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Innovation gaps in Scandinavian rural tourism

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Abstract: Drawing on primary data from a consumer survey (N = 2000), this study demonstrates a clear growth potential in rural tourism in Denmark, Norway and Sweden, which is, however, hampered by innovation gaps. At the conceptual level, the study offers a model that identifies the following five innovation gaps in Scandinavian rural tourism: (1) the portfolio gap, (2) the policy departmentalization gap, (3) the knowledge gap, (4) the change motivation gap and (5) the resource interpretation gap. At the empirical level, the study shows that rural tourism has its basis in a dichotomy between authenticity and modernization. New and prospective customer groups, particularly from Germany, demand more diversified and higher quality rural tourism products than current groups, for example, in relation to outdoor opportunities, leisure festivals and cultural activities. With rural assets, it is possible to expand the portfolio without compromising the rural image. Rural tourism enterprises and destinations remain slow movers in terms of innovation endeavours, and the study indicates that the discrepancies between

potential customers' service expectations and their spending patterns can partially explain this phenomenon. The merit of the innovation gap model is that this model identifies potential rebalancing actions at both enterprise and destination levels.

Key words: Rural tourism; Customer demand; Innovation gaps; Innovation capacity; Scandinavia.

Introduction

When is the “right” time to bring innovations to the market, and what should be their focus? These decisive questions apply to the majority of enterprises, including tourism firms. Rural tourism provides an interesting case for studying innovation processes. On one hand, rural tourism is embedded in and relies on the rural “backwardness” in the most positive sense: the history, the authenticity, the nostalgia, and the sector attract lifestyle entrepreneurs with mixed motives who seek to build their business on such assets (Brandth & Haugen, 2014; Iversen & Jacobsen, 2016). On the other hand, rural tourism is also a part of rural modernization processes (Maleki, 2014), such as a desire for comfort, novelty and creative reinventions of somewhat forgotten rural traditions. Using the optimal mixture, rural tourism practices can become an articulation of resistance against the omnipresent mass tourism (Gursoy, Chi & Dyer, 2009). By examining innovation gaps in this article, a special emphasis is placed on the distance between the quality of what is offered and appreciated by current customers and the quality demanded by potential future customers who do not currently choose the rural tourism product. Consequently, the paper represents a demand-side study (Djellal & Gallouj, 2010). As emphasized by Hall and Williams (2009), an accurate insight into tourists' preferences is essential for innovation processes.

There is no uniform definition of rural tourism (Lane, 2009). The current study broadly describes rural tourists as people whose activities focus on the consumption of rural experiences, cultures, landscapes, and artefacts that occur on farms or in rural communities (Woods, 2011). As such, the chosen definition

is wider than agritourism, which normally is understood as holidays on farms or closely related to farm owners and farm activities (Gil Arroyo, Barbieri, & Rozier Rich, 2013). In Scandinavia (Denmark, Norway and Sweden), there has been a long tradition of rural tourism (Hall, Müller & Saarinen, 2009; Müller, 2013). Taking holidays on farms and in rural villages is, compared to urban and coastal tourism, a small but nevertheless notable segment of the tourism market in Scandinavia (Fredricsson & Smas, 2013). A series of studies on the conditions of tourism providers suggests several distinct trends in the volume of demand for rural tourism in the Scandinavian countries. For example, using agricultural statistics, Nielsen, Nissen, and Just (2011) indicate that tourism activities have some significance for farm economics in Denmark. A similar situation can be observed in Sweden where national statistics show an increase in the number of farmers who are involved in tourism-related activities and where profits from this type of activity are also rising relatively quickly (Statistiska Centralbyrån, 2007). Once started, there is significant interest in expanding tourism-related activities on farms because such activities often offer a number of benefits for the providers (Gössling & Mattsson, 2002; Tew & Barbieri, 2012).

However, insofar as rural tourism providers and policy makers are concerned, the product tends to be perceived as not up to date, and demand is stagnating (Forbord, Schermer, & Grießmair, 2012). Despite the fact that rural areas in Scandinavia contain a wide portfolio of recreational and outdoor opportunities, the development and modernization of the rural tourism product appears to be insufficient (Engeset & Heggem, 2015). Taking into consideration the depopulation trends in rural and peripheral areas, combined with the lack of job opportunities (Copus & de Lima, 2015), the staggering of rural tourism can be considered a challenge for such regions and their communities. Accordingly, rural tourism is a matter of keen policy interest, and there is a belief that tourism holds more potential for rural areas than is currently exploited (Fredricsson & Smas, 2013).

This study provides a conceptualization of innovation gaps in the Scandinavian rural tourism context by establishing a model that identifies five innovation gaps as follows: (1) the portfolio gap, (2) the policy departmentalization gap, (3) the knowledge gap, (4) the change motivation gap and (5) the resource interpretation gap (see: Figure 1). Furthermore, by inspecting the consumption patterns of current and potential rural tourists, the study aims to inform tourism innovation processes.

As such, this study directly refers to an increasing body of research suggesting that much innovation is driven by demand (Hall and Williams, 2009; Muscio, Nardone & Dottore, 2010). Thus, it is crucial to businesses' viability to ask customers what they want a new product or service to provide for them (Ulwick, 2002; Matthing, Sandén & Edvardsson, 2004). By inspecting the consumption patterns of current and potential rural tourists, this study attempts to identify innovation gaps in rural tourism services and discusses several prospects to close these gaps.

Accordingly, the insight offered by this study is important for the providers of rural tourism, such as agritourism owners, farm shops, trekking and guiding companies, and other enterprises. Moreover, by offering a departure point for establishing a more targeted innovation capacity and making it available to the primary producer of touristic goods and services in rural areas, this study is also valuable for destination marketing organizations (DMOs), rural tourism promotional associations and networks, and local authorities.

