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Innovations in Rural Tourism Business Model

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Research Article

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Abstract

Finding opportunities for competitive advantage is essential since rural tourism is one of the most competitive businesses. Incorporating innovative business models into operations is one strategy to get a competitive edge. These days, managers are more interested in business model breakthroughs than in product or technology advancements. Thus, the purpose of this research is to provide managers involved in the rural tourist sector a thorough framework that shows how to innovate the company and give them a competitive edge. Therefore, the initial attempt is to provide a business model framework that is appropriate for the rural tourist sector. Value proposition, target client, customer interface, partnership network, cost structure, and revenue model are the elements that make up this model. A thorough foundation for innovative rural tourist business models is then attempted to be presented. There are two components to this concept. The first section outlines the procedures for entrepreneurs operating in the rural tourist sector. Additionally, the second section outlines the procedures that need be completed in order to innovate a rural tourism business model for both an established company model and an existing organization.

Introduction

In addition to being regarded as a sustainable development activity, rural tourism has been a dependable source of money for the economies of many nations by providing and maintaining the natural and cultural heritage, including natural attractions, customs, and traditions. For instance, 204 million Lt (US$76.7 million) was set aside for rural tourist development under the Rural Development Program for Lithuania 2007–2013 (Ministry of Agriculture of the Republic of Lithuania, 2007). Given that rural tourism is one of the most important sectors of the European economy (Sharpley, 2002), competition in this sector is growing (Wilson et al. 2001). Possessing a strategic competitive edge might be seen as a guarantee of survival and profitability in this cutthroat industry. However, tourism may have negative effects on the destination's ecology, culture, and society (Sharpley, 2002). These negative effects drastically reduce local tourist demand, which leads to the disregard of an intriguing source of income.

However, innovation has historically required significant financial investments in labs, technology, and research & development (Mitchell, Bruckner, 2004). These days, the nature of innovation has also evolved, and decision makers find innovation in business models more fascinating because of the amazing outcomes that can be achieved without having to

pay for new technology (Chesbrough, 2007).

In addition to being a strategic competitive advantage, innovation and rethinking the company model may actually avert such consequences (Mitchell, Bruckner, 2004; Giesen et al. 2007). Therefore, the study's objective is to provide a thorough framework for putting innovative rural tourist business models into practice. The extensive literature on rural tourism, business models, and business model innovation is examined for this reason. The essential steps for the tourist industry's correct operation were then chosen, the information was organized and evaluated based on its potential for practical use in rural areas, the order of the chosen actions was formed, and the procedural model was presented in accordance with the defined date. In the end, this research offers a framework for managers and decision makers in the rural tourist sector who want to innovate business models, whether they are in charge of an already-existing company or are interested in beginning a new one.

Essence of rural tourism

All tourist-related activities and services provided in rural areas are considered to be part of rural tourism (Polucha, Čukovskis, 2010). According to Baležentis et al. (2012), rural tourism is a sustainable activity since it offers a basis for promoting sustainable energy. Additionally, they claim that rural tourism is a desirable activity for both locals looking to start their own businesses and metropolitan people who own property in the village. The Baltic nations and Central Europe are predisposed to such trends. One is drawn to the town for a variety of reasons, including its natural beauty, culture, traditions, cuisine, climate, and customs (Fleischer, Pizam, 1997). According to Polucha, Čukovskisław (2010), characteristics like small-scale habitation, a nice climate near nature, and, lastly, the host community are what set rural tourism apart. As a result, the area that gains from these characteristics may look forward to its own growth. The majority of enterprises involved in rural tourism are owned by local families and entrepreneurs since visitors are particularly useful to rural development and local communities (Sharpley, 2002).

Business model

There is no agreed-upon definition for the business model idea, despite its widespread usage in management and organization research since the 1990s (Lambert, Davidson, 2013). Generally speaking, a business model aims to clarify value, the process by which value is created, the source of value creation, and the methods that the company chooses to profit from this value (vom Brocke, et al. 2014; Mosleh, Nosratabadi, 2015a).

