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Recreation Demand of Consumer with Experiential Marketing in Festival

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Abstract

Experiential marketing that allows visitors to fully participate and appreciate festival activities con be coupled with strategies of market segmentation, which is of great benefit to industrial and cultural activities. In this study, we used factor analysis method to understand the perception factor of visitors participate the Sweet Taiwan Year Festival in Tainan country of Taiwan. And segmented festival market by cluster analysis based on delineated experiential perception factors. The empirical result of this study shows that experiential perception clusters and the visitor type have become the most important factors in influencing the experiential value, the relation quality and the relation outcome.

Keywords: Experiential Marketing, Experiential Value, Market Segmentation, Recreation Demand

1. Introduction

The purpose of this study is implementing an empirical model of experience recreational demand using TCM, and identifying perceptions of experiential marketing and segmenting experience clusters. Furthermore, this study employed count data models to estimate recreational demand models, analyze the relational influence on recreational demand, examining the difference between experiential clusters and recreational demand.

Taiwan is full of tourism resources with varieties of local cultural characteristics, which is a precious matter for developing tourism among every county and city. Various types of traditional Taiwanese culture are rich in content, features, and capable to create different styles of tradition, with the folk festival as the most representative one. Driven by government policies, the unique local culture industry in Taiwan has become a trend with organized festivals to attract a large crowd in a short time, and to strengthen local features while stimulating local economic activity (Long & Perdue, 1990). Festivals can be seen as an important attraction in the trend of tourism development. Since February 2001, Tourism Bureau has been screening for twelve folk festivals each month to represent as the major focus for publicity and promotion, and to enhance the tourism standard internationally as the goal.

Pine & Gilmore (1998) proposed the "experiential economy" concept, and that with the experience economy era, people will no longer be satisfied with the lack of variety of provided goods and services. In order to create a memorable and personal experience with unique value, and to create distinguished

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market, the only way is to let people enjoy the specially designed products, comfortable environment and services. Schmitt(1999) proposed a similar idea as well: people focuses more than functions and benefits of a product, instead they are concerned with the experience and environment while spending. The advertising style of tourism extended from humanity culture is actually affected by experiential advertising in every way. If the concept of cultural festival and experiential marketing could be combined, consumers would be able to experience various travel routes. Since each culture has their own products, they are capable of giving consumers different senses or thought experience, which is quite attractive and unique for international promotion.

The rest of this paper is organized as follows. Section 2 discusses the economic framework for visitor preferences relevant to experience recreational demand modeling .Section 3 deals with survey design and data collections. It also presents the recreational demand model estimation results and recreational benefits of discussions of experience clusters. The last section presents conclusions and policy implications.

2. THEOREM AND MODEL

Festival goods typically possess public goods characteristics and as such, are amenable to the use of non-market valuation techniques (Poor & Smith, 2004). Since Hotelling (1974) suggesting a TCM approach to value the natural resources, the application of the TCM has been widespread in valuing numerous types of natural resources and environment (Shrestha et al., 2002). Sweet Taiwan Year valuation just like other non-market resources may be one of the most prolific areas of TCM applications (Walsh et al., 1992; Markowski et al., 1997; Shrestha et al., 2002).

From a utility maximization framework of a representation visitor attending the cultural heritage, a visitor's of preference coming to a cultural resort can be represented by the indirect utility function (Shrestha et al., 2002; Poor & Smith, 2004):

$$\underset{x,z}{\text{Max}} \quad \cup\left(x,z\middle|a,s\right) \qquad (1)$$

$$\text{st} \quad p\cdot x+q\cdot z=y$$

where，x is quantity demand of recreational activity, i.e. the number of trips to a cultural resort, z represents the quantity of all other goods to be consumed, a is the vector of exogenous attributes of the cultural resort, i.e. the perception of experience marketing, s is the vector of socioeconomic characteristics, i.e. visitor's sex, marry, and education et al., p is the travel cost of a recreation trip to a festival , q is the travel cost of a recreation trip to a substitution festival, and y is income. From this utility maximization of trip to a cultural heritage, subject to the budget constraint, the Marshallian demand for recreational cultural resort is derived as,

$$x=f(p,q,a,s,y)=-V_p(p,q,a,s,y)/V_y(p,q,a,s,y) \qquad (2)$$

The right-hand side of (2) is Roy's identity, which links the Marshallian demand to the Hicksian income demand (Shrestha et al., 2002). According to the Marshallian demand function, the consumer surplus (CS) of a visitor will be estimated. This represents the economic value of recreational cultural resort to the visitor.