Literature review

Rural tourism is a well-established topic in the tourism management literature (Baldacchino, Helgadóttir, & Mykletun, 2015; George, Mair, & Reid, 2009; Roberts & Hall, 2001). However, the vast bulk of research pertains to the supply side of the business by, *inter alia*, addressing the question of why and how rural actors – farmers and others – launch touristic products and services (Komppula, 2004).

There is also a considerable focus on entrepreneurial and business processes to examine the synergies among the different components of rural activities (Hall, Roberts, & Mitchell, 2003). Skills, manpower and gender issues are of significant research interest, indicating the nature of the changes in tourism and their implications for local communities (Cassel & Pettersson, 2015). Another strand of studies demonstrates the barriers to rural tourism development, for example, by considering seasonality challenges (Kastenholz & Almeida, 2008), limited capacity-building opportunities (Long & Lane, 2000; Moscardo, 2008), and resource and assets optimization (Flanigan, Blackstock, & Hunter, 2014). Policy priorities are also a subject of considerable interest where potential problems in the coexistence of agriculture and leisure as well as respective environmental challenges are discussed (Hjalager, 2014; Roberts & Hall, 2001).

An analysis of products and services is also an important research endeavour. Because rural tourism is clearly developing and innovating over time, such studies are noteworthy. Robert & Hall (2009) outline and categorize rural tourism elements. Others including Sidali, Kastenholz, and Bianchi (2015), Eriksen (2015), Forbord (2015) and Frisvoll, Forbord, and Blekesaune (2015) focus on food tourism, niche markets and products in rural tourism, whereas Loureiro (2014), Blekesaune, Brandth, and Haugen (2010), and MacDonald and Jolliffe (2003) scrutinize different aspects of the rural tourism experience, including mushrooming cultural and outdoor activities. The findings from these studies indicate a large diversification of rural products, suggesting efforts to overcome innovation gaps.

Overall, previous studies offer strong evidence regarding the variety of rural tourism products and the appeal that these products might have for current and future customers. Despite the fact that both service quality and authenticity have been recognized as the current engine of rural tourism development (Augustyn & Ho, 1998; Chhabra, Healy, & Sills, 2003; Engeset & Heggem, 2015), there is a continuous need for both product and operation development. However, the study of Reichel, Lowengart, and

Milman (2000) clearly shows that numerous rural tourism providers do not improve the quality of their products and services once they have established their operation. This lack of progress results in the gradual reduction of the business competitiveness, and thus may cause an outflow of potential visitors to other forms of tourism activities and destinations. In a rural context, there is a need to enhance the understanding of tourism innovation.

An innovation gap model

This study focuses on innovation gaps, and in that context contributes to the international literature that attempts to understand the reasons for tourism enterprises' reluctance to engage in product and service development and to identify the respective institutional barriers (Hjalager, 2010; Hjalager, 2014). The term innovation gap can be used to illustrate the distance between potentials related to demand and entrepreneurial realities, and it is important from both a business and a policy standpoint (Djellal & Gallouj, 2010). Drawing on an upcoming strand of research on this issue (e.g., Cooke, Parrilli & Curbelo, 2012; Estrin, 2008; Kotey & Sorensen, 2014), several reasons can be identified regarding why enterprises struggle to pursue innovative behaviour.

The model presented in Figure 1 illustrates several reasons why enterprises struggle with innovative behaviour in the wider context of innovation gaps and links several elements of tourism firms' operation landscape, including the following: (a) environment and institutional framework, (b) rural tourism firms' development trajectory, (c) trends and demand in rural tourism markets and (d) rural tourism firms' asset composition. The proposed model has been inspired by the SERVQUAL model established by Parasuraman, Zeithaml and Berry (1988) to measure quality in the service sector. In the course of this study, however, the model has been significantly adapted to the specific characteristics of rural tourism

in Scandinavia to establish a conceptual frame for the planned empirical analysis. As such, the proposed model represents a truly novel conceptualization.

In essence, the model identifies four main elements in tourism firms' operation environment. *The rural tourism firms' asset composition* recognizes that rural tourism providers work with land and landscape, material facilities, climate advantages, manpower, and capital, in which the allocation for touristic purposes may compete with other economic alleys of exploitation. *The rural tourism firms' development trajectory* relates to the main concept and business models chosen for the development and where major divisions may be troublesome and costly. *The environment and institutional system* is composed of advisory services and collaborative structures, among others. Finally, *trends and demand in tourism market* refers to the comprehensive forces that influence the tastes and preferences of tourists.

<<< INSERT FIGURE 1 ABOUT HERE >>>

The model also takes into account the following five innovation gaps:

- The portfolio gap refers to insufficient coordination between the resources and assets available to firms and the needs and the refinement of the chosen trajectory, such as in terms of planned and aligned diversification.
- The policy departmentalization gap occurs when supporting bodies engage in old-fashioned thinking; for example, they exclude touristic matters from agricultural extension services or DMOs and fail to coordinate the needs of rural production and development.
- The knowledge gap occurs when firms do not tap into knowledge resources and do not access wider markets and network associations to enhance chosen trajectories.

- The change motivation gap occurs when tourism firms' development strategy and respective investments do not correspond with current trends in the tourism market. As such, there is a propensity to adhere to existing operational modes and to harvest only the "late" fruits of prior innovative efforts.
- The resource interpretation gap occurs when tourism firms possess the necessary assets to innovate but do not fully understand and manage their potential in the context of tourism development; for example, firms may not capitalize on opportunities to offer new experiences in certain parts of farms, villages or landscape settings that were not originally intended for such purposes or may not creatively engage idle manpower resources during the off-season.

The literature on rural tourism examines these gaps, although not within the framing suggested in this study. A study by Hall and Williams (2008) notes that it is crucial to understand current and potential future market trends before launching new products and services and incurring investment costs. Rønningen (2010), examining the innovation activities in tourism in peripheral areas, suggests that there are potentials as well as barriers, noting that the capacity to innovate depends on both an enterprise's resources constellations and collaborative structures within the business environment. Pesonen (2011) provides valuable advice for tourism providers in a segmentation study, suggesting directions for further product development.

