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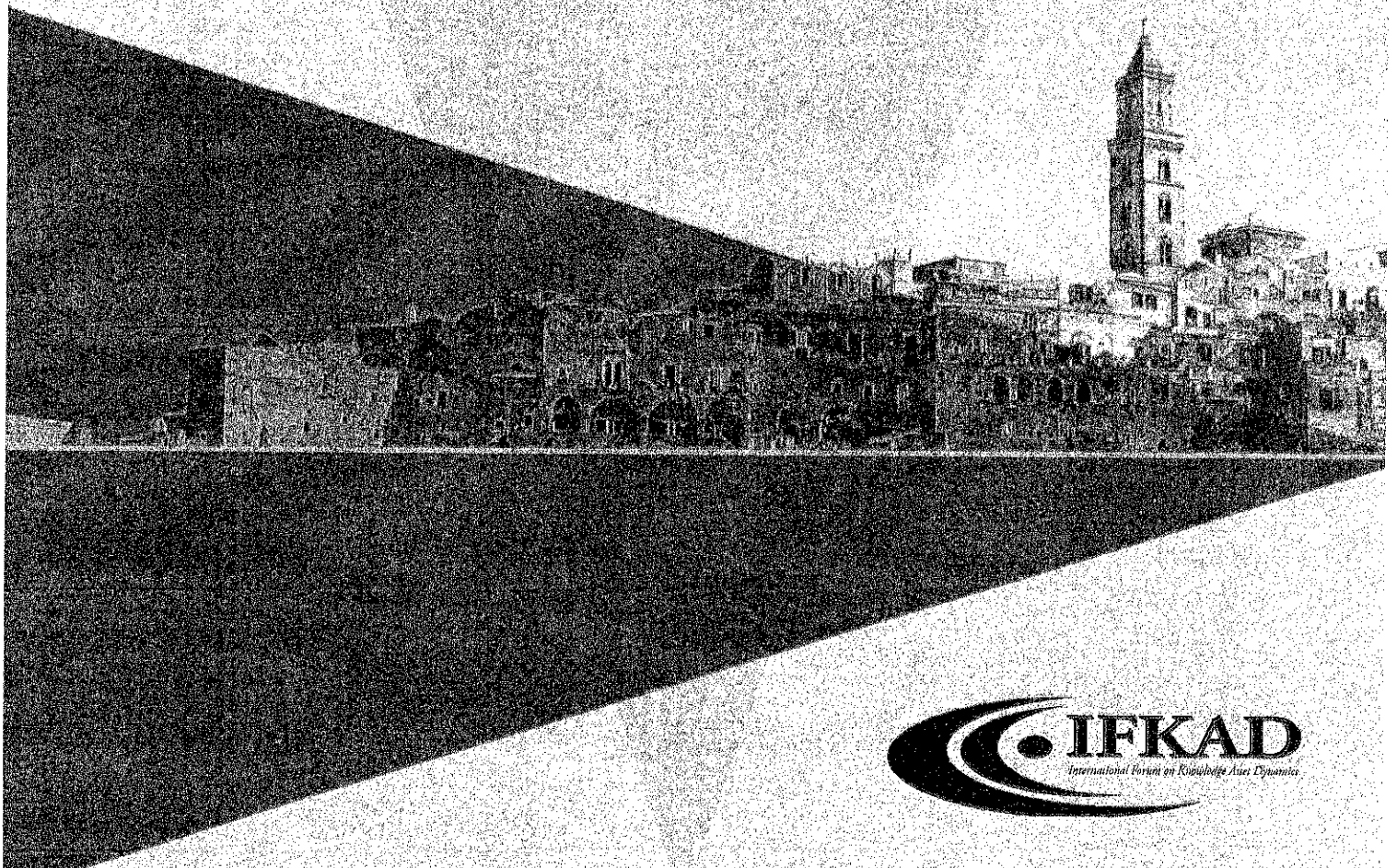
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A Business Model for Sustainable Tourism Experiences: Evidence from Albergo Diffuso

