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The influence of Experiential Marketing on tourist satisfaction, purchase, repurchase and loyalty: the case of Madeira Island

Raquel Maria Freitas Pinheiro

Master's in hospitality and Tourism Management

Supervisor:

Professor Hélia Pereira, Marketing, Operations and Management
Department, Associate Professor
ISCTE Business School

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Acknowledgments

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Resumo

O Marketing Experiencial é uma estratégia focada na criação de experiências emocionais únicas e memoráveis. Esta abordagem de marketing permite a cocriação e formação de relacionamentos entre o consumidor e a marca. No turismo de destino, esta estratégia ainda não está muito desenvolvida. Assim, o objetivo desta dissertação é compreender a influência do marketing experiencial na intenção de compra, intenção de recompra, satisfação e fidelização do cliente, no contexto da Ilha da Madeira. Para tal, este estudo propôs um modelo conceitual aplicando o marketing experiencial através dos módulos experienciais estratégicos de Schmitt (1999). As correlações estabelecidas na estrutura foram baseadas numa extensa revisão de literatura. Os resultados revelaram que o marketing experiencial tem impacto positivo sobre todas as quatro variáveis. Embora todas as variáveis tenham uma correlação positiva com o marketing experiencial, a correlação com a satisfação do cliente produziu resultados mais sólidos. Além disso, correlações também foram testadas entre a satisfação do cliente com a intenção de recompra e a lealdade do cliente. Os resultados indicaram uma relação positiva em ambas. Portanto, deve-se reconhecer e agir de acordo com estes resultados, tendo em conta a possibilidade de obtenção de resultados positivos na indústria do turismo.

Palavras-Chave: Marketing Experiencial, Intenção de Compra, Intenção de Recompra, Satisfação do Consumidor, Fidelização do Consumidor

Sistema de Classificação JEL: M31 Marketing, Z32 Tourism and Development

Abstract

Experiential Marketing is a strategy focused on the creation of unique and memorable emotional experiences. This marketing approach enables co-creation and consumer/brand relationships. In destination tourism this strategy is still not well researched. Therefore, the aim of this dissertation is to understand the influence of experiential marketing on purchase intention, repurchase intention, customer satisfaction and customer loyalty, in the context of Madeira Island. To achieve this, the study proposed a conceptual framework applying experiential marketing through Schmitt's (1999) strategic experiential modules. The correlations established on the framework were based on extensive literature review. The findings revealed that experiential marketing has a positive impact on all four variables. Even though all variables were positively correlated with experiential marketing, the correlation with customer satisfaction produced the stronger results. Furthermore, correlations were also tested between customer satisfaction to repurchase intention and customer loyalty. The results indicated its positive relationship. Accordingly, these results must be acknowledged and acted upon considering its possible positive influence in the tourism industry.

Keywords: Experiential Marketing, Purchase Intention, Repurchase Intention, Customer Satisfaction, Customer Loyalty

JEL Classification System: M31 Marketing, Z32 Tourism and Development

Table of Contents

Acknowledgments	iii
Resumo	v
Abstract	vii
List of Tables	xi
Table of Figures	xi
List of Abbreviations	xiii
Chapter 1. Introduction	1
1.1.Introduction to the topic	1
1.2.Research Problem	2
1.3.Objectives	3
1.4.Structure	3
Chapter 2. Literature Review	5
2.1. Experiential Marketing	5
2.1.1. Strategic Experiential Modules and Experience Providers	9
2.1.2. Customer and Brand Experience	10
2.1.3. Edutainment Experience	11
2.2. Tourism Experience Co-Creation	13
2.3. Experiential Value	15
2.4. Customer Satisfaction	18
2.5. Customer Loyalty	19
2.6. Purchase Intention	19
2.7. Repurchase intention	20
Chapter 3. Methodology	23
3.1. Research Design	23
3.2. Conceptual Model and Research Hypotheses	23
3.3. Research Approach	25
3.4. Data Collection Process	25
3.5. Measurements	26
3.6. Sample	27

3.7. Statistical Procedures	29
Chapter 4. Analysis	31
4.1. Principal Component Analysis and Reliability	31
4.2. Hypotheses testing	32
4.2.1. The Mann-Whitney test	32
4.2.2. Spearman's correlation coefficient	33
Chapter 5. Conclusion	37
5.1. Discussion	37
5.2. Theoretical Implications	38
5.3. Managerial Implications	38
5.4. Limitations	39
5.5. Further Research	40
References	41

List of Tables

Table 1 - Demographic Characteristics of the sample. Source: own elaboration	28
Table 2 – Principal component analysis and Cronbach's Alpha results. Source: own elaboration.....	32
Table 3 - The Mann-Whitney test. Source: own elaboration.....	33
Table 4 - Spearman's rho test. Source: own elaboration.....	33
Table 5 - Spearman's rho test. Source: own elaboration.....	34
Table 6 - Hypotheses results. Source: own elaboration.....	35

Table of Figures

Figure 1 - The Progression of Economic Value. Source: Pine & Gilmore (1999)	6
Figure 2 - The Experience Realms. Source: Pine & Gilmore (1999).....	7
Figure 3 - Experiential Marketing. Source: Schmitt (1999)	8
Figure 4 - Consumer Edutainment Experience. Source: Addis (2005)	12
Figure 5 - Experience co-creation space. Source: Neuhofer et al., (2012).....	15
Figure 6 - Typology of Experiential Value. Source: Mathwick et al., (2001).....	17
Figure 7 - Relationship between Experiential Marketing, CSAT and CL. Source: Öztürk (2015).....	19
Figure 8 - Conceptual Framework. Source: own elaboration	24

List of Abbreviations

CL - Customer Loyalty
CROI - Consumer return on investment
CSAT - Customer Satisfaction
DREM - Direção Regional de Estatística da Madeira
EVS - Experiential Value Scale
eWOM - Eletronic Word of Mouth
ExPros - Experience Providers
PCA – Principal Component Analysis
SDL - Service Dominant Logic
SEMs - Strategic Experiential Modules
SQ - Service quality
VEE - Virtual Edutainment Environment
WOM - Word of Mouth
XM – Experiential Marketing

Introduction

1.1. Introduction to the topic

We are living in an increasingly competitive world. In this sense, the aim to develop touristic attraction and differentiation amongst rival touristic destinations contrived place management and destination marketing into focusing their strategy towards branding (Braun, 2012; Hart Robertson, 2015). The branding strategy is, according to (Braun, 2012) correlated with “urban governance”. Accordingly, throughout the years, policy makers have shown progressively interest in adopting experiential branding to boost tourism distinguishing the cities through experiential marketing (Braun et al., 2014; Hart Robertson, 2015).