With regard to rural tourists' attitudes, motivation, and behaviour, the literature is far less ample and comprehensive, despite the fact that such studies might be highly informative for innovation processes in enterprises and destinations. One study of considerable interest was conducted by Carpio, Wohlgenant, and Boonsaeng (2008) using US-based data, finding that rural tourism particularly appeals to families with children. Nielsen et al. (2011) also identify families as major target groups. Carpio et al. (2008)

suggest that middle-income families are more likely to choose rural holidays than very high-income and very low-income households.

Several studies indicate that nature, landscapes and fresh air are the main attraction assets in rural tourism (Carpio et al., 2008; Devesa, Laguna, & Palacios, 2010; Kastenholtz, Carneiro, Peixeira Marques, & Lima, 2012; Park & Yoon, 2009; Peña, Jamilena, & Molina, 2012). However, as indicated by Daugstad (2008), rural tourists do not necessarily have the same perception of rural qualities, and tourism enterprises do not exploit the assets to the fullest, as discussed by Frisvoll et al. (2015) in relation to local food. Rural holidays are often equated with peace, slower speeds and relaxation, and the rural environment is sought for physical health and mental well-being (Sharpley & Jepson, 2011). Fernández-Hernández, León, Araña, and Díaz-Pérez (2015) note the increasing heterogeneity of the market, an issue also illustrated in Figure 1 in the portfolio gap.

Loureiro and Kastenholtz's (2011) study on rural lodging units in Portugal suggests that customer loyalty depends on a variety of factors, including quality, trust between tourist and provider, satisfaction and location image. Rural tourism enterprises and destinations take time to develop and require persistence to maintain, both individually by providers and collaboratively by institutional structures.

Certain studies indicate that rural tourism primarily attracts middle-income visitors (Carpio et al., 2008). However, another strand of research on contemporary demand patterns suggests customers' higher willingness to pay for access to innovative attractions when available (Jolly & Reynolds, 2005).

As shown in this literature review, rural tourism is a major research theme; however, deeper inquiries into motives, attitudes and demand are lacking (Santeramo & Barbieri, 2016). In particular, rural tourism enterprises and policy stakeholders require additional knowledge concerning potential rural tourist groups and segments. Such information is critical for product modernization processes, tailored marketing and innovative behaviour. This article aims to provide an improved foundation for such

understanding by addressing innovation gaps, primarily the change motivation gap and the resource interpretation gap.

Data and methodology

The study, which has been performed in conjunction with the transnational rural development collaboration called LISA (*Landsbygdsudvikling i Skandinavien, translated as Village Development in Scandinavia*), is based on a comprehensive survey among current and potential customers of the Scandinavian rural tourism product. The aim of the survey is to assess the market potential for rural tourism in Scandinavia in a novel and critical way by employing an innovation perspective. According to Figure 1, the study explores innovation gaps based on the “trends in tourism markets and demand”. Both tourism providers and policymakers must better understand the perceptions of rural holidays to more effectively tailor rural tourism products and policy efforts to customers’ needs and expectations. More specifically, the aim of this article is to identify preferences for services and experiences related to rural holidays in Scandinavia.

The study considers innovation gaps and innovation potentials. Therefore, it is assumed that even if rural tourism is often built on deeply rooted rural traditions and appraised authenticity, there is room for further changes and improvements. The study also recognizes rural preconditions as not exclusively and uniformly development barriers but rather as prerequisites for an innovation endeavour that can help Scandinavian tourism diversify and prosper.

Rural tourism demand is scrutinized for the following three Scandinavian countries: Denmark, Norway and Sweden. A survey was performed in these three countries and Germany, which is a major country of origin of tourists to Scandinavia. Primary data on rural tourists’ characteristics were collected through an online questionnaire. The data collection was conducted using a pre-stratification design

wherein the population over 18 years old was divided into strata based on age, gender and region (country) information, ensuring a representative sample of 500 respondents in each country, collected in 2012. A post-stratification weight was calculated to correct for any deviation in the stratification parameters. Data were collected through web panels among randomly selected individuals who agreed to participate in the survey and were organized by the professional survey bureau Epinion using identical survey systems to create similar settings across countries. The study utilizes the availability of panels within Epinion's comprehensive survey systems, stratified for the purpose of the study.

Each questionnaire consisted of the same questions, only slightly adjusted to the specific country and translated into the native language of the respondents. The questions reflected the development challenges for rural tourism in Scandinavia and emerged in the course of a collaborative process with local development agencies. The selection of questions also reflected the identified research gaps as outlined in the literature review. The questionnaire was subdivided into the following four thematic questions about respondents: (a) previous holiday behaviour and expectations for future holiday behaviour, (b) general holiday preferences, (c) demand for rural tourism products and activities and (d) socio-demographic characteristics. The majority of questions were formed as statements to be assessed on a Likert scale. The data collection resulted in a total sample of 2000 respondents to be used in statistical analysis (500 per country of origin). The data were treated in a sequential process of factor and correlation analysis, identifying first critical issues. A number of hypotheses were tested. As a result, the segmentation in "current", "likely", "potential" and "uninterested" tourists has been found to have a significant explanatory value for the understanding of the Scandinavian rural tourism product, and this factor is used as a guide to the interpretation of the innovation gaps.

