farkas et al (2023) between 2010-2020 the proportion of livestock holdings decreased significantly, while the share of mixed holdings fell to 9 %. The loss of animal husbandry is shown by the fact that the proportion of farms engaged in animal husbandry has been continuously decreasing while animal husbandry and crop production separated. A total of 51% farm have agricultural land without animal population while 15% of the farm with animal population don't have agricultural land at all. The significant reduction of field vegetable, fruit and vines production proven to be also an unfavourable tendency.

Figure 8 Changes in distribution of farm operations in Hungary



Source: Hungarian Central Statistical Office (CSO) USDA-GAIN 2023

Because of deterioration or lack of self-sufficiency for supplying the domestic demand of milk, meat vegetable and fruits the country forced to import which might cause problems in the balance of payments and in food safety.

During the first decade of the new century EU policymakers recognised that improving conditions of local food production, supply and consumption and supporting local food movements has become proven as a favourable rural development tool. Therefore, the role of short food supply chains (SFSCs) got a priority in EU's multiannual financial framework and rural development policy. In the 2007-2013 programming period the Leader Local Action Groups could provide help to producers and villages to start or improve local food operations. Limited amount of national funding has been available to develop and open farmers' markets for products coming from special rural areas dominated by isolated farmsteads.

In the next 2014-2020 programming period a number of new measures and co-financing opportunities became available in scope of the European Agricultural Fund for Rural Development (EAFRD for producers wishing to join the local food systems (Szabó and Juhász 2015, Ciani Vörös and Faggioli 2016). Hungary was among the EU countries taken up the option of including a SFSC thematic sub-programme in the country's Rural Development Programme. Owing to this policy several different forms of SFSCs has started to grow rapidly in Hungary.

The nature and strength of the relationship between producers and consumers varies among different types of SFSCs. The most typical forms of SFSCs existing in the recent Hungarian practice are classified and listed in Table 3 based on the guidelines of Ilbery and Maye (2005) published in their most cited research study in international literature.

Table 3 Types of SFSCs by categories in Hungary

Relationships between farmer and consumer		
Face-to-face	Spatially proximate	Spatially extended
Direct sales on farm	Community Supported Agriculture (SCA)	EU food protection and designation schemes (PDO, PGI, TSG)
Pick your own farm	Local retail shops operated by farmers or farmer's cooperatives	National food brands e.g. Traditions-Flavours-Regions TFR (Hagyományok Ízek Régiók HÍR in Hungarian) programme; National Park Brand
Direct selling on the road	Box scheme programs	National certifications e.g. Hungarikum Collection (food products, tourism and hospitality)
House delivery from the farm	Shopping community system or local "basket" community	Other domestic certification e.g. "Quality Food from Hungary"
Direct or local farmer's market	Internet based on-line local food marketing	
Guest tables at the farm	Selling from the farm to local catering/restaurants	
Farm to table (FTT) catering service and restaurant	Local food and/or local gastronomy festivals, food exhibitions	
	Selling local food in tourism park or in dining routes for tourists	

*Source: Own design based on the classification of Ilbery, B. and Maye, D. 2005 p.334*

Similar tables have been also created and published in the Hungarian scientific literature (Benedek and Balázs 2014, Bakos and Khademi-Vidra 2019). This local food renaissance was driven by both consumer and producer demand and was strengthened by regulatory and support mechanisms (Ciani Vörös and Faggioli 2016, Ciani and Vörös 2020).

The main characteristics and operation of some SFSC, selected from the list of Table 3, are highlighted and explained in following. The purpose of opening direct or local farmer's market is to shorten the distance between the small-scale farmers, the producers, and market visitors, consumers or to make them the accessibility of local product easier. Consumers buying local food in farmers' markets prefer and enjoy direct communication with farmers which is a base of the trust. For legal regulation of establishing and operating farmers' markets the Ministry for Agriculture's Decree of 51/2012. (VI. 8.) entered into force in 2012. This national legislation restricted the distance of the region from where local product can be transported to the market place at maximum 40 km. Budapest the capital is an exception as it's possible to sell local products transported from any rural region of the country. Regarding the distribution of direct farmer's markets, the central region of Hungary (Budapest and County Pest) has got priority. Approximately one fifth of farmers' markets are located within this area owing to the larger solvency demand and consumer's share. Due to the national regulation and growing interest of consumers the number of this type of local food markets almost triplet until 2020 and spread in all over in Hungary. (Ciani Vörös and Faggioli 2016, Kacz 2019, Perényi et al 2024).

