

Building a business model for a new form of hospitality: the albergo diffuso

The albergo
diffuso
business
model

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Abstract

Purpose – In recent years, tourists have become more interested in discovery the authenticity of a destination. The albergo diffuso (AD) is a response to this new requirement of tourist experience. The AD indeed is based on an accommodation solution with rooms distributed in various buildings across a village. The purpose of this study is to analyze the AD business model supporting the development of this emerging business opportunity in the accommodation industry.

Design/methodology/approach – The research is conducted with a multiple case study approach, collecting data from different sources such as semi-structured interviews and archival research. The cases are all located in Italy where the AD was applied for the first time.

Findings – The AD business model is based on business idea, value creation and innovation. The business idea is based on the aim to contribute to the renaissance of a village with an emotional link between the entrepreneur and the village. Regarding the value creation, the AD is a form of accommodation that offers more than a hotel experience. The tourist can live like a resident and experiencing local traditions and culture. The innovation is indeed related to the services that are totally different from a traditional hotel.

Originality/value – Considering the previous studies, this research tries to fill the gap concerning the necessity to define the characteristics of the AD business model and to understand the key elements at the base of this hospitality approach.

Keywords Italy, Business model, Hospitality, Albergo diffuso

Paper type Research paper

1. Introduction

The tourism sector consists of emerging and growing businesses around the world and can be considered as one of the strongest means of sustainable development, particularly in developing countries (Menicucci, 2018). Tourism involves visiting destinations and participating in a diverse range of activities; ultimately, it is a living experience (Paulauskaite *et al.*, 2017). In recent years, tourists have become more interested in discovering the authenticity of a territory (Zhou *et al.*, 2015) and in having a closer relationship with the inhabitants and the local traditions (Buonincontri *et al.*, 2017; Lee and Chhabra, 2015). Authenticity is acknowledged as a global issue and is a fundamental



incentive for motivating tourists to travel to different destinations and experience different time periods (Park *et al.*, 2019). Hence, a new hospitality business model is necessary to meet tourists' new requirements and to change the living experience, creating a paradigm that involves new services and new experiences (Souto, 2015). The Albergo diffuso (AD) represents a concrete possibility for a new business model in the tourist experience, paving the way for radical innovation in hospitality services.

The Italian AD experience can be seen as a radical innovation that is able to introduce a new system in the hotel business model. The idea of AD started in Italy in the beginning of 1980s. The adjective "diffuso" (scattered) indicates an accommodation unlike a normal hotel, while the word "albergo" (hotel) suggests that guests will experience regular hotel services (Romolini *et al.*, 2017). In accordance with Confalonieri (2011), AD generally includes rooms located in houses not far from the main building, with the latter serving as the reception and service area for guests.

Previous studies have identified different types of ADs for categorizing the new hospitality phenomena. ADs are frequently based in historical villages and allow tourists to visit a historical residence and a stay at a rural farmhouse (Paniccia and Leoni, 2017). From this point of view, the AD can be analyzed from different perspectives, for example, this model of hospitality could be considered a remarkable rural tourism experience (De Montis *et al.*, 2015).

Italy consists of little towns with local traditions and culture, which often find it difficult to compete with larger cities that experience the main tourist flows (Loconte, 2016). AD is an accommodation approach for these small communities because it could assist them in developing the village as a tourist destination. The AD model was created in Italy, where most of these types of experiences are based; however, increasing new examples have recently been found worldwide (Giampiccoli *et al.*, 2016).

To date, research on AD is based on case studies seeking to analyze its features: the requirements for establishing an AD (Avram and Zarrilli, 2012; De Montis *et al.*, 2015), the services offered (Orlandini *et al.*, 2012) and the territory sustainability (Vallone *et al.*, 2013; Cucari *et al.*, 2019).

However, an AD is also a company, and its financial and managerial characters need to be analyzed more in-depth among scholars. In keeping with Cucari *et al.* (2019), an agreed upon AD theoretical framework is lacking, and these are key elements for the success of this business model. In the literature, it is possible to identify a gap regarding the need to study the features of the AD business model in greater depth to reflect on the managerial implications (Camillo *et al.*, 2015).

The purpose of this article is to help elucidate the AD business model by analyzing key factors to support the development of this business opportunity. From this perspective, this study has some managerial implications because knowing more about ADs can allow managers to understand the key factors and disseminate them in other destinations.

The article is organized in the following sections. Section 2 is dedicated to a literature review, while Section 3 presents the method applied in this research. Section 4 describes the cases, Section 5 discusses the results of the cross-case analysis, and finally, Section 6 discusses the conclusions.

