

Article

Assessing Economic Value of Local Festivals for Sustainable Development: A Case of Yeongju Korean Seonbi Culture Festival

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Abstract: Diversity of financial resources is important to increase the sustainability of festivals. This is because even if one of the festival's resources is stopped by external variables, the festival can be continued with other resources. Local festivals often suffer from low levels of economic independence as a primary concern for their economic sustainability. To solve the aforementioned real-world problem, this study investigated the determinants of festival goers' willingness to pay for the development fund for the local festival. By using the CVM method, this study initially hypothesized four festival quality factors, three festival related decisions, and four demographic factors in the model. In total, 695 questionnaires were collected from visitors who completed the festival experience through an on-site survey for the Korean Seonbi Culture Festival in Yeongju, Korea. Based on a double-bounded DC CVM, the results of this study showed that festival environment, past visit experience, and demographic factors were significant determinants of festival goers' willingness to pay for the fund. In addition, it was attempted to estimate the value of this festival through WTP (WTP; willingness to pay). This study offers the foundation for the introduction of a development fund to make the local festival economically sustainable. The theoretical and managerial implications are discussed.

Keywords: local festival; sustainable development; CVM; festivalscape; past visit experience



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1. Introduction

Festivals play an important role in achieving community goals in terms of social, cultural, economic, and environmental aspects, as well as in contributing to the tourism industry [1,2]. Festivals create opportunities for value-added activities and expenditures for residents and visitors and are becoming very useful and effective means of urban branding [3–5]. These effects have made festivals an important policy target for revitalizing the local economy, and nations or cities are fiercely competing to host festivals [6,7]. In this regard, festivals have been considered as “an emerging giant” in the tourism industry worldwide over for 30 years [8].

Sustainability should be linked to all forms of tourism. Sustainability concerns are major challenges for tourism research and industry, and festivals are also facing similar situations. Accordingly, the need for strategic management efforts has emerged along with increased objections to the continued development of festivals [9,10]. Undoubtedly, the literature of festival tourism has been dominated by economic benefits, but at the same time, many studies have been conducted to emphasize the dysfunction of festival tourism from the perspective of sustainable development [2,11,12]. The potential of festivals that can unintentionally negatively affect the surrounding environment is important from all perspectives of economy, society, culture, and environment. As a result, research on the negative effects of festivals and festival tourism along with sustainability recently forms a line of related research [9,13].

Among many aspects of sustainability, this paper sets the context of the economically sustainable festival. In Korea, as an example, festivals are also important means of promoting the tourism industry and revitalizing the local economy, and have increased rapidly since 1995 when the local autonomy system was implemented in earnest [14,15]. However, festivals' reckless quantitative growth has caused many problems such as holding similar festivals and relying heavily on government support, which resulted in negative effects such as a decrease in their attractiveness and waste of budget [16]. In fact, due to their rapidly growing nature, the public budget accounts for more than 80% of the total financial resources of festivals in Korea, which is known to be excessively higher than the average 20% level overseas [17].

In order to increase the self-sustainability of festivals and increase the leadership of festival promotion organizations, it is necessary to gradually reduce excessive public supports and improve the diversity of financial resources so that the proportion of other financial resources can be increased. Excessive dependence on government or local government subsidies could lead to excessive interference from the administration in managing and supervising the festivals, and is a factor that weakens the autonomy, creativity, and sustainability of the festivals. This is because festivals promoted only with public budgets can be subject to public regulations on the use, execution, and allocation of funds, such as the introduction of festival admission fees or paid programs, accumulation of festival proceeds, and provision of prize money through competitions.

For the first step to foster sustainability—in particular, to substantiate Korean festivals operated by subsidies from the central and local governments—it is necessary to strengthen the internal profit structure of the festival itself and to increase the economic independence of the festival from a sustainable perspective [18,19]. The economic independence of the festival can be achieved through fee-based policy or fundraising. However, before introducing this, research on the willingness to pay (WTP) of festival admission fees and whether to pay the maximum must be preceded by stakeholders, such as visitors. Based on this, appropriate values of the festival itself should be measured to establish an appropriate self-reliance plan.