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Abstract

The rapid evolution of tourist demand pushes the tourism sector to innovate and to meet the requests of the most demanding customers, generating innovative and higher quality services based on authenticity. This is the philosophy of the innovative hospitality system called Albergo Diffuso (AD). The typicality of this new form of hospitality concerns services linked to the authenticity of the territory. This way, tourists, like temporary residents, can fully immerse themselves in the culture of the territory they are visiting. We aim to identify the business model of the AD that has influenced the development of sustainable tourism through the regeneration of historic villages and the recovery of cultural and territorial heritage. We used an exploratory analysis based on a multi-case. We analysed 19 ADs. An open questionnaire was administered to the managers. The questionnaire was then supported by a short interview with the manager. Our results confirm that the Albergo Diffuso is very appreciated by tourists and emphasize how this innovative model is leading a reversal of the current tourism business logics. The results show that the main factor of success is the experience that tourists experience in the territory, understood as a combination of local cultural traditions and knowledge. The key success factors of the operators' business models are the local area, its products and its best quality traditions but these are not sufficient to guarantee the sustainability of the AD model: solid management skills are also required. The ability to retain customers, invest in staff training and extensive communication channels are strategic management tools that companies must use efficiently to achieve success. This study identifies the main characteristics of business model of AD, pointing out how the rediscovery of the territory and its authenticity (socio-cultural and environmental), involvement and relationships with local communities are the key factors for the creation of a competitive advantage. It is critical for decision makers to know how own business is structured and which aspect are more appreciated by customers.

Keywords – Albergo Diffuso, Sustainability, Business Model Innovation, Tourism Experience, authenticity

Paper type – Academic Research Paper

1 Introduction

In recent decades, tourism demand has rapidly evolved into a form of conscious tourism geared towards deepening original values and personalized enjoyment. A generation of tourists has emerged characterized by greater experience, culture and a more lively critical and choice ability. They seek authenticity and perceive holidays as an opportunity to learn and increase their knowledge; they want to immerse themselves in the culture of places. They are always looking for new, original, unique destinations (Silberberg 1995). Finally, this new generation wants to experience together, to create friendship networks, to create bonds and to feel part of a community (Richards 2007). On the path of this change, the introduction of new accommodation formulas seems to be the best reaction to relaunch the tourist offer. In addition to traditional accommodation facilities, in fact, new forms of hospitality are becoming increasingly important, focusing on the revaluation of the territories and the enhancement of typical products. This is the philosophy of the innovative business of the Albergo Diffuso (AD), that is a structure that offers its guests rooms and / or apartments located not in the same building, as in the classic hotels, but in different buildings, within a hamlet.

The AD is proposed as a philosophical approach to authentic experience, to become a quality brand made in Italy, able to:

- launch sustainable development in the area;
- collect the needs of ever-widening market segments, relying on flexible solutions;
- act as a valid instrument for seasonal adjustment of the offer;
- promote each place in a unique and original way.

Authenticity is becoming the keystone of new generation tourism (Salamone, 1997). In the international debate, authenticity means "experience" or tangible "things" (Wang 1999). The AD seems to possess both characteristics of authenticity since it is located in a perfectly preserved hamlet with significant architectural features, the apartments are in historic buildings, and the rooms are furnished taking care to maintain the original historical period unchanged.

Moreover, what distinguishes the Albergo Diffuso from other forms of hospitality is the relational and experiential system, which involves the tourist so much that it becomes a "temporary resident" (Dall'Ara 2010).

Innovation is a crucial moment, which increases competitiveness and allows companies to develop (Williamson 1965). Innovation can concern either a new product or service or a new production system (Porter, 1990; Crossan & Apaydin, 2010).

The AD is innovative with respect to a traditional hotel both in terms of services provided and in terms of organizational system. Respect the first aspect, AD provides an integrated service, in a systemic logic with the surrounding environment. The services are closely linked to the natural, architectural and relational resources present in the area. To the traditional service, connected to hospitality, therefore accommodation, breakfast, specific hotel services, plus the services connected to the historical, artistic aspect of the architectural heritage present in the village. In addition, these are joined by participation in the life of the village and involvement in the traditional activities of the community.

