The effects of formal networks on territorial tourism offers current usage of network contracts in Italy

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Abstract

This study aims to understand the benefits contractual inter-firm networks offer to existing territorial tourism systems in Italy. Preference has been given to a qualitative approach. Data collection was based on document analysis (i.e. information reported in written contracts as well as text and images published on web sites) and in-depth semi-structured interviews. Results indicate that usage of a relatively new legal mechanism (the network contract) designed to form stable inter-organisational networks is increasing in the tourism sector. These networks help promote existing territorial tourism systems in different ways and to different extents. In some cases, alliances create and promote a tourism proposal that enhances the territorial offer, while in other situations alliances succeed in identifying and communicating a specific territorial area previously left unmanaged.

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Keywords: tourism networks, contractual networks, SME cooperation, strategic alliance, place brand, destination management, Italy

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Introduction and background of the study

The Italian tourism industry1 is made up of various actors (i.e. hotels, restaurants, service providers, private and public promotion agencies, tour operators, attractions like amusement parks, etc.), which usually design their own offers independently. Moreover, Italy is characterized by many small and medium-sized businesses (SMEs) which do not cooperate nor coordinate their actions with other actors (OECD, 2011). As a result, territorial systems are fragmented. When businesses cooperate they do so only occasionally for specific activities or projects. Their cooperation is usually built on social, trust-based relationships, as they are reluctant to lose their decision-making autonomy by being formally inserted into precise organisational schemes (Travaglini, 2005).

However, researchers as well as the Italian Government advocate for the emergence of
integrated territorial systems capable of enabling and enhancing tourism throughout Italy (Rispoli and Tamma, 1995; Pencarelli and Forlani, 2002; Sciarelli, 2007). Currently, several travel destinations in Italy lack competitiveness, making this call for cooperation even more important. Italian destinations are not able to attract large volumes of new tourists coming from China or India (Banca d’Italia, 2013) because they lack resources and implement uncoordinated marketing and tourism promotions that prevent them from reaching foreign markets.

To overcome this issue, several forms of cooperation have already been tested and then critically analysed by academic researchers. This literature focuses on territorial local systems (Rispoli and Tamma, 1995; Bonetti et al., 2006; Sciarelli, 2007) and destination management issues (Pechlaner and Weiermair, 2000; Franch, 2002; Martini, 2005; Angeloni, 2013), emphasising benefits of alliance creation between public and private entities devoted to promote places like regions, provinces, cities, towns and mountain areas as well as destination brands (Pencarelli and Gregori, 2009). As experienced in other countries (Prideaux and Cooper, 2003) and highlighted by international researchers (Erkus-Öztürk and Eraydin, 2010), the economic, social and environmental benefits of alliance creation are great, especially when there is a cooperative marketing effort within and among destinations (Wang and Fesenmaier, 2007; Wang, 2008; Mariani et al., 2014).

On the contrary, scarce attention is devoted to studying formal business networks (contractually formalised networks which stem from the mere entrepreneurial initiative of private businesses) in their attempts to create or develop a territorial tourism offer autonomously.

Theoretically, a network of private businesses can actively contribute to developing the tourism offer of a territory. Moreover it can play an important role in promoting the geographical area in which it is located (Dalli, 2013). For example, network activities can contribute to the identification and sponsorship of a territory left unmanaged by local public agencies suffering from scarcity of funds. A formal network can also sustain an existing territorial brand (usually called a place brand) by adopting or integrating it into the network brand, thus leveraging and reinforcing the positive image of the specific place at the same time.

In view of these considerations, this paper aims to answer to the following research question: which benefits do formal business networks created by SMEs offer to existing territorial tourism systems? To answer this question, the authors analysed networks of enterprises recently created by some Italian tourism SMEs using a new legislative instrument called the ‘network contract’. They examined various networks’ goals and activities (planned and achieved) which may impact on the tourism offer and analyse those network design factors (governance mechanisms, internal resources and network entry modes) that reveal the network’s ability to support goal achievement. Brand usage is also analysed, as it might be used as proxy for members’ awareness of the importance of collective action and it shows the network’s relations with the territory. Participants’ awareness of the strategic collective represents a key element that allows the network to operate as a single entity and is a prerequisite for competitive success (Rispoli and Tamma, 1995; Pencarelli and Forlani, 2002; Lazzaretti and Petrillo, 2006; Sciarelli, 2007).

A clear understanding of the phenomenon is achieved through the analysis of written contracts, the administration of semi-structured interviews and the consultation of documents and information published on corporate websites.

The main theoretical contribution of this paper is to explore the role of business networks, especially those created by small and medium-sized tourism enterprises, in supporting territorial tourism systems, while mainstream research on networks has mainly investigated the economic motives that drive partnering (i.e. developing bundles of services, obtaining more market power and cost reduction), based on resource dependence theory, game theory, transaction cost economics, network approach,
etc. (Beritelli, 2011; Maggioni et al., 2012). Moreover, it employs brand usage analysis and the concept of brand architecture to evaluate the presence of both internal (network level) and external consonance, which help organisations survive in the long term. This approach differentiates this study from previous streams of research that focused on other factors associated with successful and long-lasting relationships (Hill and Shaw, 1995; Medin-Munoz and Garcia-Falcon, 2000; Pansiri, 2008; Lemmetyinen and Go, 2009).

This study proceeds as follows: section 2 provides a literature review to draw the interpretative framework (focused on networking, tourism systems and brand); section 3 outlines the research methodology, whereas the findings of the analysis are presented in section 4. Finally, discussions and conclusions follow in sections 5 and 6 respectively.