The purpose of this study is to estimate the payment value of the development fund for maintaining and preserving for the Korean Seonbi Culture Festival in Yeongju, Korea. Unlike evaluating festivals through their direct profitability, festival values measured in terms of visitors' utility can provide direct and indirect information on festival competitiveness, visitor satisfaction, and festival quality as useful policy materials for tourism resources with strong public property characteristics.

The contingent valuation method (CVM) is widely used to estimate the value of non-marketable tourism resources in an appropriate way to estimate the economic value of public goods such as festivals [20–22]. The main logic of the CVM is to determine how much WTP participants have by setting up a hypothetical market situation and asking them about their WTP for non-market goods in that situation. In this study, the hypothetical situation of fundraising for the festival's development was posed to visitors, who were also asked about their WTP by using a double-bounded dichotomous choice questionnaire. The results could provide a practical basis for appropriate festival value measurement and suggest implications for retaining economic sustainability of festivals.

2. Literature Review

2.1. Yeongju Korean Seonbi Culture Festival

Yeongju is called the home of classical scholars who are intellectuals from the past, called seonbi. Yeongju is a typical urban–rural complex formed at the bottom of Sobaeksan Mountain in the northernmost part of Gyeongsangbuk-do, South Korea (e.g., Figure 1), with a population of 102,869 (as of the third quarter of 2021). It is a place where one can feel the breath of history and engrave the spirit of history with various traditional cultural relics and spirits, including Sosu Seowon, the first private lecture hall named by the king.

Yeongju, which is still leading the modern movement to practice the spirit of classical scholars, is the undisputed center of the spirit of scholars [23].

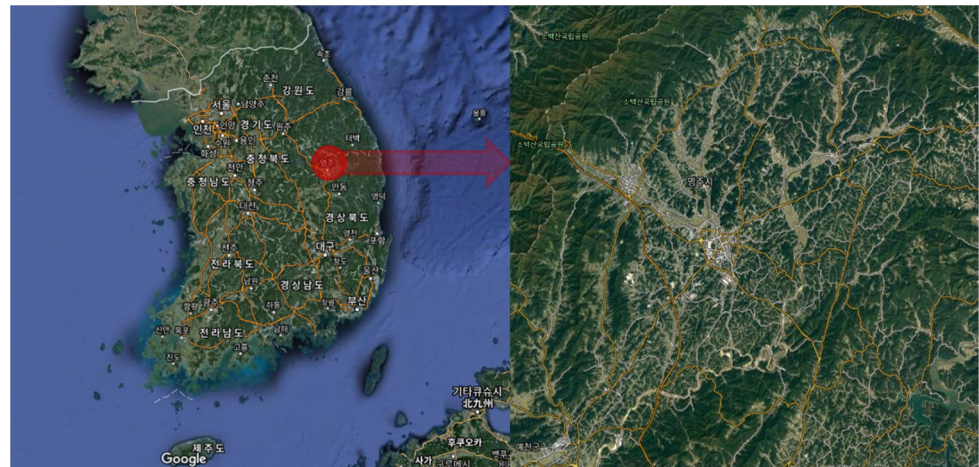


Figure 1. The map of South Korea and Yeongju.

As such, the Yeongju Korean Seonbi Cultural Festival has been held since 2008 to inherit and spread the spirit of the scholars, which can be said to be the traditional cultural heritage of the region. As a festival with a lot of unique things to see, eat, and enjoy, many local residents are working together to become a festival that is visited by many tourists from other regions and foreign countries outside the region. Currently, about 100,000 visitors, the same as the population of Yeongju, enjoy the festival. During the Yeongju Korean Seonbi Culture Festival, many visitors are able to feel the meaningful style, taste, and virtuosity of classical scholars [24].

2.2. Festivalscape

Many governments are using tourism as a local savior, recognizing the potential of tourism to function to promote regional economic development [25]. Among various tourism activities, festivals are used as a model for tourism activities and are used as a means to revitalize tourism [26]. These festivals are used to develop tourism around the world, as they attract many visitors during the festival period and increase the attractiveness of cities and communities as well as tourist destinations [27]. Festivals play an important role in social, cultural, economic, and political fields [28]; furthermore, they are a modernized means of economic development and increased international travel [29]. As such, festivals have an important function in making cities more dynamic and livable [30]. In particular, rural areas can be used as catalysts for economic and population decline or regeneration suffering from natural disasters [31].