These services are unique and are closely linked to the village that the tourist has chosen to visit. The activities side by side are closely connected with the cultural or naturalistic aspect that the tourist wishes to discover and learn about. Cultural curiosity is the first driver that encourages tourists to book an Albergo Diffuso in a village with specific artistic and architectural features, and the lively community and activities in the village represent the competitive advantage (Porter and Kramer 2007). The other innovative aspect is the organizational system (Senge, 1990). In the Albergo Diffuso the management performs a very complex function, since it does not have to manage only traditional presences and services, but must manage the entire village, in an integrated system. This means that the management must have superior knowledge, relating to the historical and cultural heritage, must be inserted in the community, must have knowledge of the natural and architectural heritage, must motivate the customers, and ensure unforgettable experiences. The management is not the owner of all the apartments, but there may be different owners, therefore it must also be able to manage the offer, guaranteeing the same high quality of services. For this reason, the AD represents an innovation in the tourism sector. Our study therefore focuses on the analysis of the Business Model Innovation (BMI) of the AD, in order to observe its peculiarity. A BM represents a general and holistic understanding of how an organization creates value through its activities and processes, involving several actors in its value chain and creating various interdependencies and dynamics with stakeholders (Massa & Tucci, 2013; Normann & Ramirez, 1992). For an innovative form of hospitality, like the AD, it is interesting to know what are the key success factors.

Thanks to this analysis, we will highlight the peculiarities of the AD and the main factors that generate value for the management but also for the territory. To conduct our research, we adopted a questionnaire as the main tool of analysis, and the following research question have been formulated:

- *R.Q.1: what are the key success factors of AD BMs?*

The paper is structured as follows: the next section illustrates the theoretical background of the AD and the BMI framework. The methodological design is presented in Section 3, while Section 4 offers a reading of the results achieved and the discussion. In the last section, conclusions and future research are presented.

2 Theoretical Background

2.1 Albergo Diffuso origin and current studies

The Albergo Diffuso concept appears for the first time, in Italy, in 1982, within a project planned by Leonardo Zanier, "Comeglians Pilot Project". In the 80s, after the term "Albergo Diffuso" came out, it was followed by other attempts of conversion of buildings, such as in Friuli (Sauri in 1982) and in other parts of the country; in Emilia Romagna, in Cal d'Enza around 1984, and in the small town of Vitulano, in the province of Benevento in 1987.

In these first attempts to create "Albergo Diffuso" model, the main objective was to use empty buildings and abandoned houses, to animate small village and to enhance artistic and significant sites with innovative marketing logic oriented to the experience, closely linked to the land (Dall'Ara, 2010). Only in the last 10-15 years, we can see the results and the effect, of this new model of hospitality, on the territory. The interest in the AD of many scholars of various disciplines has increased. At the beginning scholars were focused on the aspects and conditions for creating AD and its regulation (Droli 2013, Dall'Ara e Morandi, 2010; Paniccia 2012). Later some studies focused on sustainability aspects, showing how AD can be considered a new sustainability-oriented hospitality model (Paniccia and Leoni, 2017; Vallone, Orlandini and Cecchetti, 2013; Romolini, Fissi & Gori, 2017; Cucaria, Wankowiczb, & De Falco 2019). Other contributions focused on a new model of competitiveness (Monge, Cattaneo, and Scilla 2015; Giampiccoli, Melville Saayman & Sean Jugmohan 2016). Others scholars began to see AD as a new model to preserve the traditional heritage (Silvestrelli, 2011; Vallone and Veglio 2018).

2.2 The AD Business Model Innovation

A business model is a conceptual tool to help understand how a firm does business and can be used for analysis, comparison and performance assessment, management, communication, and innovation (Zott et al, 2011; Osterwalder and Pigneur, 2005). Business models are interested in how the firm defines its competitive strategy by designing the product or service it offers to its market; how to pay for it, how much it costs to produce; how it differs from other competitor by the value proposition, and how the firm integrates its value chain with that of another firm in a network of values (Rasmussen, 2007). The quality of management is key because they determine the success of the business model through their capabilities, ability to acquire, combine and utilise valuable resources in ways that deliver a value proposition to customers.