**Literature review**

*Forms of networking and the network contract*

Inter-firm cooperation is not a new phenomenon to the tourism and travel sectors. Literature indicates that players like hotels, travel agents, tour operators, etc. are aware of the importance of staying connected to provide attractive and high quality services to increasingly sophisticated customers (Bullock, 1998; Pansiri, 2008), as tourism supply fragmentation deals more and more with the desire for the “all-in-one experience” expressed by customers (Maggioni, et al., 2012, p. 2). Need for cooperation is especially important for SMEs, which represent the backbone of the tourism industry (Wanhill, 2000). Thanks to stable relationships with other industry players, SMEs can develop new commercial opportunities, achieve growth and improve competitiveness (Pansiri, 2008). Moreover, they can reach international players creating global networks which are crucial for attracting tourists (Erkus Öztürk, 2009). Already in the 1990s Buhalis (1996) and Buhalis and Cooper (1998) suggested that SMEs should coordinate their offering by exploiting technological opportunities in order to enhance their own competitiveness and profitability as well as those of the destination. Moreover, when SMEs work cooperatively and are able to design long-term strategies they might positively affect their community, as in the case of the small accommodation operators interviewed by Alonso (2010) who view business relationships as a tool for enhancing a destination’s image with further implications for the area’s promotion and marketability.

Business networks can assume different forms and be analysed from different perspectives (Jarrat, 1998; Street and Cameron, 2007). One classification distinguishes formal networks (formalised through a contract) from non-contractual or informal networks (Ricciardi, 2003; Vasilska et al., 2014). The main difference refers to the governance mechanisms that coordinate network exchanges and internal relationships (Amit and Zott, 2001; Hoang and Antoncic, 2003). In the first case, relationships are based on legal enforcement and there is a clear method of cooperation management and control, while in the second case relationships are supported by social mechanisms. Because the last are a sort of implicit and open-ended contracts (Hoang and Antoncic, 2003), they are less suitable to aggregate firms aiming to create a territorial tourism offer which integrates the different commercial proposals - considering the high amount of resources and cooperation intensity this requires. Commercially oriented inter-organisational connections need the formation of a strategic alliance (a stable partnership based on long-term and balanced relations, designed to sustain business growth), regulated by a written agreement that can better ensure the achievement of common goals.

In the tourism industry both informal and formal networks have been analysed. Informal relationships characterize cooperation in regions and communities (Chathoth and Olsen, 2003) which usually involve institutions and administrative bodies as in the case of clusters (Novelli et al., 2006) and wine routes created by a network of public and private agents (Brås et al., 2010). Also single individual/stakeholders might be engaged in networking activities, as in the case of communities of individuals (Beritelli, 2011).

Formal agreements mainly involve private organisations, and their contents range from
the creation of a new legal entity (joint venture contracts) to the cooperation in a specific area or production phase (contracts for brand sharing or joint purchasing, creation of cooperatives for marketing or distribution purposes, consortia to access foreign markets, subcontracting for transport services, use of licensing and franchising, etc.) (Chathoth and Olsen, 2003).

Cooperation instruments are not equal. Each legal instrument is designed for a specific purpose and has a precise configuration that can affect the functioning of inter-firm networks in terms of allocation of power (for example, while franchising and subcontracting imply asymmetric relations, cooperatives and consortia assume equal decision power for every participant).

This study investigates business networks created through the ‘network contract’ - a new legal instrument of inter-firm collaboration introduced by the Italian Government in 2009. This contract binds two or more private entities (companies as well as sole proprietorships, profit and non-profit organisations but not public bodies) to the achievement of a common goal. It represents a form of strategic alliance that can formally link a plurality of organisations in the long term. Unlike existing practices of creating networks of interconnected contracts (quite a complex and costly strategy), the network contract represents a flexible instrument particularly suited to SMEs for the following reasons (Cafaggi, 2009):

- It does not have one specific purpose (for example, subcontracting is designed to outsource a service or production phase, franchising aims to create a chain of organisations sharing the same brand) but it is applicable to any objective. This may range from carrying out together one or more phases of the value chain, to organising a purchasing group, creating new products, raising funds or pursuing all of these mentioned.
- Its content is quite flexible, since several aspects can be freely regulated by the participants (prevision of a group fund, creation of a control body and other internal organs, possibility to transform the network into an incorporated entity with legal personality, etc.). Participants can opt for a simple structure or for a more complex organisation to support cooperative objectives.
- It is designed to form open networks (single members can easily join or leave the network) and can aggregate different types of organisations across regions and sectors. It allows the creation of both horizontal, vertical and mixed networks, while consortia and cooperatives are usually formed by organisations working in the same value chain and industrial districts are limited to a specific geographical area.
- It preserves members’ equality because the network’s strategies are defined by all members and their implementation is delegated to a subject or common entity (i.e. the Board) elected by all participants.
- It protects the decision-making autonomy of each member because network activities are kept separate from those of individual firms, which maintain their legal and strategic independence.
- Finally, it allows the creation and sale of products and services to third parties (while consortia are usually design to provide services to internal members) and can distribute profits to network participants, while consortia and cooperatives are non-profit organisations.

Since its introduction in 2009, almost 700 contracts involving about 3500 organisations (Unioncamere, 2013) have been created. Initially adopted in the manufacturing industry (Aureli et al., 2011; Rapporto Unicredit, 2011), this legislative instrument reports a steady increase in usage in all sectors, including tourism. Moreover, it is largely adopted by SMEs willing to increase their national and international competitiveness (Aureli and Del Baldo, 2012). Nevertheless, studies on network contract practicality in the tourism industry are lacking.

Tourism, territory and brand management

According to the Italian literature (Pencarelli and Forlani, 2002; Forlani, 2005), because of the specific features of the tourism product, an enterprise operating in the tourism industry is a system which always works within two types of larger systems:
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- the supply system of tourism services (Rispoli and Tamma, 1995; Della Corte, 2000; Martini, 2005; Bonetti et al., 2006) whose actors jointly co-produce travel and leisure experiences (the tourism product);
- the system of the geographical area in which it is located, also called the territorial system, which can be a city, district, province, region, country, etc. (Caroli, 1999; Valdani and Ancarani, 2000; Golinelli, 2002; Bonetti and Simoni, 2011).

In other words, organisations working in tourism should never be considered in isolation, but rather within the existing complex tourism system made up of the two aforementioned components.