In addition, festivals emphasize cultural heritage, providing visitors with a unique experience, strengthening national identity, encouraging social cohesion, and reminiscing ancestral roots [32]. As such, festivals also function as a place where visitors can revitalize and appreciate culture [33].

In short, regional festivals can revitalize the local economy and create new jobs by attracting tourists and inducing positive economic ripple effects by utilizing various regional specialties and various historical, cultural, and artistic resources available in the region [34]. Because of these various festival functions, business merchants attach great importance to exploring the value of these festivals [32].

However, the recent surge in excessive competition between local festivals poses a serious threat to the overall sustainability of festival tourism [35]. In the case of South Korea, too, there are phenomena of low tourist satisfaction due to the lack of unique vision or values of festivals, poor operation and management, poor festival programs, insufficient infrastructure, and service policies that do not effectively meet the needs of visitors [36].

In order to improve the effect on the region through the festival, it is necessary to manage the satisfaction of the visitors. According to service-related research, the concept of servicescape has emerged, which affects positive emotions and satisfaction of customers [37]. Accordingly, the concept of festivalscape is being used in the field of festival-related research. The festivalscape can be defined as a festival environment that includes various experimental perceptions of the service environment within the festival [38]. It can be said that similar to the servicescape, the festivalscape is the “physical environment, visible elements”, and event atmosphere [39].

According to previous studies, the festivalscape stimulates consumers’ emotions [40], improves satisfaction [38], and contributes to tourists’ perception of value [41]. In studies related to festivalscape, accessibility, environment, information, and souvenirs were included as factors of the festivalscape [38,42–44].

3. Method

3.1. Contingent Valuation Method (CVM)

CVM is used to estimate the value of a non-market good by utilizing hypothetical changes in the situation [45,46]. More specifically, the CVM method includes a question of asking whether or not and how much respondents are willing to pay (WTP) for a certain good and/or service under a proposed hypothetical scenario. This methodological approach allows researchers to easily elicit the monetary value of a certain situation or goods than other methods (i.e., travel cost method). The theoretical foundation of CVM is the random utility maximization theory, which posits that individuals often maximize their benefits (e.g., utility and welfare) by paying a considerable amount of money for a proposed situation [47]. Thus, one’s WTP is estimated based on the concept of welfare changes depending on the changes in the given hypothetical situation, not directly on changes in price itself.

CVM has been widely used in various studies due to its advantages over similar methods [48–51]. First, in a CVM study, a hypothetical situation, regardless of the real-world situation, is used to derive one’s WTP using a series of questions. Second, CVM can be applied to non-users as well to derive the implicit value of a certain good or service. Third, various indirect values (i.e., existence, option, and bequest values) can be assessed using CVM. Fourth, CVM can be used to assess the WTP or the “true” value of a certain market good if the market value (i.e., price) does not accurately reflect it.

While various methods and tools are used in CVM studies, the National Oceanic and Atmospheric Administration (NOAA) panel suggested a few recommendations for the application of CVM. The NOAA recommends the dichotomous choice (DC) format among various methods [52]. The DC format mimics the real-world choice situation with an incentive-compatible question, and more importantly, the DC format is easily manageable by consumers [45,53,54]. Thus, a double-bounded DC CVM (DB-DCCVM) was used in this study, including two sequential choice questions at different prices depending on the answer for the first question. A DB-DCCVM could estimate a more specific WTP range by including two sequential questions; thus, the outcome of a DB-DCCVM is more accurate based on a more efficient analytics approach [55].

3.2. Study Design and Hypothetical Scenario

The most critical consideration of CVM studies is the way of designing a hypothetical market scenario and the accurate study procedure, as recommended by Arrow et al. [52] and Mitchell et al. [46]. Thus, the survey procedures and the hypothetical market scenario used in this study attempt to mimic a real decision-making situation, provide detail explanations on the current and hypothetical situations, and use a realistic payment method and proper wording in the survey questionnaire. In order to provide detailed information, the first part of the survey questionnaire includes several questions related to the festival experience and perceived service quality. More specifically, questions such as past visit experience, accompanying persons, information channels, and perceived service quality are included