Literature presents various perspectives on the business model. For some scholars business models are used to describe holistically "how a firm does business" (Zott and Amit, 2010; Beattie and Smith 2013). For others, the model explains how the firm will convert resources and capacity into economic value. (Teece, 2010). More specifically, Osterwalder and Pigneur, (2010) describe a business model as a series of elements: the value proposition (offering of products / services, customer segments, customer relations), activities, resources , partners, distribution channels (eg creation and delivery of value) and cost structure and income model (ie acquisition of value). Richardson (2008) proposes a consolidated view of the components of a business model such as: the value proposition (ie the offer and the target customer segment), the value creation and delivery system and the acquisition of the system value. Zott and Amit (2010) take an activity-based perspective, including the selection of activities ("what"), the structure of the activity system ("how") and who carries out the activities ("who").

The BM could be an important and additional tool of analysis in the tourism issue. (Hjalager & Madsen 2018). Studying the Ad business model means understanding which are the key factors, the decisive partners, which are its competitors; how it generates

value for the territory; which are the most relevant services, most sought after by customers; how important knowledge of places is; how important activities related to experience are. How it generates value.

This information can be used by management to better define its value proposition and better understand its potential and what are the limits of this new activity.

To be more precise, the value generation mainly occurs in a value network, which includes suppliers, partners, distribution channels and coalitions that extend the company's resources. In a BM there is a so-called "focal" organisation that manages value-added relations with a plethora of actors, who become strategic in the dynamic and interdependent process of value creation for the whole community. The collaboration between firms and other key stakeholders is very important and "value is no longer created by firms acting autonomously, but by firms acting together with parties external to the firm through informal arrangements or formal alliances" (Bocken, et al, 2014).

3 Methodology

The research focuses on AD located in Italy. Italy is a regionally administered country, with a general national legislative corpus for hotels, but in which each region decides to what extent the general criteria stated in national laws should apply to local needs in term of classification of hotel and characteristics of AD. In order to analyse the features of AD business model, a questionnaire-based survey was conducted among a sample of 19 AD businesses located in Italy. The sampling list was drawn from the National Association Alberghi Diffusi. In detail, the initial sample of 56 AD represented the whole universe and the questionnaire was sent by e-mail to all the accommodation facilities. A description of the research aims, a compilation guide and a link to an online questionnaire were sent to all the respondents. The compilation period was about 1 month, with several requests made by telephone in order to solicit the answers. The final sample was composed of 19 agriturismo businesses, which corresponded to a response rate of 33%; this compares favourably with rates reported in previous online surveys among tourism and hospitality operators. The questionnaire included questions in the following areas of research: company profile, key financial data, type of services offered, type of customers, involvement of family/external managers, and key activities. Answers included both opened and closed questions, as well as a ten-point Likert scale. In addition, free spaces were given to the operators to write any additional comments about their experience with AD.

3.1 Sample

The sample is composed of 19 predominantly "young" AD, as they are mainly managed by the first generation of owners. These are companies average present on market by 8 years. Normally, the owner and the manager of the accommodation structure is the same. They are predominantly women, with degree and an age between 45 and 55. Also their role in AD was investigated, and the results are shown in Table 1.

Table 1. Role covered in AD.

Role Covered	Percentage
Management and coordination activities	11%
Operating activities	11%
Both	78%
Total	100%

The number of employees is on average between 6 and 10, although 35% of the sample has a number of employees between 1 and 5. The number of employees has remained unchanged over the last three years.

4 Results and Discussion

In order to answer the R.Q *what are the key success factors of AD BMs?*, we used the questionnaire responses and depicted the 9 key success factors identified by Osterwalder and by Osterwalder and Pigneur.

4.1 Key Activities

In order to identify the architecture of the companies and their network of partners (process management and key value drivers), we have compiled a list of activities that are carried out by the AD and we have asked to express an opinion in terms of key factor.

Table 2. Main AD activities and ranking.

Main AD Activities	Evaluation	Ranking
Relationship with the territory	7,67	1
Tradition and characteristics of territory	7,67	1
Service customization	7,33	2
Being an integral part of a historic village	7,00	3
Excursions and nature trails	6,83	4
Promotion	6,67	5
Human resources training	6,50	6
Target of customer	6,33	7
Denomination AD	6,17	8
Organization of guided tours	5,50	9
The diversification of the offer	4,83	10
The offer of complementary services	4,50	11
Cost leadership	4,33	12
The sale of agricultural products of the territory	3,60	13
Educational activities and learning workshops	3,17	14

Analysing this table, it emerges that the activities known as key success factors and considered as particularly relevant for the value creation, are represented by:

- the strong relationship with the territory and the natural environment, also highlighted by the offering of excursions and nature trails, discovering of history of the village and tradition;
- the ability to customize the service offered.

