

A Study on the Impact of Musical Reputation on Consumer Satisfaction and Word-of-Mouth Intention with On-line Price Discount as a Moderating Variable

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Abstract

According to the data from KOCCA (Korea Creative Content Agency), of the sales channels for musical tickets during the first quarter of 2012, online sales took up a larger share than on-site sales. In general the factor determining profitability was price which also played an important role in consumers' decision to buy. Changes in price can stimulate demand. Moreover, consumers searched for information on musicals in accordance with reviews, reputation, convenience and price. The survey on musicals conducted in 2008 can be re-organized to show that the selection criteria for creative musicals in Korea included the quality of the work, reputation of the actors and price discounts. The ranking of search words used by consumers of performance art were reviews, reputation and price. This study seeks to investigate the effect of a musical's reputation and online discounts on the consumer's willingness to re-watch a musical.

Keywords: On-line Price Discounts, Reputation of a Musical, Satisfaction, Willingness to Re-Watch

1. Introduction

The musical industry is the performance industry among many different performance genres. Also, it is one of the fastest-growing industries in South Korea in the past 10 years. Musicals account for more than 40 percent of the entire performance market in terms of number of audiences. In addition, they accounts for about 50 percent of the market size. Currently, it is by far the largest performance art genres in South Korea in terms of sales revenue compared to popular music concerts (the second largest performance art genre), theatrical plays, classic concerts and traditional music concerts. According to the date published by the Korea Culture and Content Agency, the on-line sales are greater than the on-site sales in the first quarter of 2012. In general, price is a determinant of profits. It plays a critical role for consumers' decision

making for purchase. In addition, the viewing feedback was the most important source of information among consumers of performance art, followed by reputation, convenience and price. As for the selection criteria of local original musicals, musical quality was the most important factor, followed by popularity of actors, reputation and price discount. Moreover, with the increased popularity of SNS, those smartphone users are able to communicate actively with each other and have a significant impact on others through on-line networks such as Twitter or Facebook regardless of whether they have personal relationship with them or not. In particular, SNS has the advantage of obtaining and compare specific information, user evaluation and price information more easily in cultural art activities such as performance and exhibition. Furthermore, users would perform a promotional function as an essential

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communication channel that could activate the cultural art field that produces secondary information. On that account, SNS can serve as an efficient marketing tool for performance organizations because it guarantees a relatively wide range of access at a low cost. Thus, this study aims to examine the impact of musical reputation on consumer satisfaction and word-of-mouth intention and also conduct an empirical study as to the moderating effect of on-line price discount.

2. Theoretical Background and Research Hypothesis

2.1 Reputation of a Musical

Reputation plays an important role for consumers to determine the quality of a product. Dowling⁴ argued that 'reputation' and 'image' were a similar concept. Nak Hwan Choi and Jin Ryeol Lee⁸ said that consumers in the modern society flooded with a lot of products tended to choose a product based on specific reputation for making their decision. In particular, brand reputation becomes an important basis for corporations providing intangible services to determine quality level. Thus, reputation has emerged as a strategic tool to secure competitive advantages in a market because it was an important intangible capital. According to Yoon et al¹⁷, reputation is based on experiences and information. On that account, consumer satisfaction will increase and their brand loyalty will also increase when consumers hear the popularity of a particular product among customers as argued by Raj¹¹ or they encounter professional evaluation as to a product as mentioned by Porter¹⁰ said that reputation would evolve into a loyal relationship with customers. Thus, those corporations having strong and positive reputation would contribute to an improvement in corporate performance by leading customers' active participation. Reputation not only attracts new customers but also retain the existing customers. Thus, the following hypothesis was established in order to verify empirically the impacts of musical reputation on satisfaction.

Hypothesis 1: Musical reputation would have a significant impact on consumer satisfaction.

2.2 On-Line Price Discount

Price discount can be somewhat deemed as a relative loss price that arts organizations could not receive properly.

However, performance products are a dissipated asset. Thus, once a performance begins, those empty seats lose their value. On this account, the ability to sell tickets before value dissipation means that revenue is increased. According to the study of Tae Kyu Choi¹⁴, it was revealed that price and facility were the most important factors for increasing consumer satisfaction as to musicals. Bucklin and Lattin¹² proved that a purchase conducted through price discount using a coupon would have a positive impact on the probability of repurchase. That is to say, those people who already saw a particular performance might have had a higher degree of understanding about the value thereof. Consequently, they would likely respond to discount more positively. Therefore, this study was conducted on the basis of previous studies with the idea that price discount for original musical works would likely have a significant impact on satisfaction and word-of-mouth intention. On this account, the following hypothesis was established in order to verify the impact of on-line price discount on satisfaction.

