Tourism Management Perspectives 27 (2018) 83–90

Contents lists available at ScienceDirect

Tourism Management Perspectives

journal homepage: www.elsevier.com/locate/tmp

Experience economy in the hospitality and tourism context

Seohee Chang*

Sookmyung Women's University, South Korea

ARTICLE INFO

Keywords:
Experienced utility
Experience economy
Product economy
Service economy
Hedonic values

ABSTRACT

Experienced utility is an instantly perceived hedonic quality. Rooted in the idea of experienced utility, experience economy assumes that increased consumer experienced utility raises industry revenue. Previous studies have not explored the financial values identified with experiences as the main point of experience economy. The aim of this study was to explore the financial values of experience and service that hospitality and tourism customers perceive. A total of 182 hospitality and tourism customer responses were analyzed using content analysis, cross-tabulations, *t*-test, and ANOVA. The results revealed that the perceptual schema of product economy is clearer than that of experience economy; the monetary value of experience is lower than that of service; and there is no significant difference in financial values among experience types. Future research should examine the financial gain and loss values of specific experiential and service products perceived by customers from diverse backgrounds.

1. Introduction

The concepts of experienced utility (Kahneman & Thaler, 1991, 2006; Kahneman, Wakker, & Sarin, 1997) and experience economy (Pine & Gilmore, 1999) are considered important in postmodern society. Decision utility, which dominates traditional economic theories, assumes that the choices consumers make are rational and made to maximize utility on the basis of a balance between capital losses and gains, whereas experienced utility focuses on the hedonic quality individuals currently enjoy (Kahneman & Thaler, 2006). As people increasingly pursue experiential values beyond goods and services, it is assumed that people are more likely to spend according to the extent to which they enjoy (Pine & Gilmore, 1999). Several researchers have endeavored to develop dimensions and scales to manifest experience in a measurable form (Kim, Ritchie, & McCormick, 2012; Loureiro, 2014; Oh, Fiore, & Jeong, 2007). Little progress has been made in experience economy research, although this issue is fundamentally important in the tourism context (Ritchie, Tung, & Ritchie, 2011). Therefore, this study delves more deeply into experience economy, rooted in the notion of experienced utility. More specifically, this study explores how consumers perceptually discriminate between service and experience as well as among experience types, and further how much they are willing to pay on service and experience types.

2. Literature review

Kahneman (2000) is the psychologist and behavioral economist who introduced and formulated experienced utility. In his research, experienced utility is distinguished from the decision utility used by traditional economic theories (Kahneman, 2000; Kahneman & Thaler, 1991; Kahneman & Tversky, 1979). The weight of the outcome of a decision is considered important for decision utility, whereas experienced utility focuses on hedonic quality. Experienced utility increases proportionally with an instantly perceived hedonic quality. Pine and Gilmore (2011) endeavored to develop the idea of experienced utility for industrial application. Therefore, it seems to be very important to begin with an in-depth understanding of the underlying psychological and economic factors in experienced utility and experience economy before applying these concepts.

2.1. Experienced utility and experience economy

Approaches to the nature and measurement of utility have been much debated. The theory of experienced utility (Kahneman, 2000; Kahneman & Thaler, 1991; Kahneman & Tversky, 1979) assumes that emotion precedes rationality and thus that future prediction and decision making are based on an assessment of hedonic quality. To illustrate, Kahneman (2011) uses the example of a ticket holder. A fan of Team A at a sports event refuses to sell a ticket to another fan who is willing to purchase it at a very high price, demonstrating that symbolic goods held for use (e.g., wine, tickets, unique mugs) are to be enjoyed instead of being traded. Kahneman (2011) provides an adequate account of the underlying mechanism in terms of a combination of a heuristic system and loss aversion. People tend to use a heuristic system

* Corresponding author at: Division of Culture and Tourism, Sookmyung Women's University, Seoul, Korea 04310, South Korea.
E-mail address: carol32@sookmyung.ac.kr.

https://doi.org/10.1016/j.tmp.2018.05.001
Received 26 February 2018; Received in revised form 10 May 2018; Accepted 22 May 2018

to reduce cognitive complexity because such a system uses a shortcut to information stored in memory and retrieves more salient information. In addition, people's attitudes to loss and gain differ because they enjoy gaining and dislike losing. This is shown clearly in Kanheman's example whereby individuals are inclined to choose A when A offers $100 at a 100% certainty and B provides $200 at a 50% probability in order to gain despite the similarity between the likely results. In another example, one person receives extra vacation days and another receives extra salary as gifts of equal value. Later, they are allowed to exchange gifts, but they insist on keeping what they have, even though, objectively, there would be no loss because both were gifts. They wanted to retain their gifts because they had their own status quo-based reference points, and the subjectively perceived values were not equal. Psychologically, the negative sides of a potential loss loom larger than the advantages of a corresponding gain; this is why individuals tend to automatically avoid a loss psychologically perceived as larger regardless of the objectively evaluated financial values. Traditional economic theories do not account for why individuals would pay different amounts of money to gain the same amount of experienced utility. From an economic point of view, Kahneman and Thaler (1991) suggested monetary values consistent with experienced utility.