In case of community based agriculture (CSA) form of SFSC there is close strong relationship between farmers and customers who undertake to buy ‘shares’ from the farmers in a contract and pay in advance. In return the product are delivered to them after harvesting which could be arranged in different ways. Usually they agree a drop-off point where products are delivered and received. In this form consumers have a strong role in supporting the CSA producer mainly financially, but they often have a strong, even emotional commitment. In case of box scheme program, the commitment is less between farmer and consumer. Small and large boxes of vegetables can be pre-ordered from the producer on a weekly basis, but it is not necessary to commit to the entire season. In addition to the ordered boxes, individual goods may also be sold at the market if the farm produced a larger than expected quantity. In a more flexible form, the box system may allow customers to make occasional orders without permanent commitment. When they require and order the products the farmers deliver the goods to drop-off points which they previously agreed.

Another SFSC form is the shopping community system or “basket” community which has become more and more widespread in Hungary. The main characteristic of shopping communities is that they are always organized on a voluntary basis, as a joint endeavour by producers, organizers and volunteers, to provide a dedicated space drop-off points for the sale of local produce grown by small-scale producers. These spaces can also perform various other social and community-building functions.

A Hungarian research group (Török et al 2024) investigated the opportunity of certain social enterprises, some of them involved in catering business services and create a special SFSCs group. The study analysed the cases of three most prominent members of the Hungarian para-gastro movement which are based on sourcing inputs via SFSCs as an opportunity (see “Selling from the farm to local catering/restaurants” on Table 3). The study concluded that these very useful and relevant social enterprises must face all the industry’s difficulties and their unique circumstances might make their operations even more difficult.

Taking into account the support these enterprises have received in pursuit of their social goals, the opportunities provided by the relationship with SFSCs can help them only if they are also able to find a niche market where solvent demand can accept the specialties of local sourcing gastronomy services (Török et al 2024).

An actual empirical research in Hungary (László et al 2024) found that relatively high level of consumer trust was measured for local food products and producers compared to other stakeholders which can strongly strengthen the assumption for the proximity-trust relationship regarding food. This is a key factor for small-scale food producers only shared values with the local community and earned trust can attract customers.

A research study highlighted that in Hungary most of the small-scale food producers belongs to traditional farmers with multiple generations of agricultural backgrounds decided to continue farming. As demonstrated and discussed earlier in the article the consumer groups that prefers to buy and consume locally sourced farm grown products and the organizational forms of SFSCs or AFNs are widening there are limited number of conventional producers who are able to participate effectively in these community organizations. The main reason is that traditional producers lack the knowledge needed to initiate communication and to be prepared enough to join alternative food networks. (Balogh et al 2021).



Based on statistical analysis and empirical research Farkas and Kovács (2018) called the attention on the evident problems of disparities between rural regions and identified lagging groups of settlements both in terms of local living conditions and in economic development. Hoyk et al (2022) revealed that the Hungarian agribusiness sector is struggling with several sustainability challenges which do not receive adequate attention from policymakers. The critical approach of the controversial practice of rural development proved that the policy and the connected subsidy and support system have not been successful enough in the past decades in Hungary

Farkas and Kovács (2018) have been summarized the complex reasons of the major failures of measures of rural regional development (1) Shortcomings of the policy of the development of rural areas and its overconfidence on endogenous resources emphasized by certain scientific theories (2) the evident disproportion of the distribution of funds for the benefit of agricultural subsidies neglecting rural development characterized in all EU countries (3) weaknesses of domestic support policy practice in which the distribution of financial assets is not sufficiently differentiated for the benefit of rural areas.

The locally produced food and beverage have a significant touristic value as these are vital components of tourists' experience. Gastronomy tourism showcases the country's or region's culture and heritage associated with the typical local quality food and special local cuisine which has obvious effect on the frequency of tourism visitors and encourage their revisiting the destinations. More and more people realize that the sources of their daily food should be as much as possible near their home and many of them show growing interest or prefers catering service based on locally sourced culinary ingredients (Vörös and Gacnik 2023)

In Hungary the FTT catering is even less widespread but there is an excellent unique living example 'Pajta' Restaurant located in County 'Vas', Village Óriszentpéter inside of 'Őrség' National Park. Concerning the source of the culinary ingredients the restaurant has some limited own seasoning crop production, besides they can also collect wild crops in the surrounding woods and fields but mainly they are based on purchasing local or regional products in the local market or in close connection with local or regional farmers by applying strict quality control.

After thirteen's year operation in 2024 'Pajta' Restaurant became a One Star Michelin (High Quality Cooking) and the year before the owners achieved the Michelin Welcome and Service Award (Michelin Guide 2023). According to their promotion "the whole complex has a natural feel, from the beautiful meadow to the two-storey, nature-inspired forest lodges 1km down the road. Menus change with the seasons and perfectly reflect the area, championing produce from Órség local sub-region in historical Hungarian dishes. Fermenting and pickling are a feature, adding a welcome punch to the flavour-packed creations. Neighbouring Austria and Slovenia join Hungary for a tri-country wine pairing experience." (Michelin Guide n.d.).

