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Segmenting Chinese Tourists to Korea: Experiential Value Based Approach

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Introduction

Destinations need to develop their tourism offerings in an experiential way that delivers value to tourists. So far, in consumer behavior research, consumption of hedonic services in relation to consumers' perceived value has not been sufficiently analyzed (Kazakeviciute & Banyte, 2012). To create and manage the tourism experience that goes beyond the traditional value, tourism destinations need a tool that encompasses the full range of experiential components that define experience-based value (Mathwick, et al., 2001). Such experiences enable tourism destinations to remain memorable to tourists and thus provide substance for positive behavioral outcomes.

As an attempt to better meet the needs of diverse group of tourists, market segmentation has been identified as a valuable means of classifying market niche based on similarities among customers (Hartigan, 1975, Jurowski & Reich, 2000). By identifying groups of tourists with similar needs, destination marketers are able to best meet the needs of the tourists and to develop marketing strategies accordingly.

The aim of this study is to explore how tourists derive experiential value. Specifically, the objectives are: 1) to segment tourists among those with similar needs using a cluster analysis; and 2) to profile the segments based on their travel behavior, patterns and socio-demographic characteristics.

Literature Review

2.1. Experiential Value

Tourism destinations are faced with the challenge of understanding and recognizing the underlying factors in creating a meaningful tourist experiences (Gretzel, Fesenmaier, Formica, & O'Leary, 2006). Traditionally, consumer preferences and market choices were thought to be driven by utilitarian value (Chiu, Hsieh, Li, & Lee, 2005). However, with a realization that the traditional value model is too simplistic for consumption experiences, this brings the concept of

'perceived value'. As a subset of the consumer value domain, Mathwick, Malhotra, & Rigdon (2012) developed an experience value scale that assesses the shopping experience which moves beyond the traditional utilitarian value. According to Mathwick, Malhotra, & Rigdon (2001), so-called "experiential value" can be derived from the tourists' consumption experience.

2.2. Market Segmentation

It is evident that tourism destinations would want to create their destination in a way that derives positive emotions. However, tourism literature tend to assume that emotions derived from tourism products and service encounters are inherent in the products/service offering itself rather than how tourists derive their emotions (Tasci & Ko, 2015). This has caused lack of tourism research on how such positive emotions are produced and the role of the tourists during the process (Ma, Campos, Li, Gardiner, & Scott, 2016). Furthermore, perceived value (i.e. experiential value) has been one of the most neglected and under-researched categories in tourism.

Destination organizers are realizing the significance of Chinese tourists and the impact that they are having on tourism in Korea. But within Chinese tourist segment, much remains to be uncovered as the majority of tourism behavior research is based on inferences as one whole group with an assumption that the effects are the same for all tourists. Given this gap, the purpose of this study is to develop an improved understanding of Chinese tourists visiting Korea and their impact on experiential value.

Methodology

3.1. Sample and Data Collection

The sample for this study consists of Chinese tourists visiting Korea, specifically to three popular Korean tourism sites: Myungdong, Dongdaemun, and Namisum Island. During the summer of 2016, tourists visiting one of the three tourism sites were asked to complete the questionnaire on-site. Out of 500 distributed questionnaires, a total of 428 were fully completed and usable for final data analysis, resulting in a response rate of approximately 85.6%.

3.2. Survey Instrument

To assess tourists' travel experiences, experiential value was adopted from scales developed by Mathwick et al. (2001). The seven-dimensional measures—visual appeal, entertainment value, escapism, efficiency, economic value, service excellence, and intrinsic enjoyment—were used. Rating of these 7 dimensions was captured on a 5-point Likert scale ranging from (1) strongly disagree to (5) strongly agree. Lastly, questions regarding each respondent's personal background and demographics were asked.

Results

4.1. Results of factor analysis of experiential value

The following procedure was used to segment Chinese travelers visiting Korea. First, the data were subjected to principal component factor analysis with a varimax rotation (see Table 1). Eighteen items were saliently loaded on to seven factor domains explaining 77.24% of the total variance, which can be considered as a satisfactory solution. All had relatively high reliability

coefficients ranging within 0.68 and 0.86. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was used to determine the suitability of the exploratory factor analysis. The KMO score was 0.91.