Rooted in the idea of experienced utility, the experience economy was proposed by Pine and Gilmore (1999, 2011). Its core idea is the development of experienced utility-based industry strategies; Pine and Gilmore believed that an increase in industry revenue is accompanied by an increase in consumer-experienced utility. Pine and Gilmore emphasized the sale of experience to be enjoyed rather than the sale of goods and services to be traded, and stressed the importance of developing pricing strategies for consumer hedonic quality. This point is supported by Addis and Holbrook's (2001) view that this phenomenon reflects the importance of subjectivity in postmodern society, as it shifts from utilitarian consumption to hedonic consumption associated with the pursuit of stimulation through multisensory experience, fantasy, feelings, and fun. Pizam (2010) also supports this point through an example in which consumers pay $365 at Tokyo's Aragawa steakhouse but $40 at an outback restaurant, not necessarily to enjoy tangible products but for the experience. Pine and Gilmore (2011) start from the position that the experience economy is distinguished from industrial and service economies in terms of function, characteristics, attributes, sellers, buyers, and components. Industrial and service economies function to make goods and deliver service, whereas an experience economy stages experience. Goods, services, and experience are tangible, intangible and memorable, respectively, and their attributes have been described as standardized, customized, and personal. Buyers in a service economy look for benefits as clients, whereas buyers in an experience economy pursue sensations as guests.

To illustrate the maximization of hedonic values embedded in different experience types in an experience economy, Pine and Gilmore (2011) elaborated their description of experience types into a theorized classification map expressing the level of guest participation (i.e., active–passive) on the horizontal axis and the level of connecting guests to events (i.e., absorption–immersion) on the vertical axis. Passive participation is described as the role of an observer or listener, whereas active participation influences the performance that produces the experience, such as for skiers. On the vertical line, absorption is a state in which a person's attention is fully occupied with the experience, and immersion is depicted as a state in which the person is physically or virtually a part of what is being experienced. Entertainment occurs in the absorption–passive domain, educational experience in the absorption–active domain, escapist in the immersion–active domain, and esthetic experience in the immersion–passive domain. Pine and Gilmore illustrate by observing that entertainment relates to customers' desire “to enjoy” but is not about entertaining them; rather, it is about engaging them. Educational experience is that which maximizes the experience associated with customers' desire “to learn,” but it is important to make them active learners. The escapist experience relates to customers' desire “to go and do” something, including an online experience. Esthetic experience is associated with “wanting to be” in a certain place.

This classification shows that a simple method of distinguishing experience from service is to determine whether consumers engage in the event. However, it is questionable whether consumers are able to clearly distinguish service from experience and decide to pay more for experiential values based on that distinction. Although Pine and Gilmore (1999) assume that an increase in consumer experienced utility results in an increase in industry revenue, it is difficult to accurately reflect the core idea of experienced utility because pricing is determined according to the industry. From this perspective, customers are still reactive rather than proactive consumers who actively evaluate and determine monetary values based on their instant hedonic feelings. An experience economy depends on whether customers accept a given price set by the industry as a reference point. Though the experience economy has been theorized, there is little evidence about how consumers are aware of the difference between service and experience or distinguish among types of experience, motivating them to pay the amount of money associated with that experience.

2.2. Experience economy in hospitality and tourism

The experience economy research is in a very early stage. Ritchie et al. (2011) assessed major tourism journals, finding that, even at a broad level, experience-related research had not significantly progressed quantitatively or qualitatively. Although much of the tourist experience research has explored psychological aspects, very little research on experiential values has been conducted in the experience economy context. From the consumer perspective, the experience economy does not yet seem to be a substantial entity. Ankor (2012) pointed out that experience is too complex to be part of industry-determined strategies. Tan, Kung, and Luh (2013) argued that outer interactions such as environment, people, and product/service/experience and inner responses such as consciousness, needs, and creativity are complexly interrelated in tourist experiences.

Several hospitality and tourism studies have explored the psychological domains of experience prior to the experience economy. Oh et al. (2007) investigated the experiential components perceived by bed and breakfast (B&B) guests. They developed a scale based on Pine and Gilmore's four types of experience (i.e., entertainment, education, escapism, and esthetics) along with arousal (i.e., the intensity of the physiological response to stimulus), memory (i.e., as enhanced by sensorial experiences), overall perceived quality, and customer satisfaction, all considered important for business success. These domains were tested on a sample of 419 guests. The findings showed that the first-order constructs of the variables were more useful for managing B &B properties. Later, this scale was adopted by Loureiro (2014), who examined if the experiential components influenced place attachment and behavioral intention through pleasant arousal and memory using a sample of 222 guests staying at six lodging units in a rural tourism area in Portugal. The results revealed that guests who felt more experiential values were more likely to feel an emotional attachment to and an intention to revisit the rural place as well as to recommend and spread positive word-of-mouth about it; this effect was mediated by pleasant arousal and memorability.

In contrast to Oh et al.'s (2007) scale, Kim et al.'s (2012) scale focuses on the memorable tourism experience (MTE). They reviewed the needs- and affective attributes-related literature in marketing and tourism (e.g., Bloch & Richins, 1983; Dunman & Mattila, 2005; Otto & Ritchie, 1996; Ryan, 1993) and presented 16 potential experiential components, such as hedonism, relaxation, stimulation, refreshment, adverse feelings, social interaction, challenge, and novelty, along with assessments of value and service and the meanings and definitions of the components. The MTE scale resulted in 24 items and seven factors: hedonism, novelty, local culture, refreshment, meaningfulness,

involvement, and knowledge. However, the "local culture" items were described in terms of a typical reaction to an object (e.g., "I experienced the local culture," "I had good impressions about the local people") instead of internal psychological attributes relative to other experiential factors. Later, Kim (2014) examined the influential factors in the MTE, such as infrastructure, accessibility, local culture, quality of service, and place attachment; local culture was also included as an influential factor.