3. DATA AND EMPIRICAL RESULTS

3.1 Data Source

An on-site survey was conducted of visitors attending the Sweet Taiwan Year in 2009, using purposive sampling. A total of 700 usable questionnaires were gathered during the festival. Frequency analysis was applied to the Sweet Taiwan Year were analyzed for frequency analysis. Of the questionnaire respondents, 360 were male (51.4%), and 340 were female (48.6%). The numbers of married in 365(52.1%) is higher than unmarried (47.9%). A large percentage of respondents (30.1%) were aged between 21 and 30 years old, and business comprised 33.4% of respondents while students comprised 19.8%. The respondents were generally highly educated, and 63.9% possessed a college education or higher.

3.2 Estimation Results

While estimating the recreation demand in festival count data models using MLE, this study analyzes influences on recreation demand. This study thus not only accounted for visitor travel costs, experience, and socioeconomic factors, but also considered the above experience marketing clusters (Multi-dimensional experience seekers, Environmental experience seekers, and aimless experience seekers) in recreation demand count models, and arranged the three clusters to the dummy variable; finally, this study estimated the recreation demand model.

Table 1 lists the variable induction and descriptive statistics of the festival recreation empirical model. The number of trips taken by visitors during the past year to the Sweet Taiwan Year, represented by the variable TRIPS, was modeled as the dependent variable of the regression. PURPOSE was representing what is reason which visitors came to join in the festival. D1 is the dummy variable, 1, if visitor is specially traveling to Sweet Taiwan Year Festival, 0, otherwise .

The socioeconomic variables included income (INCOME) and age (AGE). In the festival recreation demand model, COST represents the total round trip travel costs for visitors to the Sweet Taiwan Year. COST often includes all travel costs (including transportation, room and board, tickets, and so on) plus the opportunity costs associated with travel time, calculated at one-quarter or one half of the wage rate (Cesario, 1976). Furthermore, this study chose Tainan Cultural Resort as a substitute cultural resort site; since it was a famous cultural resort in Taiwan, and a selected for most interview visitors in the study, therefore, SCOST denotes the total round trip travel costs for visitors to the Nantou. This study estimated the opportunity cost associated with travel time using one-quarter of the wage rate. Finally, the perceived value clusters treated two dummy variables (CLUS1 and CLUS2) in the model using the experience marketing results of CA (Table 1).

3.3 Empirical Results

The estimated results are presented in table 2. COST is negative and significant across the demand models at $P < 0.01$, consistent with Creel & Loomis (1990), Grogger & Carson (1991), Shrestha et al.(2002), Anna & Alberini (2006), and Lee & Huang (2008). Travel cost, as a negative price variable, is the main result of the festival recreation demand model, implying a downwards sloping demand curve. Restated, visitors may take fewer trips to the cultural resort as travel costs increase. SCOST is positive and significant in models at $P < 0.05$, consistent with Haab & McConnell (2003) and Lee & Huang (2008).

Travel cost of substitution festival in Nantou country, another price variable with a positive sign, is the main result of the festival recreation demand model, indicating that the demand curve of the substitution festival has a slight upwards slope. That is, visitors take more trips to the Nantou as the travel costs associated with substitution festival increase. Furthermore, INCOME is positive and significant at P<0.01 in the demand model, consistent with Creel & Loomis (1990), Grogger & Carson (1991), Shrestha et al.(2002), Prayaga et al.(2004), Anna & Alberini (2006), and Lee & Huang (2008). Therefore, visitor trips to the Sweet Taiwan Year increase with income.

POUPOSE is negative and significant across the demand models at P<0.10, obviously Most visitors were not specially traveling to Sweet Taiwan Year Festival. AGE is also negative and significant in the model at P <0.10, it shows that young people like to visit the festival. Furthermore, RECENTLY is negative, obviously visitors may take more trips to Sweet Taiwan Year Festival who has not went to the other Festival recently.

In estimating the experience marketing clusters, CLUS1 is positive and significant in models at P <0.05, indicating that when perceptions of experience is Multi-dimensional experience, they will make more trips to the Sweet Taiwan Year. As another point in a experience "CLUS2" has environmental experience perceptions, this cluster is the most important that if visitor is belong to Environmental experience seekers. They were might be join in Sweet Taiwan Festival.