Hypothesis 2: On-line price discount would have a significant impact on musical reputation and consumer satisfaction.

2.3 Consumer Satisfaction

Satisfied customers form a positive image as to a product. Thus, they would have a significant impact on positive word-of-mouth and marketing activities. As a result, it is an important variable in the marketing field. Westbrook and Oliver¹³ argued that satisfaction was an evaluative judgment after choosing a particular purchase. Therefore, satisfaction can be deemed as cognitive state in which one feels adequately compensated or exceeded by comparing a provided service with the exchanged value. In the performance industry, audiences feel satisfied through experience and satisfied customers will affect others' attitude by repurchasing or recommending it to others.

Moreover, customer retention cost is generally smaller than the cost to attract new customers according to the previous studies. Also, these studies indicated that the profits resulting from loyal customers are huge. In general, satisfied customers would repurchase a product with positive belief in that product. Oliver⁹ argued that customer satisfaction would increase repurchase intention rate by influencing post-purchase attitude. The satisfaction and dissatisfaction factors are affected through the satisfaction as to the price and performance perceived by consumers. Thus, they have a direct causal relationship

relationship with re-viewing. Thus, this study was conducted on the basis of the following definition for re-viewing intention in the musical marketing: it is whether to re-view the performance viewed for more than once. The following hypothesis was established in order to verify the impact of satisfaction with a musical on re-viewing intention.

Hypothesis 3: Consumersatisfaction would have a significant impact on word-of-mouth intention.

2.4 Word-of-Mouth Intention

Consumers are usually provided information for the first time through commercial advertisings provided by corporations. However, they tend to obtain information from their acquaintances who have experiences as to product information when they get close to purchase phase⁶. As such, word-of-mouth communication is delivered from mouth to mouth among people. Thus, it has the following important implications from corporate and consumer perspectives. First, word-of-mouth communication is a bidirectional communication rather than an unilateral communication just like commercial advertising. Thus, its impact is greater. That is to say, it is not about conveying or accepting information unilaterally. Rather, it is a communication activity in which everyone shares relevant information⁷. Given this unique nature of word-of-mouth communication, recipients are able to request for additional information or present counter-arguments as to the received information. Also, senders are able to exchange their opinion by expressing their perspective through this communication method. Second, word-of-mouth communication provides highly reliable information. Consumers have doubts about the information provided by corporations. They also believe that this corporate information may be exaggerated. However, word-of-mouth communication is often conducted among people within a conformity group such as friends and family members. Thus, recipients would likely receive senders' opinions or advices more naturally in a friendly environment. This is because they believe that the information obtained from friends or family members are more honest and reliable [1.2 percent]. Third, consumers are able to save time and cost through word-of-mouth communication. Information conveyed from friends or family members having relevant experiences in a particular product or service can save the time and cost for people to have the same experience. Moreover, it can reduce the risk factors related to purchase.

Hereupon, word-of-mouth communication plays a critical role from corporate and consumer perspectives as a human medium.

Hypothesis 4: Musical reputation would have a significant impact on word-of-mouth intention.

3. Empirical Analysis

This study aimed to analyze the impact of reputation of a musical on consumer satisfaction and the word-of-mouth intention of satisfied audiences for others. In addition, this study verified the impact of reputation of a musical on viewing satisfaction and word-of-mouth intention. Lastly, this study set on-line price discount in relation to mediating effect. To this end, the study model was established as shown in Figure 1.

3.1 Demographic Characteristics

The questionnaire sample used in this study was conducted with the people who had an experience of viewing the original musical called "Sherlock Holmes" during March of 2014. As for the demographic characteristics, this survey included the 177 women (82.3 percent) and the 38 men (17.7 percent) out of a total of the 215 participants. Hereupon, the ratio of women was very high compared to the men. Nonetheless, the main viewers of performance are usually women. Thus, this should not be deemed as a major issue. As for the age, the group aged between 20 and 25 years old accounted for the highest proportion (44.7 percent), followed by the group aged between 25 and 30 years old (25.6 percent). As for the educational level, those with a university degree accounted for the highest proportion (48.4 percent), followed by those enrolled in university (35.8 percent).