The experience economy concept motivated the aforementioned studies' endeavors to develop and measure the psychological attributes associated with experiential components, but the first empirical study on the tourist experience was Vittersø, Vorkinn, Vistad, and Vaagland (2000). Vittersø et al. defined "experienced moments" as a flow state as defined by Csikszentmihalyi (1975) (similar to Kahneman's (Kahneman & Tversky, 1979) description of it in terms of hedonic quality). The original flow model was simplified into two domains of flow-related (i.e., pleasant, interesting, challenging) and flow-unrelated (i.e., easy, boring, frustrating) states in Vittersø et al.'s (2000) flow-simplex mental map in which types of tourists and attractions were variously located. This was the first study to categorize tourist experiences in terms of hedonic states. Similarly, Laing, Wheeler, Reeves, and Frost (2014) distinguished peak from supporting experiences in terms of tourist experience types. Taking a more philosophical approach, Uriely (2005) elucidated the tourist experience from a postmodernist standpoint. The deconstructive, subjective, and relative characteristics of post-modernism were connected to extremely diversified tourist interests, motivations, and activities. Uriely stressed that "post tourists" (Feifer, 1985) reconstruct their experiences from all the different tangible and intangible products supplied by the industry and create a new experience in another domain. Uriely's standpoint is consistent with Addis and Holbrook's (2001) account of postmodern consumers' pursuit of subjectivity. Several researchers have supported this point of view, while introducing "cyber markets and e-learning" as part of the postmodernist tourism experience (Stamboulis & Skayannis, 2003) or "technology-based service design and esthetic experiences" (Tussyadiah, 2014).

A more recent research trend in tourist experience studies focuses on exploring the experiential values associated with specific tourism types such as a casino's experiential attributes (Wong & Wu, 2013), the farm tourism experience (Capriello, Mason, Davis, & Crotts, 2013), hunting as a travel experience (Komppula & Gartner, 2013), the food tourism experience (Laing et al., 2014), the shopping mall experience (Shim & Santos, 2014), and the boutique hotel experience (Sørensen & Jensen, 2015). Wong and Wu (2013) established casino experience assessment criteria and examined how the experiential attributes were correlated to demographic factors. They found that female visitors were more likely to be correlated to experiences involving facility and access convenience, whereas age was significantly related to atmosphere, employee appearance, and brand image. Moreover, high-income participants were more likely to pursue high-quality employee-service and facility experiences. However, spending level was significantly associated only with architecture-related experiences. Komppula and Gartner (2013) investigated the experienced values of hunting from various angles, such as emotional, sensory, cognitive, behavioral, and relational values, and suggested "active togetherness" as the most important experiential value. Describing a shopping mall as a socially and culturally experiencing place reflecting everyday authenticity, Shim and Santos (2014) explored its experiential meanings from the tourist perception. All the aforementioned studies have explored experiential attributes, but the financial values identified with experiences as the main point of an experience economy have not yet been investigated. Therefore, this study explores the financial values of experiential components.

3. Method

3.1. Data collection and sample

This study was completed to understand experience and service categories and related financial values prior to Chang's (2018) study. All respondents in this study had experience of being consumers in the hospitality or tourism field. The study population was South Koreans, but the sample was collected during two months in 2016 using convenient sampling due to the practical impossibility of randomly sampling South Koreans. The principal investigator recruited three data administrators (i.e., hospitality and tourism employees who are also doctoral students) who can have an easier access to hospitality and tourism customers as well as can spend more time to accommodate the respondents face-to-face in order for them to answer the open-ended questions in detail. Each administrator explained the study purpose, issues and concepts to their customers and assisted them in answering the questionnaire, spending approximately 30–40 min per respondent. Total usable 182 responses were generated by hospitality and tourism customers (50.5% males, 49.5% females). The sample ranged in age from 18 to 68, with a mean of 28.13 years ($SD = 9.25$). Most respondents (90.7%, $n = 88$) reported an annual household income of under 40,000,000 Korean Won (KRW) ($37,600, 1 KRW to 0.00094 USD on April 11th, 2018).

3.2. Instrument

The survey instrument was a self-administered open-ended questionnaire consisting of the following questions: 1) list the three tangible or intangible hospitality and tourism products (e.g., in a variety of contexts such as hotels/accommodations, restaurants, festivals and events, galleries/museums, exhibition, a variety of parks such as theme parks, national parks, and zoos, cruise tourism, tourism packages including multi-products, other tourism attractions) that they had most recently consumed and were satisfied with; 2) describe any new experienceable/experiential factors that they would be willing to have in order to be more satisfied if they were added to the aforementioned products; 3) input the subjectively perceived financial value of the new products, including any experiential components the respondents wished to add (i.e., the suggested amount); and 4) input the amount spent on the products they previously purchased (i.e., the paid amount). The survey questions 3) and 4) were used to determine the gap between the financial value of the product with more experiential components (the suggested) and the paid amount for the product (the paid) (the "gap" hereafter). The respondents were informed of Pine and Gilmore's (1999) service and experience (i.e., service consumption is the consumption of tangible or intangible benefits that providers offer to consumers and operates in a unidirectional way from providers to customers, whereas experience consumption is the consumption of memorable moments created from the interaction between providers and consumers beyond the previously assigned roles of providers and customers and operates in a multidirectional way between providers and consumers) in the participation guidelines before they began the survey. However, the respondents were not given any specific types of experiences in order for them to describe subjectively perceived experiences in the open-ended questions, which was used for content analysis.

3.3. Data analysis

Content analysis was conducted to analyze and categorize open-ended responses. More specifically, content analysis is a process to draw themed words from qualitative responses and to group the themed words into several theoretical categories, thereby having numeric values assigned to the categories for quantitative analysis (Riff, Lacy, & Fico, 2014). All the categorization processes were reviewed by three

Table 1
Hospitality and tourism product type.

