

EXPERIENCE ECONOMY IN CULTURAL INSTITUTIONS: AROUSAL TO CUSTOMER LOYALTY

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EXTENDED ABSTRACT

Purpose The present research, which builds upon Pine and Gilmore's (1999) experience economy framework, aims to investigate the relationship between the four dimensions of the experience economy - education, entertainment, escapism, and esthetics - and their impact on arousal and customer loyalty. Certain industries are growing significantly in today's global economy due to the rising demand for experiential consumption (Oh *et al.*, 2007). This trend reflects a shift towards an experience-driven economy, where consumers prioritize unique experiences over traditional products and services (Pine and Gilmore, 1999; Oh *et al.*, 2007) a prerequisite for competitive advantage in the event industry (Manthiou *et al.*, 2011). Research on the experience economy highlights its four key dimensions: education, entertainment, escapism, and esthetics. The literature on arousal's impact on loyalty in the experience economy reveals several significant findings. The experience economy dimensions significantly influence consumer arousal and loyalty (Alan *et al.*, 2016; Girish and Chen, 2017; Brzovska *et al.*, 2020). Moreover, Kastenholtz *et al.* (2017) extended this framework to rural tourism, demonstrating that the esthetic dimension strongly influences arousal and satisfaction, which are critical for loyalty. Their findings align with Pine and Gilmore's (1999) assertion that creating memorable and engaging experiences is crucial for competitive advantage. Quadri-Felitti and Fiore (2013) examined wine tourism, concluding that the esthetic dimension of the experience economy is the most influential in creating positive memories and destination loyalty. Manthiou *et al.* (2014) also investigated the experience economy four-dimensional concept when it comes to memory vividness and loyalty at festivals, and their results show that entertainment and esthetics significantly impact loyalty, emphasizing the need for memorable experiences. Alan *et al.* (2016) found that cognitive assessments and emotional responses, including arousal, play crucial roles in shaping store loyalty in retail settings. Their study suggests that positive emotional arousal, directly and indirectly, affects consumer loyalty. Finally, Girish and Chen (2017) demonstrated that arousal significantly influences satisfaction and loyalty in festival contexts, highlighting the importance of creating authentic and engaging experiences to foster attendee loyalty. Brzovska *et al.* (2020) found that educational and esthetic experiences positively impact arousal and memory in the wine industry. Another study by Brzovska *et al.* (2023) also explores how the dimensions of Pine and Gilmore's experience

economy (education, entertainment, escapism, and esthetics) affect consumer loyalty in cultural institutions. The research reveals that esthetics and entertainment significantly enhance memory, boosting loyalty, and education and escapism contribute to the overall experience (Brzovska *et al.*, 2023). These studies collectively underscore the pivotal role of arousal and emotional engagement in enhancing customer loyalty across various sectors. By understanding how these dimensions influence consumer behavior, businesses can better design and market their experiences to build stronger customer relationships. Based on this we propose the following hypotheses:

H1: Education has a positive influence on the arousal of visitors to cultural institution events.

H2: Entertainment has a positive influence on the arousal of visitors to cultural institution events.

H3: Esthetics has a positive influence on the arousal of visitors to cultural institution events.

H4: Escapism has a positive influence on the arousal of visitors to cultural institution events.

H5: The arousal of visitors to cultural institution events has a positive influence on their loyalty toward the institution.

Design/methodology/approach To conduct this study, an online survey was conducted using snowball sampling, yielding 224 responses. After screening the data, 222 responses were deemed valid. The survey questionnaire measured respondents' perceptions of the four experiential dimensions, arousal, and loyalty to a specific cultural institution. Structural equation modeling (SEM) was used to analyze the data and determine the strength and direction of the relationships between the variables. SEM combines factor analysis and multiple regression to examine measurement and structural model components (Hair *et al.*, 2006). Using a two-stage approach (Anderson and Gerbing, 1988), confirmatory factor analysis (CFA) validated the measurement model and assessed the structural model to examine hypothesized relationships. The standardized regression coefficients and estimates of the hypothesized relationships are presented in Table 1.