It can be concluded that FTT catering means a relevant form of gastronomy tourism which contribute in creation of different values in the food supply chain. According to the international internet promotions the type of integrated farm-catering FTT restaurant business are spreading rapidly around the world. In the integrated FTT business enterprise most of the quality raw materials grown in the own eco-farm and directly used in the cuisine which is able to realize more economical and effective business operation by decreasing the cost of logistics, transportation, overhead as well and increasing profit margin.

By implementing eco-farm cultivation methods without chemical use are resulting in an increase in the humus content of the soil which have a favourable positive impact on the rural agricultural environment, promoting the fulfilment of the Sustainable Development Goals SDG (UNWTO-JICA (2023).

This FTT type is an emerging perspective direction in gastronomy tourism which, considering the favourable gastronomic history and traditions. as well as significant unexplored natural environmental capabilities of the country, comprises promising perspective for Hungary in the future, too.

The gradual expansion and spreading of FTT restaurant businesses in Hungary would considerably contribute to reduce the dominance of the currently over-represented “Budapest tourism” to broaden the appeal of rural tourism and rural gastronomy tourism to rediscover and renew existing values. It is a question will there be enough financial source, sufficient business spirit as well as well-trained professional background in Hungary in the future for implementing these development goals.

#### **4. Case studies**

##### **4.1. Chinese case study: The JIFA Ecological Agriculture Sightseeing Park as an ecology- and gastronomy tourism site**

Jifa Ecological Agriculture Sightseeing Park, referred to as Jifa Agricultural Dream Kingdom, is a 4A-rated tourist attraction located in Beidaihe District, Qinhuangdao City, Hebei Province, in the North part of China. Established in 1983, it evolved into a comprehensive high-tech agricultural tourism destination following its upgrade and makeover in 2018 (Tour Beijing, 2025). The park encompasses around 800 acres. The primary characteristic is the integration of advanced agriculture and tourism. It amalgamates observation, amusement, recreation, and popular science teaching while incorporating tourism, vacationing, harvesting, and skiing.

It is China's inaugural high-tech agricultural tourist site designated as a 4A-level scenic area, having received the China Rural Tourist Best Sightseeing Agriculture Award and the distinction of being among Hebei Province's 30 Most Beautiful Sceneries.

The primary attributes of Jifa Ecological Agriculture Sightseeing Park encompass agricultural plant observation, parent-child recreational activities, and educational camping research. The picturesque region comprises six principal thematic zones: the entrance service area, parent-child fun area, natural relaxation area, agricultural science experience area, theme park area, and green dining area. Furthermore, the picturesque area has incorporated hundreds of innovative tropical and subtropical plants to satisfy tourists' desires for sightseeing and harvesting throughout the year (Qi & Li, 2012b). The picturesque region features advanced fruit and vegetable production facilities, three-dimensional vegetable art museums, non-motorized parks, dynamic recreational areas, wild children's parks, and Baigongfang amenities. Furthermore, the picturesque region features charming pet parks, live vegetable production facilities, and agricultural science museums dedicated to fruits and vegetables, offering extensive agricultural technology exhibitions and interactive experiences for parents and children. The main features of Jifa tourism park are summarized below:

### *The natural agricultural tourist area*

The natural agricultural sightseeing park is distributed north and south of the park. The southern part is mainly a tropical botanical garden combined with folk customs (Amei Customs Pavilion, Li Customs Pavilion, Tropical Customs Pavilion), where you can see all kinds of exotic plants and fruit trees (Tour Beijing, 2025). For example, the Amei Customs Pavilion mainly grows southern fruit trees such as wax apples, egg yolk fruits, bread trees, citrus, and traveller bananas; the Li Customs Pavilion mainly presents the customs of the Hainan Li people and grows coconuts, cocoa trees, iron watermelons, mangoes, etc. The exhibition area not only grows crops with ethnic and regional characteristics, but each crop also has a signboard to make a detailed introduction so that tourists can have a deep impression of the characteristics of each ethnic group through agricultural plants, etc. The venue has unique fruit sales stalls, and the fruit crops grown can be purchased on-site. The temperature in the pavilion is maintained at around 25°C-30°C, and there are heating measures. Heating is provided in the pavilion after winter. In addition to tropical plants, the museum also has relevant information about ethnic minorities such as the Amis and Li and is decorated with Amis percussion instruments, Li totems, shoulder poles, etc. During the peak season or folk festivals, there will be singing and dancing activities, calligraphy and painting, exhibitions, and other performances, bringing tourists a rich cultural experience. The live vegetable factory includes an artificial light plant factory and an efficient agricultural system that enables year-round continuous crop production through precise environmental management within the facility. It employs clever computers and electrical sensor systems to autonomously regulate environmental parameters, including temperature, humidity, light, carbon dioxide levels, and nutrient solutions for plant organisms (Tour Beijing, 2025). The factory not only facilitates the production of southern and seasonal vegetables in the north but also spearheads the formulation and implementation of local standards for green vegetable production in Qinhuangdao City, leading to the attainment of A-level green food certification for 15 common vegetable varieties in the north. The operations of the live vegetable factory encompass seasonal harvesting, fruit, and vegetable gift box production, agricultural growth, as well as planting and maintenance activities. It serves as a significant foundation for research and educational practice.