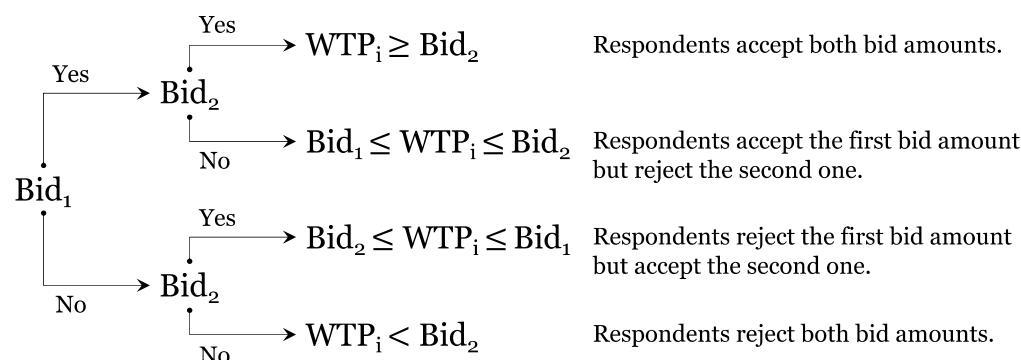


Figure 3. Possible choice categories of a DB-DCCVM.

According to random utility framework, the utility of each respondent includes a systematic and random component.

$$U = V(D, M, S) + \varepsilon \quad (1)$$

where V = deterministic component, ε = random component, M = income, S = individual characteristics, and D = a condition of a given situation.

The implicit meaning of the above equation is that respondents are only willing to pay for a given amount (i.e., bid_i) in the CVM question when they can expect significantly higher utility than before. The below equation describes the aforementioned condition.

$$V(1, M - bid_i; S) + \varepsilon_1 \geq V(0, M; S) + \varepsilon_0 \quad (2)$$

Thus, respondents would be willing to pay when the utility of a given hypothetical situation (e.g., situation change, development fund for a local festival) after paying for a certain amount is even greater than the utility of no change in the situation.

For respondents' characteristics in the above equation, this study includes gender, age, marital status, household income, past visit experience, the timing of festival visit decision (1 = plan in advance), the plan for pre/post trip (1 = visit surrounding destinations), and perceived festival quality (i.e., accessibility, environment, promotion, and souvenir). To empirically test the proposed model (Equation (2)), this study takes the utility difference approach using the DCchoice R package.

3.4. Data Collection

Data were collected from visitors who completed the festival experience through an on-site survey from 4–7 May 2018, when the festival was held. Among the non-probability sampling methods, the ratio of local residents and outsiders was considered based on the residence using the quota sampling method. Trained research assistants fully explained the purpose of the study and the contents of the survey and then collected data from the respondents who agreed to participate in the survey through the self-administered method. A total of 700 questionnaires were distributed. However, five returned surveys were deleted due to missing date, and 695 questionnaires were finally used for the analysis.

4. Results

4.1. Demographic Profile

The characteristics of respondents are presented in Table 1. Of 695 respondents, approx. 60% were female. For age distribution, 40s were the most frequently mentioned, followed by 60s or above (22.4%) and 50s (19.0%). Possibly due to the high percentage of older generations (60s or above), KRW 200 million and below was the most frequent monthly household income category in our study, followed by KRW 300–400 million and KRW 200–300 million. Slightly below 80% were married and approximately 60% were living outside of Yeongju-si, who can be considered as festival goers. Lastly, while slightly

below 60% were repeat visitors, the average visit frequency of repeat visitors was 3.63 visits. This information revealed that the festival attracts a considerable number of repeat visitors each year.

Table 1. Demographic characteristics ($n = 695$).

Demographics		Frequency ¹	Percentage	Demographics		Frequency ¹	Percentage
Gender	Male	272	38.6	200 and below	161	25.0	
	Female	423	60.1	200–300	123	19.1	
Age	10s	46	6.5	Monthly Household Income (unit: 1 million KRW)	300–400	138	21.4
	20s	82	11.6		400–500	81	12.6
	30s	108	15.3		500–600	64	9.9
	40s	176	25.0		600–700	26	4.0
	50s	134	19.0		700–800	12	1.9
	60s or above	158	22.4		800–900	4	0.6
Marital Status	Married	535	78.3	900–1000	11	1.7	
	Single	139	20.4	1000 or above	24	3.7	
	Others	9	1.3	Average	3.63		
Residence	Live in Yeongju-si	291	42.1	Past Experience	First-time Visitors	293	41.7
	Live outside Yeongju-si	401	57.9		Repeat Visitors	410	58.3

¹ Total for each demographic factor may not be the same as the total sample size ($n = 695$) due to missing values.