3.2 Reliability and Validity Analysis of Construct

To verify the established hypotheses and models, this study evaluated the reliability by using Cronbach's Alpha coefficients. It was found that a majority of variables were greater than 0.8. Thus, a higher degree of reliability was secured. To review the reliability of measurement items as to each construct used in this study before the hypothesis verification, this study conducted the reliability analysis. This study analyzed mainly those items extracted as a factor and the results are shown in Table 1. This study utilized Cronbach's α for the analysis of reliability verification. Cronbach's α of all measurement items is greater

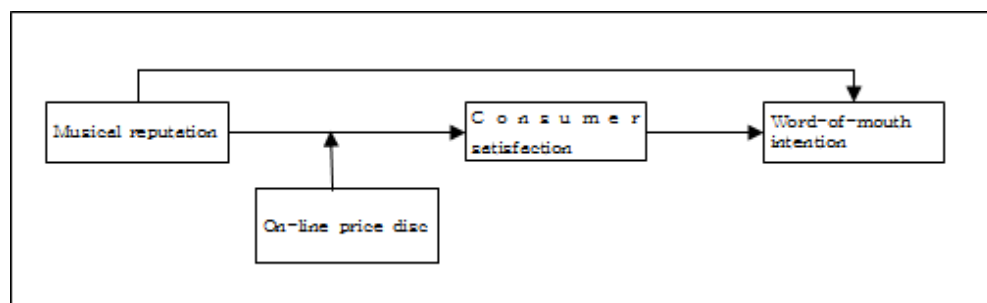


Figure 1. Study model.

Table 1. Result of reliability analysis as to components

Construct	Component Detail	Cronbach's α
Musical reputation	3 questions	.875
On-line price discount	3 questions	.812
Satisfaction	3 questions	.863
Word-of-mouth intention	3 questions	.914

than 0.7. Thus, it can be concluded that the measurement questions have a sufficient degree of reliability. Most of the items used in this study were extracted through the review of relevant literatures. Also, they secured the face validity because they underwent the adjustment process such as refinement of items. Moreover, this study examined the validity through confirmatory factor analysis as to the measurement items. The results of confirmatory factor analysis as to the entire model are shown in Table 2. It was found that a majority of goodness of fit tests were satisfied (chi-square/df = 254.724/120, GFI = .803, AGFI = .873, NFI = .852, TLI = .935, CFI = .835, RMSEA = .056). Therefore, it was concluded that the entire model was generally suitable for the sample data. As a result, the Average Variance Extracted (AVE) was calculated in order to validate the concentrated validity of constructs. Since its variance extracted index was greater than 0.5, it can be deemed to have concentrated validity. On that account, the proposed model of entire study is deemed generally suitable for the sample data.

3.3 Hypothesis Verification

3.3.1 Relationship between Musical Reputation, Consumer Satisfaction and Word-of-Mouth Intention

To verify the hypotheses of this study, this study established the structural equation model and

analyzed the paths as to the relationship between the constructs. The fit index of study model in this study is presented in Table 2. (chi-square/df = 254.724/120, GFI = .803, AGFI = .873, NFI = .852, TLI = .935, CFI = .835, RMSEA = .056). As a result of the goodness of fit test, all the fit values were deemed valid as a study model. Thus, this study model is recognized as a suitable model for the sample data.

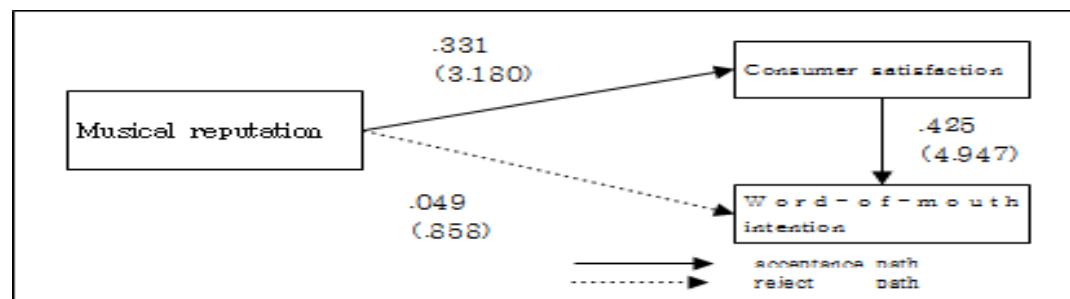
As a result of the empirical analysis, the path coefficients between the constructs were expressed as shown in Figure 2. The reputation of a musical was found to have a significant impact on consumer satisfaction ($p = .000$, S.E = .331 C.R = 3.180). Thus, this finding was consistent with the results of the previous studies. So, Hypothesis 1 was accepted. Next, as a result of verifying whether consumer satisfaction would have an impact on word-of-mouth intention, consumption satisfaction ($p = .000$, S.E = .425 C.R = 4.947) was found to have an impact on word-of-mouth intention. Therefore, Hypothesis 3 was accepted. However, reputation of a musical ($p = .021$, S.E = .049 C.R = .858) did not have a direct impact on word-of-mouth intention. Thus, Hypothesis 4 was rejected.