### *Tropical Plant Kingdom*

The park contains multiple expansive tropical plant technology greenhouses cultivated with diverse tropical flora and commodities. It encompasses a health resort center featuring hotels, restaurants, recreational areas, reading spaces, and entertainment facilities within a tropical agricultural park characterized by an exceptional environment and air quality.

Other venues feature specialized exhibitions of pumpkin agricultural products, unique sales of flowers and plants, sales of small planting pots, and supporting amusement facilities and rest areas within the tropical park. These initiatives encompass diverse sales and marketing strategies, integrating venue cultivation with diverse cultural industries, effectively disseminating knowledge about tropical crops, and enhancing agricultural possibilities (Qi & Li, 2012a). Agricultural crops are valuable for cultivation and enhance tourism, cultural significance, and economic value, hence broadening the functions of agriculture and augmenting local economic revenue.

### *Outdoor recreational facilities*

The park features numerous recreational amenities, primarily located in its central area, including grass skiing, a ski resort, a rainbow slide, a carousel, a Ferris wheel, go-karts, a reclining swing, and so on. Visitors may engage in the entertainment initiatives of the viewing park while appreciating its picturesque landscape (Trip, 2025). A water park is located in the southern section of the park, accessible to guests during the summer season. The park will partition the entertainment area to accommodate several themed entertainment projects, including Pumpkin Town, Car Town, Crab Fishing, and Harvest War.

### *Cute Pet Paradise*

The park contains a zoo, predominantly housing docile animals. Visitors may purchase veggies or feed to nourish the animals in the park. The veggies available in the park originate only from the live vegetable factory located within the ecological park.

### *Agricultural product sales and market development*

Agricultural items in the park, including soilless vegetables, may be sold at the park's market or harvested by tourists. The park has simultaneously launched new sales models, including fruit and vegetable gift boxes and family vegetable boxes, integrated with contemporary e-commerce services for home delivery of fresh produce. This modern agricultural sales approach has significantly augmented local agricultural revenue.

### Gastronomy and local cuisine for tourists in JIFA

Gastronomy at JIFA involves more than just food because it represents the interplay between culture, sustainability, education, and tourism. Looking at gastronomy, the park show how it can embrace sustainable practices in AFNs through over attractions invoking visitors' various sensory modes. Gastronomy tourism at JIFA Park encourages tourists to engage in different dining experiences that are inclusive of other senses apart from taste or palates as proffered by the conventional restaurant businesses. Combining a stay in a hotel with work on the plot – harvesting vegetables or engaging in a culinary workshop – provides an opportunity to find a spiritual equivalent to the produced food (Tour Beijing, 2025). These enlightened experiences leave a memorable and lasting impression easily translating into awareness and respect for sustainable agricultural practices.

JIFA offers natural organic products grown in the farm. The live vegetable factory is one of the principles of the park where fresh materials for cooking are grown. The fresh vegetables produced under hydroponic and vertical farming systems are not only served in the restaurants within the park but also used to prepare cooking demonstrations and touring the park's exhibits. Tourists must be educated about the route that food takes from package to their plate by making them understand how much effort is put by farmers to produce vegetables organically.

There is a special approach of JIFA'S gastronomy and its culture. The section of tropical plant kingdom in the park offers tourists some unfamiliar types of fruits and plants including wax apples, breadfruit and traveller bananas. They are sourced from tropical region and included in creative dishes, which adopt Chinese culinary methods but with flavours from around the world. This makes the experience autochthonous and concurrent with other trends in the broader global food culture.

The seasonal events, or festivals, add more variety to the park's choices in regards to food. These events preserve the culture of farming and also the erased culinary representation of the area through food sampling, culinary battles and recitals. For example, during a harvest festival, there could be a show of how food is cultivated, live, freshly cultivated foods are available for tasting, and there are folk dances and songs that depict farming.

These events work hand in hand to associate food with culture and reactivate the bonds of togetherness to bring about a common platform for group pride.

JIFA is also sensitive towards sustainability and environmental concerns. It brings to the table organic food orientation of food services and certified food programs as most of the food is sourced locally which helps in minimizing energy cost of food production and distribution (Qi and Li, 2012b). Sustainability is seen through matters such as zero-waste cooking adopted in the preparation of the various meals as well as the utilization of renewable energy sources in JIFA's kitchens amidst other areas in the tourism sector. Moreover, learning about wildlife at the park may influence the lunches and dinners we have – focusing on sustainable farming and the proper, healthy cooking.