2. Literature review

2.1 Business model in the hospitality industry

Considering the study of Teece (2010), a business model can be defined as "how a firm delivers value to customers and converts payment into profits." The idea of the business model dates back to management studies from the 1950s, when it was used initially in a

wider sense (Druker, 1954). Subsequently, scholars have devoted increasing attention to this concept because of the increase in innovation in company businesses. In spite of the importance of this idea in the management field, there is no accepted explanation of the business model (Morris *et al.*, 2005). Scholars nevertheless agree on the usefulness of the business idea concept for companies and management studies (Zott *et al.*, 2011). We can also observe that the service industries are considerably more complex than other sectors, and it is hard to envision what business model should be used in the competition arena (Litos *et al.*, 2011).

Each business model starts from a business idea that is linked to “internal and external variables” (Capocchi, 2019, pp. 12-13). The internal variables are linked to the entrepreneurs’ capacity to give substance to the idea and to attract people and various sources of finance. External variables are instead related to the economic situation, such as macroeconomic elements and the capacity of the entrepreneur to coordinate and engage different stakeholders.

Moreover, some scholars have reflected on the studies of the key elements of a business model. As observed regarding the overall sense of the concept, there is no common definition of the components necessary to create a business model (Shafer *et al.*, 2005). Considering the previous studies, we can observe the central role played by value creation among the key elements of a business model. The value is understood as the creation of a positive impact for the customer, the delivery of services and the need for participation in its creation, with frequent engagement from company to customer (value cocreation) (Habtay, 2012).

Value creation is also linked to the innovation of a business model that could be analyzed as a different configuration “of what is done in the company and how it is done, to provide a new value proposition to customers” (Souto, 2015). In other words, innovation is relevant for a new business model, as this activity represents a reworking of a company’s general value chain (Runfola *et al.*, 2013). Innovation is also a crucial requirement for companies operating in a dynamic and competitive sector, such as the tourism environment (Cheah *et al.*, 2018). Today, the competitiveness of a tourism company operating in the hotel industry depends on the innovation level of the business model (Sundbo *et al.*, 2007; Mihalic *et al.*, 2012). Through innovation, hospitality companies can improve the quality of the services and meet customer needs while simultaneously increasing profits (Chang *et al.*, 2011). Moreover, a close relationship with customers is also a requirement, as service innovation in hospitality requires the participation of clients to deliver the tourist experience (Orfila-Sintes and Mattsson, 2009).

Hospitality is often used to refer to different businesses as accommodation, food services, events and conferences (Ottenbacher *et al.*, 2009). It is a relevant case of a sector where different players and different business models simultaneously exist in competition. The tourism industry is increasingly experiencing the formation of a large number of small accommodations such as bed and breakfasts, guest houses and ADs, which are in competition with conventional hotels (Ye *et al.*, 2019). According to Pizam and Shani (2009), hospitality refers to the creation of an accommodation where the tourists can feel as though they are at home. This tension between experience and familiar accommodation is a challenge faced by management.

The hospitality industry is also changing rapidly because of changes in the environment, customer needs, mobility and accommodation, and other hospitality services (Crick and Spencer, 2011). This change is accompanied by a dynamic market and competition (Li *et al.*, 2018), with relevant opportunities for growth despite the global crisis (Camillo *et al.*, 2015). All these circumstances demand the improvement of a new business model in the hospitality sector (Reinhold *et al.*, 2017). Managers must identify new business models, such as AD, and

key factors for achieving success and a competitive advantage as a hospitality company (Chang *et al.*, 2011).

Moreover, the study of Rønningen (2010) shows the innovative ability of microenterprises, such as AD, that is possible when companies extend their external alliances. In accordance with Hjalager (2015), innovation in tourism occurs because of relationships and external inspiration more so than in other sectors. From this perspective, AD can also be analyzed in the light of cooperative agency to overcome the traditional fragmentation of the hospitality industry (Pechlaner and Tschurtschenthaler, 2003).

As Pechlaner and Volgger (2012) state, hospitality research has provided little knowledge of the research on local and regional cooperation, unlike global alliances. Hence, cooperation is relevant for entrepreneurs, particularly in Europe, where the hospitality industry is based on small companies that must cooperate to leverage sufficient resources (Strobl and Kronenberg, 2016). In the end, AD could be interpreted as a good example of local cooperation in a tourist destination between small firms, communities, the public administration and nonprofit entities.

