

## MEMORABLE EXPERIENCES: BUILDING LOYAL VISITORS TO CULTURAL INSTITUTIONS NEZABORAVNA ISKUSTVA: IZGRADNJA LOJALNIH POSE'TILACA KULTURNIM USTANOVAMA

Ezeni Brzovska<sup>1</sup>, Snezana Ristevska-Jovanovska, Nikolina Palamidovska-Sterjadovska, Irena Bogoevska-Gavrilova

<sup>1</sup>Faculty of economics – Skopje, ezeni.brzovska@eccf.ukim.edu.mk

<sup>2</sup>Faculty of economics – Skopje, snezana.ristevska-jovanovska@eccf.ukim.edu.mk

<sup>3</sup>Faculty of economics – Skopje, nikolina.palamidovska-sterjadovska@eccf.ukim.edu.mk

<sup>4</sup>Faculty of economics – Skopje, irena.bogoevska.gavrilova@eccf.ukim.edu.mk

**Abstract:** *In the evolving experience-driven economy, consumers seek more than just products and services by actively pursuing unique experiences. This study is based on Pine and Gilmore's framework of the four dimensions of the experience economy. The goal is to explore how these experiential dimensions impact consumer loyalty and determine which if any, dimensions have a notable influence on consumer memory. By applying the structural equation modeling method to a final dataset comprised of 224 respondents, the strongest positive relationship is observed between aesthetics and memory, followed by the memory-loyalty relationship. Entertainment also has a significant and positive impact on memory.*

**Key words:** Experience economy, memory, loyalty.

**Apstrakt:** *U evoluirajućoj ekonomiji vođenoj iskustvima, potrošači traže više od običnih proizvoda i usluga tako što aktivno teže jedinstvenim iskustvima. Ovo istraživanje se oslanja na okvir Pine i Gilmore koji obuhvata četiri dimenzije ekonomije iskustava. Cilj je istražiti kako ove iskustvene dimenzije utiču na lojalnost potrošača i utvrditi da li, ako je to slučaj, neke dimenzije imaju primetan uticaj na memoriju potrošača. Primjenjujući metod strukturalnog modeliranja jednačina na finalni skup podataka od 224 ispitanika, najjači pozitivni odnos se primećuje između estetike i memorije, nakon čega sledi odnos između memorije i lojalnosti. Zabava takođe ima značajan i pozitivan uticaj na memoriju.*

**Ključne reči:** Ekonomija iskustva, pamćenja, lojalnost.

### 1. INTRODUCTION

Industries experiencing rapid growth within the global economy are closely tied to the demand for experiential consumption (Oh et al., 2007). In the experience-driven economy, consumers seek unique experiences, surpassing standard product and service consumption. Traditional factors like high quality no longer sufficiently distinguish offerings (Pine and Gilmore, 1999; Oh et al., 2007). On the other hand, in accordance

with consumer culture theory, consumers employ diverse resources to enhance their social lives (Arnould and Thompson, 2005). Furthermore, according to Manthiou et al. (2011), individuals attend events to meet specific objectives and fulfill their needs. Attendees are driven by diverse motivations when participating in these events. The event experience's quality greatly impacts satisfaction and is crucial for success and a competitive edge in the event industry (Manthiou et al., 2011). That is why the emerging desire for exceptional and unforgettable experiences necessitates that companies create a unique value-added aspect for products and services that have already established a dependable and high level of functional quality (Oh et al., 2007). Manthiou et al. 2014 point out that this consumer trend aligns with Vargo and Lusch's (2004) Service-Dominant (S-D) logic, indicating that modern consumers place greater importance on generating value through the process of interaction. An experience is characterized as the outcome of encountering, undergoing, or living through situations that offer sensory, emotional, cognitive, behavioral, relational, and functional significance (Schmitt, 2010). Pine and Gilmore (1999) present four business offerings: commodities, goods, services, and experiences. Unlike the first three, experiences reside in people's minds, setting them apart, and consist of four dimensions (Education, Entertainment, Escapism, and Esthetics) (Pine and Gilmore, 1999). These experiences happen when individuals are involved emotionally, physically, mentally, or even spiritually (Manthiou et al., 2014). Prior research has primarily concentrated on the experience economy within the realms of tourism (Oh et al., 2007; Kastenholz et al., 2017) and wine tourism (Brzovska et al., 2020; Quadri-Felitti and Fiore, 2012; Mehmetoglu and Engen, 2011), with only a limited number of studies addressing cultural institutions or events (Manthiou et al., 2011; Manthiou et al., 2014). This research gap in academia has sparked the idea for this current research. Building upon the previously discussed foundations, this study is rooted in Pine and Gilmore's (1999) experience economy framework. The objective is to examine the impact of these experience dimensions on consumer loyalty and ascertain which if any, dimensions play a significant role in consumer memory. The paper continues with a literature review to set up hypotheses, followed by an analysis and discussion of the results. Finally, the paper acknowledges limitations, suggests future research, and emphasizes key contributions.