The supply system of tourism services is a network of operators linked together by relationships created to achieve shared objectives and a common purpose – to create and sell positive tourist experiences (the product). This system may be recognised or unrecognised, intentional or non-intentional, formal or informal. When the system is associated with a brand that identifies it, its constituents (subsystems and operators) become aware of the existence of the network and its aims and strategic intents. The presence of a brand can be indicative of the intentional nature of the system (Betti et al., 2009).

The brand usually represents the catalysing element of all actors involved in the supply system. “The concept of branding in the tourism business network could be seen as a symbolic-level mechanism (Gnoth, 2002) for facilitating the coordination of cooperative activities among network members” (Lemmetyinen and Go, 2008, p. 33). However, brands have to be consciously managed in order to achieve and maintain this aggregating role. For this purpose, brands referring to tourism systems should have some specific features – like any viable system (Golinelli, 2010) – which help them stimulate and maintain the aggregation. These features are (Betti et al., 2009):
- a cultural value system and a combination of graphics which identify the brand;
- a mechanism for the selection of structural elements (the operators), such as a quality charter or membership requirements and a control mechanism (like certifications or monitoring activities) which allows for the adjustment of the system;
- a system of outputs (external communications, sale of products) to which the brand is applied and by means of which it acquires substance and becomes tangible.

The application of the supply system brand to its members is important during supply system formation. In this case, the brand acts as an umbrella brand for all sub-system components (Upshaw and Taylor, 2001; Betti et al., 2009).

Brands can also refer to a geographical area, as widely investigated in studies on tourism destinations. Destination brands have been defined as “a name, symbol, logo, word mark or other graphic that both identifies and differentiates the destination. They convey the promise of a memorable travel experience, that is uniquely associated with the destination and serve to consolidate and reinforce the recollection of pleasurable memories of the destination experience” (Ritchie and Ritchie, 1998, p. 103). Since the object of brand management relates to a specific territory with a political and legislative framework for tourism marketing and planning it is assumed that the connected management activities cannot be left to just anyone. Public bodies usually create (or co-create with private entities) an organisation called a DMO to manage the destination and related brands (Buhalis, 2000).

More recently, Kavaratzis (2004), Dooley and Bowie (2005), Kerr (2006), Balakrishnan (2009) and Hanna and Rowley (2008; 2011) have emphasised the need to move from destination branding to place branding. A place brand is a promise to the potential users of the area, an expectation of performance and a sign of integrity and reputation. It should provide a unified representation of the components of a geographical area’s supply package (Balakrishnan, 2009; Hanna and Rowley, 2011). An interesting aspect discussed in place brand management models (Hanna and Rowley, 2011) is the importance of brand architecture. Brands of different objects as well as brands of different places can be
intentionally managed to link individual brands together and generate strong associations capable of influencing consumer purchase intentions (Dooley and Bowie, 2005; Kavaratzis, 2004 and 2012; Dinnier et al. 2009; Hanna and Rowley, 2011).

However, there are several critical factors that have to be considered in order to apply brand and brand management concepts to a geographical area, at least when academics refer to territorial systems (Balakrishnan, 2009; Krajnović et al., 2013). These factors are: the difficulty of establishing precise boundaries for the area to which the brand refers, the coexistence of different levels of government in the area (i.e. provincial, city, district level) each with different goals and philosophies of branding, the different degrees of importance of the various features of the area in defining the place brand, the pre-existence of geographical and historical brands\(^3\) and the need for coexistence between public and private brands (Betti et al., 2009; Forlani, 2009).

In conclusion, a review of the literature suggests that any organisation operating in the tourism industry must be able to create and manage its own brand coherently with the brand of the system/network to which it adheres (or where customers insert it) and with that of the territory in which the organisation is established (Fig. 1). Brand consonance (in terms of reciprocal brand recall or usage of the same wording), indicates the presence of visible interrelationships among businesses and denote network members’ awareness of being part of a common group. Moreover, it enhances the efficacy of individual communications through mutual support and avoids confusion about the positioning of the territory and its offer (Ivanov et al., 2010).

**Methodology**

This empirical research follows a qualitative approach and is mainly explorative in nature. Qualitative research seems particularly suited to this end because it tries to understand a phenomenon rather than uncover causal

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**Figure 1. The importance of brand consonance**

Source: our elaboration from Bonetti et al. (2006), p. 113.
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relationships and offers a voice to the subjects researched (Slevitch, 2011). Moreover, the authors took this approach because the recent creation of network contracts does not allow the collection of quantitative data (number of new services developed, increase of tourism flows, etc.) on the impact of alliances. Finally, it responds to academics’ call for greater use of the qualitative approach in tourism studies (Riley and Love, 2000; Priporas et al., 2012).

The authors looked for multiple case studies, which were investigated with two different qualitative research methods: document analysis and direct interviews with key informants. Case study analysis was preferred because it favours the comprehension of the many dynamics that characterize specific contexts (Eisenhardt, 1989; Yin, 2003).

To meet the aforementioned research objectives, the authors first searched the database of Italian Chambers of Commerce for all network contracts signed in Italy to find those involving tourism enterprises. According to the dataset, at the beginning of September 2013, there were 1,058 network contracts in Italy. These contracts involve 5,209 enterprises and cover all Italian regions. By filtering the dataset according to the official sector code (ATECO’s 2007 classification), UnionCamere (2013) estimated only 47 enterprises working in tourism services, specifically in hospitality and catering.

However, this approach seemed to be inadequate in representing the extent of the phenomenon. On the one hand, it may underestimate the phenomenon because it considers only traditional operators (i.e. businesses offering accommodation facilities) while excluding other actors which attract travellers and facilitate their arrival in a country like amusement and natural parks, museums, tour operators, transport companies, exhibition companies, marinas, etc. On the other hand, the phenomenon might be overestimated, since a company’s main activity and the sector associated with it could be irrelevant with respect to the type of joint activities undertaken by the network. For example, a hotel which participates in a network contract to test new green energy technologies in order to increase the energy efficiency of its properties.

Consequently, in this study authors have preferred to perform a word search on the dataset using the following key words: tourism; touristic; destination; brand; hotel; accommodation; park; territory; territorial; restaurant (and their variations). The word search explored different fields: the name of the network, the name of each enterprise and the object of the formal alliance. This information is publicly displayed.