Studies have shown that consumer behavior is highly influenced by memory of past experiences (Lehto et al., 2004). Consequently, the marketing core shifted from the product itself (tangibility) to the importance of stimulating emotions later transformed into memories (intangibility) creating consumer experience (Celeste & Lobo, 2009; Gentile et al., 2007; Hart Robertson, 2015). A positive consumer experience enables an emotional connection resulting in the increase of value, satisfaction and customer loyalty (Schmitt, 1999; Gentile et al., 2007). Therefore, to imprint a position in the market, the providing of customer personalization and remarkable experiences is essential.

In the last decades, Madeira Island has distinguished itself amongst the top touristic destinations. In fact, it has been awarded for several consecutive years as the best insular destination in Europe and the world. In Madeira, tourism is of major importance and is considered by many the anchor for the development of its economy. It is the sector that provides economic security therefore it is heavily attended considering all the structural changes in demand and of the tourist profile. Thus, it is of major importance that the island maintains its attractiveness, innovating when needed, in order to ensure social and economic stability. (DREM, n.d.)

Considering this, it is important to invest in the appropriate marketing strategy in order to ensure the best outcome. Experiential marketing has already been integrated in the tourism of Madeira Island, especially when focusing on its cultural events that convey the major tourist agglomeration. Another relevant aspect of Madeira in this new marketing approach is the use

of social media to promote experiences and tourist co-creation. (M. Marujo, 2014; Tussyadiah & Zach, 2013)

1.2. Research Problem

In recent years, experiential marketing has emerged as a hot topic in the marketing industry. Therefore, several authors have shed light upon its focus, features and benefits. (Schmitt, 1999; Gentile et al., 2007; Schmitt, 2010; Schmitt & Zarantonello, 2013; Tynan & McKechnie, 2009)

In the 1999 article from Schmitt, the author pioneered in the matter explaining the difference of this new approach from traditional marketing. Also, in this article, the main characteristics of experiential marketing were expounded as well as how to implement it and its importance for capitalization in the new era. (Schmitt, 1999)

Celeste & Lobo (2009) goes further in depth on the impact of this new marketing concept on costumers' perception of a brand's essence. The research showed positive results in involving costumers into experiences as a way of changing brand perspectives leading to positive word of mouth, encouraging buying behaviors and loyalty. Also, Nigam (2012) studied the relationship between this type of marketing and buying behaviors concluding that experiential marketing is a fundamental basis to influence purchase intention. The sense, feel, act, think and relate perceptions gathered by customers resulting in the creation of memorable experiences ensued in the increase of the purchase intention.

Further, a study accomplished by Yang (2009) indicated that sense experiential marketing, explained by Schmitt (1999) through the Strategic Experiential Modules, is strongly associated with customer satisfaction and repurchase intention. Research undertaken by Zena & Hadisumarto (2013) proved that experiential marketing is fundamental for the creation of customer satisfaction and therefore loyalty. Thus, verifying the theory mentioned by (Kotler, 2003) that customer satisfaction is a must condition for the creation of loyalty.

Further, Wahyuningtyas, Fauzi, & Zainul (2017) explain that a memorable experience is the dominant factor in the preservation of customer loyalty in this competitive era. The first result gathered, met for the most part with the Yang (2009) research where sense had positive impact on customer satisfaction. Wahyuningtyas, Fauzi, & Zainul (2017) see it as an important aspect on the creation of differentiation and value. In the study, the other SEMs (think, feel, act and relate) that create a memorable experience, all had positive correlations to the creation of customer satisfaction. Regarding these findings the study also tested positive for customer satisfaction contributing to customer loyalty and repurchase behavior.

Even though prior research has been made on the topic of Experiential Marketing, research on its linkage to destination tourism is limited. Thus, a gap can be identified in the literature as no previous studies have been made concerning the impact of experiential marketing in these four aspects combined (customer satisfaction, purchase, repurchase and loyalty) regarding the tourism in a small island which by itself has different peculiarities than homeland tourism.

For instance, small islands are found to be extremely dependent on tourism as the main source of income considering its characteristics: “small population, low productive capacity, ecological surroundings and pleasant climates” (Shareef & McAleer, 2005, p.313). Islands are vulnerable to risk due to natural disasters and natural activities which is important in the decision-making process for the tourist. A critical aspect of this type of tourism is the limited resources and seclusion of the territory, making its visit more expensive due to the nature of conveyance: sky or sea. (Shareef & McAleer, 2005)

1.3. Objectives

As stated in the previous chapter, experiential marketing has undergone several studies. However, the majority are linked to its effect in companies, for instance, restoration, entertainment facilities, different type of stores, and so on. Even though there are already studies mentioning its effects on tourism, they are not focused on the following variables combined: customer satisfaction, purchase, repurchase and loyalty. The literature gap previously mentioned, influenced the concept of this dissertation where the main objective is to explore the influence of experiential marketing in customer satisfaction, purchase, repurchase and loyalty focusing on small island tourism, in this case, the Madeira Island.