	N	Percent
Restaurant	11	6.0
Accommodations (hotel, resort, B & B)	8	4.4
Nature-based attractions (national park, ecological park, camping, Han River, recreational forest, winery/wine farm, farm/ranch, arboretum, hot/thermal spring, etc.)	13	7.1
Community-based attractions (Jeonju Hanok Village, Chinatown, travel packages, rail/bus tour, etc.)	68	37.7
Artificially made facilities-based attraction (museum, theatre, exhibitions, convention, casino, event/festival, Korean Folk Village, Gyeongbokgung Palace, etc.)	40	21.9
Theme park/zoo	31	16.9
Other (shopping, souvenir, local specialty, etc.)	11	6.0
Total	182	100

experts in the hospitality and tourism field. The results showed that the product types the respondents purchased were categorized into seven domains (including "other"), as seen in Table 1.

For exploratory purposes, this study categorized experience types differently using several different frameworks (Kim et al., 2012; Pine & Gilmore, 2011). One was created in two steps. First, 19 specific experience and service types were considered as a basic framework with which to classify the responses, 16 types of which were suggested by Kim et al. (2012) and three types were "recollection," "escaping," and "stimulating five senses" (Gentile, Spiller, & Noci, 2007; Oh et al., 2007; Tung & Ritchie, 2011), which were not covered by Kim et al. However, "escaping" (i.e., the relief individuals feel away from the hustle and bustle of their daily life) and "unexpected happenings" (i.e., an unforeseeable event experienced while traveling) were not perceived as desirable by respondents, leaving 17 experience and service types (see Table 2). The definitional descriptions were slightly modified to encompass the experiences the respondents actually described. Approximately one-fourth of respondents (n = 50, 27.5%) perceived service as part of experience. In the second step, the 17 experience and service types were placed within six factors (i.e., pleasure, personal meaning, knowledge/education, novelty, participatory engagement, and service) according to the respondents' perceptions of similarity (see Table 2). Another classifying framework was the binominal distinction between experience (n = 132; 72.5%) and service (n = 50; 27.5%), based on the first framework (Kim et al., 2012; Pine & Gilmore, 2011), as seen in Table 2.

Table 3
Pine and Gilmore's four domains relative to the 17 experience and service types.

Pine and Gilmore (2011) domain	Experiential and service factor	Experience and service type
Entertainment (N = 17; 9.3%)	Pleasure (n = 9)	Hedonism (n = 5) Stimulation (n = 2) Refreshment (n = 1) Happiness (n = 1)
	Personal meaning (n = 8)	Personal relevance (n = 8)
Escapist (N = 16; 8.8%)	Pleasure (n = 8) Personal meaning (n = 8)	Relaxation (n = 8) Social interaction (n = 8)
Esthetic (N = 16; 8.8%)	Personal meaning (n = 16)	Meaningfulness (n = 8) Recollection (n = 8)
Educational (N = 82; 45.1%)	Knowledge/education (n = 23) Novelty (n = 20) Participatory engagement (n = 39)	Knowledge/education (n = 23) Novelty (n = 20) Participation (n = 30) Challenge (n = 1) Five senses (n = 8)
Service (N = 51; 28.0%)	Participatory engagement (n = 1) Service (n = 50)	Five senses (n = 1) Assessment of value (n = 14) Assessment of service (n = 30) Adverse feelings ((n = 6)

The other framework of experience classification was the four domains of entertainment (i.e., want to enjoy), escapist (i.e., want to go and do), esthetic (i.e., want to be), and educational (i.e., want to learn) (Oh et al., 2007; Pine & Gilmore, 2011), along with service (see Table 3). All the responses were placed into a categorical experience on the basis of the theoretically (Pine & Gilmore, 1999) and empirically (Oh et al., 2007) described contents.

The categorical domains generated by content analysis were used for further analysis to investigate the respondents' experience economy from various angles. The data were analyzed using cross-tabulations, independent t-test, and analysis of variance (ANOVA) to examine the following research questions: RQ 1) Are hospitality and tourism

Table 2
Kim et al.'s experience and service type.

Factor		Experience and service type	Tourism Experience
Experience (N = 132; 72.5%)			
I. Pleasure (n = 17; 9.3%)	1	Hedonism (n = 5; 2.7%)	Pleasurable feelings that excite oneself
	2	Stimulation (n = 2; 1.1%)	Arousal of feelings that heighten and/or invigorate oneself
	3	Refreshment (n = 1; 0.5%)	The state of being refreshed
	4	Happiness (n = 1; 0.5%)	A feeling of joy that springs from the heart
	5	Relaxation (n = 8; 4.4%)	A feeling of comfort and pleasure without involving physical activity
II. Personal meaning (n = 32; 17.6%)	6	Social interaction (n = 8; 4.4%)	A feeling of connection and group identity with travel partners, family members, friends and/or local people
	7	Meaningfulness (n = 8; 4.4%)	A sense of great value or significance (e.g., esthetic, appreciating buildings)
	8	Personal relevance (n = 8; 4.4%)	The level of personal involvement with a tourism experience (e.g., have a meaningful time with family)
	9	Recollection (n = 8; 4.4%)	Emotion in which individuals want to remember what they experience while traveling (e.g., purchasing souvenirs, taking pictures)
III. Knowledge (n = 23; 12.6%)	10	Knowledge/education (n = 23; 12.6%)	Information, facts, or experiences known by an individual (e.g., local cultures, cultural and historical experiences)
IV. Novelty (n = 20; 11.0%)	11	Novelty (n = 20; 11.0%)	A psychological feeling of newness resulting from having a new experience & a variety of experiences
V. Participatory engagement (n = 40; 22.0%)	12	Participation (n = 30; 16.5%)	A physical involvement with the tourism experience
	13	Challenge (n = 1; 0.5%)	An experience that demands physical and/or mental ability
	14	Five senses (n = 9; 4.9%)	Sight, touch, taste, smell, hearing
Service (N = 50; 27.5%)	15	Assessment of value (n = 14; 7.7%)	Evaluation of a trip in terms of monetary value and usefulness
	16	Assessment of service (n = 30; 16.5%)	An individuals' perceived quality of service provided by tourism businesses
	17	Adverse feelings (n = 6; 3.3%)	Negative psychological feelings due to some unsatisfactory service)

Table 4
Cross-tabulations between experience and service and product type.