However, the park does not have strictly bounded gastronomic project. One of the ways JIFA creates impact is by sourcing products from local farmers, fishermen and food artisans within the community. Other related programs include farm to table initiatives as well as the local foods markets as other niches through which the sustainable gastronomy could be encouraged and the local economies boosted. They also assist to encourage community dietary cultures that may be faded out by mechanization and globalization processes.

The local food is of great significance for the formation of the culinary image of JIFA. The restaurant proposed by the park is work perfectly regarding its geographical location in the area of Bohai Sea and the policy of using the fresh products from local manufacturers. JIFA tries to follow the local tastes in the context of using different cooking methods and attract both guests and citizens. Due to proximity to the sea, particularly the Bohai Sea, seafood is a significant component of dishes available at JIFA Park. Other facilities offered in include beach restaurants where you can taste various seafood specialties as fresh as they can be having in mind that you are near the sea. Steamed fish is a popular dish is prepared and served extraordinarily erratically from water tanks within the park. This reduces the amount of seasoning used on the fish ensuring that this end product has natural fish tastes. The steamed dish shows that local can triumph simple and fresh by accompanying by a clear seafood sauce and mustard to be eaten with it.

The unique characteristics of JIFA's foods is that the incorporation of sea foods, which are obtained from the nearby sea. Here there are dishes that require a number of ingredients to be steamed including signature dishes like steamed fish. The preparation involves little seasoning so as not to overshadow the quality of the fish that is supposed to be the star product. The fish is usually picked from the live tanks, then served steamed to really lock in all of its natural juices and tenderness. This hyper-seasoning provides the basic foundation, garnishes such as seafood sauce and mustard complement the dish without dominating the taste while appealing to the local as well as international palate. The park's restaurants also offer a variety of traditional local dishes that include traditional foods of the country. Mandarin style pork and leeks filled steam-dumplings are also served, with a shrimp placed on the head of each dumpling, to make them more luxurious. For instance, a crab roe bun, where the bun is stuffed with succulent and tasty crab roe and the flavour of the sea can be seen and tasted in it. These dishes are created from fresh vegetables that are grown in the park own live vegetable factory which produces natural and organic food in the park. The sea urchin tofu, which combines local seafood with Chinese culinary traditions, is the most conspicuous creativity that stands out from an array of meals. It is preferred by families, especially children and the elderly as it is not too spicy hot though has a good taste. It also demonstrates how the park's restaurant reflects modern and historical techniques when offering food tailored to those from different cultures.



The basic aspects that guides the JIFA's food selection is sourcing food that is in season. All the vegetables that are produced in the live vegetable factory are consumed when prepared and can soaked a simple fry with vegetable to incorporate some complex meals. Due to its efficiency in the production of vegetables throughout the year, the factory acts as a reliable source of fresh and healthy meals for the park's culinary department to prepare tasty, as well as healthy, meals. The focus on freshness not only makes dining much more enjoyable but also contributes to the goals of the park, namely, sustainability and healthy living. Apart from the current services, JIFA also integrates factors of experiential dining in its food services (Trip, 2025). The visitor is able to attend cooking demonstrations and a cooking academy through which they are able to prepare local dishes using products from the park. These features allow to get acquainted with cultural and agricultural background of the cuisine and develop better understanding of its cultural value.

The delicious local food at JIFA Park helps to provide people with the necessary cultural perspective about the region. Located within the sphere of local cuisine, the park helps tourists become closer to the idea of their country's food culture by offering dishes that are cooked in a traditional manner (Trip, 2025). The dining also becomes a chance for cultural interactivity as peoples' get to interact with chefs who explain how they prepare food and where they get their ingredients from. Although IFA Park has restaurants which help in the promotion of local dishes there are likely to be issues relating to quality and availability of food stuff throughout the year.

#### 4.2. Hungarian case study: Fish soup brewing tradition and cult as a gastronomy tourism attraction in South-Danube region

The South-Danube region recently is divided three sub-regions belonging three different countries: Hungary, Croatia and Serbia. The Hungarian part involves three counties Tolna and Baranya counties in the west and Bács-Kiskun county in the east. In Croatia Osijek-Baranja county while in Serbia West Bačka District as a part of Vojvodina province in North-Western Serbia belong to the South-Danube region. An important feature of the South-Danube region is the colourful Hungarian, Serbian, German/Swabian, Croatian, Bunyevci, Sokac, Jewish and Roman ethnic composition. Concerning tourism potential South-Danube region has very valuable scenery with wide selection of tourism attractions and unique potential for cultural tourism, water tourism, ecotourism and gastronomy tourism as well (Vörös and Gačnik 2023). Cooking and consuming fish soup is an indigenous, still-living gastronomic tradition and cult along the South-Danube region. Fish soup served with noodle chopped in matchstick form is a very popular dish cooked at least once a week alike in family households living in villages or towns on both sides of the river. It is also a compulsory offer in all local and regional restaurants' menu. The residents of these multi-ethnic, multi-religious region with a rich gastronomy tradition all cook the same type of fish dish, regardless of nationality or religion. The fish soup cuisine has been originating and widespread along the river from the town Apatin in the south, which is only 75 km distance from town Baja, to the town Paks in the north. The town Apatin, recently belongs to Serbia, but it was an ancient Hungarian settlement in the history developed into a town by settling Swabians into this territory mainly in 17-18th centuries from North Germany(Vörös and Gačnik 2023).