Table 1. Results of Factor Analysis of Experiential Value

Factor	Factor Loadings	Eigenvalue	Variance Explained (%)	Grand Mean (Std. Dev.)
Visual Appealing ($\alpha = 0.828$)				
The way this place displayed its offerings was attractive.	0.791			
This place was aesthetically appealing.	0.785	7.842	43.566	3.87(0.65)
I liked the way this place looked.	0.727			
Entertainment ($\alpha = 0.823$)				
I thought this place was very entertaining.	0.809			
The enthusiasm of this place was catching; it picked me up.	0.754	1.354	7.522	3.82(0.73)
This place didn't just sell offerings; it entertained me.	0.676			
Escapism ($\alpha = 0.852$)				
Visiting this place made me feel like I was in another world.	0.813			
Visiting this place "got me away from it all".	0.765	1.131	6.283	3.61(0.81)
I got so involved at this place when I was there I forgot everything else.	0.548			
Service Excellence ($\alpha = 0.766$)				
When I thought of this place, I thought of excellence.	0.769			
I thought of this place as an expert in the service it offers.	0.705	1.107	5.943	3.59(0.65)
The service provided in this place was	0.664			

attentive.

Efficiency ($\alpha = 0.748$)

Visiting this place made my life easier.	0.781			
Visiting this place was an efficient way to manage my time.	0.740	1.102	5.088	3.74(0.68)

Economic Value ($\alpha = 0.712$)

Visiting this place was a good economic value.	0.852			
Overall, I was happy with the prices of the offerings that this place offered.	0.762	1.009	4.658	3.75(0.77)

Intrinsic Enjoyment ($\alpha = 0.704$)

I enjoyed visiting this place for its own sake, not just for the offerings they have provided.	0.809			
I visited this place for the pure enjoyment of it.	0.709	1.005	4.179	3.85(0.71)

1) The items were measured using a 5-point Likert type scale.; 2) Principal component analysis was employed with varimax rotation using 15 benefit sought scale items.; 3) Total variance explained: 77.24%; 4) KMO Measure of Sampling Adequacy: 0.912; 5) Bartlett's Test of Sphericity: Chi-Square = 3905.115, $p < 0.0001$

The first dimension incorporates three items (the place being attractive, appealing and liking the look) related to “Visual appeal,” explaining nearly half (43.57%) of the total variance with a reliability coefficient of 0.83. The relatively large proportion of the total variance for the factor leads us to conclude that among Chinese tourists, visual appeal represents a central distinguishing experiential value for their visit to Korean tourism sites. The second dimension accounted for 7.52% of the total variance with a reliability coefficient of 0.82. This factor consisted of three items in respect to “Entertainment” which include the place being very entertaining, catching and selling more than just offerings by providing entertainment. Third factor, “Escapism,” explained 6.28% of the variance with a reliability coefficient of 0.852 comprising of three items (i.e., visiting this place made me feel like I was in another world, got me away from it all, and as if I was in another world). In addition, the other two factors “Service excellence (three items, $\alpha = 0.77$)” and “Efficiency (two items, $\alpha = 0.75$)” both accounted for approximately 5% of the total variance, the two factors “Economic value (two items, $\alpha = 0.71$)” and “Intrinsic enjoyment (two items, $\alpha = 0.70$)” explained about 4% of the total variance.

4.2. Clusters’ characteristics of experiential value

In order to identify groups of respondents based on similar responses to experiential value items, the factor mean scores from factor analysis were used to group the respondents using the K-means cluster analysis algorithms. The number of clusters was determined by examining the

dendrogram provided as a hierarchical cluster analysis output. The results of the cluster analysis indicate that a three-cluster solution is appeared to be appropriate.

Table 2. Characteristics of the Cluster and Results of ANOVAs

Variable	Cluster			Total (N = 425)	ANOVA statistics F value
	Cluster 1: Value Ignored (N = 79)	Cluster 2: Neutral (N=180)	Cluster 3: Highly Value Driven (N =166)		
Visual Appealing	3.13	3.78	4.31	3.87	158.05***
Entertainment	3.05	3.64	4.38	3.82	186.55***
Escapism	2.61	3.41	4.30	3.61	321.89***
Efficiency	2.94	3.62	4.24	3.74	197.89***
Economic Value	3.01	3.66	4.21	3.75	97.09***
Service Excellence	2.82	3.50	4.05	3.58	183.93***
Intrinsic Value	3.15	3.69	4.37	3.85	151.22***