		Service	Experience	Total
Restaurant	Count	5	6	11
	%Within product types	45.5	54.5	100.0
	% Within service & experience	10.0	4.5	6.0
Accommodations	Count	5	3	8
	%Within product types	62.5	37.5	100.0
	% Within service & experience	10.0	2.3	4.4
Nature-based attractions	Count	3	10	13
	%Within product types	23.1	76.9	100.0
	% Within service & experience	6.0	7.6	7.1
Community-based attractions	Count	17	51	68
	%Within product types	25.0	75.0	100.0
	% Within service & experience	34.0	38.6	37.4
Artificially made facilities-based attractions	Count	4	36	40
	%Within product types	10.0	90.0	100.0
	% Within service & experience	8.0	27.3	22.0
Theme park/zoo	Count	13	18	31
	%Within product types	41.9	58.1	100.0
	% Within service & experience	26.0	13.6	17.0
Other	Count	3	8	11
	%Within product types	27.3	72.7	100.0
	% Within service & experience	6.0	6.1	6.0
Total	Count	50	132	182
	%Within product types	27.5	72.5	100.0
	% Within service & experience	100.0	100.0	100.0

consumers are more likely to pursue either experience or service according to product type?; RQ 2) Do hospitality and tourism consumers perceive differences in the gap by product type?; RQ 3) Do hospitality and tourism consumers perceive differences in the gap by Kim et al.'s (2012) experiences and service type?; RQ 4) Do hospitality and tourism consumers perceive differences in the gap by service and experience?; and RQ 5) Do hospitality and tourism consumers perceive differences in the gap by Pine and Gilmore's (2011) experience and service type?

4. Result

For the research question 1), cross-tabulation analysis was conducted to see if consumers tended to pursue either service or experience by product type. The results showed a statistically significant relationship between product type and the separation between service and experience, $\chi^2(6, N = 182) = 16.429$, $p = .012$ with 0.288 contingency coefficient and 0.300 Cramer's V (see Table 4). In particular, community-based attractions (34.0%) and theme park/zoo (26.0%) had more service-related descriptions than did other product types within the service category, whereas more experiential suggestions appeared in community-based attractions (38.6%) and artificially made facilities-based attractions (27.3%) in the experience category. In addition, the most experiential suggestions occurred in artificially made facilities-based attractions (90.0%), followed by nature-based attractions (76.9%), while service-related comments (62.5%) were more likely to be found in accommodations than were experience-related comments (37.5%).

For the research question 2), analysis of variance (ANOVA) was conducted to examine if the gap between the paid amount for the product and the financial value of the product with more experiential components (the "gap" hereafter) differed significantly according to product type. The ANOVA results revealed that the gap indeed differed by product type, $F(6, 169) = 10.954$, $p = .000$. However, as Levene's test for equality of variance was violated, $F(6, 169) = 20.144$, $p = .000$, Welch's adjusted F ratio (9.564) was used and was significant, $F(6, 40.231) = 9.654$, $p = .000$ (see Table 5). The Bonferroni/LSD post hoc results showed that the gap for community-based attractions was significantly higher than was the gap for restaurants (mean differences = 156,083.24, $p = .008$), nature-based attractions (mean differences = 128,008.41, $p = .033$), artificially made facilities-based attractions (mean differences = 134,187.90, $p = .000$), theme parks/zoos (mean differences = 157,013.54, $p = .000$), and other (mean differences = 140,455.97, $p = .026$).

For the research question 3), when examining to see if the gap differed by Kim et al.'s experience and service type, ANOVA showed that the gap did not differ by product type, $F(5, 170) = 1.49$, $p = .199$. However, Levene's test for equality of variance was also violated, $F(5, 170) = 5.266$, $p = .000$. Therefore, Welch's adjusted F ratio was tested there was no significant result in Welch's adjusted F (5, 59.581) = 0.783, $p = .566$ (see Table 6), even though the Bonferroni/LSD post hoc results showed that 'pleasure' experience has some significant differences from 'service' (mean differences = 94,375.29, $p = .010$), 'personal meaning' (mean differences = 79,751.96, $p = .040$), and 'participatory engagement' (mean differences = 83,843.40, $p = .030$) for individually paired comparisons.

For the research question 4), there was no equality of variance (Levene's Test for Equality of Variance, $p = .013$). Therefore, the independent *t*-test result that does not assume equal variance showed no statistically significant difference in financial values between service users ($M = 55{,}061.22$, $SD = 81{,}927.41$) and experience consumers ($M = 83{,}174.02$, $SD = 143{,}593.73$), $t(149.3) = -1.625$, $p = .106$ (see Table 7).

For the research question 5), in terms of the gap for Pine and Gilmore's (2011) experience classification and service, there was a statistically significant difference among entertainment, escapist, esthetic, educational, and service (ANOVA, $F(4, 171) = 3.057$, $p = .018$.) However, Levene's test for equality of variance was also violated, $F(4, 171) = 8.070$, $p = .000$. Therefore, Welch's adjusted *F* was tested and its result was significant, Welch's adjusted $F(4, 44.714) = 2.894$, $p = .033$ (see Table 8). The Bonferroni/LSD post hoc results showed that the escapist respondent was more likely to pay more for products offering an experience they were willing to have than were esthetic respondents (mean differences = 87,256.65, $p = .003$), educational respondents (mean differences = 109,265.00, $p = .013$), and service respondents (mean differences = −76,991.67, $p = .003$).