General interest in visiting rural areas

As shown above, general interest in rural tourism has been challenged over the years. As a departure point to better understand rural tourists, an attempt has been made to showcase respondents' general interest in rural tourism based on their responses to the following seven dimensions of authenticity preferences: (1) experience unspoiled places with few tourists, (2) learn about new cultures, (3) have personal relationships with locals, (4) create new acquaintances, (5) learn new skills/expand my horizons, (6) explore a different lifestyle, and (7) cultivate interest in sports. The seven dimensions of authenticity preferences have been selected based on a general analysis of 20 holiday preferences among all respondents through a factor analysis. The analysis revealed four groups of holiday preferences as follows: (1) *history and culture*, (2) *authenticity* (3) *shopping* and (4) *relaxation*, of which the group *authenticity* was chosen as a proxy for the further delimitation of rural tourists. The authenticity preferences were chosen as a criterion for future rural tourists' identification because the existing literature on rural tourism clearly suggests that seeking an "authentic experience" is a unique characteristic of current rural tourists (Bessièrè, 1998; Sims, 2009). Numbers assigned to respondents' answers (between 1 and 10, where the value 1 represents a very weak preference) were summed up and divided by the number of items (seven) to obtain a simple index of interest in rural tourism. All respondents who were more interested in rural tourism than the average respondents in their country were categorized as potential future rural tourists. This relatively broad definition of interested respondents provides an opportunity to segment the group further into more homogeneous segments based on three additional criteria: (1) general interest in taking holidays in rural areas in Denmark, Norway or Sweden ("Potential"), (2) plans for taking holidays in rural areas in Denmark, Norway or Sweden in the next three years ("Likely"), and (3) current holiday behaviour, i.e., whether a respondent already spends holidays in rural areas in Denmark, Norway or Sweden ("Current"). Based on the responses to these

items and information regarding the level of interest in rural tourism, four different segments of tourists were identified as follows: “Uninterested”, “Current”, “Potential” and “Likely” tourists (see: Figure 4).

The segment of “*Uninterested*” tourists is characterized by a low interest in the elements that embrace the authentic preferences and thus, holidays in rural areas. The preferences of this group are centred on other dimensions of holiday preferences, e.g., relaxation or shopping. Consequently, this segment represents the lowest potential for future rural tourism. On the opposite side of the scale is a segment of “*Current*” tourists that is characterized by an established preference for rural holidays. This segment is defined independently of interest and probability for a future holiday. The group represents an interesting benchmark for future rural tourists because it already exists and can be easily identified and analysed. Between these two extremes are other segments considered to be crucial for future rural tourism. They are divided into a segment of “*Potential*” tourists who demonstrate strong interest in holidays in rural tourism but currently are not considering holidays in rural areas in Denmark, Norway or Sweden in the next three years, whereas “*Likely*” tourists show strong interest in rural tourism and are considering a rural holiday in Denmark, Norway or Sweden in the next three years.

Results

The presentation of the results is structured as follows: First, the composition of rural tourists by predefined segments and countries is discussed. Next, the likely demand for undertaking specific types

of activities in rural areas is described. Then, the results regarding different aspects of rural tourists' consumption behaviour are presented

Composition of rural tourists

Figure 2 provides an overview of the share of four segments in the four countries included in the study, and thus a potential size of future rural tourism in Scandinavia.

<<< INSERT FIGURE 2 ABOUT HERE >>>

The illustration of the composition of the four segments of rural tourists presented in Figure 2 shows that approximately half of the sample in Norway, Sweden and Germany is not currently interested in rural tourism, whereas in Denmark, this segment of tourists accounts for approximately 55% of the population. Approximately 20% of the sample in Denmark, Norway and Sweden currently spends holidays in rural areas; conversely, only 4% of the population in Germany fits into this category. Finally, the share of the sample categorized as “Potential” tourists was approximately 10% of the sample in Denmark, Norway and Sweden. In Germany, however, this segment was considerably larger at approximately 20% of the sample. The same trend held true for the most interesting segment of future rural tourism development, i.e., “Likely” tourists. This segment constitutes 34% of the sample in Germany, approximately 25% in Norway and Sweden and 17% in Denmark. Bearing in mind the above presented simple statistics, it can be concluded that Germany represents a most promising source of future rural tourists for the Scandinavian area with approximately 20 million potential rural tourists (assuming the German population (age 18+) of 70 million people). Combining this fact with a large segment of “Potential” rural tourists (20%), i.e., a group that is interested in rural tourism but not directly

oriented towards Denmark, Norway or Sweden, it can be expected that the share of rural tourists in Scandinavia that originate from Germany may further increase in the future. In addition, the study also identifies several interesting supplementary features of the market based on the summary statistics analyses.

First, potential tourists represent all age groups, but with some weight on seniors (age 56+). This finding is somewhat contradictory to the widespread belief that rural tourism is particularly attractive to families with children. Accordingly, one managerial implication of the study is that rural tourism providers should improve their appeal to seniors while also considering what is missing for the younger strata of guests.

Second, regarding the educational level of rural tourists, the findings suggest that 40% to 50% of the respondents have advanced degrees and that the educational level of potential tourists is higher than among current tourists. A higher education degree implies that tourists might be willing to pay more for tourism products, another issue that providers of rural tourism products and services should consider.

Third, a large proportion of rural tourism customers already live in rural areas or in small towns. This result could also indicate a lack of awareness and appreciation of the rural image among inhabitants in larger towns. Rural areas may offer experiences to inhabitants from larger urban areas, experiences that represent something entirely different from what is found in their daily environments.

Overall, the study disposes of some evidence that rural tourism in Scandinavia provides services for a market that is to some extent conservative, and the stagnating tendencies may be understandably seen in this context. The study also suggests that there is an unexploited market niche. The identification of new categories of tourist demand will be further explored in the forthcoming sections.

Rural holiday activities

Rural tourism is not a uniform product; rather, it is highly diversified and a matter of individual perception. Therefore, in the survey, respondents were asked about their likely demand for the following specific groups of activities: (a) stay overnight in nature (e.g., in shelters), (b) visit local open farms, (c) visit local food festivals, markets, etc., (d) visit local culture exhibitions, (e) visit local art exhibitions, (f) use local bicycle, walking, and riding trails, (g) attend courses/lectures, (h) participate in local culture events (e.g., folk dance, music, theatre, etc.), (i) take guided tours in the countryside, and (j) participate in social work/production (e.g., field work). Figure 3 depicts the average likelihood demands for the three segments of “*Current*”, “*Likely*”, and “*Potential*” tourists.