The overall goal is, through hypotheses, understand if all four variables contribute positively to Madeira’s tourism, detailing each variable impact on this regard. It is interesting to understand if there are tourists motivated by this type of marketing and therefore understand in what means the island can adapt their methods to increase its attractiveness and boost its tourism.

1.4. Structure

This present work is branched in 5 chapters.

Chapter 1 introduces the main topic, experiential marketing, within the literature, and provides a contextualization regarding Madeira Island. Also, the identification of the gaps and subsequent research problem are identified, as well as the objectives of the research.

In chapter 2, the literature review is presented. This chapter contains 7 subchapters. In the first part, the concept of experiential marketing is explained. In this subchapter, the SEMs introduced by Schmitt are conferred. In the second subchapter, the tourism experience co-creation is presented, followed by the interpretation of experiential value. In the last 4 subchapters, the variables in the study are explained as well as its relationship with experiential marketing.

The methodology is approached in the third chapter where the research methods are identified. In this section, the conceptual framework is presented, and the sample is explained and analyzed. This chapter also contains the measurements and statistical procedures.

Consequently, the analysis of the data will be propounded in chapter 4 followed by the conclusions of the research in chapter 5.

Literature Review

2.1. Experiential Marketing

The digital revolution marked the beginning of a new era, the information era. The implementation of advanced technologies favored not only information availability and sharing but also communications. Undoubtedly, the marketing industry was shaped around this revolution: increase of competition and customer demand, focus in customer satisfaction and relationships. (Melewar & Smith, 2003; Rust & Espinoza, 2006)

A highly competitive industry and the need to create a position in the market shifted marketers from traditional marketing to experiential marketing. In this new approach, the focus is in the creation of experiences rather than tangible products. (Ihtiyar et al., 2019). Schmitt (1999) mentions that the transition was sustained by three principles: (1) the ubiquitous influence of information technology (IT) stated in the previous paragraph; (2) the importance of branding; (3) the rise of a deeply communicative and engaging environment. The development in IT's enabled the creation of an "experiential universe" where emotions are shared through customer-customer and company-customer communication. Thereby, companies can provide the right emotion by placing themselves as the consumer. It is important to position companies as a brand to differentiate as a means for providing and strengthening customer experience. In this sense, Andersson (2007) suggests that it is meaningful to consider the customers' consumption set in order to meet their experiential needs. (Schmitt, 1999)

The notion of focusing on "hedonic value" rather than "utilitarian" was the foundation for the progression to experience economy (Schmitt, 1999; Gentile et al., 2007; Schmitt & Zarantonello, 2013). The increasing economic progression is explained by these authors as well as by Pine & Gilmore (1999, 2011), the firsts to introduce experience economy. In the early stages, the economic value focused on goods prevent from natural resources later used in commerce. The Industrial Revolution was the pioneer in the concept of manufacturing economy. Although this type of economy did not disregard the previous, the focus was on product creation. Further, the importance given to services over products created service economy: the focus lies on the service element of the product. Moreover, with experiential marketing came experience economy characterized by creating customer experience as the base for economic value creation and differentiation. Pine and Gilmore concluded that in the upcoming era companies' success could not be sustained by price competition only and the first

though of experiential marketing was constructed. The overall idea was that buying experiences along with products and services was the new form of growth and profitability (Fig.1). (Schmitt, 1999; Pine & Gilmore, 1999)

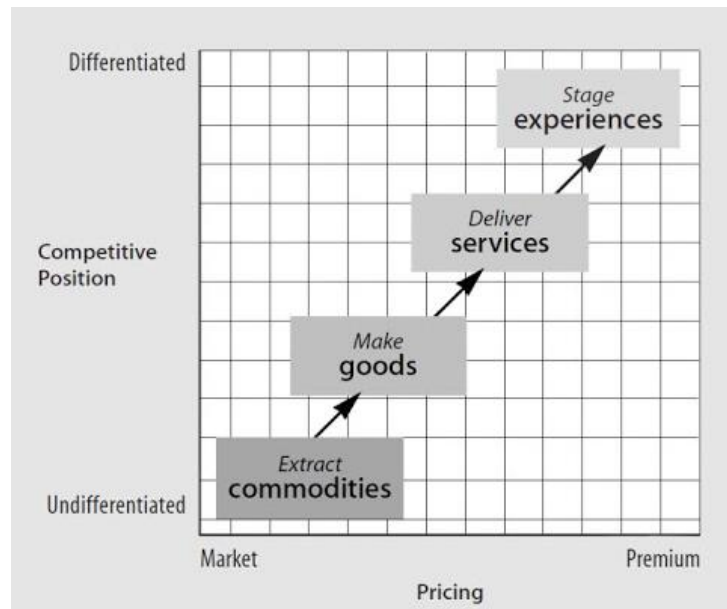


Figure 1 - The Progression of Economic Value. Source: Pine & Gilmore (1999)

To support these primary ideas into practice, Pine & Gilmore (1999, pp. 30-31) describe the engagement of customers in behalf of experiences under two dimensions: “level of guest participation” and “environmental relationship”.

The first dimension established acquires two characteristics: active and passive. Active participation aligns with co-creating the experience, where the participants personally influence the experience. On the other hand, passive participation, imply participants who do not take active part in the experience, consequently not influencing the experience. However, it does not mean that the participants are not part of co-creating the experience since they are part of the visual and auditory experience. (Pine & Gilmore, 1999) The second dimension, “environmental relationship” describes the participants’ result with the experience. This dimension is described by the authors under two concepts: absorption (when the participant mindfully absorbs the experience) and immersion (the participants, in all levels, take part of the experience) (Fig.2). (Pine & Gilmore, 1999)

Through the evaluation of these dimensions the authors determine what they call of the four experience realms.