A total of 34 network contracts dealing with tourism were identified (Table 1). These involve a total of 339 enterprises, while each contract counts an average of 11 network members. Members are mostly very small enterprises located in the same city or province. Networks have mainly been created in the last two years. While no contract in tourism was registered in 2009 and 2010, Table 1 indicates that there is a steady increase in its usage in this sector.

The above mentioned network contracts can be classified into four different categories according to the type of participants and their business objective (as reported by the Italian systems of Chambers of Commerce).

- The first group refers to network contracts created by similar businesses working in the same market segment which compete and collaborate at the same time. These are horizontal networks composed by a large number of participants aiming to attract huge touristic flows by organising common services and leveraging attracting elements of a territory and aim to increase their bargain power with other private and public actors. Examples are: Rete imprese delle marine del levante e del parco, Rete imprese litorale pisano and Rete imprese balneari Viareggio.

- The second category identified refers to vertical and mixed networks whose members provide complementary services which jointly contribute to create the so called tourism offer. Belonging to this group are networks which put together travel agencies, hotels or other types of accommodation, restaurants, wine and oil producers, transport companies and
associations specialised in excursions, which all aim to leverage the existing territories to attract new customers and increase participants’ turnovers. Also, these networks usually contain a large number of participants. Examples are: Illasi Valleys, Piemonte mare territorio e cultura, Arcipelago reti di imprese per il turismo and Rete Apulia Experience.

A third group is made up of farmers, breeders and rural accommodations which seek to expand their traditional areas of operation to enter the rural tourism sector i.e. by setting up educational farms and accommodation offers. These businesses cooperate to increase each participant’s revenues by sharing costs of some production processes and/or increasing

Table 1. Network contracts operating in the tourism sector in Italy

<table>
<thead>
<tr>
<th>Network name (translation)</th>
<th>Date of creation</th>
<th>Number of members*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arcipelago reti di imprese per il turismo (Archipelago networks for tourism)</td>
<td>April-11</td>
<td>5</td>
</tr>
<tr>
<td>Rete in tema di agriturismo (Network about farm holidays)</td>
<td>July-11</td>
<td>6</td>
</tr>
<tr>
<td>Rete imprese balneari Viareggio (Business network of Viareggio’s beach establishments)</td>
<td>August-11</td>
<td>75</td>
</tr>
<tr>
<td>Rete Angolias (Network Angolias)</td>
<td>September-11</td>
<td>11</td>
</tr>
<tr>
<td>ReteCastelsardo (Network Castelsardo)</td>
<td>September -11</td>
<td>4</td>
</tr>
<tr>
<td>Worldwide masserie of Apulia</td>
<td>September -11</td>
<td>4</td>
</tr>
<tr>
<td>M.I.N.S.Y.</td>
<td>December -11</td>
<td>4</td>
</tr>
<tr>
<td>Illasi valleys</td>
<td>January -12</td>
<td>28</td>
</tr>
<tr>
<td>RICA</td>
<td>January -12</td>
<td>6</td>
</tr>
<tr>
<td>ReteTilipera (Network Tilipera)</td>
<td>April -12</td>
<td>3</td>
</tr>
<tr>
<td>Rete imprese litorale pisano (Business network of Pisa’s coast)</td>
<td>May -12</td>
<td>44</td>
</tr>
<tr>
<td>Piemonte mare territorio e cultura (Piedmont sea territory and culture)</td>
<td>April-12</td>
<td>8</td>
</tr>
<tr>
<td>Rete Verona Garda bike (Network of Verona, Lake Garda bike)</td>
<td>July -12</td>
<td>5</td>
</tr>
<tr>
<td>Legami (Bonds)</td>
<td>July -12</td>
<td>10</td>
</tr>
<tr>
<td>Rete imprese delle marine del levante e del parco (Business network of east coast and park)</td>
<td>August -12</td>
<td>15</td>
</tr>
<tr>
<td>B2green</td>
<td>September-12</td>
<td>5</td>
</tr>
<tr>
<td>Rete core Firenze (Network core Firenze)</td>
<td>August -12</td>
<td>4</td>
</tr>
<tr>
<td>ReteUnilab project (Network Unilab Project)</td>
<td>October-12</td>
<td>6</td>
</tr>
<tr>
<td>Rete Apulia experience (Network Apulia experience)</td>
<td>November-12</td>
<td>3</td>
</tr>
<tr>
<td>Aba Bibione</td>
<td>December-12</td>
<td>3</td>
</tr>
<tr>
<td>Rete este (Network este)</td>
<td>January -13</td>
<td>3</td>
</tr>
<tr>
<td>Unioneturismo Abruzzo (Abruzzo Tourism Agreement)</td>
<td>February -13</td>
<td>18</td>
</tr>
<tr>
<td>Visit Gravedona (**)</td>
<td>February-13</td>
<td>undisclosed</td>
</tr>
<tr>
<td>Rete imprese commercianti Viareggio e Versilia (Business network of traders of Viareggio and Versilia)</td>
<td>March -13</td>
<td>16</td>
</tr>
<tr>
<td>V. e Di. - valli e dintorni (Valleys and their surroundings)</td>
<td>March -13</td>
<td>8</td>
</tr>
<tr>
<td>Welcome viaggi &amp; vacanze (WelcomeTravel and Holidays)</td>
<td>March -13</td>
<td>3</td>
</tr>
<tr>
<td>Vita - Valtellina in tavola (Valtellina on the table)</td>
<td>March -13</td>
<td>3</td>
</tr>
<tr>
<td>Quilaigueglia - rete d’imprese (Here Laigueglia- business network)</td>
<td>April -13</td>
<td>19</td>
</tr>
<tr>
<td>Rete di imprese Rimini (**)(Business Network of Rimini)</td>
<td>May -13</td>
<td>undisclosed</td>
</tr>
<tr>
<td>Destination Sardinia network (**)</td>
<td>May -13</td>
<td>11</td>
</tr>
<tr>
<td>Made in Rimini - holidays</td>
<td>May -13</td>
<td>3</td>
</tr>
<tr>
<td>Apulia network</td>
<td>June -13</td>
<td>6</td>
</tr>
<tr>
<td># visit south Sardinia</td>
<td>June -13</td>
<td>3</td>
</tr>
<tr>
<td>Litorale Pisano Incoming (**)(Pisa’s coast incoming)</td>
<td>July -13</td>
<td>undisclosed</td>
</tr>
</tbody>
</table>

* This refers to the number of businesses that signed the network contract at the time of its creation.
** These networks are also organised in the form of consortia.
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...their turnover from the sale of a tourist experience in nature. Networks of this type are usually made of very few nodes. Examples are: Rete Tilipera, Rete Castelsardo, Rete in tema di agriturismo and Rete Angolias.