2.2 Albergo diffuso business model

The AD concept is related to a new business approach in the hospitality field. As AD is a relatively recent experience, the first studies started in the early 2000s and concentrated on the features of this emerging business model. Some scholars have tried to systematize this emerging business model by analyzing its features (Confalonieri, 2011) and managing exploratory research regarding its diffusion (Villani and Dall'Ara, 2015). Some scholars have identified AD features and analyzed the AD in the framework of sustainable reconversion of historical settlements and buildings in rural villages (Confalonieri, 2011; De Montis *et al.*, 2015). From this perspective, AD provides the opportunity to realize the conversion of rural villages, which may have few inhabitants, into tourist locations, even if the territory is outside of touristic flows (Randelli *et al.*, 2014).

In addition, Villani and Dall'Ara (2015) concentrate on research to define the framework of this business model without taking into consideration the operational management approach for AD. Moreover, Sheehan and Presenza (2013) recognize several elements that accelerate the AD innovation. For instance, AD could guarantee elevated revenue standards compared with traditional hotels and bed&breakfasts (B&Bs). Presenza *et al.* (2019) indicate that identifying ADs that combine attributes of tradition could increase the innovation value, particularly when it is perceived by tourists, as in the case of an AD.

In addition, if scholars have particularly focused on analyzing the features of this model to construct a theoretical background for the AD; unfortunately, an agreed-upon framework has not emerged. In this context, there is a need to further investigate the key elements at the base of the AD business model to support the possibility of spreading this experience beyond Italy into the international market.

The key elements of this new business model are the business idea, the innovation and the value creation for customers. As Paniccia and Leoni (2017) observe, AD denotes innovation in the tourist industry because it is more than a simple accommodation and a model for the development of small villages.

AD also provides a new model for the creation of value for customers; AD allows visitors to become acquainted with popular knowledge and offers a tour of "experiences" to understand the territory "in the same way as do its residents" (Romolini *et al.*, 2017). The tourist is considered as a transitory inhabitant who has the chance to enjoy a single experience in a small town, discovering the culture, traditions and local languages (Paniccia and Leoni, 2017). In other words, in the AD, the tourist is strongly involved within the local

experience, and the value offered is more complex than a simple accommodation in a traditional hotel. The AD, in this context, is a model of hospitality based on the fundamental client role, as it offers a form of accommodation where tourists can live as residents in a small town, experiencing an authentic way of life.

At the end, the research aim of this article is to study the three key factors of the AD business model: the business idea, innovation and value creation for customers.

3. Research method

3.1 Study site

AD is an original Italian approach of hospitality in small towns generally located far from the best-known tourist destinations. In 2017, there were 91 ADs in Italy, all of which were members of the leading national network, the Alberghi Diffusi Italian Association.

Considering the novelty of the issue, this research has an exploratory nature. We used the case study method, as it is commonly used to carry out studies in the management field (Yin, 2018). In previous papers, the case study has also been considered suitable for investigating current topics of new business models in the hotel sector (Runfola *et al.*, 2013), and the same methodological approach is used to understand more about the AD experience (Avram and Zarrilli, 2012; De Montis *et al.*, 2015; Paniccia *et al.*, 2010). However, we need to study the AD business model in more depth, filling the gap in the literature with relevant case studies; in subsequent years, the research approach will shift to quantitative analysis.

3.2 Data collection

In this research, a cross-case analysis was conducted to compare five different cases, as multiple cases strengthen the results of the case study (Eisenhardt, 2002). The cases were selected considering the pioneering experiences in Italy and the previous literature. Considering the literature, all the selected cases were previously used by scholars: the AD Locanda del Ditirambo and the AD Robur Marsorum (Nordhorn, 2014), the AD Al Vecchio Convento (Valeri and Fadlon, 2016), the AD of Borgo di Sempronio (Fissi *et al.*, 2014) and the AD Sauris (Mugnano and Carnelli, 2017).

The cases were managed by collecting data from different sources (official web sites, interviews and official corporate reports and documents) to strengthen the robustness of the results through the triangulation of data collection.

3.3 Analysis

We managed six semi-structured interviews with two AD managers and four CEOs. The semi-structured interviews were conducted in two different steps.

Initially, the survey involved preliminary mail and telephone contact to introduce the study's aim and scope. Later, we conducted in-person interviews with managers and CEOs around the headquarters of the ADs located in Italy. The questions proposed to managers and CEOs are described in the Appendix. Moreover, the interviews were recorded on a digital device and then written onto paper. In this final step, the information was submitted to a content analysis to study the key elements of the AD business model (business idea, value creation and innovation).

4. Case study presentation

Below, we describe the five ADs involved in this research.