1. *The Educational*: The active participant absorbs the experience in the form of increased knowledge or skills, of the body or of the mind, however these participants do not have a major impact on the experience. i.e. Wine Safaris

2. *The Escapist*: The participant is altogether immersed in the experience, participating and influencing it. The participants like the feeling of experiencing a different world or sensation. i.e. Virtual Reality

3. *The Esthetic*: It is required that the participant be immersed in the experience, however they are not required to participate on the experience. i.e. visiting a gallery.

4. *The Entertainment*: The passive participant absorbs the experience without actual engagement. i.e. watching TV. (Pine & Gilmore, 1999, 2011)

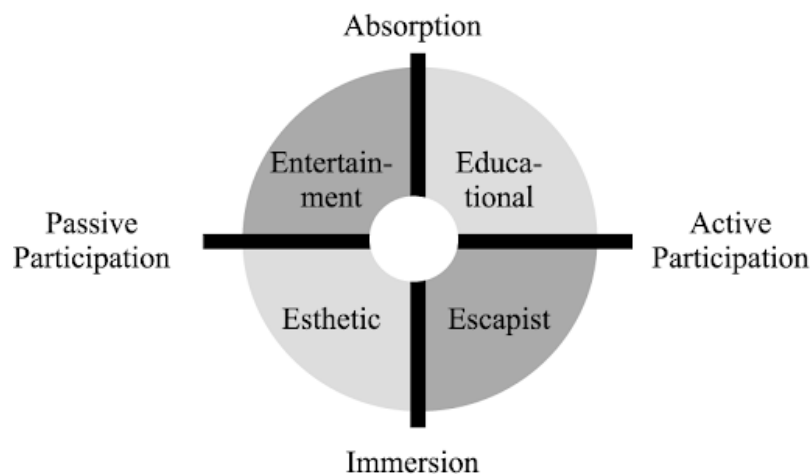


Figure 2 - The Experience Realms. Source: Pine & Gilmore (1999)

The authors explain that these “realms” or type of experiences are not independent from one another, elucidating to the combination of all four would result in the strongest customer impact, in the authors words, “the more sensory an experience, the more memorable it will be” (Pine & Gilmore, 1999, p.59). Also, Petkus (2004) enriches this idea with his research of the Pine & Gilmore’s work, mentioning that the entertainment realm implicates sensing, the educational realm learning, the escapist realm doing and the aesthetic realm just being there. This citation and idea elucidate on the research undertaken by Schmitt (1999) which will be further explained in section 2.1.1.

Furthermore, Schmitt (1999) explains experiential marketing under four distinct characteristics (Fig.3).

The central attribute of this type of marketing is the shift from the focus in the product’s features and benefits to the focus on customer experiences further explained on chapter 2.1.2. In this sense, Schmitt focus in the experience’s outcomes: sensory, emotional, cognitive,

behavioral and relation values, further explained as SEMs. Overall, these values replace the values once given to the product in order to leave an impression and urge the brand into the customers and most importantly creating a company-customer connection (“Customer Experience”). (Schmitt, 1999; Smilansky, 2017)

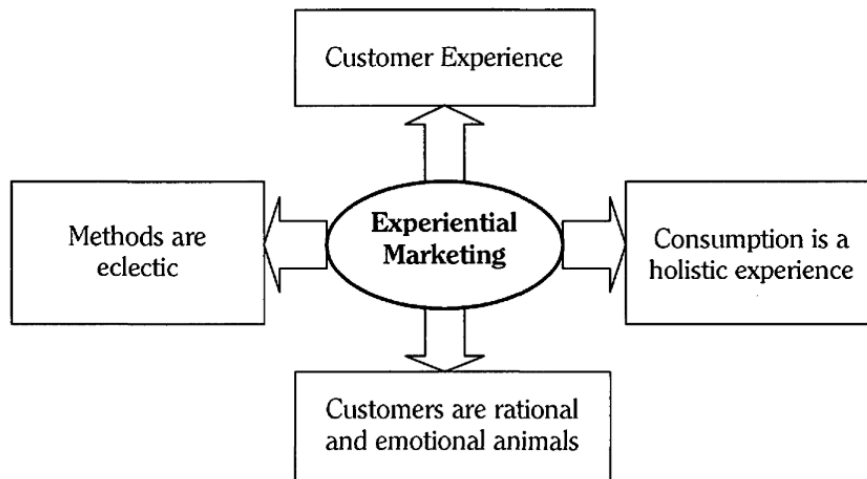


Figure 3 - Experiential Marketing. Source: Schmitt (1999)

Furthermore, the author explains that instead of thinking about a product, experiential marketers examine firstly a consumption situation from where the purpose is the creation of a consumption experience through, for instance, a product in favor of experience heightening (“consumption is a holistic experience”). (Schmitt, 1999; Smilansky, 2017)

In experiential marketing customers are both rational and emotional. Even though they pursue rationality in their choices, they are commonly driven by their emotions. At this point, consumption experiences are important since they intent to engage customers through “fantasies, feelings and fun”, the overall goal being their captivation through unforgettable experiences (“customers are rational and emotional animals”). (Schmitt, 1999; Smilansky, 2017)

Moreover, contrary to traditional marketing, characterized by its analytical nature, quantitative nature and verbal methodologies (questionnaires, in-depth interviews, focus groups), experiential marketing is defined by its non-traditional methods of intuitiveness and multifariousness. In this approach, traditional methods can be used mixed with qualitative, intuitive, innovative methods depending on its objective (“methods are eclectic”). (Schmitt, 1999; Smilansky, 2017)

Additionally, the following chapter will explain two concepts created for experience management.