4.2. Study Variables

This study included three categories of study variables: demographic information, festival-related decisions, and festival quality. Descriptive statistics for each variable are presented in Table 2. Although age and monthly household income were measured using ordinal variables, this study considered two variables as continuous variables in order to (1) avoid the unnecessary loss of degree of freedom while estimating and (2) identify the general direct of the age and income effect, rather than simply executing a mean/median split. As can be seen in Table 2, approximately two-thirds planned to visit the festival in advance, implying that these people would be influenced by marketing and promotional materials for the next festivals. Additionally, 68% of respondents would visit or had visited surrounding destinations before or after festival visits. Lastly, the perceived quality of the festival by respondents was above average (mean_{accessibility}: 4.891, mean_{environment}: 5.222, mean_{promotion}: 5.426, mean_{souvenir} = 4.965, out of 7).

4.3. Model Estimation

Response patterns were derived from the non-parametric approach (Figure 4). As shown in Figure 3, response patterns met the expectation and/or the basic assumption that people are less likely to be willing to pay for a given bid amount if the price goes up. Furthermore, the Kaplan–Meier–Turnbull nonparametric approach was applied to calculate the mean WTP. The WTP for development fund of respondents in our study was estimated to be KRW 19,552.478.

Then, a parametric approach was used to empirically analyze a DB-DCCVM using the R package DCchoice [56]. Four types of demographic information, three festival-related decisions, and four festival quality variables were included in our empirical model. The results from the analysis are presented in Table 3. The development fund amount (log-transformed) in this study is statistically significant at the 1% significance level and was negatively associated with the intention to pay the amount ($\beta = -0.887, p < 0.001$). The negative sign is expected based on the notion of economic rationality, implying that the higher amount the development fund is, the less likely individuals would be willing to pay. Among demographic variables, gender (1 = female, $\beta = -0.547, p < 0.01$), age ($\beta = 0.210, p < 0.01$), and monthly household income ($\beta = 0.082, p < 0.05$) were statistically significant. Male, older, and higher-income respondents would be more willing to pay for

the development fund compared to female, younger, and low-income respondents. For festival-related decisions, past visit experience is the only variable influencing respondents' willingness to pay ($\beta = 0.377, p < 0.05$). This result indicates that repeat visitors would be more willing to pay for the additional fund, designed for the festival's sustainability. Lastly, the festival environment was positively associated with the intention to pay for the bid ($\beta = 0.201, p < 0.05$). Thus, the perceived quality of the festival environment would increase one's intention to pay and willingness to pay for the development fund. Unexpectedly, other quality-related variables were not significant in our model.

Table 2. Study variables.

Variable	Min.	Max.	Mean	SD	Skewness	Kurtosis
Demographic information						
Female	0	1	0.609	0.488	−0.445	1.198
Age	1	6	4.057	1.515	−0.361	2.157
Marital Status (1 = married)	0	1	0.434	0.496	0.265	1.070
Monthly household income	1	10	3.224	2.220	1.369	4.730
Festival-related decisions						
Past Visit Experience (1 = repeat visitor)	0	1	0.583	0.493	−0.338	1.114
Timing of festival visit decision (1 = plan in advance)	0	1	0.648	0.478	−0.618	1.382
Plan for pre/post trip (1 = visit surrounding destinations)	0	1	0.680	0.467	−0.770	1.593
Festival Quality						
Accessibility	1	7	4.891	1.477	−0.485	2.732
Environment	1	7	5.222	1.349	−0.646	3.282
Information	1	7	5.426	1.240	−0.757	3.532
Souvenir	1	7	4.965	1.303	−0.335	2.750

4.4. Total Economic Value by Visitors

This study then calculated the adjusted truncated mean using the method proposed by Boyle et al. [57] and Krinsky and Robb [58]. The mean WTP (development fund per person) was approximately KRW 24,608.0 (equivalent to 21.75 USD), and a 95% confidence interval was noted between KRW 20,902.4 and KRW 30,172.8. According to the festival organizer, the total number of visitors of the Yeongju Korean Seonbi Culture Festival was 102,700 (e.g. Table 4). Considering the adjusted truncated mean and the number of visitors, the total economic value of the Yeongju Korean Seonbi Culture Festival was approximately KRW 2.5 billion (KRW 24,608.0 × 102,700).

