

## **RURAL TOURISM: AN ANALYSIS THROUGH THE ASSUMPTIONS OF THE NEW INSTITUTIONAL ECONOMY.**

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### **ABSTRACT**

*The study aims to analyze the decision-making of the agents through the theoretical assumptions of the New Institutional Economics (NIE), and the results in transaction costs of rural property activity added tourism to its agricultural business. The methodology adopted was the exploratory and explanatory study. Data were collected using semi-structured interviews and the analysis was qualitative. Finally, we know that we still need to find appropriate tools to reduce the asymmetry of information and allow a wider field of view to making agents' decisions.*

**Keywords:** New Institutional Economy (NIE). Tourism. Rural property. Wine.

## **1 INTRODUCTION**

The changes promoted in the 21st century are due to meeting human needs and the innovation processes that the world absorbs to seek the efficient and effective use of available productive resources. There is also a global economic trend, according to Pine and Gilmore [1], which is based on behavioral phenomena and on the interrelationship of environmental factors involving human, social, technological, financial and environmental aspects. In this case, economies are looking for alternatives to add value to their business, and this would not be different in rural areas, which over the years have sought competitive alternatives that can ensure the farmer in the countryside in a dignified and sustainable manner. In this way, tourism has been considered, by rural managers, as an activity capable of adding value to rural business and providing unique experiences.

In this sense, Kotler [2] establishes that the tourism economy has the capacity to lead territories towards development, since social and cultural exchange and income distribution result from pulverized expenditure in the economy by tourists. The same author also emphasizes that the value of the tourist product is in the relationship with the social [2].

In view of this, the research objectives here were: a) to identify the theoretical assumptions of the New Institutional Economics (NEI) that guide decision-making in the performance of rural tourism; and b) analyze the management of tourist activities on the rural property. The tourism economy considers transaction costs as a fact, and the effects of the activity of the transaction. The research is justified by the need to understand the synergy of the tourism economy and the effects on the dynamics of rural property management.

## **2 THE NEW INSTITUTIONAL ECONOMY**

For Williamson [3], the new institutionalism presents a division of social analysis into distinct levels, which are interrelated: a) informal institutions (embeddedness), which involve an approximation through common values, traditions, norms and religion; b) the institutional environment, which is in the formal structures of business development; and c) the governance structures, which are established by the criteria of transparency and social responsibility; in addition, there are dimensions that promote the allocation and use of resources effectively and efficiently. In this case, the New Institutional Economy requires an appreciation of institutions and an appreciation of the relationships established with the market, since these relationships interfere in the competitive macro system, causing paradigm shifts and innovations in economic performance.

Therefore, for Coase [4], when the company starts looking beyond the exchange system with the market, it is no longer perceived only as a function of combining inputs that will undergo a process of transformation into products, but understood as an organizational environment that performs the task of coordinating economic actors. Therefore, the result of this efficient combination can result in the reduction of transaction costs [4].

In this case, the rural property seeks new markets and ways of expansion and behavior that are capable of establishing a synergy with desirable effects for the institutional and organizational environment. In this way, one can cite as an example of alternative economies in rural territory, tourism, which has been growing, with good results in association with agro-industrial activities.

### **2.1 The Economy of Rural Tourism**

The rural tourism economy emerged as an alternative for the production of new products and the aggregation of value to the businesses and products developed on rural properties, especially with regard to small properties and family management. For Rezende and Zylberstajn [5], rural property is an integral part of agro-industrial systems, but its structure is linked to two oligopolies, in the issues of input supply and in the other dimension of the market in the oligopolies of processing, distribution and marketing of production. In this case, the production chain seeks to meet the needs of the final consumer, however, the rural producer is not always close to the final consumer, therefore, he/she needs to articulate with intermediate segments so that the product, commercialized in the regional and/or global circuit, can become effective and competitive.

According to Lane [6], the innovation of marketing techniques such as the presentation of products and services, technological differentials, strategic differentials, original quality seals, indications of origin, can be conducive strategies for the development of rural organizations. In the same segment, Kastenholz (2014) draws attention to the benefits of the tourist experience, which are considered not restricted to functional or utilitarian values, but also include social, emotional, cognitive, hedonic and symbolic dimensions. Therefore, for the rural tourism product to be effective, the rural community needs to assume the central role in sharing and reinventing the tourist experience, since the attitude of the local population is a determining factor in providing involvement in the visiting experience [7].