<<< INSERT FIGURE 3 ABOUT HERE >>>

Previous studies suggest that rural tourism attracts people for whom the environment and outdoor activities represent a primary motive to visit the countryside (Kastenholz et al., 2012). Therefore, it is not surprising that outdoor activities such as biking, trekking, and riding are high in priority. Guided tours are lower in demand, reflecting the fact that many tourists in Scandinavia consider outdoor activities as self-organized. Thus, in addition to diversifying and enriching the landscape and outdoor experiences, there is also potential to improve the self-guiding versions of such experiences. Food-related activities score extremely high in the survey, aligning well with the expanding festival landscape (Blichfeldt & Halkier, 2014; Sims, 2009) and the growth in “food lovers” search for interesting experiences and products (Getz & Robinson, 2014; Richards, 2015). Blichfeldt & Halkier (2014) suggest that food is a carrying driver for rural and coastal tourism. Tourists recognize to a significant extent the cultural heritage and traditions in rural areas and will visit cultural attractions. Visiting open farms is less important for tourists, which may indicate that the rural image has moved away from farming and farms.

More involved and strenuous categories of rural tourism are slightly less in demand, including outdoor overnight stays, educational activities and voluntary work. Even when a desire for comfort can be measured, the level of interest is insignificant.

Figure 3 distributes the interests for the attractions and activities among four segments, illustrating one very important and consistent observation: A “Likely” tourist, a promising market for the expansion of rural tourism, is viewed as more demanding in terms of interesting experiences than existing customers. These potential tourists demonstrate an interest in the non-standard categories of products such as voluntary work, learning opportunities, and cultural offerings.

When examining these findings, there is a risk that rural tourism providers lack sufficient understanding of the potentials related to rural tourism. Thus, products and services must be developed and diversified to meet those trends. In that sense, providers might fail to bridge the *resource interpretation gap* presented in Figure 1. A less positive reputation of rural tourism in Scandinavia also might be the result of insufficient awareness and attention to needed adjustments in the trajectory, the “change motivation” innovation gap. Considered from a future business perspective, this gap may lead to lost turnover and profits. The study considers certain economic aspects, such as whether respondents would like to purchase different rural products, either to be consumed on the spot or taken home. A high propensity exists to spend money in rural areas, particularly on food, but also on arts, crafts and antiques. This finding underlines the need for rural tourism providers to combine services with attractive retail goods, thus addressing the “portfolio gap” that reflects insufficient coordination between the resources and assets available in rural areas.

Markets and interests in rural activities

To understand the nature of market changes, this study conducted a particular analysis of current and future tourists. Taking into account four markets for rural products, Germany, Denmark, Sweden and Norway, there are noticeable and important differences, as presented in Figure 4. Figure 4 includes only responses from the group of “Likely” tourists, e.g., the priority markets for expanded tourism activity.

<<< INSERT FIGURE 4 ABOUT HERE >>>

The segment of German “Likely” tourists is considerably more active than Scandinavian domestic tourists in all categories of activities and attractions. Among the Scandinavians, the segment of the Norwegian likely tourist market is characterized by a higher willingness to be involved. This contrast between the domestic Scandinavian and the German likely tourist markets confirms the findings of other market studies (Saarinen, 2013). In terms of drivers for innovation, the German likely tourist market could be a “guiding star” for innovative activities in Scandinavian rural tourism, and a strategy to serve German likely tourists may help to close the innovation gap. Considering trends in the German likely tourist market, Nielsen et al. (2011) suggest that tourists’ financial constraints are not only to be considered a market barrier but could also be informative for innovative processes when combined with a critical and unbiased examination of the perception of products and services (Bocz, Pinzke, & Nilsson, 2012). Such conclusions are also of importance for rural tourism intermediary organizations such as community groups or agritourism organizations (Thuesen & Nielsen, 2014).

<<< INSERT FIGURE 5 ABOUT HERE >>>

This study also highlights certain economic issues. Based on respondents’ answers about their daily spending on the latest holiday, Norwegians were the largest spenders, followed by Swedish and Danish

tourists, as shown in Figure 5. German tourists tended to be keen economizers on holiday. Notably, rural tourism providers who host guests with low budgets may be late movers in innovation and are likely to postpone new initiatives and investments, leaving innovation gaps intact. The behaviour of German tourists is quite contradictory to their high level of expectations regarding the level and quality of the rural tourism product. As shown in Figure 5, “Likely” and “Potential” tourists spend far more on holidays than current tourists. This result suggests the economic potential for innovative providers of rural tourism facilities and the incentives to bridge the change motivation gap.

Conclusion: Closing the innovation gaps?

This study reveals the existence of market potential concerning rural tourism in Scandinavia. The results also indicate the existence of several innovation gaps, as potential future tourists demonstrate demands for higher quality and product service variation than current customers. As shown in the model depicted in Figure 1, rural tourism providers are not responding to the trends and prospects in a timely manner. If actors, including firms and others, choose to accelerate innovative initiatives and investments, they ideally might increase their profits and develop their enterprise portfolios.

These challenges have been identified in all five categories of gaps. Thus, the model can contribute to the understanding of the nature of rural tourism and assist in future discussions to close the gaps with adequate actions.

The change motivation gap is prevalent, linking the market with the chosen trajectories of rural tourism providers. However, the motivation for change may be hampered by the fact that the most prospective market, the German likely tourist market, is also the most demanding in terms of quality and expected value. An accurate understanding of market trends may lead to better strategic capacities and a reassessment of risk issues.