2.1.1 Strategic Experiential Modules and Experience Providers

Strategic Experiential Modules were created by Schmitt as means to help in the managing of different types of customer experiences. The module is attributed to matters of the mind and behavior since the author believe that understanding and working towards them is the key to pricing and strategic advantage. (Schmitt, 1999)

As referred previously by Pine & Gilmore (1999) and Petkus (2004), Schmitt also refers to experiences distinct structure and features, and the importance of combining them to reach the best customer response. In his work there are five types of experiences:

1. *Sensory experiences* (SENSE): all the experiences that heightens all the five senses – sight, sound, touch, taste and smell – the goal is to provide “aesthetic pleasure, excitement and satisfaction” through them, consequently providing customer engagement, differentiation and product value. (Schmitt, 1999; yu & ko, 2012)

2. *Affective experiences* (FEEL): appealing to the inner feelings and customer emotions for positive brand achievement. The goal is to identify the stimuli that can create emotions of empathy. These can vary from person to person depending on personality or even culture. (Schmitt, 1999)

3. *Creative cognitive experiences* (THINK): comes hand in hand with the co-creation feature of experiential marketing. The goal is for customers, through a cognitive experience, use their creativity in problem-solving conditions. With engagement strategies such as provocation or intrigue, the companies can rethink on the company and products itself. (Schmitt, 1999; yu & ko, 2012)

4. *Physical experiences, behaviors and lifestyles* (ACT): The goal is to motivate, inspire and through experience target certain emotions to possibly lead customers on a different lifestyle. It targets their act on changing. (Schmitt, 1999)

5. *Social-identity experiences* (RELATE): It is a broader combination of the previous experiences mentioned. It does not target personal feelings but instead the objective is creating a feeling of being a part of a certain identity, relating the customer to a wider social group since the customer is more likely to invest in a brand they identify themselves with. (Schmitt, 1999)

The author goes further to explain the implementation process of these SEMs. This is where Experience Providers emerge. After the analysis of the SEMs the companies must move to the ExPros in order to choose the best method or tool to deliver the experience to the customer. This pro must be coherent, consistent, and detailed.

As ExPros, Schmitt mentions: communications, visual and verbal identity and signage (logos or names), product presence (all process of the creation of the product from the design to packaging and display), co-branding, spatial environment (environments that represent the brand's image), electronic media, and people. (Grundey, 2008; Schmitt, 1999)

The five personal responses for customer stimulation are key for managers, so a marketing analysis is necessary to understand the right ExPros to adapt. (Schmitt, 1999; yu & ko, 2012)

Furthermore, to better understand experiential marketing it is important to have a notion on the meaning of experience in all fields.

2.1.2 Customer and Brand Experience

The marketing literature explains the importance of establishing a sustainable competitive advantage. Thus, the globalization and technological development came to sustain this notion even more. Though authors have specified the importance of a customer driven marketing strategy in favor of achieving competitive advantage, only in recent years have marketers been focusing on customer relationship management. The increased centralization on the customer resulted in the acknowledgment of the importance in following the experiences originated in this relationship creating the notion of customer experience. (Schmitt & Zarantonello, 2013; Webb et al., 2000)

Initial studies highlighted the idea of experience isolated from goods and services. The focus was on human behavior studies regarding the emotional aspect of the stages of consumption and the experience. Also, the purchase experience was linked to personal engagement and memorable experiences. (Lemon & Verhoef, 2016)

However, in later years, Schmitt et al., (2015) explained the two-value creation dimensions (materialism and experientialism) of goods and services. Instead of viewing experiences separate from goods and services, the research showed that psychological value can be obtained from both dimensions. Therefore, in this study the authors concluded that consumer experiences carry both these characteristics. The material dimension can be perceived as the monetary value, performance and utility whereas the experiential dimension falls upon the design, aesthetics and sentimental value. Both dimensions can have low or high value depending on the customer assessment. Thus, individuality and culture are determinant factors, considering that, for instance, materialism differs from person to person. (Schmitt et al., 2015)

Brakus et al., (2009) explain that experience takes place when the consumer searches, examines and evaluates the service or product (product experience), when they acquire the product/service (shopping and service experience) and when they consume it (consumption

experience). Therefore, it is important for marketers to understand the impact of atmospheric variables, staff conduct and companies' policies, in the customer's perceptions of the brand, personal feelings and overall satisfaction. (Arnold et al., 2005; Grace & O'Cass, 2004)

Additionally, marketers have been focusing on brand experience with regards to its importance in developing the appropriate marketing strategy for goods and services. The goal is to portray positive feelings, sensations to emotionally connect consumers to brands, attaching them and creating long lasting relationships. The brand-related stimuli which is part of the brand's design and identity (advertisement, design, communication, environment, identity and packaging) creates subjective consumer responses specified as brand experience. Altogether, customer experience is the perception of the customer about a brand. (Brakus et al., 2009, 2009; Schmitt et al., 2015)

In this sense, customer and brand experience, gathered in the costumers' memory, has been considered by authors as fundamental for customer loyalty creation, improving economic value and providing strong and abiding relationships.(Kleinberger et al., 2007; Lemon & Verhoef, 2016; Pine & Gilmore, 1999; Reichheld & Teal, 1996; Verhoef et al., 2009)

2.1.3 Edutainment Experience

The advancements in technology influenced the shape between company-customer (multi-channel marketing and media) and consequently impacted the customer journey. In addition, social media influenced the customer-customer communication, in other words, electronic word of mouth. Since experiences have a social nature, companies face more difficulties when it comes to its control. For this reason, the creation of multiple work roles inside the company is compelling for a positive creation and delivery of experiences. For instance, big companies such as Google and Amazon have understood this importance and now have positions, such as customer experience officer and manager, committed to manage customer touch points, create and deliver experiences. (Lemon & Verhoef, 2016)

As concluded in the previous chapters, experience can result in the absorption of knowledge and skill. Further, Addis (2005) shares light on the concept of edutainment consumption as an experiential feature. The concept arose as the merge of education with entertainment.