3.3.2 Verification of Moderating Effect of On-line Price Discount

To analyze the moderating effect between reputation of a musical and consumer satisfaction, this study conducted χ^2 difference verification.

Table 2. Result of confirmatory factor analysis of measured items

Construct	Measurement Variable	Factor Load	C.R.	Concept Reliability	Average Variance Extracted (AVE)
Musical reputation	Musical reputation1	1.000	-	0.858	0.598
	Musical reputation2	.924	10.410		
	Musical reputation3	.915	10.260		
On-line price discount	On-line price discount1	1.000	-	0.817	0.529
	On-line price discount2	.968	15.087		
	On-line price discount3	.975	13.768		
Consumer satisfaction	Consumer satisfaction1	1.000	-	0.802	0.533
	Consumer satisfaction2	.876	10.372		
	Consumer satisfaction3	.854	10.587		
Word-of-mouth intention	Word-of-mouth intention1	1.000	-	0.756	0.518
	Word-of-mouth intention2	.854	10.587		
	Word-of-mouth intention3	.912	11.832		
chi-square/df = 254.724/120, GFI = .803, AGFI = .873, NFI = .852, TLI = .935, CFI = .835, RMSEA = .056					



(chi-square/df = 254.724/120, GFI = .803, AGFI = .873, NFI = .852, TLI = .935, CFI = .835, RMSEA = .056).

Figure 2. Result of hypothesis verification.**Table 3.** $\Delta\chi^2$ Difference verification in accordance with the purchase grade between interactivity and flow

Model	χ^2	df	CFI	RMSEA	$\Delta\chi^2$	p-value
Free model	237.960	240	.857	.043	-	.000
Restricted model (Musical reputation → Consumer satisfaction)	247.587	241	.871	.044	9.637	.000

The path coefficient representing the causal relationship between reputation of a musical and consumer satisfaction was set as free (free model). Then, this study examined χ^2 change amount ($\Delta\chi^2 = 3.84$ or more) with the restricted model representing that the path coefficient values between the two constructs were equivalent (refer to Table 3.). As a result of verifying the difference in χ^2 change amount between reputation of a musical and consumer satisfaction, $\Delta\chi^2$ value was confirmed to be 9.637 in terms of χ^2 change amount between the free model and restricted model. Therefore, there was a significant difference in the path coefficient value. Thus, Hypothesis 4 was accepted.

4. Conclusion and Implications

This study is an exploratory study with the purpose of explaining the relationship between reputation of a musical, consumer satisfaction and word-of-mouth intention. Furthermore, this study verified the moderating effect of on-line price discount. As a result of the study, reputation of a musical was found to have an impact on consumer satisfaction. It was found that reputation of a musical induced audience to write positive feedbacks through on-line communities and SNS and also provide the information

related to a musical and performance such as award, nomination for an award and positive evaluation of relevant experts through various channels. Next, on-line price discount was found to have an impact on reputation of a musical and consumer satisfaction. Price discount affects consumer satisfaction; thus, it is required to consider and plan viewer attraction factors more strategically by providing diverse events including price discount because price discount would affect consumer discount. Moreover, consumer satisfaction was found to have a positive impact on word-of-mouth intention. The musical market is being expanded day after day. However, there is still an insufficient amount of efforts to attract viewers. In particular, it is required for those performance planners and producers of original musicals to make a lot of efforts in the marketing field for customer development because they need to create profits through long-term and sustained performances. Lastly, reputation of a musical did not have an impact on word-of-mouth intention. This implies that consumers are not satisfied simply with the fact that a given musical is well known among general public. Thus, it is imperative to have an adequate combination of talented actors, musical maturity and outstanding configuration in order to attract musical viewers. Moreover, it would also be imperative to provide information via on-line communities on a consistent basis so that viewers could create viral marketing. Also, those customers having received differentiated benefits would have a higher degree of satisfaction. Eventually, these customers will create positive viral marketing effect.

5. Limitations of Study

This study has the following limitations. First, this study studied the relationship with the impact of reputation of a musical on satisfaction and word-of-mouth intention. However, there exist various preceding variables influencing satisfaction and word-of-mouth intention. Also, there exist various characteristic factors in addition to reputation of a musical. Thus, it is necessary to identify and study the elements of different perspectives as to a musical, which would affect consumer satisfaction and word-of-mouth intention. Second, there exist other variables causing musical related satisfaction than price discount. Thus, it is necessary to consider such variables as reliability, reputation, loyalty and consumer involvement level, which are deemed to affect the formation of word-of-mouth intention in addition to satisfaction.

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