## **2. LITERATURE REVIEW**

The fastest growing sectors of the global economy are related to the consumption of experience and progression of the economic value. Marketing is the art of creating genuine customer value espacily in the world of consumer mergening needs.

Employing the experience economy model within cultural institutions would increase the understanding and practice of the principles, strategies, and tactics improving their effectiveness and efficiency in developing and retaining audiences. There have been significant changes in the lifestyles, behavior, and preferences of current and potential audiences that have made it increasingly difficult to elicit interest for certain

performances. Each day we are inundated with a numerous number of events and performances within cultural institutions. Cultural institutions should review the new market conditions, the competition—both inside and outside of the arts world—and the mind-set of consumers, revise old assumptions, and develop new marketing initiatives for infusing new life into the performing arts business (Bernstein, 2017).

Cultural institutions which integrate the four dimension of the experience economy model are vivid examples of how performance can be a truly transformational experience (Pine and Gilmore, 1999). The competition puts increased pressure on marketers to attract more people for certain performance and determine new ways to develop engagement and loyalty. Cultural institutions must keep up with new trends and consumer expectations. Analyzing each dimension of the experience economy model is of vital importance in the face of a changing environment and changing customer values, so that arts organizations will survive and prosper for now and into the future. Given these conditions, arts marketers must be aware of and sensitive to the different and perpetually changing interests and needs of a wide variety of audience segments. There is an increase demand for more intense and more pleasurable learning experiences. None of the cultural institutions are immune to the shifting sands of demand and there is a need for deep understanding of how consumers fit culture into their lives.

Cultural institutions have the great advantage that by their very nature they provide authentic, unique, quality experiences with their core offering that is being performed on stage. Cultural institutions should be aware that every encounter the public has with them— from the organizations' marketing materials to the ticket purchase transaction and the experience in the lobby—anticipates and enhances the nature of the performance experience. The realms of the experience economy model focus on creating memorable experiences so that people will take away positive and delighted, thoughts and feelings about their experiences at performances and develop lasting memories.

Cultural institutions, as any business must try to satisfy its customers. According to Levitt, the basic premise of the marketing concept is that a company should determine what consumers need and want, and try to satisfy those needs and wants, provided that doing so is consistent with the company's strategy and that the expected rate of return meets the cultural institutions' objectives (Levitt, 1986).

Cultural institution need the experience economy model to build and sustain an organization that supports its artistic mission while facing the challenges of an uncertain and changing environment. It is also necessary to look to new opportunities in the marketplace, to identify changes in consumer behavior, and to develop innovative strategies that will keep the organization and its offerings relevant for its current and potential audiences over time.

The previous study attempts to introduce relevant theoretical variables, such as arousal, memories, overall quality, and customer satisfaction, in an effort to test the predictive validity of guests' lodging experience for some important variables related to business success (Oh et al., 2007). Results of their present study indicate that Pine and Gilmore's four realms of experience offer not only conceptual fit but also a practical measurement framework for the study of tourist experiences. They emphasize that practical applications will help destination marketers improve their offerings and serve visitors' needs better.

New experiences should provide an opportunity to develop new skills and gain new knowledge (Bourdieu, 2000). Visitors benefit from feeling they have experienced something authentic and unique and are willing to share it on social media. As experience-hungry tourists will actively seek enjoyable experience, companies that deliver memorable value beyond basic function of product will be gain better market positions (Yeoman and McMahon-Beattie, 2019).

Previous studies have shown that implementing the experience economy activities strengthen the consumers' memories. Satisfactory experience is an important motivation for revisiting the place (Andereck and Caldwell, 1993; Tung and Ritchie, 2011).

In the present study the experience economy concepts (four realms of experience) were operationalized and tested using customers' experience within cultural institutions. The esthetic, entertainment, escapism and educational realms were measured to value their influence on memory and satisfaction.

While maintaining and improving effective traditional marketing methods societal trend is heightened expectations for excellent customer service and extended customer experience. It is crucial that cultural institutions listen to their customers, learn their needs and preferences, and provide attentive, high-quality customer experience.