Table 3. Model estimations.

Factors	Estimate	Std. Error	z Value	Pr (> z)	
(Intercept)	4.532	0.611	7.412	$<2 \times 10^{-16}$	***
Demographic Information					
Female	−0.547	0.170	−3.214	0.001	**
Age	0.210	0.066	3.165	0.002	**
Marital Status (1 = married)	−0.011	0.177	−0.060	0.952	
Monthly household income	0.082	0.039	2.085	0.037	*
Festival-related decisions					
Past Visit Experience	0.377	0.173	2.181	0.029	*
Timing of festival visit decision	0.197	0.177	1.110	0.267	
Plan for pre/post trip	0.083	0.195	0.425	0.671	
Festival Quality					
Accessibility	0.061	0.077	0.797	0.426	
Environment	0.201	0.095	2.121	0.034	*
Information	0.077	0.101	0.760	0.447	
Souvenir	0.033	0.086	0.379	0.705	
log(bid)	−0.887	0.044	−19.989	$<2 \times 10^{-16}$	***

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

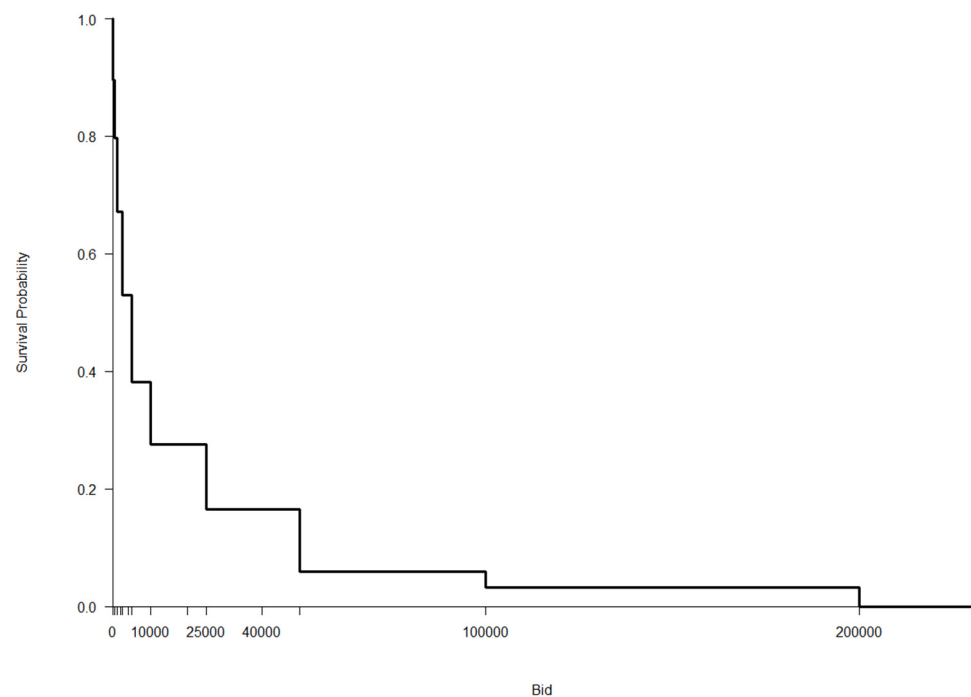


Figure 4. Response patterns from the non-parametric approach.

Table 4. Total economic value by visitors.