4.1 Albergo diffuso Al vecchio convento

The AD Al Vecchio Convento is located in a mountainous area far from crowded towns and the well-known tourist destinations in Central-Northern Italy on the border between Tuscany and Emilia Romagna. The AD is placed in the village of Portico di Romagna that has ancient origins dating back to the Roman colonization of Romagna, which turned it into a prosperous commercial site. To date, Portico di Romagna contains only 250 inhabitants and has retained its medieval character.

The AD idea came from a business family who started a restaurant in the village in 1975. Later, tourist activity evolved through the development of a traditional hotel initially consisting of a historic building in the center of the village and some annexed apartments nearby. In 2004, the accommodation, which already had the typical characteristics of the AD model, assumed its effective status, becoming the first case in Emilia-Romagna and one of the first in Central Italy.

To date, the AD has nine rooms in the main building and six in the annex, for a total of approximately 40 beds.

4.2 Albergo diffuso borgo di sempronio

The AD Borgo di Sempronio is situated in the southern part of Tuscany near the city of Grosseto and the Amiata Mountain.

The village of Borgo di Semproniano was founded in the ancient Roman period. Now, it encompasses a population of approximately 1,300 people. The AD Borgo di Sempronio, placed in the ancient center of the village, was founded at the end of 2008 in a city where tourism offerings were completely absent despite its proximity to cities, such as Siena and Florence. The AD began with a recovery project, targeting small houses often abandoned for over 10 years.

The AD is based on a central building where customers can find the reception and housing services. The accommodation is distributed across 11 houses in different buildings, renovated with a mix of traditional and modern styles. The AD environment is based on the recovery and preservation of ancient traditions and jobs belonging to a typical traditional farmer culture.

4.3 Albergo diffuso locanda del ditirambo

The AD Locanda del Ditirambo is situated in the medieval village of Castro dei Volschi, an Italian municipality with approximately 5,000 inhabitants in Lazio, only 100 km from Rome. The village developed starting in the ninth century until 1816. It was considered a stronghold with specific strategic aims to defend the Pontifical state. Starting in 1409, its history had been tied to that of the noble Colonna family, who were the local feudal lords for over four centuries.

The Ditirambo was the first AD in the Lazio Region: it began operations in 2009 and was founded by a group of partners with a German component that sought to place the structure directly within the international tourist market. The real estate recovery activities took 10 years and mainly involved the inn where the restaurant is located and, to a lesser extent, the houses. Overall, there are 12 beds in a total of seven rooms.

4.4 Albergo diffuso robur marsorum

The AD Robur Marsorum is situated in the village of Rovere in the Rocca di Mezzo within L'Aquila province in Central Italy, but it is only an hour and half from Rome. To date, the village has approximately 200 inhabitants and dates back to Roman times. Throughout the

centuries, it has undergone many transformations, morphing from a Benedictine farm to a defensive fortification comprising a castle with walls.

The AD began with a family who had sought a summer holiday home in the 1980s. Initially, the family stayed in the village, as they liked mountains and sky resorts; eventually, they decided to invest in uninhabited properties. The houses have been progressively recovered and restructured according to the trend of the village. The business was established in 2004 with a traditional hospitality model that only took the form of an AD in 2008. The structure accommodates 62 beds in 21 houses.

4.5 *Albergo diffuso sauris*

The AD Sauris is located in the homonymous village in Friuli-Venezia Giulia in northeastern Italy; the village is home to approximately 400 inhabitants, situated in a mountainous area. The town dates back to the mid-thirteenth century, and its history remains linked to a particular mountain community that lived in isolation for centuries.

The foundation of AD Sauris derives from an integrated public project of urban recovery, and it represents the first experience of AD in Italy and the world. In 1976, the earthquake that hit the Friuli-Venezia Giulia region devastated the village of Sauris. In 1983, the region, seeking to rebuild after the earthquake, financed an architectural project to recover the ancient city of Sauris and to restore the traditional German buildings of Carnia. In 1994, a group of private entrepreneurs won the public call for managing the first nucleus of the future municipal AD, and it remained in this form for approximately 10 years. The title of AD dates back to 2007; today, the AD Sauris has 35 apartments and a total of 160 beds.