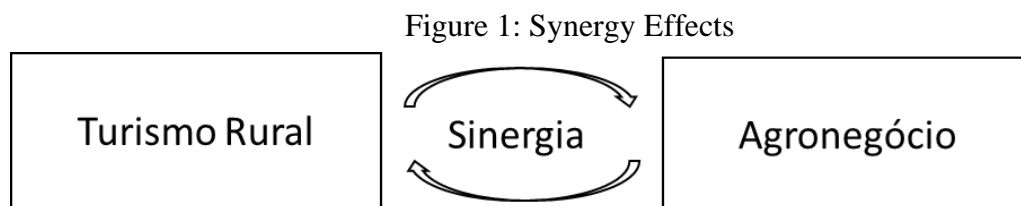
### **2.2 Property Management and Rural Tourism**

The rural property seeks its competitive advantages as much as any other segment of economic production. However, for this to be consolidated, it requires an adjustment in the sector of some management processes that provide more satisfactory results for the property. Therefore, the management of rural property requires flexibility, sharing of information, knowledge, joint actions and cooperative relationships between different market agents. Since cooperation on rural properties often occurs due to needs arising from the peculiarities of location, such as the distance from large centers, access to resources for production, distribution, marketing of products and negotiations with the private and public sector.

In view of this, agents make decisions in their business based on the established bonds of trust, since, according to Simon [8], the management of economic businesses is in the act of carrying out an action. For that, you need to understand the elements that make up the decision, considering what actually happens, and what results, in fact. In this sense, decisions become complex due to the presence of various elements such as values, learning, beliefs, economic, social, environmental and political issues. However, the elements reflect the capacity for change of each territory, therefore, they can cause the reduction or evolution of local competitiveness [9].

Therefore, the management of rural property can concentrate efforts on elements such as actions and decisions in the social, economic and environmental dimensions, thus allowing market effects to result in aggregate and reciprocal satisfaction among the agents involved. In order for trust and cooperation to adapt to market changes in a not only reactive way, but also in an evolutionary way, rural properties must anticipate the process and become actors of innovation [10]. Since the efficiency of markets is a function of a set of factors that lead to the minimization of transaction costs, as in the case of the rural tourism economy, which competes with other economic segments, products and services. As a result, its capacity for competitiveness may lie in the degree of trust between the actors offering the tourist product, which are the rules of the market synchronized with the interests of the consumer. With this, relationships of trust and loyalty can be established.

Therefore, the tourism economy can become a promising segment for the rural area by facilitating the interaction of actors and articulation with other business segments. Tourism added to agribusiness has the ability to promote synergistic effects such as: a) qualitative evolution of the products produced on the properties; b) add value to products and services; c) make the region known, through cultural appreciation, customs and its landscapes; d) generate new sources of employment and secure the farmer to his land; and e) valuing the assets of rural properties. This can be identified in several rural tourist routes in the world and in Brazil, as the case of Rota Cantinas Históricas, in the municipality of Bento Gonçalves, Rio Grande do Sul.



Source: Authors, 2021.

In the same way that rural tourism can enhance agricultural activity with its synergistic effects, agribusiness can cause effects on the tourism economy, providing visibility and enhancing tourist attractiveness.

That said, the agribusiness-tourism relationship is systemic and self-reinforcing economically and socially, in which managers can organize their offer in a simultaneous and complementary way (Fig. 1).

Another important point is the participation of the government in effectively and efficiently enabling the logistical infrastructure, public services and support in the dissemination of tourist routes and attractions in the region. Normally, these activities are focused on a product that has a historical and cultural identity with the place, thus becoming a tourist attraction, enhancing the local commercialization effect.

### 3 RESEARCH METHOD

The present research can be classified as an exploratory and explanatory study. Exploratory research, according to Gil [11], allows for greater familiarity with the problem in order to make it more explicit or to build hypotheses. The explanatory study, according to Gil [11], measures or evaluates different aspects or components of the phenomenon studied.

At the same time, a literature review was also carried out, which for Levy and Ellis [12], is the process of collecting, knowing, understanding, analyzing, synthesizing and evaluating a set of scientific articles in order to build a theoretical basis, scientific basis about a particular topic or subject researched. The analysis was performed using the qualitative method, which, according to Creswell [13], makes it possible to explore and understand the phenomenon from the perception of individuals or groups in their daily environment. The following companies were selected to compose the research sample: Vistamontes Sucos Naturais, Dal Pizzol Vinhos Finos and Cristofoli Vinhedos.