4.2 Partner Network

At the moment, the sample declared not to have key supplier partners; some AD are beginning to tighten collaborations regarding territorial revaluation projects with local institution (museum, etc).

4.3 Key Resources

The resources considered strategic by the respondents in order to run the AD are represented by the cultural and territory heritage and the human and financial resources to support the investments required to conserve the authenticity of the place.

A total of respondents declared that the manager's knowledge and the safeguard of the cultural heritage of village, carrying on the traditions, are the peculiarities that can make the difference in the business of the ADs.

From a financial point of view, it emerges a considerable involvement of the owners, indeed the key financial resources are mainly represented by financing of the owners, followed by the bank loans. Only 2% declared the use public sources and European fund.

4.4 Cost and Revenue Structure

Analysing the cost composition it emerged how the cost structure is represented mainly by the cost of personnel, the raw materials, the cleaning, energy and tax.

The percentage of annual average costs is between 50% and 70% of the company's turnover.

From the revenue point of view, the average turnover of the last three years (2016–2018) lower than 200,000 euros. Only 2% of the sample declared a turnover higher than 300,000 euros. This result confirms the limited development of AD in terms of revenues flows.

4.5 Value Proposition

We also investigated the perceived needs and the features behind the customer behaviour choice.

In particularly, it emerges that the elements perceived as the most important to address customer's behaviour are the maintain of an high and constant quality of service, the enhancing of the territory and the compliance with quality and certification standards.

4.6 Client Segments

To identify the customer composition we firstly distinguished three clusters by age: the first one is represented by young (18–35 years) customers; the second one by families (with parents and children) and the third one by customers over 65.

Analysing the customer composition, it emerges that the sample works with 27% of young customers, with 56% of families and with 17% of customers over 65 years. The foreign customers account for the 62% of the total. This highlights how the AD is particularly appreciated by foreigners who have the desire to immerse themselves in the Italian tradition and life style.

4.7 Client Relationships

The perception of the importance of maintaining and improving relations with customers was also investigated. The total of the sample declared they invested in activities to increase customer loyalty.

Discounts, compliments and promotional activities are some of the most used tool to maintain and improve customer loyalty. The capability to improve customer loyalty can, as well as communicating value and raising awareness for the safeguard of the environment, increase the well-being, not only of the AD owner, but also of the local community.

4.8 Distribution Channels

With distribution channels we point out the instruments used to communicate with customers.

The web site and social network are the digital communication channels used by the total of the sample. Some ADs have developed App.

5 Conclusions

From this first analysis, the business model seems to give some interesting information on this innovative form of hospitality. In fact, there are great differences with traditional models and innovative key factors. For the AD, the key factor for success is the link with the territory, being an integral part of a historic village.

This model in fact is perceived as the prerogative of a particular market segment for new tourists that are looking for innovation, innovative vacations that are also expressed in the choice of non-traditional accommodation but original and sustainable.

We examine the AD business model, focusing on the characteristics to be attractive and on the reasons that push tourists to choose it as a destination for their holidays.

Moreover, the internal employees are recognized as key partners and key resources; they support the core business and the key activities.

Another key factor is represented by the financing sources, mainly characterized by the owner' investments, showing the will to strengthen the economic development and support the durability of the business.

To improve value proposition, some actions of increasing the service offer have been implemented, generating customer satisfaction and enhancing the relationship with the territory and the community.

Finally, the ADs are aware of their customer segmentation, showing a prevalence of foreign clients.

Practical implications could be addressed to implement adequate policies for the development of AD as an instrument for the sustainability of the rural community. In fact the AD can change the economic development of a land. It can be seen as a model for preventing the depopulation of rural settings and for recovering abandoned villages.

This study could be very interesting for management to understand its potentiality and to be more attractive and competitive.

From the theoretical point of view, this study contributes to the national and international debate on peculiarities of AD.

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