5. Cross-case study results

5.1 *Business idea*

The idea to set up an AD has often been driven by the territorial localization of the structure. According to the research results, however, this choice does not stem from an analysis of the best possible combination of territory, suppliers, competitors and customers but, instead, is linked to an emotional and personal lifestyle choice. Thus, it derives from the emotional tie that the entrepreneur or the entrepreneurs have with the territory for many different reasons: it may be their native country or it may represent a place visited in the past for personal or family reasons. Therefore, there is a strong link between the initiative, the entrepreneur and the territory (Presenza *et al.*, 2016), and this aspect strongly characterizes the AD and makes it more difficult to reproduce the model on a large scale:

The history of our AD began in 1975 when we took over the inn in my hometown, [. . .], which was transformed into a hotel in 1985 (AD Al Vecchio Convento).

The AD arises by chance from the story of a family looking for a rental house for summer holidays in the mid-1980s. Once purchased, the architect, emotionally attached to the village, invested in other buildings in the village, which will form the core of our AD (AD Marsorum).

Moreover, the case studies show that the business idea often appears without any consciousness of creating an AD; only later is there awareness of their specific identity for these structures:

We did not know this new model of hospitality; therefore, we have recognized our activity as an AD only as of 2008 (AD Marsorum).

With regard to the initiative funding mechanisms, the analysis does not highlight the presence of significant public funding, except in the case of Sauris, which arose from a

territorial public project linked to the extraordinary post-earthquake reconstruction. Sauris shows how it is possible to start a business of this type with the support of public funds; this circumstance, if replicated, should allow for a wider diffusion of the AD model.

According to the research cases, the initial funding generally comes from resources activated by the entrepreneur through bank or personal loans, with enormous financial exposure on the part of the company. The absence of public funding implies challenging business plans for restructuring the village that led to extremely long (often, ten years) payback investment terms. In fact, the relationship between the AD and the public local administrations is even more difficult; as in the majority of AD experiences, we did not find any related public policies or strategies to promote entrepreneurial initiatives:

The financial support of the public administrations has been limited, and all renovations and restorations needed for the AD have been financed with our own resources (AD Borgo di Sempronio).

A local marketing policy would be useful, especially for low seasons (AD Ditrambo).

The relationships with the local community are important during the start-up phase of activities linked to creating an AD. Initially, a weak economic framework with almost no tourist services characterizes the territory. Moreover, the population level is often numerically low due to the depopulation of the villages, which is often accompanied by a high average age of the residents. In the early stage of the business, the research highlights a weak relationship with the residents based on relative indifference and on skepticism. However, over time and because of the success of the AD, this approach becomes a collaborative approach useful for the economic development of the company and the whole territory. The research results note that the relationship with local stakeholders is a fundamental element from the launch of the initiative:

The territory where the AD is located is not developed in terms of tourism. At the beginning, the village's inhabitants were indifferent to our project, but a close relationship arose when the renovation of the dwellings started, and even more when the first tourists arrived (AD Borgo di Sempronio).

Further key elements for success of the AD are the ability of the entrepreneur to communicate to the local community the project aim, the prospect of economic growth and the architectural rescue of the village. Looking ahead, stakeholder communication skills are indeed fundamental for the success of the entrepreneurial initiative to more rapidly overcome obstacles encountered during the first pioneering experiences.

5.2 Value creation

AD value creation is linked to two key factors: the architectural recovery of the villages and buildings and the positive tourist experience (Pine and Gilmore, 1998).

The building recovery has several valuable benefits: the intrinsic value linked to the recovery of buildings in abandoned villages, the potential repopulation of abandoned territories because of the improvement of tourism linked to the AD, and the chance for the tourist to have an authentic experience of living in the past with current comfort:

Over the years, the village's inhabitants were decreasing, especially young people who were moving toward cities and coasts. The AD helped to repopulate the village and make the territory more alive and attractive (AD Al Vecchio Convento).

All the experiences of ADs examined here to share the building recovery. AD dwellings have been restructured using original materials and furnishings from the local site; at the same time, they offer the most modern housing facilities. Because of this choice, however, residences have a limited accommodation capacity (Romolini *et al.*, 2017), as they are not accommodations built *ad hoc* but are houses recovered according to the tradition and lifestyle of the territory to provide an authentic tourist experience. The cornerstone is, therefore, searching for an accommodation that offers the tourist the experience of living according to the uses and traditions of the village, allowing them to sample the real way of life of its inhabitants:

The relationship with customers is the cornerstone of ADs: tourists are seen as friends who come to visit us. Therefore, we offer them the possibility of becoming part of the local population. [...] Local tradition and culture are the main resource for the AD (AD Sauris).

The other element that underpins all the ADs analyzed here is the desire to provide an experience aimed at sharing the lifestyle of the territory, not as tourists but as residents. Therefore, the services and the experiences that the ADs offer aim to stimulate a meeting between the traditions of the village and tourists:

For some years now, we have been organizing “Experiences” to make our guests discover the area, through truffle hunting tours, skiing, snowshoeing and summer trekking (AD Marsorum).