## 4 ANALYSIS AND DISCUSSION OF DATA

The collection of reports was carried out with visits to selected properties having as a criterion to work with rural tourism or wine tourism, in Rota Cantinas Históricas located on RS 431, Bento Gonçalves, according to the map illustrated in Figure 1 below.

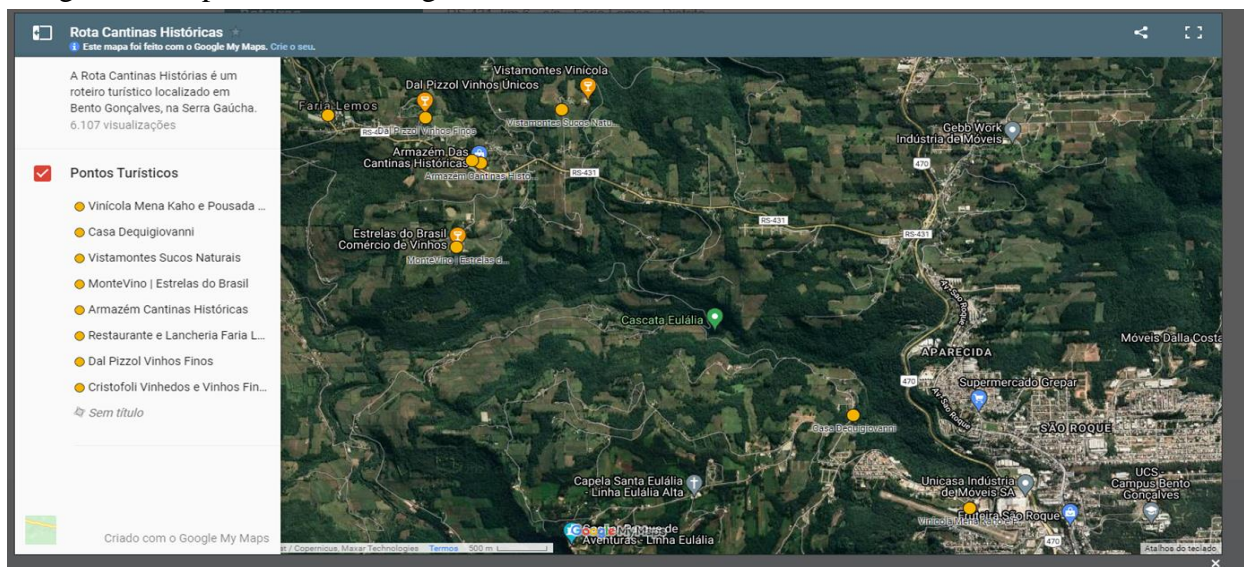


Figure 2: Map - Historic Canteen Routes, 2016

Source: <http://www.cantinasistoricas.com.br/localizacao>, 2021.

Rota Cantinas Históricas started to be structured through Associação Caminhos de Faria Lemos, which is made up of eight members and still continues to receive new entrepreneurs to join the association. The Route Cantinas Históricas itinerary works on the integration of associates and the partnership with the Vale do Rio das Antas, actions which aim to consolidate the route. The Historic Cantinas Route is part of the offer of six tourist routes existing in Bento Gonçalves, with wine tourism and rural tourism as an offer.

In order for the Historic Cantinas Route to be more competitive and visited, the residents' association has been developing actions to improve the infrastructure of the road that connects the district of Faria Lemos to Vale dos Vinhedos, passing through Vale Aurora. In addition, a wide range of communication work was also carried out to publicize the products of Rota Cantinas Históricas, including folders, a website, social networks and a map. This is due to the organizational capacity and entrepreneurial spirit of the families of rural companies that are part of the Historic Route of Cantinas, who believe in valuing their customs, seeking ways and ways to organize themselves so that they can guarantee the legacy of their customs, culture, which is one of its greatest assets.



The interviews began at the company Vista Montes Sucos Naturais, which is located 11 km from the center of Bento Gonçalves, more precisely on the Paulina Line, in the district of Faria Lemos. The company, which is family-run and is made up of just two employees who are close resident neighbors, produces grape juice and is managed by the owner partners. The sale of its products takes place in the states of Rio Grande do Sul, Paraná, Santa Carina, São Paulo and Rio de Janeiro, through their representatives. In addition, the company relies heavily on direct sales to the consumer during company visits. According to the owner, “the company seeks to carry out actions that contribute to maintaining the continuity of the customs and values of Italian immigration, through the involvement of the family responsible for handling the commercialization of the product. And, it looks for the means and agents that can promote and publicize the region's products, and work in an organized manner”.