-	Estimate	95% Lower Bound	95% Upper Bound
Adjusted truncated mean	24,608.0	20,902.4	30,172.8
Total Visitors	102,700	-	-
Total Economic Value	2,527,241,600	000000	00000

5. Conclusions and Discussion

With the rapid extension of festivals in Korea, several associated problems have recently arisen. One of these is the heavy dependence on government supports that could influence the festivals' competitiveness and sustainability. A festival is not a one-time event, nor is it a business that can produce results in a single year. It is possible to secure stability in festival planning if stable support (supply) of festival resources is guaranteed. Namely, securing a stable budget is essential for the long-term planning. The determinants of the festivals' sustainability are three key pillars: the festival organization, festival funding, and the sustainability of the festival environment. Among them, festival funding plays the same role as the blood of an organism and is the core of festival sustainability. Securing the sustainability of festival resources is the most important prerequisite for the stable growth of festivals [19].

The ultimate goal of the current study was to suggest the practical implications for the continuous development of the local festival as a mean of succession of Korean traditional culture by estimating the monetary value of the 2018 Yeongju Korean Seonbi Culture Festival. To do so, we applied CVM using data collected onsite. The results revealed that the mean WTP (development fund per person) was approximately KRW 24,608.0 (equivalent to 21.75 USD), and the total economic value of the Yeongju Korean Seonbi Culture Festival was KRW 2.5 billion ($24,608 \times 102,700$). In estimating the WTP per person, this study found that gender, age, monthly household income, past experience, and the environmental aspect of the festival were statistically significantly associated with one's WTP for the festival development fund. The quality of accessibility and information were not significant. As expected, based on the economic theory, the cost of the development fund given to

respondents was negatively related to the WTP. The results of this study provide both theoretical and practical implications specifically focusing on tourism development, festival management, and economic sustainability.

5.1. Implications

This study has several theoretical implications. First, this study identified important determinants influencing festival goers' intention to pay for the additional development fund and consequently estimated the monetary value of the local festival by applying the CVM method. In our study, the festival environment, past visit experience, and some demographic factors were significant factors increasing festival goers' willingness to pay for the development fund. Interestingly, among four festival quality factors, the environment was only factor turned out to be a significant determinant for festival organizers. Thus, enhancing the quality of the festival environment would help to increase the competitiveness and the sustainability of the festival. Second, past visit experiences were another important factor influencing festival goers' intention to pay for the development fund. Earlier studies in the tourism and hospitality industry have repeatedly showed the effect of past visit experience on tourists' behaviors [59]. The results of this study confirmed again that repeat festival visitors would be willing to pay for the development fund for future festival events possibly due to their loyalty and positive previous visit experiences.

The results of this study also have several managerial implications. The festival environment has changed rapidly due to the development of advanced information technologies. With these changes and developments, festival organizers should carefully consider the concept of the festivalscape. As the festival environment among four festivalscape factors was positively related with festival goers' intention to pay for the development fund in this study, festival organizers must identify ways of enhancing the festival environment. Environmental changes in various festival venues should be attempted while considering the recent development of information technologies. For example, festival organizers can utilize AR/VR/MR/XR or similar technologies introduced in the field of tourism as a way to overcome physical and temporal constraints in order to share and educate cultural heritages that have become themes of the festival. In addition, a suitable festival venue should be designed based on the connection between the festival theme, the environment of the festival venue, and the convenience for festival visitors. Lastly, considering the characteristics of the festival enjoyed by local residents together with tourists, festival organizers should consider the movement of the elderly and the disabled within the festival venue in order to increase the satisfaction of festival visitors.

5.2. Limitations and Future Research

Although this study has useful implications for both academics and practitioners, there are some limitations that can guide future studies. The results of the current study cannot be generalized as this study is based on a particular local festival. Similar studies should be replicated to generalize the findings of this study. Second, this study may omit several important variables. For example, accompanying persons, family compositions (having a child or not), cultural capital/intelligence, and other similar variables can influence one's willingness to pay for the development fund. Third, festival experience, which is different from festival quality, could be applied in a similar context.

Local festivals represent an important potential means of achieving sustainable regional development by satisfying both economic factors, namely, revitalizing the local economy, and social factors, such as local residents' pride. In the case of festivals with low economic independence, it is necessary to revitalize the local economy by increasing economic independence through paid admission fees, development funds, or support for the local government. However, as the paid admission fee is still not well accepted in Korea [18,60], the development fund for the festival could be an appropriate method to improve economic independence. It is hoped that the results of this study provide a

foundation for the need of festival development funds for the economic sustainability of festivals and for festival-related policy design.

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