5. Discussion

The experience economy (Pine & Gilmore, 1999), rooted in the idea of experienced utility (Kahneman, 2000; Kahneman & Thaler, 1991;

Table 5
Differences in the gap by product type.

Fixed variable	N	M[a]	SD[a]	Welch's adjusted F ratio		
		(USD)	(USD)	*df*	*F*	*p*
Restaurant	11	8463.64 (7.96)	17,452.92 (16.41)	6/40.231	9.654	0.000*
Accommodations	8	69,428.57 (65.26)	83,350.38 (78.35)			
Nature-based attractions	13	36,538.46 (34.35)	38,228.73 (35.94)			
Community-based attractions	68	164,546.88 (154.67)	173,337.08 (162.94)			
Artificially made facilities-based attractions	40	30,358.97 (28.54)	59,230.37 (55.68)			
Theme parks/zoos	31	7533.33 (7.08)	22,912.85 (21.54)			
Other	11	24,090.91 (22.65)	38,570.60 (36.26)			
Total	182	75,772.00 (71.23)	130,043.76 (122.24)			

Levene's test for equality of variance, $F(6, 169) = 20.144$, $p = .000$.
Welch's adjusted $F(6, 40.231) = 9.654$, $p = .000$.
[a] KRW (USD = 0.00094 per KRW.
* $p < .001$.

Table 6
Differences in the gap by Kim et al.'s experience and service type.

Fixed variable	N	M[a]	SD[a]	Welch's adjusted F ratio		
		(USD)	(USD)	*df*	*F*	*p*
Pleasure	17	148,235.29 (139.34)	216,404.87 (203.42)	5/59.581	0.783	0.566
Personal meaning	32	68,483.33 (64.37)	136,418.50 (128.23)			
Knowledge/ education	23	84,686.36 (79.61)	141,912.93 (133.40)			
Novelty	20	87,400.00 (82.16)	160,858.36 (151.21)			
Participatory engagement	40	62,565.79 (58.81)	89,968.18 (84.57)			
Service	50	55,061.22 (51.76)	81,927.41 (77.01)			
Total	182	75,347.16 (70.83)	129,794.12 (122.01)			

Levene's test for equality of variance, $F(5, 170) = 5.266$, $p = .000$.
Welch's adjusted $F(5, 59.581) = 0.783$, $p = .566$.
[a] KRW (USD = 0.00094 per KRW.

Table 7
Differences in the gap by experience and service.

Experience (n = 131)		Service (n = 51)			
M[a] (USD)	SD[a] (USD)	M[a] (USD)	SD[a] (USD)	t	*p*
83,174.02 (78.13)	143,593.73 (−134.98)	55,061.22 (51.76)	81,927.41 (−77.01)	−1.625	0.106

[a] KRW (USD = 0.00094 per KRW.

Kahneman & Tversky, 1979), has received much attention as a central subject in the hospitality and tourism fields, but little research has examined whether experiences are literally perceived in terms of monetary values by consumers. This study explored this concern in the context of Korean consumers. Though Pine and Gilmore's conceptual approach is rooted in individuals' experienced utility, consumers face prices predetermined by the industries (Sørensen & Jensen, 2015). Hence, respondents were encouraged to consider whether they wished to add new experiential components even though they were satisfied

Table 8
Differences in the gap by Pine and Gilmore's experience and service type.

Fixed variable	N	M[a] (USD)	SD[a] (USD)	Welch's adjusted F ratio		
				df		
Entertainment	17	100,625.00 (94.59)	168,234.71 (158.14)	4/44.714	0.2.894	0.033*
Escapist	16	163,125.00 (153.34)	222,192.67 (208.86)			
Esthetic	16	23,633.33 (22.22)	54,779.58 (51.49)			
Educational	82	75,868.35 (71.32)	124,992.34 (117.49)			
Service	51	53,860.00 (50.63)	81,530.77 (76.64)			
Total	182	75,347.16 (70.83)	129,794.11 (122.01)			

Levene's test for equality of variance, $F(4, 171) = 8.070$, $p = .000$.
Welch's adjusted $F(4, 44.714) = 2.894$, $p = .033$.
[a] KRW (USD = 0.00094 per KRW.
* $p < .05$.

with the existing product and how much they were willing to pay for the new experiential components. The result differed slightly from previous findings. Some respondents did not clearly distinguish between service and experience. Moreover, certain types of products were related more closely to service attributes than to experiential attributes, and consumers still tended to depend on product type, rather than experience type, when evaluating the monetary value of experiential components.

Specifically, in responses to the open-ended question regarding experience, approximately 27% were in the service domain even though the respondents were asked to suggest experiential components. Several respondents described cleanness, safety, a reasonable price, a rental car service, the availability of season passes, and the availability of dessert, all commonly considered within the service domain; the respondents did not separate service from experience. When the responses were reclassified into Pine and Gilmore's (1999) four experiential domains, most of the pleasurable feelings-such as hedonism, stimulation, refreshment, and happiness (Kim et al., 2012)-corresponded to entertainment, with the exception of relaxation. In addition, meaningfulness and recollection within the personal meaning factor were

more closely associated with the meaning of esthetic experience. Since the respondents indicated they wanted to go somewhere and do something with their family, the experiential value of social interaction was more closely related to the meaning of the escapist experience. The experiential value of novelty dominated the meaning of the educational experience because most responses indicated they wanted to learn something new. Pine and Gilmore's (1999) four experience types included more specific experiential components (Kim et al., 2012), which complicated the evaluation of the responses; for example, novelty could be placed in any one of the entertainment, esthetic, escapist, or educational experiences. This reveals practical problems with the realism of Pine and Gilmore's four experience types: their real-world application is more complicated than it may seem.