The resource interpretation gap is equally interesting in this context. The evidence concerning the interests of tourists, for example, regarding outdoor and nature experiences and “foodies” offers, suggests the potential to activate new resources. In any circumstances, rural tourism must consist of several ingredients creatively put together in memorable symbioses. Although tourism embraces accommodation, meals, and activities/experiences, the growth in business today is driven largely by tourists’ experiences. As such, the providers of rural tourism in Scandinavia not only must consider the development of new and supplementary products and services, authentic or not, but also must consider how to create a memorable experience.

The portfolio gap refers to insufficient coordination between the resources and assets available to a firm and the needs, refinement and strategizing of the chosen trajectory, often in terms of the planned and aligned diversification. Considering the spending patterns of German tourists in particular, rural tourism enterprises also must trim their operations and ensure process innovations to sustain profits and create leverage for investments. Such innovations include efficient coordination with other farm operations and investments in technologies that can save labour inputs and simultaneously lead to higher quality from the tourists’ point of view.

Although this study focused empirically on the demand side of rural tourism, the results suggest that rural tourism providers and other actors in rural tourism face a *knowledge gap* that may delay innovative activities in the sector. In addition, the data indicate ways for rural service providers to overcome innovation disadvantages related to *policy departmentalization* and rigid sector borders. Progress in rural tourism will require continuous and critical monitoring of the functionality of institutions that act as intermediaries and promoters. To counteract stagnation in rural tourism in Scandinavian countries, rural tourism NGOs must recognize the need to span organizational boundaries. Rural tourism providers must cultivate alliances with other community organizations to create local synergies. External alliances with

user groups through the intensified use of social media platforms could also provide remedies in the modernization process of Scandinavian rural tourism.

This study has emphasized innovation gaps related most directly to the trends in markets and demand. The empirical evidence is based on current and potential customers' behaviour and preferences. As it stands, the study has less to contribute to institutional discussions and the innovation gaps that link rural tourism providers with institutional actors. Such innovation gaps require further inquiry. The model, as illustrated in Figure 1, may guide further research into the rural tourism system's capacity for change.

Scandinavian rural tourism provides a fascinating environment for the study of innovation. Constraints on development include seasonal challenges, high labour costs and the particularities of the agricultural sector. However, the Scandinavian landscape itself, including its wilderness, sparsely populated areas and vulnerable natural sites, provides avenues for prospective specialization and innovative rural tourism products, distinguishing Scandinavian rural tourism from other parts of Europe.

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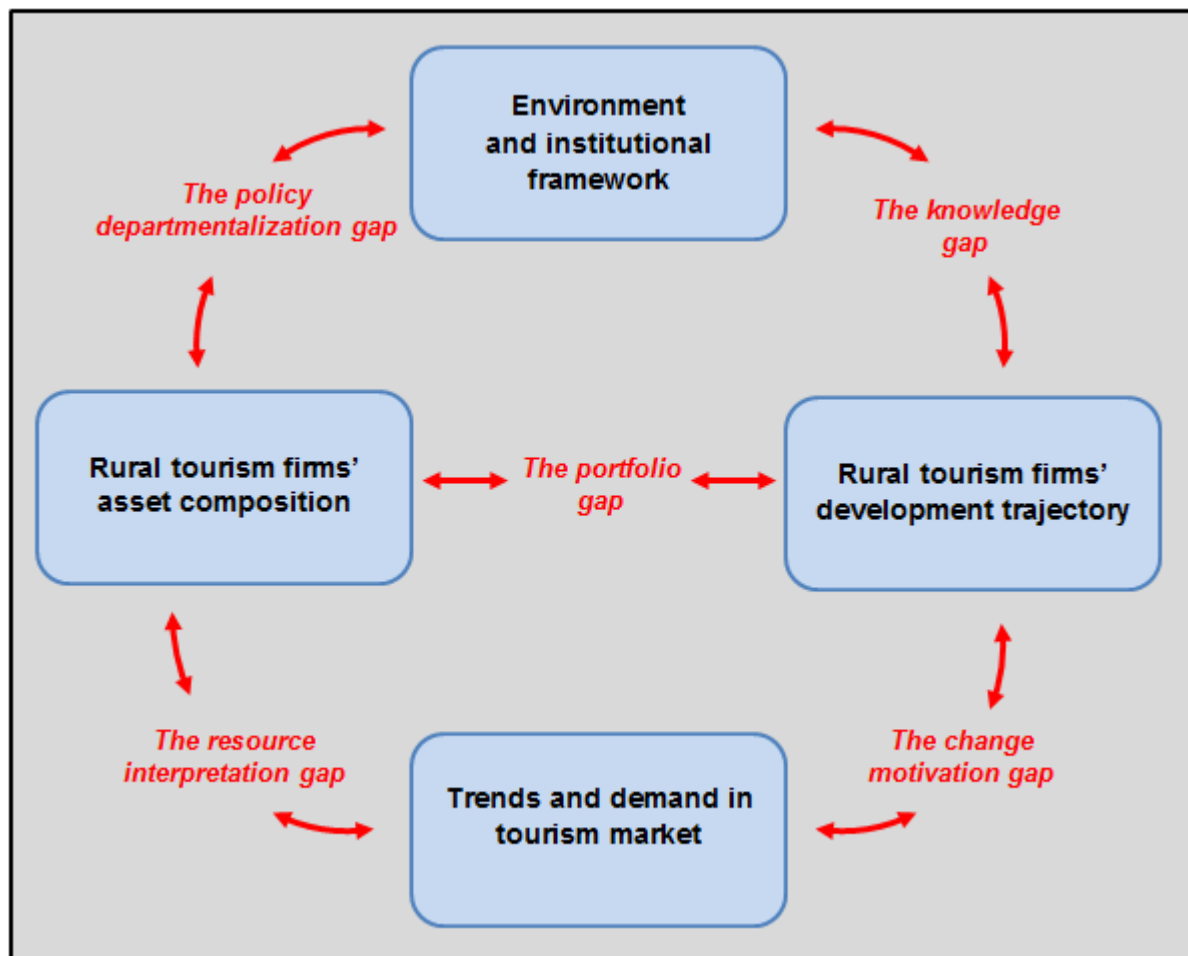


Figure 1. The innovation gaps in rural tourism firms.