- Lastly, there is a group of network contracts characterized by businesses working in the event coordination sector (concerts, festivals, etc.). These networks aggregate businesses specialized in the provision of technical services and marketing and contain a very limited number of participants. Examples are: the network B2green and Rete Unilab project.

For the purpose of this study, networks belonging to the third and fourth group were disregarded and only networks declaring leverage of local territories were contacted (the authors opted for a purposeful sampling). Among the remaining network contracts, specific cases were chosen by their diversity (i.e. a horizontal network but also an integrated one, a network with a large number of subjects as well as a very small network). Diversity is important as it helps explore multiple patterns and understand the diversity of practice (Yin, 2003). Moreover, it can help test the conditions under which the same findings might be replicated. At the end of this process, only 6 of the above mentioned network contracts were identified as relevant case studies.

Information on selected case studies was obtained from written contracts, direct interviews and by analysing text and images published on network and participant websites. Usage of multiple information sources was not aimed at verifying interpretations stemming from the analysis of one single source. Information was compared to understand the phenomenon better from different viewpoints, possibly to check the consistency of findings and to make them more robust (Richards, 2009). Moreover, some sources provided richer insights than others on specific aspects. For example, written contracts offered more detail on network objectives and governance mechanisms, while interviews with network Presidents made available several details on the activities accomplished and network entry mode.

The network’s President was selected for interview as he/she represents a key informant with a global and comprehensive view of the network, its functioning, strategy and members. His/her role is to achieve the networks’ strategic objectives and implement planned common activities. Moreover, he/she is usually the subject in charge of representing the network and all its members to external entities. Interviews followed a list of open-ended questions and lasted from 40 minutes to one hour and a half. Respondents were first informed about the topic of the interview by e-mail and the authors reminded interviewees of it before starting the interview. Both authors participated in the interviews in order to capture all relevant information and avoid excessive subjectivity in analysing responses. The two researchers have different backgrounds and different perspectives, which helped maintain objectivity. This strategy, together with the use of different sources of data aimed preserving objectivity (Richards, 2009).

All collected data was transcribed and then coded to facilitate further analysis. Codes are labels that represent topics/categories that researchers consider relevant for answering the research question, helping interpret the phenomenon and eventually defining possible typologies of tourism networks.

First, the material was organised into a subject-based structure as displayed and summarized in the Tables of section 4. Then, the researchers tried to categorize network behaviours that have an impact on the territorial tourism system. Lastly, the researchers looked at network working conditions which might hinder or favour their impact on the tourism system.

**Results from case study analysis**

Information about each network contract analysed is provided in the following tables. Alliance objectives identified at the time of network creation are illustrated in Table 2, while motives that prompted network members to use the network contract are described in Table 3. Table 4 and Table 5 respectively show the network’s design and the activities accomplished. Finally, Table 6 describes brand usage.
Table 2. Network objectives

<table>
<thead>
<tr>
<th>Rete imprese balneari Viareggio (A)</th>
<th>Rete Apulia experience (B)</th>
<th>Iliasi Valley (C)</th>
<th>Rete core Firenze (D)</th>
<th>Rete imprese delle marine del levante e del parco (E)</th>
<th>Litorale pisano incoming (F)</th>
</tr>
</thead>
<tbody>
<tr>
<td>To launch new common projects devoted to promote the seaside of Viareggio as a tourism destination. To face common issues like implementing municipal regulations for the management of the beaches and organise first aid emergency units at beach establishments</td>
<td>To create a common entity with different competencies capable of dialogue with international buyers, to increase the national and international visibility of the territory where members are located, to increase members’ turnover and benefits from economies of scale and scope</td>
<td>To exploit a territory and its excellent products. To improve the number of foreign tourists. To improve the quality of products and services offered by network members and organise events or other activities to sustain the attractiveness of the territory</td>
<td>To create a formal network devoted to encouraging the adoption of innovative processes in the tourism sector. To help tourism businesses market their products. To help business by creating new channels of communication (i.e. through social media). To help municipalities to promote their territories</td>
<td>To realise common activities (i.e. buying groups), to promote the tourism offer of the local beach establishments as well as all tourist activities related to the nearby natural park of San Rossore. To enhance the sense of belonging and the link with the territory and dialogue with the management organisation of the park and generate possible synergies</td>
<td>To create a common entity devoted to promoting the seaside of Pisa and nearby towns to national and international tourists and sell the services of the businesses located along Pisa’s seaside</td>
</tr>
</tbody>
</table>