*** p < 0.001

Among the three cluster groups, the first cluster appeared to have the lowest mean score across all seven “experiential value” factors. Based on the mean score characteristics with respect to the three factors, the first cluster was labeled “Value ignored.” The second cluster was found to have the moderate/neutral mean score on experiential value; hence, the second cluster was named “Neutral.” Finally, the third cluster appeared to have the highest mean scores across all the clusters. This cluster group is strongly driven by experiential value factors. Hence, the third cluster was labeled the “Highly value-driven.” Multivariate statistics indicate that statistically significant differences existed between the three clusters at p<0.001. The result of ANOVA tests also reveals that all three factors contribute differently for experiential value.

Table 3. Classification Results

Cluster	Predicted Group Membership			Total
	1	2	3	
Cluster 1: Value ignored	79	0	0	79

	(100.0%)	(0%)	(0.0%)	
Cluster 2: Neutral	3 (1.7%)	174 (96.7%)	3 (1.7%)	180
Cluster 3: Highly value driven	0 (0%)	8 (4.8%)	158 (96.2%)	166

Note: 96.7% of original grouped cases correctly classified.

The classification matrix of respondents suggests that attitudinal discriminant function appears to have accurately classified the three clusters. As shown in Table 3, 96.7% were correctly classified, representing a very high accuracy rate. Specifically, 100.0% of Value ignored, 96.7% of Neutral Travelers and 96.2% of Highly value driven travellers were correctly classified into their respective groups.

Table 4. Travel Behavior & Experiences

Variable		Value Ignored	Neutral	Highly Value Driven
Onsite Behavior	Taking photos*	4.15 ^a	4.32 ^{ab}	4.37 ^b
	Share experience via SNS**	3.93 ^a	4.10 ^{ab}	4.29 ^b
Place Love	This place was wonderful.***	3.11 ^a	3.86 ^b	4.15 ^c
	This place made me feel good.***	3.29 ^a	3.93 ^b	4.27 ^c
	This place was awesome.***	3.06 ^a	3.81 ^b	4.22 ^c
	I loved this place.***	3.23 ^a	3.81 ^b	4.15 ^c
	I was attached to this place.***	2.99 ^a	3.70 ^b	4.11 ^c
Destination image congruency	The place's reputation was well matched.***	3.34 ^a	3.95 ^b	4.32 ^c
	This place's image was well matched.***	3.40 ^a	4.04 ^b	4.40 ^c
Destination Experience & Satisfaction	Offered me a spontaneous experience.***	3.21 ^a	3.73 ^b	4.20 ^c
	offered me surprising experiences.***	3.26 ^a	3.89 ^b	4.42 ^c
	Made me happy.***	3.48 ^a	3.97 ^b	4.26 ^c
	Made me excited.***	3.43 ^a	3.98 ^b	4.34 ^c
	provided pleasurable experiences.***	3.37 ^a	3.88 ^b	4.35 ^c

Note: * $p < 0.05$; ** $p < 0.01$; $p < 0.001$

4.3. Clusters differences by Chinese tourists' characteristics

After the clusters are formed, the groups can be profiled based on the additional information collected (Jurowski & Reich, 2000). In order to further identify the profile of three clusters, each cluster was cross tabulated with external variables such as Chinese tourists' socio-demographic characteristics and selected travel behavior and experience variables. As shown in Table 4 and 5, the results of the ANOVA tests indicate that there were statistically significant differences among three clusters with respect to Chinese tourists' socio-demographic characteristics and behavioral variables.

In terms of their socio-demographic characteristics (see Table 5), the results of the study revealed that all three cluster groups, "value ignored", "neutral", and "highly value-driven", showed consistency in that all three groups had highest proportion of married, Generation Y females working full-time with a college/bachelor's degree. They also indicated past experience as their information source.