According to Addis (2005, p.730), "consumption is the experience derived from the interaction between a subject (the consumer), and an object (i.e. a product, an event, an idea, a person) within a given context". This interaction is a necessary factor for the creation of an experience and allows for the interpretation of cultural consumption as a form of enjoying about culture or art while learning, aligning with Pine & Gilmore's study. The object's message

generates edutainment that creates, through the subject's personality, a subjective response to the experience. Further, the integration of both of these aspects creates a personal edutainment experience (Fig.4). (Addis, 2005)

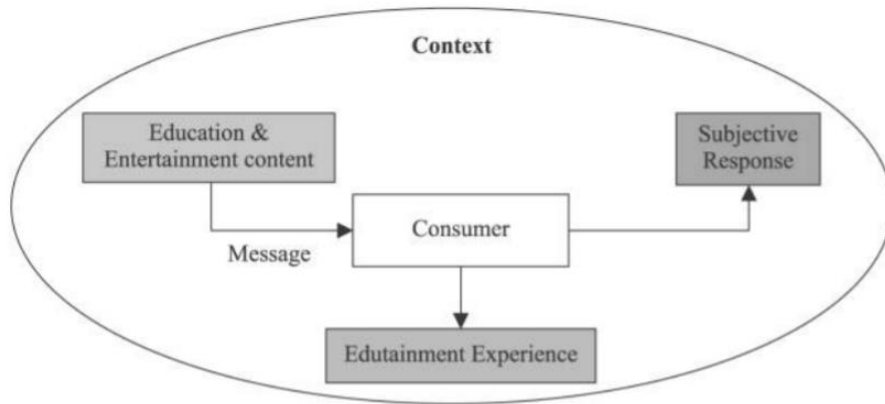


Figure 4 - Consumer Edutainment Experience. Source: Addis (2005)

The use of new interactive technologies influences the acquisition of edutainment experience. It stimulates the senses, transforms and enhances the message and consequently the experience value. Technology acquires characteristics relevant to the creation of the experience. For instance, the capability of interactivity is influential since it allows for the consumers to promptly learn about their interests. On the other hand, the recreated message acquires a new form set in a new environment that the author describes as “Virtual Edutainment Environment”. In this environment, one or more customers can experience, with more than one sense, the recreated message enabling experience interaction, one of the main characteristics of implementing technology. Consequently, it heightens the co-creation aspect of experiential marketing. (Addis, 2005; Shih, 1998)

Moreover, the interpretation of the experience on an interactive level progresses with the joint of the message, customer and context. The interactive aspect enables a new sense of customer responsibility since it is the user that chooses the learning topic, and the virtual nature allows for an easy and quick response. In addition, the message can also be recreated in a virtual environment, adding new details that grants entertainment boost. Also, the technological nature creates the possibility of experience association with different contents, subjects, and multimedia tools. Therefore, the information becomes more detailed and complex but also more appealing. (Addis, 2005)

Furthermore, edutainment has been positively explored in different areas including tourism and education. (Hertzman et al., 2008; Sorathia & Servidio, 2012) For instance, due to the pairing of entertainment with meaningful, significant, and informative cultural and historical

experiences, heritage tourism has evolved from the notion of a solo leisure to an educational activity. Considering experience seeking of the new tourist profile explained on the following chapter, edutainment has been a distinguishing tool in the tourism field. (Hertzman et al., 2008)

Congruently, Hertzman et al. (2008) studied the influence of edutainment in the industry with a case study on Storyeum, an edutainment heritage touristic attraction in British Columbia. The space resorts to dramatizations, technological effects, and music to present their heritage content (historical and cultural information) to the public, therefore educating while entertaining. The results of the case study showed that most of the participants rated the experience with a high level of entertainment, and more than half acquired the experience as educational and informative. The edutainment content was considered positive, memorable and emotional (i.e. inspirational, moving). Importantly, the participants verified its educational value. An influential attribute is the participants' perception of the entertainment factor being a conduct for a simplified learning experience. Also, the subjective and personal nature of experiential marketing and particularly edutainment, was identified as being influential in the participants' interpretation of the experience. Therefore, the social nature of edutainment was also identified as granting the opportunity for co-creation through participants' shared experiences. (Hertzman et al., 2008)

2.2. Tourism Experience Co-Creation

As briefly mentioned in the previous chapters, the involvement of the consumer in their own experience is significant for the creation of value. Prebensen et al. (2013) explains this engagement behavior as the co-creation of value. Since customers associate experiences with value, co-creation is defined by the interaction of at least two parties that work together to mutually benefit in value creation and innovation (Frow et al., 2011). Through experiences, customers engage in an emotional, physical and intellectual level. Accordingly, companies are now focusing in co-creation as means of ensuring experiences that satisfy their costumers' needs. The customers contribute with time, knowledge and creativity to tailor their own experiences. This focus drifted the notion of centrality of the product/service as means of reaching customers through strategies such as positioning, to their active contribution in the creation of the product/service. The co-creation of value is the primary idea for the Service Dominant Logic where ones expertise is used to benefit others therefore benefiting from others expertise. (Buonincontri et al., 2017; Campos et al., 2018)

The tourism industry is no exception to this notion. Throughout the years, a new type of tourist has been shaped. Pirnar, Icoz, & Icoz (2010) characterized the new profile. The new tourist is experience and technologically driven, independent, adventurous, sustainable, looking to experience new cultures and to destress. Thus, ensuring a memorable and personalized experience is now crucial to engage and satisfy tourists. When customers partake in the experience the memorability of the experience is increased. Since co-creation acquires consumer's active participation and therefore company/consumer communication, which enriches the value of the experience, companies are able to offer a personalized and adapted product to the expectations and needs of the consumer. (Berrada, 2017; Campos et al., 2016, 2018; Valls et al., 2019)