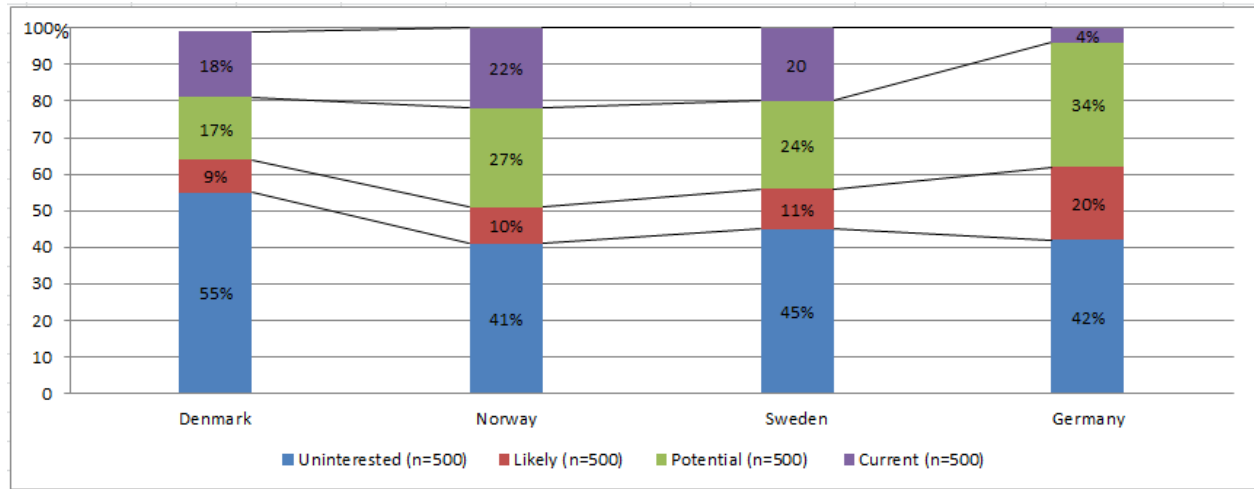


Figure 2. The composition of the four segments of rural tourists by country.
N = 2000

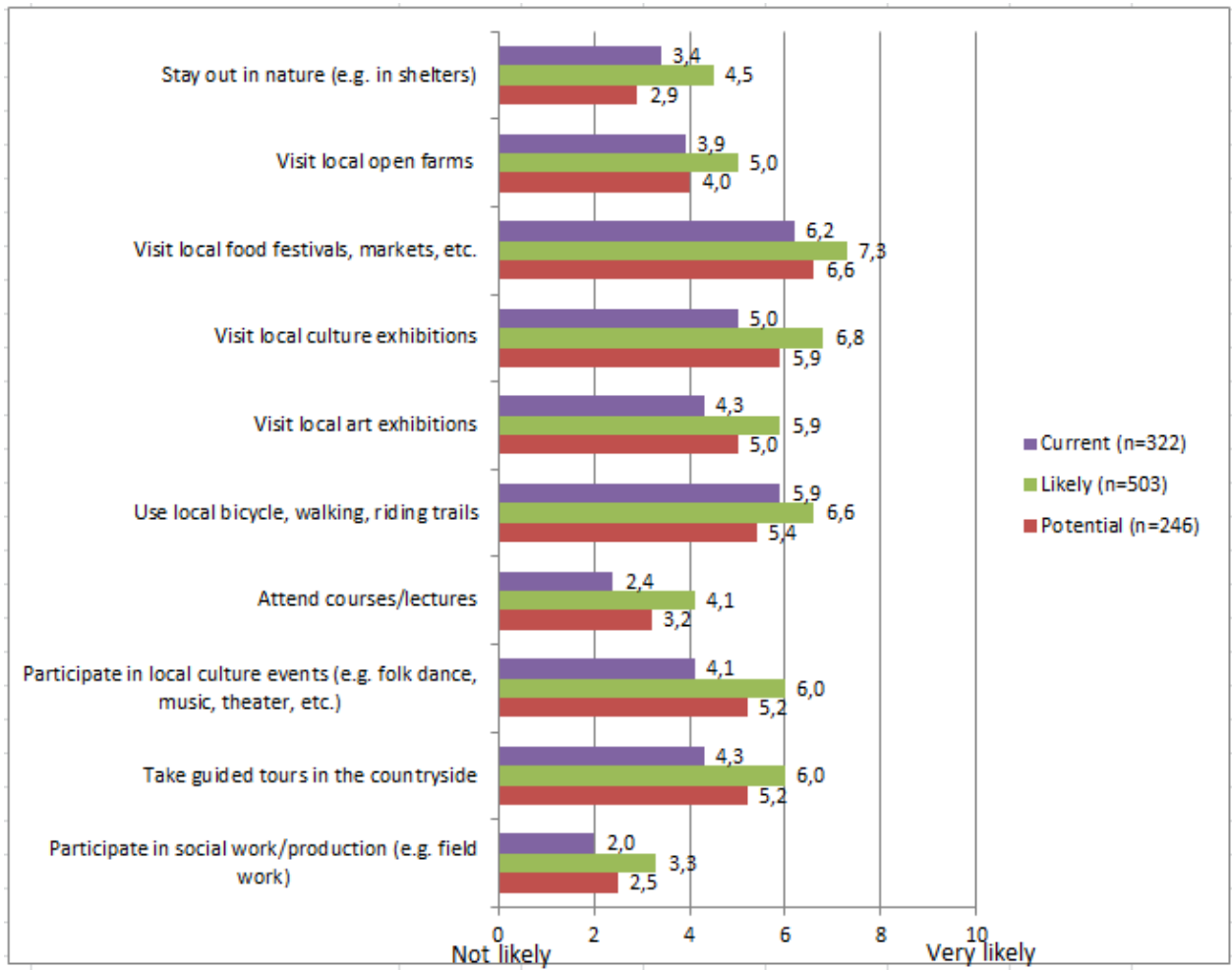


Figure 3. Likely demand for undertaking specific types of activities in rural areas in Denmark, Sweden and Norway by four segments.
N = 1071