Table 5 Socio-Demographic Characteristics

Variable		Value Ignored	Highly Value Driven	Neutral
Education	High school or less	16.5%	18.1%	10.6%
	Some college/ Bachelor's degree	72.2%	75.3%	80.0%
	Great degree or more	11.4%	6.6%	9.4%
Employment	Full-time	44.3%	56.6%	52.8%
	Part-time	10.1%	6.6%	7.2%
	Students	35.4%	25.3%	32.8%
	Unemployed/Retired	10.1%	11.4%	7.2%
Gender	Male	21.5%	25.9%	24.4%
	Female	78.5%	74.1%	75.6%
Age**	Generation Y	86.1%	68.1%	76.1%
	Generation X	13.9%	28.9%	21.7%
	Baby Boomers	0.0%	3.0%	2.2%
Marital status	Married	56.6%	54.9%	62.4%
	Never married, divorced, widowed, separated	43.4%	45.1%	37.6%

Information Sources (Dummy variable)	Past experience	40.5%	27.8%	29.5%
	The Internet	20.3%	24.4%	22.3%
	Word of mouth	15.2%	9.4%	13.3%

Note: * $p < 0.05$;

The study examined the group difference of four travel-related behavior variables (onsite behavior, perceived destination image congruence, travel satisfaction and place attachment) have statistically significant difference by three clusters. “Highly value-driven tourists” came out to be the only group with mean scores higher than 4.0 in all four travel behaviors, portraying the highest engagement in experiential value. While the other cluster groups both had lower travel behavior-related mean scores, Cluster 1 “Value ignored” was slightly lower than Cluster 2 “Neutral”. Both highly value-driven tourists are more willing to take photos and share their experiences via SNS; however, no statistical difference exists between highly driven and neutral and neutral and value-ignored group.

Conclusion and Discussion

From a destination marketers’ perspective, insights on how tourists derive positive experience are important for tourism destinations. The purpose of this study was to help destination marketers make better decisions on how they could allocate their marketing resources in order to derive positive experiential value for their target markets. Based on respondents’ experiential value preferences, three statistically different, distinct market segments were identified: Value ignored, Neutral, and Highly value-driven. The identification of these distinct market segments would serve as a valuable resource for these tourism destinations. Specific characteristics of each group are provided below.

Value ignored (18.6%)

“Value ignored” cluster group consisted of 78.5% of females, 86.1% of them being Generation Y, which is the highest percentage among the three cluster groups. This group had somewhat lower rates of college degree and full-time employment compared to the other two groups; 56.6% were married and unlike the other two groups, this group rated past experience as the highest for the information source. One thing to note is that this group had the lowest proportion of survey respondents (18.6%). Destinations may want to consider doing a market research for this particular group of tourists to find out what other experiential attributes may be of value to these tourists. For instance, tourists might derive higher experiential value if destinations improve their physical environment to create better emotional connection between tourists and the destination.

Neutral (42.3%)

“Neutral” cluster group consisted of 75.6% of females, 76.1% of them being Generation Y. While this group had the highest percentage (80%) of having a college degree, about half (52.8%) had full-time employment. This group had the highest marital status (62.4%), and 29.5% rated past experience as their information source. This group, by far, is comprised of the greatest number of survey respondents (42.4%). While this group is a little more optimistic compared to “Value ignored group”, there is still room for much improvement if destination marketers were

to bring them up to the next level, “Highly value-driven.” To attract this group, marketing strategies should focus on more opportunities by shifting their focus beyond the role of selling products or services to their customers to that of selling an “experience.”

Highly value-driven (39.0%)

“Highly value-driven” cluster consisted of 74.1% of females, 68.1% of them being Generation Y. While 75.3% of them had a college degree, a little over than half (56.6%) had full-time employment. This group had the lowest marital status (54.9%), and the lowest rate of indicating past experience as their information source (27.8%). This group holds the greatest potential for positive behavioral outcomes. Based on these characteristics, they are the most important market for tourism destinations, and therefore it would be advantageous for destinations to really connect with these tourists by engaging them as brand ambassadors.

This study’s results have several strategy implications for the marketers in Korea tourism organizations. Pine and Gilmore’s experience economy study (1999) insists that experience has become a critical ingredient of differentiating the destination offerings. In addition, service dominant logic argues that tourists are not recipient or destroyers of value. Instead, value can be co-created by tourists to maximize their travel satisfaction. Thus, tourists are more actively engaging in their travel experience to create their own value based on the value propositions offered by the destination marketing organizations and relevant actors. Understanding how tourists created experience value would be a great learning curve for marketers to further develop their destination economically successful. From the marketers’ perspective, targeting this segment would be much more cost-effective and much more profitable than the other two segments. Further discussion will be made for the final submission due to the lack of given space.

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