The logic of a unique firm is explained by the idea of a business model (Mosleh et al., 2015; Drejeris et al., 2013). According to Mosleh and Nosratabadi (2015b), a business model aims to elucidate the critical areas that are essential to a company's sustainability. [1]."According to Osterwalder et al. (2005), identifying this field is essential to maintaining the state of the art and making timely adjustments. To put it another way, examining the areas that a business model covers not only aids managers in determining the present state of each of these areas, but it also enables them to monitor trends and react quickly to changes. Additionally, it may lead to innovation in any field.

Rural tourism business model

The definitions of rural tourism and business models state that a rural tourism business model should be able to describe what value has been created in rural activities, to whom it is created, how it is offered, what sources are needed in the processes of creating and offering value, what costs have been imposed, and, lastly, how similar the revenue methods are. Only parts of necessary processes were identified in the extensive literature on business models, tourism, and rural tourism. Therefore, this research proposes the following elements as a rural tourist business model based on the literature on business models and the characteristics of rural tourism requirements:

Value proposition, 2) Determining Target Customers 3) achievement Customers interface 4) and Partnership network 5) choice appropriate cost structure 6) creating permanent revenue model. This suggested model is shown in figure 1.

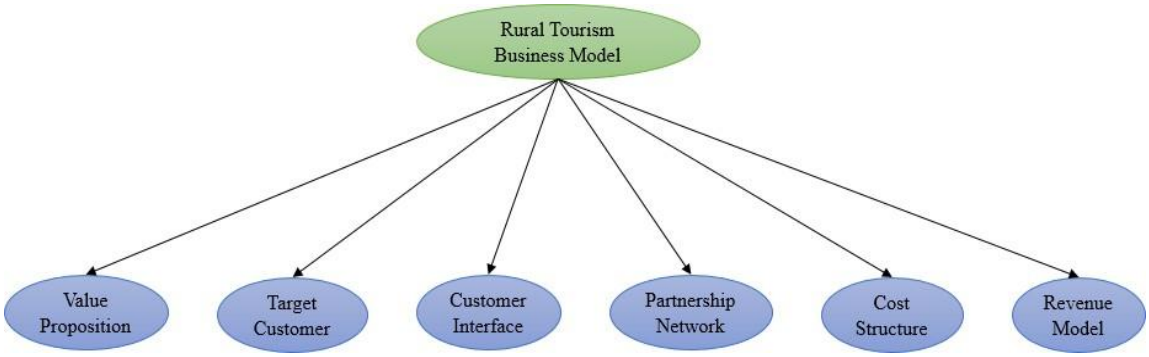


Fig1. Rural tourism business model of this study

As previously stated, the purpose of this rural tourist business model is to address the primary concerns raised by the business model idea. There are concerns about the financial aspects of rural tourism as well as the procedures involved in developing and providing value. As a result, these elements are described as follows: 1) A value proposition is a detailed assessment of the goods and services that a company provides (Ye et al., 2011; Weiner, Weisbecker, 2011; Jupesta et al., 2011; Storbacka, Nenonen, 2010; [1] Osterwalder et al. (2005), 2) Target Customer: shows which market groups the business provides value to (OStorbacka, Nenonen 2010; McCarthy, 2008; [1]Pateli and Giaglis (2003); Osterwalder et al. (2005), 3) Customer interface: makes it clear how a business is connected to its various market groups (Osterwalder et al. 2005). This element is very significant and reflects the unique characteristics of the rural tourist industry. 4) Partnership network: Describes how a firm may successfully deliver and commercialize value via partnerships with other businesses ([1]Osterwalder et al. 2005). 5) Cost structure: Shows the expenses spent by the business throughout the value providing process (Ye, et al., 2011; Weiner, Weisbecker, 2011; Hacklin, Wallnöfer, 2011; Storbacka & Nenonen, 2010; McCarthy, 2008; Osterwalder et al. 2005), 6) A revenue model is an illustration of how a business generates income (Ye et al., 2011; Weiner and Weisbecker, 2011; Hacklin and Wallnöfer, 2011; Storbacka and Nenonen, 2010; McCarthy, 2008; Osterwalder et al. 2005). Every company has a unique business model that is selected by the decision-makers, sometimes deliberately and sometimes subconsciously (Hu, 2014). The rural tourist business model under consideration in this research consists of six components, as