We offer many experiences that allow tourists to get in touch with the territory, through the “Sentieri del Gusto” [cooking experience] and the use of ancient grains to make taste the traditional cuisine (AD Borgo di Sempronio).

We have recovered some ancient crafts – the blacksmith, the ceramist, the violin maker, etc. – to make them known to tourists, especially foreign ones (AD Al Vecchio Convento).

The restaurant services allow the spread of effective knowledge of local traditions and territorial culture. Food and wine tourism (Bonn *et al.*, 2018; Okumus *et al.*, 2007) have increased considerably, and more tourists are coming from European and non-European countries to visit the AD and search for local traditions.

Considering the value creation for consumers, the AD approach to hospitality is based on the concept that the tourist can “feel the accommodation is like his home.” In this approach, the exchange between the tourist and the AD manager is concentrated on a human relationship, with an effort to communicate the soul of the town. The AD management works to improve new tourist experiences with the traditional culture of the territory. The innovation lies in the capacity to identify, year by year, new experiences based on the promotion of local traditions:

Customers give us several inputs, which are collected informally. [...] The human relationship is fundamental: when guests enter the house, they must feel like they are at home, perhaps, in front of a glass of wine! (AD Borgo di Sempronio).

One of the main critical challenges highlighted by AD research is the need to increase the length of tourists’ stays in the villages. In fact, the possibility of transmitting the knowledge of the territory requires a length of stay beyond a single night because the tourist cannot develop a relationship with the local culture in such a short time. As a result, the business model of the AD needs tourists who are willing to spend sufficient time to appreciate the place; this model is not suitable for traveling tourism:

Our target market is Italy; however, domestic tourists tend to stay only one night in the structure, generating a lower profitability than would be expected (AD Ditirambo).

Considering the perspective of the creation of economic and financial value, in some analyzed cases, we stress the difficulty in maintaining the sustainability of the business model:

The history of the AD has not always been positive, additionally due to the lack of adequate tourist policies and the high tax burden to which we are being subjected (AD Ditirambo).

The main critical issues are related to the high cost for the renovation of residences and the high taxation and lack of policies to facilitate the AD model. These issues are in contrast to what has occurred locally for other forms of accommodation, such as B&Bs and agritourism.

5.3 Innovation

One of the main features characterizing the AD is the types of services offered to different customers compared to those provided by traditional hotels. Indeed, services are a key element for competitiveness of the hospitality sector (Gomezelj, 2016); service innovation has become a critical issue for success in the modern competitive hospitality industry (Wikhamn *et al.*, 2018), and services play a fundamental role in the growing of the hotel business and the AD (Orfila-Sintes *et al.*, 2005). The main AD goal is, therefore, to offer personalized services for tourists, bringing them closer to the territory's reality and to secure tourists' loyalty over time. To promote the local territory, the services are offered with an innovative approach by joining with other businesses operating within the area and identifying activities, such as personalized food and wine itineraries, experiences related to the knowledge of traditional crafts and museums representative of local history:

We work with artisans, weavers, master brewers and, more generally, with a network of small firms in order to develop our tourism product (AD Sauris).

In other words, the AD model can benefit from the small and medium enterprise (SME) dimension, which is particularly relevant in the current tourism context (Weidenfield, 2013). The dimensions of the AD facilitate meeting tourists' needs and expectations, and they enable ADs to achieve a higher degree of customer loyalty. In fact, because of the ability of entrepreneurs and their collaborators to collect suggestions and feedback, many services have been customized to the specific needs of tourists (Gomezelj, 2016).

The cases analyzed, however, have shown some difficulties in service management for tourists. The problem is often linked to the absence of consolidated tourist services, i.e. public transportation, shops and other facilities. The issue is that a small town is situated in a weak local tourist framework with the absence of basic services for hospitality; in this way, it could be difficult for the management of an AD to organize services, such as transportation to and from a close tourist destination. From this perspective, it is more complicated to manage an AD in a small town without the support of strong tourist services compared to the same situation in a traditional hotel based in a well-known tourist destination:

The village does not offer many services for tourists: there are few public transportation services, shops and clubs. For this reason, we must engage in organizing activities that allow tourists to enjoy the territory and its inhabitants (AD Sauris).