The co-creation process is based on consumer's past experiences and interactivity. Thus, it is part of three stages of the travel customer journey: pre-travel phase, on-site phase and post-travel phase. The tourist can co-create by searching for information of the destination and tourism activities. Through interaction with service providers customers are able to design their own experience. During the travel, the tourist participates in activities creating a unique and meaningful experience. The post-travel is equally as important, as tourists share their experiences with their own personal resources. From this, companies are able to improve their customer experience. (Berrada, 2017) The company's hand in the encouraging of customer participation is thereby influential. Due to the proximity of frontline employees to the customers, their contribution to the co-creation is essential. In this sense, they act as facilitators to the interaction, directly communicating and understanding needs and wants. (Campos et al., 2018)

Co-creation also acquires social features. Since tourists are in contact with tourism suppliers and other tourists during their stay, they experience the destination in a experience co-creation space where tourists co-create collectively through, for instance, events, festivals, activities (Fig.5) (Neuhofer et al., 2012). Thereby, it is important to facilitate an interactive space for the co-creation between the three actors (the consumer, the suppliers and the tourism co-consumers). New technologies have, therefore, emerged as supportive tools for co-creation.

In sum, co-creation has been studied as being a conductor of positive customer experience and determinant for the tourism industry as a differentiating tool.

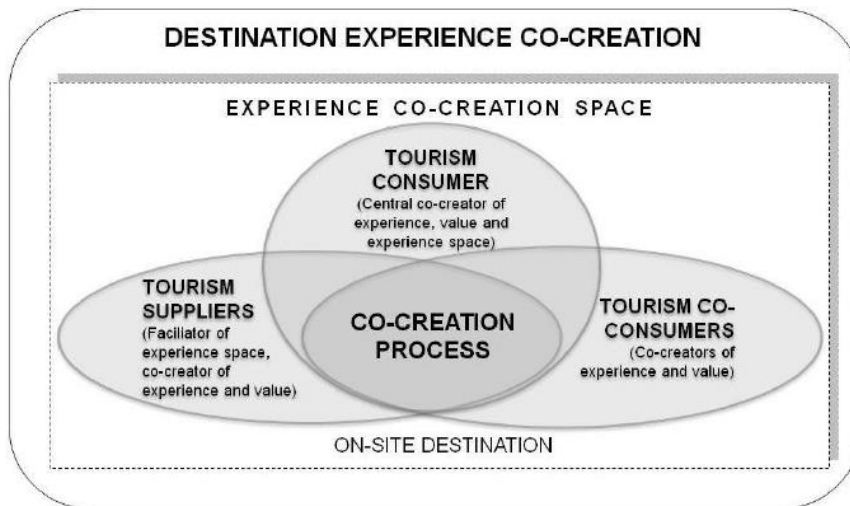


Figure 5 - Experience co-creation space. Source: Neuhofer et al., (2012)

2.3. Experiential Value

Heretofore, studies concerning value perception offered different views on the topic. However, the traditional view encompasses the balance between quality and price. In this regard, marketers have expressed the connotation given to price. It is much more than monetary value, consumers give in their time and effort. (Mathwick et al., 2001)

Furthermore, Sheth et al., (1991) proposed a more detailed theory of value driven consumption choice. The authors propose five consumption values that independently or jointly influence the consumers' decision:

1. *Functional Value* is the functionality of the goods in terms of satisfying the customers' needs. It relies on its physical attributes, performance, and price.
2. *Social Value* is the value of a product in relation to its ability to connect to a certain social group or statute.
3. *Emotional Value* describe costumers driven by the emotional outcome the product provides. The sentimental value attained by a product may release positive feelings that influence customers' choice.
4. *Epistemic Value* portrays costumers driven for curiosity, seeking new experiences, learning or change.
5. *Conditional Value* it is conditioned by a certain situation or context, for instance, a wedding. (Sheth et al., 1991)

Encompassing the five values will strongly influence the consumption. Nevertheless, the value independence enables the customers' choice by personal value importance. The costumer

is able to trade-off less from certain values in order to attain more of a certain one. (Sheth et al., 1991)

Further, current literature supports the customers' desire to be involved in valuable experiences. Creating value is extremely important to guarantee customers' perceived value and therefore, customer satisfaction. Thus, in experiential marketing, value in consumption is related to the psychological benefits related to a consumers' direct or indirect interaction with an environment, goods or services (Chan, 2017; Keng et al., 2007). The consumption process comprises all the stages that follows to the usage of the product or service. Additionally, value acquired in an experiential situation (interaction between consumer, product, service and environment) acquires emotional and intellectual attributes. (Chan, 2017)

Authors have further studied the traditional understanding of experiential value to comprise extrinsic and intrinsic value. In retail, extrinsic value stem from utilitarian trips, for instance an "errand". The consumer has typically positive emotions, for instance, from satisfying "utilitarian consumption goals". Whereas an intrinsic costumer appreciates the trip for what it is and not from any consequence that can occur because of it. The value comes from the fun of the experience rather from the completion of the task itself. (Chan, 2017; Keng et al., 2007; Mathwick et al., 2001)

Apart from the extrinsic-intrinsic conception, activity dimension was also studied to focus on active and passive values. While passive customers focus on the appreciation of the experience, active customers engage in the experience itself and maneuver the resources to satisfy their needs in a somewhat "playful, game like exchange experience" (Mathwick et al., 2001, p.41). The goal for retailers is to shift passive customers to active ones to broaden the value of the experience. According to the values explained by Holbrook (1994) (extrinsic-intrinsic, active-passive), Mathwick et al., (2001) proposed an experiential value scale to define the perceived value in a retail scenario. To do this, four dimensions were created in tune with Holbrook's work ("source of value and degree of individual participation") (Fig.6): (Chan, 2017; Keng et al., 2007; Mathwick et al., 2001)