### **3. METHODOLOGY**

#### **3.1. Measures**

In the present study, a questionnaire was created and provided online, targeting people who attended a cultural event the previous year. After notifying the cultural institution that has made the highest impression on each respondent, a list of seven-point Likert-scale items referring to the specific institution was provided to the respondents. The questionnaire consisted of 18 items measuring the four dimensions of the experience economy (education, entertainment, escapism, and aesthetics), as well as memory and loyalty constructs, adopted from Mathieu et al. (2014) and Oh et al. (2007). Further, respondents were asked about the frequency of attending cultural events and about

the medium by which they were informed. In the last section of the questionnaire, demographics were collected.

### 3.2. Sample

We used snowball sampling for an online survey, yielding 224 responses. After screening, 222 were considered valid, with 70.72% being female. The respondents were between 18 and 67 years with the largest participation of those aged 22 (22.97%). Most of the respondents have completed undergraduate studies (80.18%), and 18.01% had a monthly household income of 60.001 to 80.000 den. (1 euro = 61.5 den). Most of the respondents live in Skopje (75.22%) and 72.07% are Macedonians.

## 4. ANALYSIS AND RESULTS

The collected data were analyzed by applying the structural equation modeling method (SEM), a statistical method for testing hypotheses about the relationships between latent variables. It is a combination of factor analysis and multiple regression that analyses the measurement and structural parts of the model (Hair et al., 2006). Based on a two-stage procedure (Anderson and Gerbing, 1988), confirmatory factor analysis (CFA) was performed to assess the measurement model and then the structural model was tested to assess the hypothesized relationships in the model.

### 4.1. Measurement model

The confirmatory factor analysis provided the model fit indices (GFI = 0.842, NFI=0.891, CFI = 0.918, RMSEA = 0.107) which are close to the recommended thresholds (Hair et al., 2006). This indicates that the model fits the data well. Further, the internal consistency of the measurement items was assessed by observing the standardized loadings and five items were removed due to having a standardized loading below 0.7. All the retained measurement items are significant and have standardized loadings above 0.7, indicating a strong reflection of their respective constructs (Table 1).

**Table 1:** Standardized Regression Weights

		Estimate
The experience in the cultural institution contributed to my gaining more knowledge.	<--- EDU	.805
The visit to the cultural institution stimulated my curiosity to gain new knowledge.	<--- EDU	.824
Visiting the cultural institution was a completely educational experience for me.	<--- EDU	.820
The activities within the cultural institution were really fun to watch.	<--- ENT	.870
Following the event itself was interesting.	<--- ENT	.900
I really enjoyed the performance of the participants of the event	<--- ENT	.914

		Estimate
within the cultural institution.		
The whole event was fun to watch.	<--- ENT	.943
The event itself helped me imagine that I am a different person.	<--- ESC	.757
During the performance in the cultural institution, I had a feeling as if I had escaped from reality.	<--- ESC	.850
During the performance in the cultural institution, I felt like I was part of an imaginary world.	<--- ESC	.872
The presence in the cultural institution is very appealing and pleasant to me.	<--- EST	.918
The space within the cultural institution is attractive and pleasant to me.	<--- EST	.777
The visit to the cultural institution will remain a beautiful memory for me.	<--- MEM	.977
I will remember my visit to the cultural institution with positive associations.	<--- MEM	.880
I will not forget my experience within the cultural institution.	<--- MEM	1.009
I would like to be part of an event within the cultural institution again.	<--- LOY	.835
I will strive to visit an event at the given cultural institution again.	<--- LOY	.941
I want to visit an event at the given cultural institution again.	<--- LOY	.908

Source: Authors' calculations

Convergent and discriminant validity were assessed, and the results indicate a sufficient level of both types of validity. Namely, CR and AVE are above 0.7 which indicates a satisfactory level of convergent validity (Fornell and Larcker, 1981). Based on the Fornell-Larcker criterion (Fornell and Larcker, 1981), the discriminant validity is also adequate since the square roots of AVE are higher than the correlation of the corresponding latent variables (numbers in bold in the diagonal cells) (see Table 2).

**Table 2:** Convergent and discriminant validity

	CR	AVE	MSV	MaxR (H)	MEM	EDU	ENT	ESC	EST	LOY
<b>MEM</b>	0.970	0.916	0.578	1.032	<b>0.957</b>					
<b>EDU</b>	0.857	0.666	0.445	0.857	0.452	<b>0.816</b>				
<b>ENT</b>	0.949	0.823	0.566	0.953	0.697	0.472	<b>0.907</b>			
<b>ESC</b>	0.867	0.685	0.078	0.877	0.216	0.200	0.191	<b>0.828</b>		
<b>EST</b>	0.838	0.723	0.578	0.873	0.760	0.667	0.752	0.249	<b>0.850</b>	
<b>LOY</b>	0.924	0.802	0.526	0.936	0.624	0.507	0.553	0.280	0.725	<b>0.896</b>

Source: Authors' calculations

#### 4.2. Structural model

After validating the measurement model, the structural model was assessed. The model fit indices indicated a quite acceptable level (GFI=0.829, NFI=0.891, CFI=0.918, RMSEA=0.108). The standardized regression coefficients of the hypothesized relationships are presented in Table 3. Three out of five hypotheses are supported, as indicated by the p-value at a level of significance of 0.05.