It should be noted first of all that the original South-Danube fish soup substantially differs from the other Hungarian types of fish soup (e.g. Tisza or Körös river or Lake Balaton). It necessitates to use five main culinary components: fish (mainly carp plus cat fish), salt, red onion plus garlic, red ground pepper and water. Except for salt all of these ingredients produced around Danube regions and are available locally The basic difference is that the fish must be cooked freshly just after killing the living fish. Therefore, it doesn't need to be



pasteurized and doesn't contain any pre-made parts. The soup served with "matchstick noodle" freshly kneaded and cooked separately in salted water. The soup with noodle is the main dish, and then not filleted fish slices can be the second course. The obsessed followers of fish soup cult say so that "fish spoils in the third water," so no one can brew and eat fish soup without wine. Therefore, the wine is organic part of a fish soup brewing and feast. The rule of paring the soup and the wine appropriately: because it is a pepper dish not white wine but red wine is the best choice (Vörös and Gačnik 2023).

Hungarians call this traditional paprika-based fish dish "fisherman's soup" which can express well the history and origin of this special cuisine. The custom of eating it with noodle closely related and forms an integral part of the South-Danube fish soup which has also long history in connection with the ancient fishing and watermill activities in the South-Danube region. Based on ethnographic researches the origin of the fisherman's soup goes back in time to the lifestyle and habit of Danube Swabians in Apatin where fisherman and water millers had been working with close cooperation. Certainly Danube fishermen had invented themselves and started to prepare this meal during their daily work along Danube banks in open air in their caldrons. The Danube was the source of the carp and cat fish, the basic culinary element. This explains the origin of the name. Concerning the noodle, a book written on ethnographic cuisine (Erdei 1971) referred a legend about mill masters in Apatin who had been obliged to give their miller boys a bowl of hot meal every day, but the "stingy" employers gave only a small bowl of fish soup, which was not enough for the lads. That's why they came up with the dough, which could be prepared easily from the flour processed in their own mill so they started to serve fisherman's soup with noodle. We can conclude that this gastronomy masterpiece had been invented by the team of South-Danube fisherman and water millers. Anybody who could ever taste this authentic dish must be able definitely believe the truth of this ethnographic research findings partly based on legends. (Vörös and Gačnik 2023).

Fish soup is not only a staple food of people living in this region but a central element of the festivals and cooking competitions organized in settlements along South-Danube, of which the summer fish cooking festival of Town Baja is the best-known. The small historical town, Baja with recently nearly forty thousand inhabitants, also known as the "Capital Town of Fish Soup", represents an attractive destination for increasing domestic and foreign tourist. The town is pride of the high fish consumption: the yearly per capita consumption of fish is 35-40 kg, well over not only the Hungarian country figure (6.5 kg) but EU average figure (23.3 kg) as well. From the year of 1996 this regional and local gastronomy speciality has been celebrated a special family and local community event organized as the "Family-friendly Fish Soup Festival of Baja" every year. During this summer event fish soup fans, group of family friends are preparing fish soup very traditional way in big caldrons in the centre of the city and nearby. „Taste the famous Baja fish soup and join 2,000 teams of locals and visitors as they cook the traditional spicy, paprika-based river fish soup over open fires, creating a unique community experience in this small town on the Danube" this promotion of the event published in a website on the page entitled „Discover 10+ exciting Food Festivals in Hungary" (Continentaltravel, 2024).

In the first years of festival period the families have been the main role in entertaining fish soup cooking with organizing a summer festival but during the time the event became more and more a gastronomy tourist attraction. During festival weekend the downtown is filled with rows of caldrons, almost the whole town is involved in celebration with cooking. The former residents are usually returning back to the "mother-land" to attend in the event. The number of total guest participants attending in this widely known summer festival event all together can reach 20-30 thousand people.

The fish dish and the indigenous gastronomic tradition achieved national quality brands. The 'Fish Soup of Baja' got in the Collection of Hungarikum<sup>1</sup> in 2015, a relevant domestic quality label (Hungarikum Collection 2023) and 'The Living Tradition of Baja Fish Soup Brewing' got in the list of UNESCO National Register of the Intangible Heritage in 2021. This was due to the active contribution of local civil organizations e.g. the Baja Fish Soup Champions Association (BFSCA). A fan group in FACEBOOK entitled "I like 'Bajai' Fish Soup" established to support civil initiatives which has recently around 5,000 members visiting and posting photos and comments daily. Therefore, it justifies well the identity and keen interest of local society as well as that "fish soup cult" is a living reality in Town Baja.