previously mentioned. The intriguing aspect is that each of these six components, which separate different firms and create distinct business models, really has a wide range of alternatives. A distinct business model is produced by each combination of these choices ([13]Mosleh, et al. 2015).The business model for rural tourism effectively illustrates the practical aspects of rural tourism. Therefore, managers and decision makers may choose the best solutions based on their resources and anticipated earnings by observing what is occurring via the business model framework, which gives crucial information. In reality, a visitor to a community requires transportation, lodging, food, and other amenities like personnel and a leader. He or she is probably willing to spend for regional cuisine, clothing, participation in customs and tradition events, agricultural goods, handicrafts, and other like items. However, from the standpoint of the rural tourism business model, the value that can be provided to the clients includes transportation, lodging, catering, tour guides, local clothing, customs and tradition events, agricultural products, and handicrafts, all of which have been categorized in the value proposition component.

Determining the target market, the second part of the rural tourism business model, is a two-way process. Put another way, the organization has been determining what kind or types of these values it can give depending on its resources, competences, and abilities. As a result, a simple illustration of the target clients will be provided. Customers, however, might sometimes be the deciding factor. It implies that in some situations, the characteristics of the clients and, therefore, their needs are very restricted; as a consequence, the values that may be provided are similarly restricted in certain areas.

Customer interaction is the third element of the rural tourism business model. By definition, this component relates to how a company involved in rural tourism interacts with its clientele. It is known that 5 times more expensive to find a new customer than to keep existing. Determination some problems can challenge new suggestions for improving business activity. Naturally, the majority of the services provided in this sector are provided in person, and this connection is made face-to-face. Decision-makers must thus prepare for this problem and use caution while providing services. Additionally, they may communicate by phone, email, and the website both before and after the service is provided. As was already noted, a visitor to a community undoubtedly has a variety of demands. Therefore, the collaboration of various enterprises involved in rural tourism may provide a full package to the consumer (the visitor), which in turn improves the profitability (Liang et al. 2005). For example, the most common partnership between the host providing lodging services and the carrier enhances the likelihood of reaching the clients. The last two elements of the rural tourist business model are the revenue model and cost structure, both of which are considered financial aspects by [1]."Osterwalder and associates (2005). The revenue model and cost structure vary depending on the kind of goods and services mentioned. For instance, the pricing structure for lodging places a greater emphasis on upkeep and cleanliness. However, the revenue model or the method of earning money will be different. The various approaches are used for the income model. In such partnerships, the visitor just pays for lodging and is not charged for transportation. For instance, even if the tour guide is completely free, he or she has a contract that allows them to take visitors to certain locations.

In general, the value proposition and services the company provides determine the revenue streams (Zott, Amit, 2010; Drejeris et al. 2013).

How to innovate rural tourism business model

Innovations in rural tourist business models will be explained in this chapter. It will be created using a methodical approach, starting with the broad and working down to the specifics, just as in the previous chapter.

4.1 Business models innovation

Innovation in a business model is not the same as innovation in services/products or technology (Mitchell, Bruckner, 2004; Lindgardt et al., 2009; Massa, Tucci, 2013). According to Lindgardt et al. (2009), innovation in a business model requires the reinvention of at least two business model components; innovation in a product or service alone does not qualify as a business model innovation. Additionally, they think that the value proposition model and the operational model are the two primary components of a company model. Value chain, cost model, and organization make up the operational model, whereas target segment, products/services offering, and revenue model make up the value proposition model. According to Lindgardt et al. (2009), as a business model is a multidimensional system, altering more than two of its components results in altering the model as a whole, which is known as business model innovation. However, according to Mitchell and Bruckner (2004), innovation in at least four business model components results in business model innovation, which allows the organization to provide new goods or services to new market groups.