The following interview was with the Director of the Vinícola Dal Pizzol Vinhos Finos, which was created in 1974 under the name Vinícola Monte Lemos, better known as Dal Pizzol and emerged from a differentiated proposal that favors controlled production. Run by the brothers Antônio and Rinaldo Dal Pizzola, the winery produces 300 thousand bottles (225 thousand liters) annually. Dal Pizzol brings with it a tradition in viticulture that dates back to the 19th century (1878), when the family's first immigrants arrived in Brazil. The winery is located at Km 5.3 of RS 431, district of Faria Lemos, in Bento Gonçalves.

At Dal Pizzol, the wines are sold on the national market in stores, hotels, bars, restaurants and in the winery's own retail. Also, in the external area of the Dal Pizzol Winery, visitors can stroll through beautiful gardens with peacocks, geese and rabbits by the lakes, a cellar with wine bottles that tell the story of wine in Brazil and the world, as well as antique amphorae and a corkscrew collection. In addition, the winery has a collection of 360 varieties of planted grapes known as the “Vineyard of the World”, being considered one of the three largest private collections in the world. The property also has an Enoteca, where it is possible to taste thematic menus that rescue the traditions of the Italian immigrants who settled the region. According to the owner, Mr. Dal Pizzol, “the winery seeks to rescue the history of wine and makes it a unique value, which is transmitted to the visitor, consolidating the centuries-old and millenary tradition of producing good wines. The property has 80 thousand square meters and comprises lakes and areas, in addition to wine production, its attraction is wine tourism”.

And finally, the testimonies of the owners of Vinícola Cristofoli, located on Estrada RS 431, Km 6 in Faria Lemos district of Bento Gonçalves, which is recognized for its receptivity, culture, good wines and natural beauty. In addition to producing wines, the winery combines tourist activities with themed spaces, such as the “Spazio del Vino”, which is the basement of the father's house in front of the Winery. The environment was restored, maintaining the identity and rusticity of living in the colony. The environment is used to welcome visitors, lunch and dinner. According to the owner, “the quality in the receptivity of its consumer and the appreciation of the culture in producing good wines and extolling natural beauty, maintaining an effective link between wine and tourism”.

The results perceived were an almost unanimous concern of the interviewees in maintaining the culture and customs of Italian colonization, such as how to cultivate the vine, produce wine and in social relations with visitors, the community, consumers and suppliers. Therefore, cognitive biases originating from ethnic values, culture and customs, mainly from the Italian colonization, are the drivers for decision-making by managers of wine-producing properties in the Route of Historic Canteens. According to

Kahnemann and Tversky [14] the decision-making process is not strictly rational, particularly when the available time is limited, instead, decision makers use mental shortcuts in the decision process, considered as a reference point, which allows assess the possible outcomes as a gain or loss as a result of the choice made.

However, it is known that it is still necessary to deal with limitations in decisions, since managers are very attached to the traditions and management models of their ancestors, which can help at some point and in another be a limiting factor to the development of economy of tourism in rural properties, due to the high reference to the entrenchment of local values and customs. In this case, the implementation of tourist activity can enable greater synergy with the macro system, thus greater accessibility to information and less asymmetric information mobility.

Another aspect perceived is that the managers participating in the interviews make it clear that their organizations that make the business develop and happen, that public management is a mere collaboration when asked for in infrastructure issues for logistical access, but these actors observe this behavior with reservation that they would like a more active participation of the public administration in the development of the Tourist Route.

## **5 FINAL CONSIDERATIONS**

The management of the rural tourism economy can seek references through the theoretical assumptions of the new institutional economy. Since the management of the Route of Historic Canteens Route has an association that establishes a contract of rules and norms for its functioning and criteria for the participation of rural properties.

Therefore, the Historic Canteens Tourist Route Association has the function of being the main regulator of organizational activities and interactions, in which operating rules must be established, regardless of whether formal or informal. It is also important that participating rural properties can be aware of and adapt to the rules of the game to which they are subject, this allows leadership and competitive advantage.

Finally, it considers that transaction contracts need to transcend the common interests of the local tourism economy arrangement, managers need to reduce the degree of influence of cultural biases or habits based on traditions in the evaluation of their choices, as these can in some cases impede economic development and social interactions.

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