Ethnographic, sociologic as well as gastronomy tourism research studies (Kivela and Crofts, 2006, Pusztai, 2007, Emmendoerfer et al. 2023, Brachinger 2024). well explained the relevant meaning and role of living tradition of fish soup brewing for the local society and people living in the region:

"One can therefore argue that gastronomy is a complex, interdisciplinary activity....an inter-related branch of art and science that has a direct relation with chemistry, literature, biology, geology, history, music, philosophy, psychology, sociology, medicine, nutrition, and agriculture. The term 'culinary' often used in the context of gastronomy that describes a country's or region's dishes, foods, and food preparation techniques, which give rise to the country's or region's distinctive cuisine" (Kivela and Crofts, 2006 pp.354-355).

"What is fish-soup like as a brand? First of all, it is far more than a simple fish-dish. As a real brand it represents a concrete complexity of values and feelings. A good brand guarantees prominent quality without proof. Quality we became used to. Moreover, it represents values we can identify with and rely on." (Pusztai, 2007).

The importance of local residents in the developing process of gastronomy tourism is becoming one of the key elements. They are sources and validators of local history and cultural heritage, both tangible and intangible. Gastronomy can be an important inducer of new knowledge and relationships, boosting the economy while using sustainable principles as a guide for local development (Emmendoerfer et al., 2023 p. 59).

"The 'living tradition' with all its elements and mediating mechanisms proved to be a successful integration and socialization tool for the local society of Baja. Among the various manifestations of the culture of the cult, there is a transfer of value between generations and the transfer of committed citizens towards less attached citizens. The impact of the living tradition of Baja fish soup on contemporary social relations can be found in the popular, mass cultural layer as the intention to create and preserve traditions. The sacred and secular components are also part of it. Value broadcasting also has many informal and formal, civil and institutional mechanisms" (Brachinger 2024)

During the history the Town Apatin, located in West Bačka District in North-Western Serbia, have been completely transformed in terms of ethnic composition in a way that Swabian-Hungarians almost eliminated from residents. Owing to its proximity to the Danube and the forests and preserving gastronomy traditions of Swabians became also a popular place for tourists. It became a gathering place for recreational fishermen on the event called "Apatinske Ribarske Večeri (Apatin Fishermen Nights) taken place yearly on the first day of July, and lasts five or seven days. Among the tourism attraction the so called Fiš Paprikaš should have an important role supported also by the Tate Atlas website: "Where to

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<sup>1</sup> Baja Fish Soup in [Hungarikum Collection: https://hungarikum.hu/en/content/baja-fish-soup](https://hungarikum.hu/en/content/baja-fish-soup)

Eat the Best Fiš Paprikaš in the World?” (Taste Atlas, 2023). Visitors armed with fishermen’s soup cuisine expertise tasting Fiš Paprikaš can easily establish that it is essentially the same authentic indigenous traditional version of fish-dish what had invented by Swabian fishermen and mill masters of Apatin. Concerning cross-border cooperation examples between town Baja and town Apatin are still rather few but the twinning between Baja and Bezdán where a fish soup cooking event called "Vojvodina Gold Caldron" held every year with the participation of local government delegation and best chefs of BFSCA the civil organization from Baja.

Based on this recent case study research it can be concluded that communities and decision-makers in cross-border sub-regions Hungary, Croatia and Serbia have to focus their actions to accelerate cooperation towards a more specific, concrete and comprehensive direction, in order to integrate the tourism resources of neighbouring countries. It would be possible to exploit advantages and to create a recognisable tourism brand by mobilizing resources in order to transform South Danube region in an authentic and sustainable perspective. (Vörös and Gačnik 2023).

## 5. Conclusions, lessons and future research

Significant structural differences between urban and rural areas have arisen as a result of China's fast economic growth and accelerated urbanization. Despite employing roughly 22.8% of the country's workforce, agriculture only contributes 7.1% of GDP, indicating a growing imbalance that called for policy interventions aimed at urban revitalization. Chinese rural policy has shifted from subsistence-oriented methods to integrated development strategies since 2005 as a result of a series of reforms. With its emphasis on high-tech agriculture, infrastructure investment, environmental sustainability, and closing the gap between urban and rural areas, the 2017 rural revitalization strategy represents a major turning point.