Table 1: Structural model estimates

	Estimates
H1: Education → Arousal	0.009ns
H2: Entertainment → Arousal	0.42***
H3: Esthetics → Arousal	0.533***
H4: Escapism → Arousal	0.075***
H5: Arousal → Loyalty	0.925***
Notes: The estimates are standardized, and the level of significance is $p < 0.05$	

(Source: Authors' calculations)

Findings Based on data presented in Table 1 we can conclude that four out of five hypotheses are supported, as indicated by the p-value at a significance level of 0.05. The study results indicate that the relationship between arousal and customer loyalty is positive and the strongest in the model, resulting in accepting H5. Regarding the relationships between the four experiential dimensions and arousal, it is evident that esthetics has the strongest positive impact (H3 is confirmed), followed by entertainment (H2 is confirmed). H4 is also confirmed meaning escapism has also a significant impact on arousal, while education is not significantly related to arousal (H1 is rejected). These findings indicate that prioritizing visually appealing and aesthetically pleasing experiences that are entertaining can boost arousal and, in turn, foster loyalty. The study also emphasizes the significance of crafting engaging and entertaining experiences to stimulate arousal in consumers.

Originality/value This study contributes to the existing literature on the experience economy by providing empirical evidence of the relationships between different experiential dimensions

and consumer behavior. The findings highlight the pivotal role of esthetics, entertainment, and escapism in enhancing visitor arousal within cultural institutions, which subsequently fosters customer loyalty. Esthetics was found to be the most important factor influencing arousal. This means that attractive environments deeply engage visitors' senses and emotions. This finding agrees with Quadri-Felitti and Fiore (2013), who concluded that esthetics is crucial for creating positive memories and building loyalty in wine tourism. Similarly, Manthiou *et al.* (2014) discovered that esthetics significantly affects how vividly people remember festivals and their loyalty to them, highlighting the importance of creating memorable experiences. Entertainment also had a strong positive effect on arousal. This supports the findings of Manthiou *et al.* (2014), who showed that entertainment significantly boosts loyalty by enhancing visitor experiences. Escapism also positively influenced arousal, although not as strongly as esthetics and entertainment. This aligns with Girish and Chen (2017), who found that escapism contributes to genuine and engaging experiences, which in turn increase attendee satisfaction and loyalty in festival settings. Education did not have a significant effect on arousal, which was unexpected. This differs from studies like Kastenholz *et al.* (2017), who found that educational experiences do influence arousal and satisfaction in rural tourism. Furthermore, this suggests that in cultural institutions, simply providing information or learning opportunities might not create strong emotional responses that lead to loyalty. It highlights the need to combine educational content with esthetic and entertaining elements to enhance its impact. This idea aligns with Brzovska *et al.* (2020), who discovered that educational and esthetic experiences positively affect arousal and memory. The originality of this study lies in its focus on cultural institutions and events, areas that have been largely overlooked in prior research in the context of the experience economy, which has predominantly concentrated on tourism and wine tourism settings, with limited attention to its implications for cultural institutions or events (Oh *et al.*, 2007; Kastenholz *et al.*, 2017; Brzovska *et al.*, 2020; Quadri-Felitti and Fiore, 2012; Mehmetoglu and Engen, 2011; Manthiou *et al.*, 2011; Manthiou *et al.*, 2014). By identifying which dimensions have the most significant impact on arousal and loyalty, businesses can optimize their experiential offerings better to meet the needs and preferences of their target audience. This research provides valuable insights for marketers and businesses aiming to create engaging experiences that enhance arousal and drive customer loyalty in cultural institutions.

Keywords: *Experience economy, Cultural institutions, Arousal, Customer loyalty.*

JEL classification: *M31.*

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