According to Massa and Tucci (2013), there are two types of business model innovation: innovation in business model design and innovation in business model reconfiguration. They show how innovation in business model design, which is crucial for entrepreneurial endeavors, is linked to business model design. To put it another way, innovation in business model design is seen by Massa and Tucci (2013) as the first stage of business model design when entrepreneurs are considering starting a firm. They contend that the following phases comprise the innovation process during the business model design phase: 1) identify both internal and external opportunities; 2) establish an organization; 3) create a market interface; and 4) establish organizational limits (Massa & Tucci, 2013).

The second kind of business model innovation is associated with business model reconfiguration, according to Massa and Tucci (2013). Put another way, decision-makers must reconfigure the business model and reevaluate the relationships between its components when they are considering innovating an existing business model for a company. They go on to say that the company must overcome significant obstacles in this kind of innovation, including organizational learning, business process management, and organizational inertia. Therefore, they advise that a complex change management procedure be carried out and that the manager provide strong support for this innovative method. This kind of innovation may potentially have drawbacks, according to Massa and Tucci (2013). First of all, innovation is always accompanied with uncertainty. Second, insufficient resources, and lastly, a lack of credibility (Massa & Tucci, 2013). However, because business model innovation creates a durable competitive advantage, it has long been advised (Mitchell, Bruckner, 2004; Giesen et al., 2007).

Giesen et al. (2007) classified business model innovation in existing firms into three categories: 1) industry model innovation, 2) revenue model innovation, and 3) enterprise model innovation. Industry model innovation, according to Giesen et al. (2007), encompasses innovation in creating a new industry, redefining the industry, and ultimately entering a new industry. However, revenue model innovation refers to innovation in the methods of generating income and money, such as reimagining the new pricing strategy. Ultimately, enterprise model innovation is defined by Giesen et al. (2007) as altering the company's position in the value chain, which may result in altering suppliers, customers, and products, among other things.

[27]Additionally, Massa and Tucci (2013) contend that innovation in business models include innovation in governance, structure, and content. According to Amit and Zott (2012), there are typically three methods to innovate a business model: creating a new activity, integrating the activities in novel ways, and altering the parties involved in an activity. To be able to react promptly to these changes, they must be able to track trends dynamically and have an effective change management system (Mitchell, Bruckner, 2004). We shall make an effort to adopt the viewpoint of the writers who were just discussed.

4.2 Rural tourism business model innovation

Since most rural tourist firms are owned and run by locals, it is unusual to analyze business models in order to maximize profitability. Therefore, the first step in developing an innovative business model for rural tourism is for enterprises involved in the industry to develop procedures that are very responsive to changes and trends in their business model components. As previously stated, the study's rural tourism business model gives managers and decision-makers important information that is vital to the company's existence. The management has the chance to stay current with their business model and guarantee their profitability by monitoring and evaluating the trends and changes of each rural tourism business model component.

It will result in a sustainable competitive advantage and profitability (Mitchell, Bruckner, 2004, 2004; Giesen et al. 2007), even though having a flexible business model that can adapt to changes in the environment requires flexible resources and strong change management (Doz, Kosonen, 2010). Based on the literature and the previously given information, this research offers a thorough framework for innovation in rural tourist business models for both new and established firms. Figure 2 depicts this structure. Figure 2 illustrates how two very distinct approaches are taken into consideration based on whether a firm is about to launch or has already begun operations. As previously said, innovation in business model design should be monitored for a company that plans to begin operations in the rural tourist sector. According to the study's suggested model, managers should carry out entrepreneurial tasks like identifying opportunities in both internal and external environments, creating an organization, defining market segments and customer communication channels, and ultimately establishing organizational boundaries.

Business model innovation in established companies, on the other hand, takes the other route, which is business model reconfiguration. The first step in this process is for the management to decide how much they want to reinvent their company model. They should choose whether to reinvent their industry model, revenue model, or enterprise model at this phase. As this model makes clear, managers have three possibilities to innovate their

industry: moving into a new industry, redefining the industry, or developing a new industry. Innovating in their industry model may indicate that they want to leave the rural tourism business. Innovation at the revenue model level simply entails management rethinking and reimagining how they generate income. At least two of the business model's components are reimagined when an innovation occurs. As a result, innovation in the value offer that attracts new clients may also be seen as innovation in the revenue model. However, new pricing tactics have also been recognized as revenue model innovation.