A prime example of how agricultural modernization can be successfully matched with sustainability, cultural preservation, and rural tourism is the JIFA Ecological Agriculture Sightseeing Park. JIFA represents a multipurpose development model that incorporates ecological farming, food education, experiential tourism, and community involvement rather than just operating as a production-oriented agricultural site. By promoting direct connections between producers and consumers, increasing food production transparency, and fostering local identity through culinary and cultural programming, the park embodies the fundamental principles of AFNs. The values of SFSCs JIFA's operational philosophy are very similar, especially in regards to the importance placed on local resource value, trust, and proximity. In addition to boosting rural economies, this new type of agri-tourism raises public awareness of sustainable food systems. As demonstrated by JIFA Park, the combination of ecological agriculture, rural industrialization, and experiential tourism in China offers a multifaceted model that is in line with the objectives of rural revitalization. In the meantime, new opportunities for using technology to expand local food networks are suggested by the role of digital platforms like "Village Taobao." Its success points to the feasibility of socially inclusive and technologically sophisticated rural development models based on AFN. JIFA serves as an example of how China's top-down policy approach shows how digital platforms, immersive food education, and high-tech ecological farming can support consumer engagement and rural revitalization as well. Future studies should look at the initiatives' long-term socioeconomic and cultural effects as well as how well they adapt to different regional contexts in China and abroad.

In Hungary the share of agricultural sector in GDP (3.2%) and of country's total labour force (4.4%) is relatively low and has a decreasing tendency. Compared to other EU countries' figure it's atypical with very high share - 81% of total agricultural land - of arable farming. After EU accession in 2004 Hungary started to revitalize local agricultural production and food supply by utilizing EU subsidies and new support measures available from the European Agricultural Fund for rural development. Owing to this policy measures several different forms of SFSCs has started to grow rapidly promoted trust, shared values, and food quality assurance. Hungary made efforts to utilize subsidies provided by the CAP to reduce regional disparities and improve conditions in rural areas but certain unfavourable tendencies shown that still much to be done in order to exploit these relevant resources more effectively. Some research studies published recently highlighted the controversial practice of rural development and proved that the policy and the connected subsidy and support system have not been successful enough.

Concerning the Hungarian case study preservation of the local gastronomy heritage, traditions and culture in an innovative way is able to support and further strengthen a significant community-building effect in South-Danube region. Due to the active contribution of civil organizations the 'Fish Soup of Baja' got in the Collection of Hungarikum in 2015 and 'The Living Tradition of Baja Fish Soup Brewing' got in the list of UNESCO National Register of the Intangible Heritage in 2021. The organization of local community fish soup festivals and joint culinary touristic and cultural programs are based on the active participation of local small and medium-sized enterprises (SMEs) involved in agriculture, fishing, catering and hotel accommodation helps to create also local and regional jobs, generate entrepreneurial spirit and income and increase local tax revenues. Gastronomy tourism festivals organized yearly can effectively contribute to increasing the awareness of the region and promoting the image of Town Baja "the Capital of Fish Soup" both domestically and internationally. The South-Danube region has a unique potential to develop eco-tourism jointly with gastronomy tourism. The development of fish soup tourism has an economic multiplier effect, which in the longer term contributes to the sustainable development of rural territories. A number of ethnographic, sociologic and gastronomy tourism publications highlighted the relevant meaning and role of living tradition of fish soup brewing for the local society and people living in the region. Concerning cross-border perspective in three neighbouring countries (Hungary, Serbia and Croatia) it would be possible to exploit these advantages and to create a recognisable tourism brand by mobilizing resources in order to transform South Danube region in an authentic and sustainable perspective. Therefore, all of these justify well the creation of values in local food chains and the process how gastronomy tourism can be relevant driver of the development of AFNs.

By connecting regional ingredients and culinary stories to place and identity, gastronomy tourism enhances this bond even more. The Baja Fish Soup Festival and food-based tourism experiences in JIFA are two examples of how food culture can be turned into a source of economic diversification and tangible social capital. Sustainability principles, as demonstrated by zero-waste cooking initiatives, local sourcing strategies, and ecological education components incorporated into both examples, can particularly strengthen the intersection of food, culture, and tourism. According to these results, future studies should compare the governance systems of AFNs in various socio-political systems, look at how resilient they are over the long run, and assess how important food security and sovereignty are in various settings. Furthermore, as a facilitator of local-global integration, the expanding role of digital technologies—from Taobao Villages in China to online local food platforms in Hungary—deserves more research.

Transnational AFN models that strengthen ecological and cultural interdependence can be developed through cross-border collaboration in food heritage and gastronomy, as is the case between Serbia Croatia and Hungary in the South Danube region. In the end, gastronomy-based rural tourism and AFNs represent more than just alternative systems; they mark a paradigm shift in our understanding of sustainability, community, and food. China and Hungary provide complementary insights into creating the food futures we all envision by establishing food systems rooted in local knowledge, ethical production, and meaningful experiences.

The comparative case studies of China and Hungary highlight the revolutionary potential of short food supply chains and alternative food networks in creating resilient, culturally embedded, and environmentally sustainable food systems. Despite having different histories, both nations demonstrate how the fusion of tourism, gastronomy, and agriculture can be a powerful force for social innovation and rural development.



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