Table 3. Motives for using the network contract

<table>
<thead>
<tr>
<th>Rete imprese balneari Viareggio (A)</th>
<th>Rete Apulia experience (B)</th>
<th>Iliasi Valley (C)</th>
<th>Rete core Firenze (D)</th>
<th>Rete imprese delle marine del levante e del parco (E)</th>
<th>Litorale pisano incoming (F)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Today 85 members (all beach establishments plus one hotel) are aware that joint development projects are not feasible through the pre-existing Association of beach establishments, nor are consortia useful for this purpose. They want to use this flexible collaborative instrument to fill a gap in the governance of the territory left by public entities (DMO known as local promotion agencies have been closed in the region). This network is supposed to collaborate with other local networks (i.e. hotel network, trade association) to create a local cluster in tourism sector in the future</td>
<td>The original 3 network members together with new associated partners (hotels, B&amp;Bs, travel agencies, tour operators, farms, service firms, restaurants, etc.) aim to attract national and international tourists in the region of Puglia and its sub-district Salento. They have followed some consultants’ suggestions to use the network contract to interact with international tour operators. Members aim to dialogue with tour operators of East Europe and Russia, organise charter flights and thus generate a greater flow of foreign tourists in the area. They aim to launch new initiatives that are flexible, also in terms of participants (the network should be open to new members)</td>
<td>Today about 50 members (hotels, B&amp;Bs, travel agencies, farms, wine &amp; spirits producers, restaurants, etc.) want to create a system of private businesses operating in different industries, capable of offering different tourist packages and assuring a rewarding tourist experience. The network contract is used to replicate the model of the wine region of California. It aims to overcome public entities’ lack of interest in management of the territory. Members aim to transform the territory traditionally dedicated to agriculture (i.e. cultivation of wine) into a tourist destination</td>
<td>The four founding businesses specialised in consulting services (i.e. event management and website administration) aim to support other private businesses as well as public entities in promoting their products and the local territory. They want to help private businesses selling their products and help other organisations (i.e. hotels, tour operators) create network contracts which are seen as more flexible and open compared to consortia</td>
<td>Today 18 members (mainly beach establishments plus a restaurant and a hotel) want to increase the attractiveness, visibility and viability of the local coast, southern located from the marina of Viareggio, which suffer from a shortage of tourists. The usage of this legal instrument was suggested by the local Chamber of Commerce and depicted as more flexible than consortia and other formal agreements</td>
<td>A total of 14 entrepreneurs (owners of hotels, restaurants, travel agencies and real estate companies) willing to create a team capable of improving the visibility of Pisa’s coast (which currently has a poor reputation and image)</td>
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</table>
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Table 4. Activities and results achieved

<table>
<thead>
<tr>
<th>Rete imprese balneari Viareggio (A)</th>
<th>Rete Apulie experience (B)</th>
<th>Iliasi Valley (C)</th>
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<th>Rete imprese delle marine del levante e del parco (E)</th>
<th>Litorale pisano incoming (F)</th>
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<tbody>
<tr>
<td>They created the network’s website and tried to improve the image of the local beach in terms of safety, adopting the slogan / logo “friendly and safe beaches” (which translates into the presence of defibrillators and medical facilities at the beach managed in common). Moreover, they are trying to obtain an environmental certification. They signed several agreements with universities, a network of dealers, etc. and organised a conference on the theme of the tourist districts.</td>
<td>They created a facebook page. They organised the first Trade Fair of Tourism in the local district (Salento) making the place known and jointly participated to trade fairs abroad. They have started relations with Russians and Germans tour operators.</td>
<td>They carried out common promotional activities aimed at communicating the territory, such as creating the network’s website in different languages (ENG, D, RUS, FR); participating in international trade fairs, creating brochures and photos; training local operators. Moreover, they created thematic routes and tourist packages (i.e. for bikers, for wine tasters) which are sold through the website and by the travel agency members of the network.</td>
<td>They created the network’s website and launched some projects of territorial promotion using Web 2.0 and blogs. One of these projects consists in a marketing initiative called “The community tells” which aims to describe and know a territory on the basis of the stories of the people who live in a specific place. This communication project uses only web channels and it concerns some Tuscan cities.</td>
<td>They created the network’s website and Facebook page. They trained employees of local tour operators and travel agencies about the attractiveness of the nearby natural park. They hosted park guides at bathing establishments. They entrusted a marketing company to take care of the network’s image, created a shuttle service for tourists and a buying group for beverages (obtained discounts are reinvested into network’s promotion). They signed agreements with providers of good and services (e.g. farmers to obtain fresh fruit and vegetables) and with a nearby association of guest houses, B&amp;Bs and cottages to promote visiting beaches to their guests. They are trying to obtain an environmental certification.</td>
<td>The network formed a new company that operates as an incoming agency: the agency is going to offer (not yet) accommodations provided by the network’s members. They are creating (still not in place) an e-commerce portal (<a href="http://www.litoralepisano.incoming.it">www.litoralepisano.incoming.it</a>) to promote the territory and increase the network’s positioning in search engines and portals. They collaborate with other tourist portals and partners on the web. They launched a tourism offer for the winter season called ‘Litorale Pisano 30&amp;lode’. They plan to participate to the tourism fair in Bergamo (B2B fair named NoFrills) and the one in Rimini (B2B fair named TTI).</td>
</tr>
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</table>

Discussions

From the analysis of the six case studies, the researchers have identified and categorised the different networks’ behaviours according to the manners in which they have an impact on territorial tourism systems. These are as follows:

- Common management of selected activities (in all cases except for D);
- Joint promotion of the different offers of individual network members (in all 6 case studies);
- Creation and marketing of network tourism packages (i.e. a bundle of existing tourism services), which can be defined as super-systemic in comparison to individual businesses’ offers (this occurs only in networks C and F);
- Promotion of the destination or the local geographical area (in all cases except for D);
- Creation of an entity to manage the tourism destination as well as creation and management of the related place brand (only in case C).

With reference to the initial research question, the identified patterns suggest that the network contract might impact the territory both directly and indirectly. The network directly impacts the territory when it promotes the place where it is located and when it tries to manage the destination. On the contrary, there is an indirect impact when the network contract improves the tourism offer of its participants. When single nodes collectively buy goods or implement a common customer shuttle service, they all
### Table 5. Key information about network design