The capacity of the AD to ensure environmental and territorial sustainability is a crucial and innovative element of the AD business model and helps to preserve the local

traditions. In particular, the AD does not require the construction of new buildings with the consequent risks of territorial erosion linked to the urbanization of the area; instead, it contributes to protecting the existing building heritage and assigning them for tourists' accommodations:

Dwellings represent the added value of our AD: it could be seen as an experience of authentic tourism thanks to "lived-in" houses provided with today's comforts (AD Marsorum).

The building's restoration was carried out considering respect for original projects and recovering furniture and materials from the peasant era. The AD conserves the village and protects the territory from overbuilding (AD Borgo di Sempronio).

As previous studies have observed, the AD includes restructuring, thus recovering depopulated country villages and minimizing the environmental impact on rural villages (De Montis *et al.*, 2015). Without this intervention, the territory would likely be destined for abandonment and negligence due to depopulation and the lack of entrepreneurial activities able to invest in the territory.

As the ADs are small companies, they are not able to carry on corporate sustainability policies. These policies, if realized on a wider scale, would require huge investments that are difficult to obtain considering the long return timeframe of the business plan and the familiar entrepreneurial structure of the AD:

For now, sustainability is too expensive but remains a project for the future. Meanwhile, we do not use plastic and have an energy saving boiler (AD Al Vecchio Convento).

Following sustainability practices, we use recycled materials and bioarchitecture techniques, in which the main element is wood (AD Sauris).

In other words, the AD is a nonintentional sustainability business, but its ability to spread sustainability policies lies in the intrinsic capacity of the model to recover the architectural heritage of small villages.

The following figure shows the key elements of the AD business model (Figure 1).

6. Discussion and conclusions

6.1 Conclusions

The research analyzed the key points of the AD business model: the business idea, innovation and value creation.

The case study analysis shows that the business idea to establish an AD is based on several common elements. With regard to the site, we highlight an emotional link between the entrepreneur and the territory, concluding that the business idea is based on the aim to contribute to the renaissance of the village. This fact must also be related to the financial difficulties connected with establishing the business: the absence of public funding and territorial policies and the lack of banking institutions lead to the need for huge personal financial investment by the founders. These financial and starting difficulties of the AD lead to a territorial choice induced by a real affective decision rather than a rational analysis. Another key element for a successful AD is the connection and collaboration with stakeholders, and more generally, with the community, a relationship that is facilitated by the personal link between the entrepreneur and village.

Regarding value creation for the customer, this form of accommodation offers more than a simple hotel experience: the tourist can live, even for a few days, as a resident in a small town. The tourist can also experience the local traditions surrounding food, beverages,

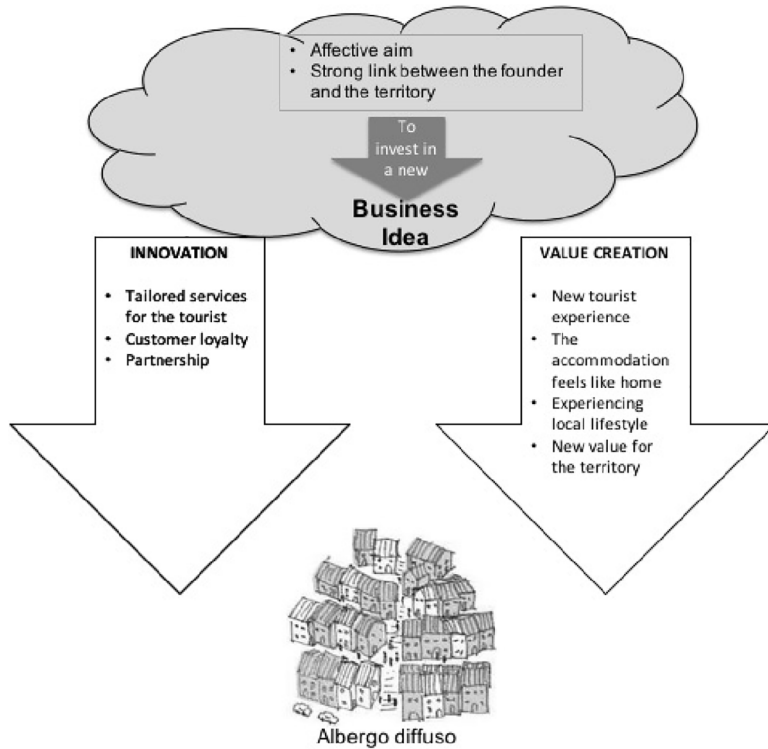


Figure 1.
AD business model

Source: Our elaboration

handcraft production, rural art and design. The accommodation is completely different from a standard hotel, and the services are provided directly from the entrepreneur family. Ultimately, the AD offers warm hospitality and local experiences based on the territory resources. The hospitality of the AD also seeks to increase tourists' awareness about the territory and the dwellings, not as temporary guests but as real residents.