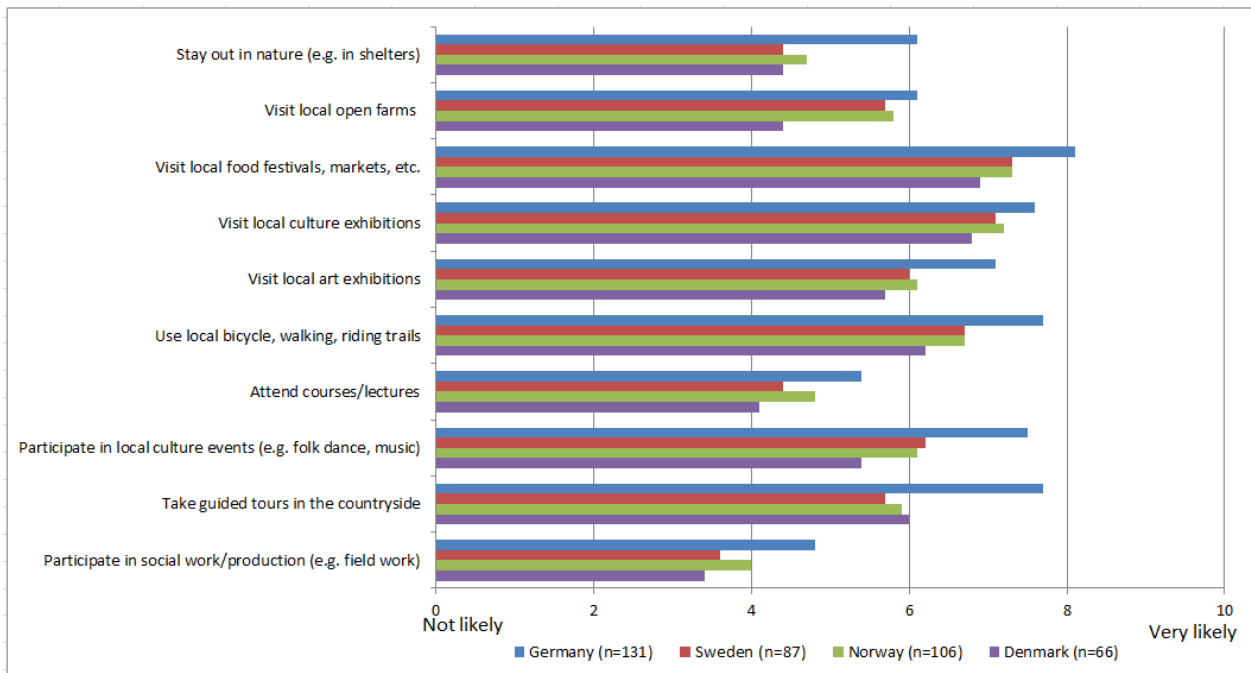


Figure 4. Priority markets for an expanded tourism activity among likely tourists.
N = 390.

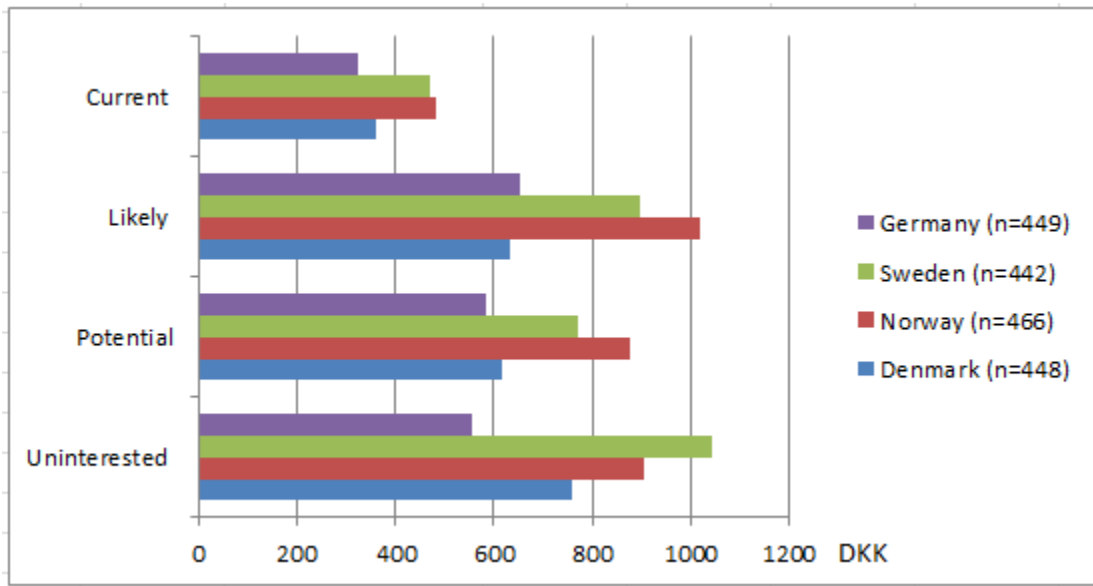


Figure 5. Daily consumption during the most recent holiday by segments and countries (in DKK).
 Note: 1 EUR \approx 7,43 DKK