The managers are altering the organization's place in the value chain in the rural tourist sector if they choose to reinvent the business model. Value proposition, clients, partners, and relationships will all alter under this situation. For example, a company that formerly handled tourist transportation has chosen to operate a nearby restaurant. It is not altering the industry since, as previously said, altering the industry implies that the new company has no place in the value chain for rural tourism. The company's role in the rural tourism value chain is simply altered by the introduction of new value propositions, clients, partners, linkages, and revenue models. It is important to note that innovation must occur in the content, structure, and governance of at least two rural tourism business model components, regardless of the kind of innovation (business model design or business model reconfiguration).

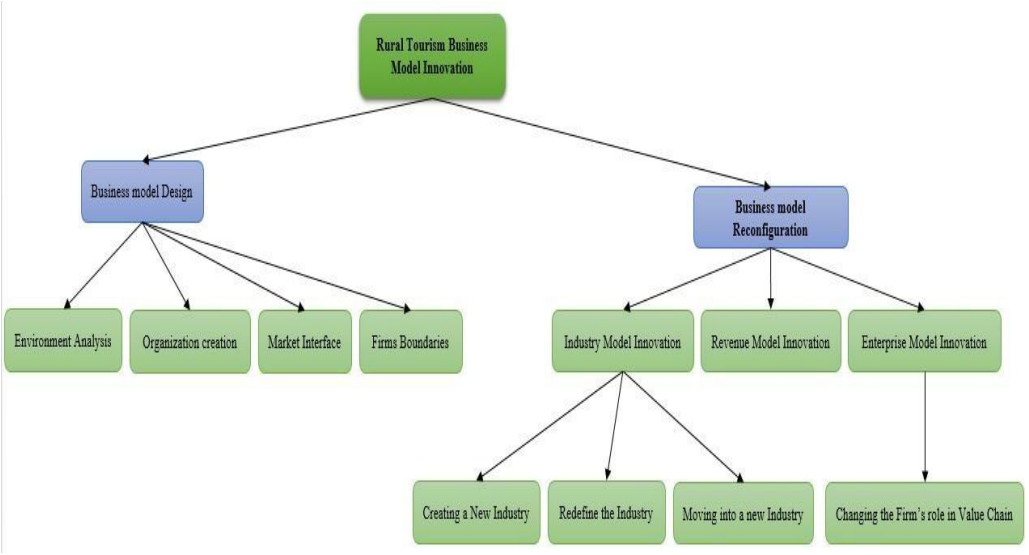


Fig.2 The proposed rural tourism business model innovation framework of this study

Application of the model will allow both novice businessmen and professionals better understand the tourist business properties and thereby achieve better results. The model adapted for 2 business situations.

Conclusions

The growth of this sector is intriguing for European nations, given the significance of rural tourism in their economic development. Consequently, the level of competitiveness in this sector is always increasing. In this cutthroat industry, having a competitive edge helps ensure profitability.

These days, managers are more interested in business model innovation than in product or

technology innovation. Due to the dearth of recommendations for business model innovation in the rural tourism sector, this research attempted to provide managers working in this sector a thorough framework for innovating their business models in order to gain a competitive edge. This research first tries to provide a rural tourist business model for the aforementioned goal. A six-component model was proposed as a rural tourist business model after a thorough analysis of the literature revealed a lack of such a model. This model's components include the value proposition, target customer, customer interface, partnership network, cost structure, and revenue model. In the next phase, a framework for a rural tourist business model is suggested based on the literature. This model offers recommendations and actions that managers should follow to reinvent their company. Two components make up this paradigm, each with a distinct route for various tasks. The first route is called "innovation in business model design," and it includes the rules that entrepreneurs will follow while operating firms in the rural tourist sector. The alternative approach, on the other hand, outlines actions that need be completed in order to innovate a rural tourist business model for both an existing organization and an established company model.

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