The innovation of the AD can be identified within the types of services offered to customers, which are tailor-made to their needs and aim of bringing the guest closer to the territory and retaining them long term. In particular, the services are offered in collaboration with the businesses and inhabitants of the village; without them, the AD could not fully carry out its facilitating role. Eventually, even if the AD stimulates the growth and recovery of a village, it also needs the support of the inhabitants to fully reach its purpose.

Regarding service personalization, the research highlights positive and negative issues. On the positive side, the AD, as an SME, is characterized by high flexibility that allows it to provide services tailored to customer needs. On the negative side, it operates in a territory where there are almost no tourism sector businesses, and the provision of services, therefore, becomes more complex. Considering this latter aspect, the management of the AD is more difficult than that of a traditional hotel placed in an urban context or in the middle of appreciable tourist flows.

6.2 Theoretical implications

Previous studies have highlighted that AD is an innovative business model that facilitates the development of rural and small villages that are usually excluded from the main international tourist destinations. ADs also contribute to the architectural, cultural and environmental recovery of small towns, encouraging the growth of tourism.

The findings of this paper add to previous studies about the AD business model (Camillo *et al.*, 2015). Despite the attention of scholars to the effects of setting up an AD in a rural and small village, our results highlight the need to more deeply investigate the key elements of this hospitality business model. Consequently, this study aims to bridge the cognitive gap with an initial exploratory survey to analyze the AD business model in greater detail and to support the development of this business opportunity that implies economic, as well as ethical and sustainability challenges.

Our paper analyzes the essential elements of the AD business model: the business idea, value creation and innovation. In this respect, there is a need for more study mainly focused on business model: the aim of these papers will be deep examinations of the key elements of this business experience. Furthermore, studies have thus far used a qualitative methodology (in particular, case study); therefore, we need to understand more about AD using a quantitative approach. Finally, it is worth highlighting that AD is a multifaceted research topic that can be investigated under different theoretical perspectives, such as rural tourism, territorial cooperation and entrepreneurship. Therefore, the business model can be explored through different theoretical lenses.

6.3 Practical implications

This study has several important implications for managers and public policymakers. From a managerial perspective, the definition of a business model makes it possible to identify the elements that distinguish the AD from other hospitality experiences. In this way, the results of this research will allow entrepreneurs to focus their business model on the ADs distinctive elements and evaluate the launch of new initiatives built around these pillars.

From a different perspective and given that public administration plays an essential function in the entrepreneurship growth of any tourist destination, the results of this paper will help policymakers elaborate policies aimed at supporting both ADs and local tourism. Furthermore, as already noted, the AD is a fundamental tool for the rural areas growing far from cities and urban centers. In this sense, the interviews conducted with operators have highlighted the need of policymakers to develop new regulations and marketing policies to promote and financially support ADs.

6.4 Limitations and future research

This research has numerous limitations. First, the results obtained up to now must be compared by expanding the number of cases analyzed to verify the possibility of disseminating and generalizing results.

Second, the results obtained could change according to the model's development and future trends, as it remains in an initial early stage. Therefore, future research can be carried out with different approaches and including quantitative methods.

Finally, as the AD model is native to Italy, future studies should verify the possibility of spreading its application to other countries.

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Appendix. The structure of interview

Topic 1: #business idea

- How the business idea of the AD was born?
- What factors affected the choice of location?
- Which was the timing of the project development? Which investments did it need?
- What was the reaction of the village's inhabitants?
- What are the dimensions of the AD? (In terms, for instance, of number of buildings, beds available, opening period, etc.)

Topic 2: #value creation

- Who are the main stakeholders, which take advantages from the value created by the AD? (Guests, local communities, local economies, etc.)
- What is the experience, and what is the value, offered to tourists that distinguish the AD from traditional hotels?
- After the AD constitution, did you start business activities related to AD concept? (Such as restaurants, shops selling local produce, rental shops, incoming services, cultural and sports activities, etc.)
- Do you have instruments for listening to customers' needs?
- Do you have strategies for involving customers in the life of the village?

Topic 3: #innovation

- What services are provided in a different manner compared to traditional hospitality?
- Have strategies and tools been developed to support social and environmental sustainability?
- Have guests' suggestions about your services been taken into account for the development of new initiatives/services?
- What are the professional skills needed in the AD management? What new managerial figures have been introduced into the AD?
- Have new tools been introduced in the sales and/or booking channels?

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