4. CONSLUSIONS

This paper utilizes the data from survey of Taiwan in 2009, to fit into the Travel cost demand model for examining the consumer behavior with experiential marketing and recreation demand in festival. From the empirical results, we derive some conclusions as follows:

From the results of the demand model for festival activities, the travel cost coefficient came out negative and significant, indicating that the higher the cost of traveling, the fewer the visiting times to Sweet Taiwan Year Festival; for alternative location, Nantou country, the coefficient is positive and significant, the visiting time to Sweet Taiwan Year Festival; increases when the travel cost to alternative location increase; if the value of visitor's income is positive and significant, it shows that the visiting times to Sweet Taiwan Year Festival is increasing with higher visitor's income. The results are in accordance with Hanley & Spash(1993)、Chakraborty & Keith(2000).

No obvious differences was observed between the perception group of festival experience and visitor types, thus the program of Sweet Taiwan Year Festival is capable of handling various types of visitors with different experiential demands. Noticeable difference was found in the relationship quality and relationship results between the perception group of festival and visitor types, therefore, demonstrating the types of perception group of festival experience and visitor type would be the essential factor that affects how visitors feel about relationship quality and result of festivals. Hence, local businesses can prosper if the festival managers could pay attention to various demands and continue the activity with sustainability, which is an important lesson for festival managers while promoting and advertising their activities.

The concept of experiential advertising was not considered in the previous evaluation of travel demand models. Our research is the first to take experiential perception group into account for the demand model of festival activities. The results showed that the multiple-experiential type visitors increase visiting times to Sweet Taiwan Year Festival when they gained different experience from the festival. Since environmental experience type visitors have less feelings toward the environment compared with the other two types, their visiting times to Sweet Taiwan Year Festival decreases, therefore, adding experiential variable will affect the travel demand model. Different experiential factors gives various times of visiting, which implies that in order for the festival managers to satisfy and provide sufficient recreational experience for the visitors, all kinds of facilities and services are needed to meet visitors'

expectations. In that way, the demand of visitors going to Sweet Taiwan Year Festival would increase and further excite the economy in Tainan area.

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APPENDEX A

Table 1 Definition of the variables used and descriptive statistics in the cultural resort recreation models

Variables name	Definition	Mean	Std. Dev.
TRIPS	Dependent variable, number of recreational festival visits to Sweet Taiwan Year Festival	1.85	0.05
COST	Total round trip travel costs Sweet Taiwan Year Festival in US dollars	1883.19	69.70
SCOST	Total round trip travel costs to Nantou in US dollars, the substitution site of Sweet Taiwan Year Festival	3229.65	60.93
INCOME	Visitor's monthly income in US dollars	34198.25	770.14
PURPOSE	1, if visitor is Specially traveling to Sweet Taiwan Year Festival, 0, otherwise	0.40	0.02
Recently	1, if visitor has going to the other Festival recently , 0, otherwise	0.41	0.02
AGE	The age of visitor	31.44	0.35
CLUS1	1, if visitor is belong to Multi-dimensional experience seekers, 0 otherwise	0.41	0.02
CLUS2	1, if visitor is belong to Environmental experience seekers, 0 otherwise	0.32	0.02

Table 2 Festival demand models results

		Case 1	Case 2
	Constant	4.01E-01 (1.196)	3.00 E-01 (0.870)
Variable of Travel Cost , and Socioeconomic			
	COST	-4.05E-04 (-3.052)***	-4.20E-04 (-3.107)***
	SCOST	3.63E-04 (2.459)***	3.75E-04 (2.536) ***
	INCOME	9.74E-06 (3.682)***	9.14E-06 (3.551)***
Tourist' characteristic Perceived Value			
	PURPOSE	-6.36E-01 (-4.429)***	-5.90E-01 (-4.081)***
	AGE	-2.86E-02 (-3.604)***	-2.90E-02 (-3.677)***
	RECENTLY	-6.38E-02 (-0.503)	-7.56E-02 (-0.595)
Cluster of Experience consciousness			
	MULTI		2.90E-01 (1.970)**
	ENVIROMENT		-1.50E-01 (-0.809)
	Log likelihood	-416.54	-411.96
	Chi-squared	239.83***	249.00***

***Coefficient significant at $P \le 0.01$. **Coefficient significant at $P \le 0.05$.