<table>
<thead>
<tr>
<th>Network entry mode</th>
<th>Rete imprese baineari Viareggio (A)</th>
<th>Rete Apulia experience (B)</th>
<th>Illasi Valley (C)</th>
<th>Rete core Firenze (D)</th>
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<th>Litorale pisano incoming (F)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Network governance</strong></td>
<td>The network is open. There are no specific requirements to join the network.</td>
<td>The network is managed by a Common Body headed by a President and Vice President who are also directors of the pre-existing Associations of local beach establishments. The Common Body is elected by the Assembly of network members which defines strategic objectives (one company one vote).</td>
<td>The network is led by a Management Committee which consists of an independent private law firm. It is responsible for achieving the objectives defined by the Assembly composed by network members. At the moment, there are no formal regulations that govern relationships among network nodes.</td>
<td>The network is run by an Executive Committee composed of 3 people salaried by the network (the President and two professionals) and 2 representatives of network members elected every six months. There is also a Scientific Committee made by a representative for each product category of the network.</td>
<td>The network is run by a Common Entity composed of 3 subjects. Its role is to submit projects and proposals to the Assembly which brings together all participants and decides what to implement (one company one vote).</td>
<td>There is a Management Committee lead by a President who is also a member of the network. His function is to facilitate dialogue, favour aggregation and guarantee all members’ positions. The philosophy of the network is to make decisions unanimously to preserve friendship and harmony.</td>
</tr>
<tr>
<td><strong>Group fund</strong></td>
<td>There is a joint fund whose investment shares are established partly in a variable manner (according to the administrative costs required by Chambers of Commerce) and partly by a fixed amount (150 € each network member). In addition members are requested to pay for operational expenses.</td>
<td>There is an initial joint fund established by the 3 founding members (500 € each). New entrants contribute to the fund according to a mechanism of variable contribution. Members participating in specific projects are requested to refund network expenses.</td>
<td>There is a joint fund, but projects and activities are financed by external funds (mainly public).</td>
<td>There is a joint fund (200€ each). Projects are financed by the discount that beverage suppliers give to the network at the end of the year. In addition members are requested to pay for operational expenses.</td>
<td>There is a joint fund formed by monthly instalments whose amount is different according to the size of the business: small structures pay 50€ while medium ones pay 100€. Members are requested to pay for operational expenses related to ad hoc projects.</td>
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</table>
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### Table 6. Network brand and links with existing territorial brands

<table>
<thead>
<tr>
<th>Rete imprese balneari Viareggio (A)</th>
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<th>Litorale pisano incoming (F)</th>
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</thead>
<tbody>
<tr>
<td><strong>Logo</strong></td>
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<tr>
<td><img src="image" alt="Logo" /></td>
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<tr>
<td><strong>Website</strong></td>
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</tr>
<tr>
<td><strong>Consonance of network brand with reference to place brand</strong></td>
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<td></td>
</tr>
<tr>
<td>There is a reference to a specific place: the city of Viareggio in the naming, logo and website</td>
<td>There is a reference to a specific place: the region of Puglia in the naming, logo and website</td>
<td>There is a reference to a place (which is not uniquely identifiable): the town of Illasi and its near valleys, in the naming, logo and website</td>
<td>There is no indication of the place (reference to the city of Florence has been eliminated from logo and website)</td>
<td>There is a reference to a specific place: the natural park close to the city of Viareggio (which is not included in the network’s name)</td>
<td>There is a reference to a specific place: the coast of the city of Pisa in the naming, logo and website</td>
</tr>
<tr>
<td><strong>Indications in members’ website to the network brand, the place and its identifying values</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>No indication of the network to which they belong. Reference only to the same place (Viareggio).</td>
<td>Only a minority of members’ website refer to the network. There is a quite clear reference to the local area (region of Puglia)</td>
<td>No indication of the network to which they belong. Most members’ website evoke the valleys and those aspects and values identifying this mountain area</td>
<td>No indication of the network to which they belong. No links to the place nor its identifying values</td>
<td>Indication of the network’s logo. Reference to the local area (natural park close to Viareggio)</td>
<td>No indication of the network to which they belong. Reference only to the same area (the coast of Pisa)</td>
</tr>
<tr>
<td><strong>Uniqueness of the place brand recalled by the network</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members and the network refer to one place: Viareggio</td>
<td>Members and the network refer to 2 different places: the region of Puglia and its sub-peninsula Salento (used together or alternatively)</td>
<td>Members and the network refer to 3 different places or even more: the town of Illasi and/or the province of Verona where Illasi is located and/or nearby cities</td>
<td>No links to any place</td>
<td>Members and the network refer to 2 different places: the city of Viareggio and/or the natural park</td>
<td>Members and the network itself refer only to one place: the coast of Pisa</td>
</tr>
</tbody>
</table>

Improve their internal efficiency (cost reduction) but also create the basis for ameliorating the tourism offer in terms of efficiency and efficacy. When they jointly dialogue with public bodies, the network obtains more bargain power which might translate into public support to tourism businesses and infrastructure. Similarly, when the network develops new services to tourists, the tourism offer of each node progresses and the territorial offer is enhanced.

A positive network contribution to the enrichment of the tourism offer (and the reduction to its fragmentation) is an expected result. On the contrary, the attempt of some networks to organise the destination, sometime trying to fill the gap left by local authorities, is quite surprising. This might occur because businesses have a negative perception of local institutions (Pechlaner and Volgger, 2012). Recently, Della Corte and Aria (2014) state that private actors would like an ad hoc or mixed (public and private) organisation to coordinate the management of destinations, but inefficiencies and absence of strategic skills in public entities hinder its leadership and functioning.

In addition, the researchers found that networks emphasise the benefits of reaching greater commercial efficacy through a more engaging and pro-active marketing approach
lead by the network itself. Thus, networking helps overcome the reactive management approach usually adopted by small-sized tourism businesses (which merely wait for customer arrivals). Another interesting result is that only two networks clearly planned and are trying to pursue a strategy of internationalisation. Cases B and C seem to be the only ones aware of the necessity to go abroad to attract tourists and to be able to dialogue with foreign actors in different languages.

Important insights also emerge from the comparison of actual results with planned objectives. In several cases researchers found a great consistency in network patterns which confirm the viability, actual implementation and persistence of the intentions formally declared in contracts at the time of their formation. Moreover, in several networks there is a significant coherence between objectives and network design. When common objectives are numerous and challenging, as in case C, the network’s design reflects the necessity of an adequate internal structure able to support shared strategic intents. In particular, in this case the formation of a group fund and member financial contributions are regulated from the very beginning. Members are compelled to invest a high amount of minimum resources. Decision-making power is regulated and attributed to different organs and committees which augment network professionalism and flexibility and there are control mechanisms for preserving the quality of network members and their offer.