Respondents tended to give priority to either service or experience on product type such as pursuing more service components at a hotel or a restaurant and more experiential components at artificially made facilities-based attractions and nature-based attractions. It is important to determine when industries emphasize service components or experiential components rather than placing more weight on experiential components on all product types. This preferential tendency also emerged in perceptions of the monetary value of experience by product type: consumers were willing to pay more for the experiential values of community-based attractions such as local cultural trips, whereas they were willing to spend relatively little money for additional experiential components at theme parks/zoos. Consumers may consider that experiential values are worth an additional charge for only certain product categories. In addition, the results revealed no willingness to pay more for experience than for service. The perceived monetary value of experiential components was not higher than that of service components. This equality between values seems to relate to the fact that respondents did not clearly separate service from experience when asked to suggest experiential components. Nor did respondents perceive any significant difference in financial values among experience types (i.e., pleasure, personal meaning, knowledge/education, novelty, participatory engagement, service), although pleasure was rated slightly higher. Though the respondents may indeed have perceived all experiences as having equal values, the respondents may also have not been used to the idea of pricing perceived experiential values, having played the passive role of accepting the financial values determined by the industries. For Pine and Gilmore's experience classification, only the escapist experience showed a higher financial value than other experiences. Presumably, this result relates to the cost–reward psychological system (Gerard, 1968) whereby individuals tend to invest in their participation in more activities and experiences while at a location because they have made an effort to find information about it and have spent money and time to travel there.

This paper presents an exploratory study on the experience economy, an underdeveloped research area in the hospitality and tourism fields. It found that the consumer perceptual schema was clearer for the product economy than for the experience economy. Consumers are more used to an objective categorical classification for product types than they are for intangible experience, as industries have been structured according to product classifications rather than according to experience classifications. This is supported by social adaptation theory (Beatty & Kahle, 1988; Kahle, 1984) and thought theory (Anderson, 1990), which posit that individuals tend to create a schema, which then groups numerous objects into categories, making it easy to automatically extract the necessary information from the appropriate category. An individual repeatedly behaves within this framework, gradually gets used to it, and automatically reacts to situations in ways conditioned by it, even when the situation changes later. Perhaps different results could be obtained in other developed countries with higher gross domestic product (GDP), or among different socio-economic classes. The South Korean economy has grown rapidly in a relatively short period of time relative to other developed countries (Chang, 2008). Consumers in other developed countries with different patterns of economic and social development may produce different findings.

The concept of experience is subjective (Addis & Holbrook, 2001; Uriely, 2005), and it is difficult to transit from an intangible context to a tangible one and thus categorize it (Ankor, 2012). As the respondents subjectively described experiential components in open-ended question instead of fixed-choice ones, some responses may not have been limited to the original experiential domains (Kim et al., 2012; Pine & Gilmore, 1999). That is likely why some respondents seemed to perceive service as an experiential component and described their experiential components within the previously defined service domain (Kim et al., 2012), even though they had been informed of the distinction between service and experience. The results imply several directions for future research. Using open-ended questions led to a 50% response rate because respondents anticipated needing more time to complete this survey than would be needed for a survey with fixed-choice questions and thus refused to participate, resulting in a demographical limitation. Using the experiential categories generated by this study as fixed-choice questions and asking respondents to input their subjective financial values would help define the experiential values more clearly and also allow comparisons with this study in terms of the experiential monetary values. In addition, respondents from more diverse backgrounds and a wider diversity in income, gender, and residence would be obtained by using an online forced-choice survey, which would allow researchers to compare between nations in terms of cultural differences. One issue this study did not address in striving to understand consumer psychology inherent in the experience economy is loss aversion. As mentioned, Kahneman (2011) theorized that an individual's attitudes toward loss and gain will differ even when the outcome would be the same. This study asked respondents to provide a financial value if additional experiential components were included in the previously consumed product. However, it would be more insightful to ask respondents to provide the amount of money associated with a psychological loss in a hypothetical situation in which they are supposed to consume a product and expect a certain type of experience that they would not receive.

References

Addis, M., & Holbrook, M. B. (2001). On the conceptual link between mass customisation and experiential consumption: An explosion of subjectivity. *Journal of Consumer Behaviour, 1*(1), 50–66.

Anderson, J. R. (1990). *The adaptive character of thought.* Hillsdale, NJ: Lawrence Erlbaum Associates, Inc.

Ankor, J. (2012). The complexities of experience: A critical tourism response. *Journal of Hospitality and Tourism Management, 19*, 1–7.

Beatty, S., & Kahle, L. (1988). Alternative hierarchies of the attitude-behavior relationship: The impact of brand commitment and habit. *Journal of the Academy of Marketing Science, 16*, 1–10.

Bloch, P. H., & Richins, M. L. (1983). A theoretical model for the study of product importance perceptions. *Journal of Marketing, 47*(3), 69–81.

Capriello, A., Mason, P. R., Davis, B., & Crotts, J. C. (2013). Farm tourism experiences in travel reviews: A cross-comparison of three alternative methods for data analysis. *Journal of Business Research, 66*(6), 778–785.

Chang, H. J. (2008). *Bad Samaritans: The myth of free trade and the secret history of capitalism.* New York: Bloomsbury Press.