**Table 3:** Structural model estimates

	Estimates
H1: Education → Memory	-0.133 <sup>ns</sup>
H2: Entertainment → Memory	0.289 <sup>***</sup>
H3: Aesthetics → Memory	0.668 <sup>***</sup>
H4: Escapism → Memory	-0.017 <sup>ns</sup>
H5: Memory → Loyalty	0.641 <sup>***</sup>
Notes: The estimates are standardized, and the level of significance is $p < 0.05$	

Source: Authors' calculations

The strongest positive relationship between aesthetics and memory is evident, supporting H3, followed by the memory-loyalty relationship (H5). Memory is also significantly and positively influenced by entertainment, as suggested by H2. Education and Escapism are not significantly related to memory. The dependent variables' coefficient of determination ( $R^2$ ) is 0.678 for memory and 0.411 for loyalty. These values demonstrate that substantial amounts of variance in memory and loyalty are explained by the independent variables in the model.

#### 5. DISCUSSION

Pine and Gilmore (1999; Gilmore and Pine 2002a, 2002b) introduced the experience economy as a growing concept to improve business performance in various industries. As mentioned earlier, following the principles of consumer culture theory, individuals harness various resources to enrich their social lives, including their participation in events (Arnould and Thompson, 2005), as highlighted by Manthiou et al. (2011). Individuals attending these events are guided by a range of motivations. The quality of the event experience, as highlighted by Manthiou et al. (2011), significantly impacts visitor satisfaction and is crucial for success and a competitive edge in the event industry. Therefore, it is of great importance to assess every aspect of the experience economy in the context of cultural institutions and cultural events. The findings of this study reveal that two key dimensions of the experience economy, namely entertainment, and esthetics, significantly impact the memories visitors form during cultural institution events. This is mainly because people usually attend events for their entertainment. Pine and Gilmore (1999) also define the entertainment experience as the most ancient and thoroughly cultivated form of experience within the business realm. Moreover, these results validate the notion that visitor memory plays a crucial role in influencing their loyalty toward the cultural institution. These findings align

partially with Manthiou et al.'s (2014) research, which also demonstrated that the entertainment and esthetics dimensions of the experience economy have a notable impact on the vividness of memory. Regarding the esthetic dimension, which has the strongest impact on memory, Kastenholz et al. (2017) also point it out as the most marking experience realm when it comes to memory. Additionally, Manthiou et al. (2014) also established a clear link between the vividness of memory and visitor loyalty as the findings in this study.

**Theoretical contributions:** The study significantly enriches the scientific literature in the context of researching the experience economy within cultural events and cultural institutions, considering that the majority of research conducted so far has focused on other industries such as the wine industry, tourism (Brzovska et al., 20202; Oh et al., 2007; Kastenholz et al., 2017; Quadri-Felitti and Fiore, 2012; Mehmetoglu and Engen, 2011) etc., with few studies focusing on events (Manthiou et al., 2011; Manthiou et al., 2014). Additionally, the study encompasses two dependent variables, memory, and loyalty, and the results provide insights into the dimensions of the experience economy that impact visitor memory and, subsequently, consumer loyalty toward the cultural institution.

**Practical implications:** The research provides a direct insight into the dimensions of the experience economy on which cultural institutions should focus if they want to influence the memory and loyalty of visitors. Considering the results of the analysis, visitors to cultural institutions primarily attend events due to the physical environment or the overall atmosphere within the institution, passively participating in the event by watching the performance of others to satisfy their entertainment needs. In this regard, cultural institutions should focus on creating an aesthetically appealing environment for visitors, as well as organize events that are primarily entertaining to attract viewers, aiming to provide content and experiences that visitors will not forget, and subsequently, to cultivate loyal attendees of the institution's events.

## 6. LIMITATIONS AND FUTURE RESEARCH

This research is crucial in science and business, especially in cultural institutions. However, it does have limitations, prompting the need for further study to gain a deeper insight into the experience economy. Firstly, one limitation pertains to the sample, which is not based on probability theory. Furthermore, future research could incorporate additional variables such as visitor satisfaction with institutions, arousal, and specific behavioral intentions. Considering that the concept of the experience economy is continuously evolving, there remain numerous industries that could be subjects of future research endeavors.



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