Nevertheless, the experiences investigated have highlighted that network members’ awareness of being part of a common group do not clearly emerge from their websites. Internal links seem missing from the external perspective of someone surfing the Internet. While the official website of the network lists the names of its participants, the latter seldom recall the name or the brand of the network to which they belong. In other words, interrelationships among businesses seem missing.

Some gaps in brand design also emerged from case study analysis. Researchers found a lack of brand consonance in network links to the territory. Sometimes there is a reference to an excessive number of territorial brands competing with each other. This lack of uniqueness of place brand identifies networks made by businesses located in different previously unrelated territories, thus involving more difficulties in creating a single distinctive image. However, all networks have established and try to exploit a connection with the territory where they are located. The only one exception is case D whose firms aim to provide consulting services to other organisations throughout Italy.

Lastly, these case studies suggest that the desire (when present) of achieving unified management of the territory and its place brand cannot be considered accomplished. This is especially true for the case of Illasi (C), which has the challenging objective of creating and managing a tourism destination autonomously, although this issue usually involves the active presence of public entities.

Conclusions
There is an increasing usage of the network contract in the tourism sector in Italy. Although in a few cases the signed contracts represent the development of previous inter-firm collaboration (i.e. an association which enlarges its members through a network contract), in most cases network contracts have launched new collaborations from scratch. This leads to the supposition that this legal instrument favours alliance creation and can contribute to the reduction of actors’ fragmentation and encourage the formation of local tourism systems.

Thanks to case study analysis it was possible to identify the ways in which network contracts can contribute to the competitiveness of territorial tourism systems, leading to a positive answer to our initial research question. Their objectives are actually aimed at achieving: a) the rationalization of production processes (which leads to economies of scale and efficiency increase), b) the development of businesses’ bargaining power with local stakeholders (public agencies, service providers, etc.), c) the promotion and marketing of the network’s tourism services, and d) the
improvement of the attractiveness of the territories in which network members operate.

In synthesis, the networks’ characteristics identified through the case studies demonstrate that participants feel the need for better management of territorial tourism systems with reference to both the services strictly building the tourism offer (especially in terms of promotion and marketing activities) and the marketing of the local territory (an activity usually attributed to DMOs).

Another interesting result emerging from current network experiences is the high adaptability of this cooperative legal instrument, which is used to reach different types of objectives and appears suitable for both networks with few goals and networks engaged in several different projects.

However, these data show a trend and not incontrovertible results. The objectives of rationalization and consonance with the territory and the achievement of a unified management of the place brand cannot be considered accomplished. There is still an ongoing process of aggregation and rationalization which is likely to affect positively the creation and development of territorial tourism systems in the medium term.

Network performance cannot be fully evaluated (especially in terms of quantitative impacts on the territory) because these networks are still too young. Moreover, these initial conclusions are based on information disclosed in public documents and by network Presidents. Other viewpoints on this topic should be considered, such as DMOs’ or other public entities’ perspectives, the views of each network member and those of other local stakeholders. Lastly, a further limitation of this study is the small number of case studies analysed, which does not allow for generalization.

The study does have several managerial and theoretical implications. First, it confirms the efficacy of this legal instrument as an aggregator of small-sized tourism businesses. Small businesses can benefit from its flexibility, which represents the main reason for choosing this instrument among other possible forms of cooperation. SMEs can benefit from its project-based structure wherein the contract identifies a programme of possible activities with different levels of company engagement, creating collaborative groups and increasing their competitiveness. In particular, its step-by-step nature makes this instrument a suitable possibility for the development of marketing policies that may range from simple joint promotion to the definition of network tourism packages and their commercialisation at the national and international level.

Secondly, the present study highlights that the aggregating function of this instrument has positive effects in terms of territorial governance because the reduction of fragmentation favours a better integration between the resources of the territory and promotes dialogue with public bodies and external stakeholders. Even when networks do not have the declared goal of obtaining more bargaining power with local institutions, their formation encourages dialogue with public bodies, which can more easily identify possible interlocutors to work with. Thus, government and other public entities should actively promote this instrument. Lastly, compared to previous forms of collaboration, the network contract can also be used to aggregate associations, consortia and other existing formal alliances to build larger networks at the meso level. This emerges from case study A. In other words, its scope can be much larger, thus promoting the overall degree of cooperation in tourism.

From a theoretical point of view, the study confirms that brand management is a tricky issue for tourism businesses. They should plan for and maintain ongoing efforts to reach adequate coherence between the network brand, the brands of single members and that of the territory. Thus, the study highlights the need to further deepen the theme of place brand architecture from a network perspective. Previous studies have emphasised the central role of place brand because a unique place brand works as a catalyst to forming relationships, both internal and external to the territory as well as promotional and commercial relationships. Networks aiming to go abroad should pay special attention to brand
coherence and place brand. However, our case studies suggest that the importance given to place brand (and to the network brand) lessen when businesses intend primarily to increase their bargaining power with other local actors or focus on objectives of cost reduction.

End Notes:
[1] In this study authors have decided to name the tourism sector as an industry, however they are aware that for some researchers tourism is not an industry in traditional terms as the different types of companies operating in this sector do not produce the same commodity but different ones (i.e. transport, accommodation, leisure services) nor do they use the same technology (Smith, 2007).

[2] "Destinations are amalgams of individually produced tourism amenities and services (accommodation, transportation, catering, entertainment, etc.) and a wide range of public goods (such as landscape, scenery, sea, lakes, socio-cultural surroundings, atmosphere, etc.). All these elements are branded together under the name of the destination". (Buhalis, 2000, p. 109).

[3] All territories have "historical landmarks" more or less established, due to the sedimentation of the events and the experience of the territories themselves. For example Rome or Florence are famous throughout the world for both structural attractions (monuments, museums and art works) and their story. In this regard the books of history and geography are the first popularisers of local brands.

References


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Place Branding and Public Diplomacy, 1(1), 58-73.


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