Chang, S. (2018). Experience economy in hospitality and tourism: Gain and loss values for service and experience. *Tourism Management, 64*, 55–63.

Csikszentmihalyi, M. (1975). *Beyond boredom and anxiety.* San Francisco: Jossey-Bass.

Dunman, T., & Mattila, A. S. (2005). The role of affective factors on perceived cruise vacation value. *Tourism Management, 26*, 311–323.

Feifer, M. (1985). *Going places. The ways of the tourist from Imperial Rome to the present day.* London: MacMillan.

Gentile, C., Spiller, N., & Noci, G. (2007). How to sustain the customer experience:: An overview of experience components that co-create value with the customer. *European Management Journal, 25*(5), 395–410.

Gerard, H. B. (1968). Basic features of commitment. In R. P. Abelson, E. Aronson, W. McGuire, T. Newcomb, M. Rosenberg, & P. Tannenbaum (Eds.). *Theories of cognitive consistency: A sourcebook* (pp. 456–463). Chicago: Rand McNally.

Kahle, L. (1984). *Attitudes and social adaptation: A person-situation interaction approach.* Oxford, U.K.: Pergamon.

Kahneman, D. (2000). Experienced utility and objective happiness: A moment-based approach. In D. Kahneman, & A. Tversky (Eds.). *Choice, values and frames* (pp. 673–692). New York: Cambridge University Press and the Russell Sage Foundation.

Kahneman, D. (2011). *Thinking, fast and slow.* Macmillan.

Kahneman, D., & Thaler, R. (1991). Economic analysis and the psychology of utility: Applications to compensation policy. *The American Economic Review, 81*(2), 341–346.
Kahneman, D., & Thaler, R. H. (2006). Anomalies: Utility maximization and experienced utility. *The Journal of Economic Perspectives, 20*(1), 221–234.
Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica Journal of the Econometric Society,* 263–291.
Kahneman, D., Wakker, P. P., & Sarin, R. (1997). Back to Bentham? Explorations of experienced utility. *Quarterly Journal of Economics, 112*, 375–405.
Kim, J., Ritchie, J., & McCormick, B. (2012). Development of a scale to measure memorable tourism experiences. *Journal of Travel Research, 51*(1), 12–25.
Kim, J. H. (2014). The antecedents of memorable tourism experiences: The development of a scale to measure the destination attributes associated with memorable experiences. *Tourism Management, 44*, 34–45.
Komppula, R., & Gartner, W. C. (2013). Hunting as a travel experience: An auto-ethnographic study of hunting tourism in Finland and the USA. *Tourism Management, 35*, 168–180.
Laing, J., Wheeler, F., Reeves, K., & Frost, W. (2014). Assessing the experiential value of heritage assets: A case study of a Chinese heritage precinct, Bendigo, Australia. *Tourism Management, 40*, 180–192.
Loureiro, S. M. C. (2014). The role of the rural tourism experience economy in place attachment and behavioral intentions. *International Journal of Hospitality Management, 40*, 1–9.
Oh, H., Fiore, A., & Jeong, M. (2007). Measuring experience economy concepts: Tourism applications. *Journal of Travel Research, 46*, 119–132.
Otto, J. E., & Ritchie, J. R. B. (1996). The service experience in tourism. *Tourism Management, 17*(3), 165–174.
Pine, B. J., & Gilmore, J. H. (1999). *The experience economy: Work is theatre & every business a stage.* Boston: Harvard Business Press.
Pine, B. J., & Gilmore, J. H. (2011). *The experience economy.* Boston: Harvard Business Press.
Pizam, A. (2010). Creating memorable experiences. *International Journal of Hospitality Management, 29*(3), 343.
Riff, D., Lacy, S., & Fico, F. (2014). *Analyzing media messages: Using quantitative content analysis in research.* New York: Routledge.
Ritchie, B., Tung, V., & Ritchie, R. (2011). Tourism experience management research. *International Journal of Contemporary Hospitality Management, 23*(4), 419–438.
Ryan, C. (1993). *Tourism and terrorism in Egypt and Kenya: Conflict update.* London: Research Institute for the Study of Conflict and Terrorism.
Shim, C., & Santos, C. A. (2014). Tourism, place and placelessness in the phenomenological experience of shopping malls in Seoul. *Tourism Management, 45*, 106–114.
Sørensen, F., & Jensen, J. (2015). Value creation and knowledge development in tourism experience encounters. *Tourism Management, 46*, 336–346.
Stamboulis, Y., & Skayannis, P. (2003). Innovation strategies and technology for experience-based tourism. *Tourism Management, 24*(1), 35–43.
Tan, S. K., Kung, S. F., & Luh, D. B. (2013). A model of "creative experience" in creative tourism. *Annals of Tourism Research, 41*, 153–174.
Tung, V. W. S., & Ritchie, J. B. (2011). Exploring the essence of memorable tourism experiences. *Annals of Tourism Research, 38*(4), 1367–1386.
Tussyadiah, I. (2014). Toward a theoretical foundation for experience design in tourism. *Journal of Travel Research, 53*(5), 543–564.
Uriely, N. (2005). The tourist experience: Conceptual developments. *Annals of Tourism Research, 32*(1), 199–216.
Vittersø, J., Vorkinn, M., Vistad, O. I., & Vaagland, J. (2000). Tourist experiences and attractions. *Annals of Tourism Research, 27*(2), 432–450.
Wong, I. A., & Wu, J. S. (2013). Understanding casino experiential attributes: An application to market positioning. *International Journal of Hospitality Management, 35*, 214–224.

Seohee Chang is an Assistant Professor in the Division of Culture and Tourism, Sookmyung Women's University. She is interested in the experience economy in hospitality and tourism.