1. *Consumer return on investment*: "comprises the active investment of financial, temporal, behavioral and psychological resources that potentially yield a return" (Mathwick et al., 2001, p.41) For instance, costumers take into consideration the investment in time finding a product or waiting in line, money in transportation and other related shopping factors. However, the perceived benefits for example, efficiency of staff, affordability or quality are relevant to determining the convenience of visiting the store. (Chan, 2017; Mathwick et al., 2001)

2. *Service Excellence*: comprises the reactive side of the customer experience. It reflects the customer’s appreciation for a product’s performance or service provider, which captivates the customer through expertise and credibility. The perceived service excellence reflects the admiration of a service that promotes as well as provides. (Chan, 2017; Mathwick et al., 2001)

3. *Playfulness*: comprises the active side of the customer experience. It is an initiative by the customers and an intrinsic appreciation of the escapism factor from the real world. The level of engagement created allows the customer to “pretend”. Values the emotional connotation to shopping: shopping for pleasure or to “get away”. (Keng et al., 2007; Mathwick et al., 2001)

4. *Aesthetic appeal*: comprises the reactive side of the customer experience. It is related to the visuals of the environment or entertainment. Visual appeal is related to beauty connotation or physical attractiveness in the retail context, in other words, what is pleasing to the eye. A good aesthetic in terms of marketing and online presence can influence a beneficial consumption experience. For an intrinsic consumer, aesthetics are crucial, because the focus is not on the purchase itself but on the combination of all the factors creating an entertainment dimension of the aesthetic response which is a reaction of the appreciation of the surroundings. (Keng et al., 2007; Mathwick et al., 2001)

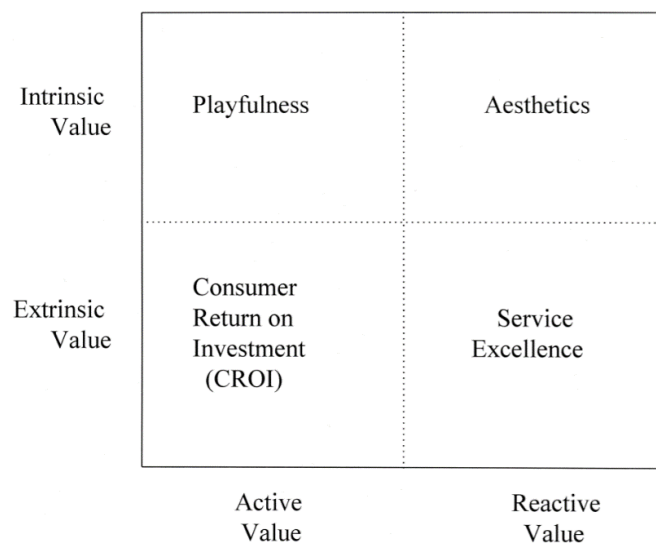


Figure 6 - Typology of Experiential Value. Source: Mathwick et al., (2001)

To conclude, experiential value is a customer’s perception of the value retrieved from an experience, directly or indirectly. Thus, it differs from product/service value because it results from the attainment of customer experiences. Undoubtedly, the goal for marketers is to provide value in order to differentiate the business and retain customers.

In sections 2.4. to 2.6., customer satisfaction, customer loyalty, purchase and repurchase intention will be explained. Regarding current literature, in the following sections the link between these marketing concepts will be discussed in relation to experiential marketing.

2.4. Customer Satisfaction

Seeking customer satisfaction is considered, by many, essential for the success of a company. Moreover, authors have studied the importance of satisfying customers in relation to positive word of mouth, repeated purchase and consequently, profitability, thus correlating CSAT with the following sections. (Anderson et al., 1997; Bearden & Teel, 1983; Eugene W. Anderson, 1998; Oliver, 2010)

CSAT was defined by Kotler & Keller (2011, p.128) as “person’s feelings of pleasure or disappointment that result from comparing a product’s perceived performance (or outcome) to expectations”. Therefore, analyzing the customers’ satisfaction is crucial to determine the factors that lead to the fulfillment of their needs and wants (Chen & Hsieh, 2010; Singh, 2006).

Authors have distinguished two approaches when defining CSAT: transaction-specific (customer’s evaluation towards the value obtained post-transaction) and cumulative aspects (customer’s overall appraisal of the purchase and experience consumption of a company’s whole journey). When purchasing, costumers already have an expectation of the product or an experience with the company. Therefore, the pre-customer assessment has an impact on the post level of customer satisfaction. (Yuan & Wu, 2008)

CSAT goes hand in hand with experiential marketing in the sense that both have the same intend to create positive emotions/feelings in the customers. With the use of experiential marketing, these can be created through unforgettable experiences in furtherance of positive WOM, repurchase and loyalty (Artanti & Muhammad, 2016; Yuan & Wu, 2008).

Studies have shown that experiential marketing influence customer satisfaction (Artanti & Muhammad, 2016; Yuan & Wu, 2008; Zena & Hadisumarto, 2013). For instance, while service quality can positively affect customer satisfaction it does not guarantee customer loyalty due to the possibility of SQ recurrence elsewhere. However, the level of satisfaction created by experiential marketing influences CSAT and CL, meaning that costumers with high experiential value have a direct correlation with high levels of CSAT and the influence of customer retention. (Grønholdt et al., 2000; Yuan & Wu, 2008; Zena & Hadisumarto, 2013)

2.5. Customer Loyalty

As explained above, experiential marketing is associated with the improvement of customer loyalty (Chen, 2015; Pekovic & Rolland, 2020). Öztürk (2015) defines CL as the capacity of retaining customers that believe in the company/brand, are willing to repurchase and influence other customers. Accordingly, Jin et al. (2013) explains that loyal customers believe in the preeminence of the product/service and are not price dominant. Thus, CL is associated to behavioral (repeated purchase and promotion) and attitudinal/psychological (loyal attitude towards a brand) facets (Chen, 2015; Pekovic & Rolland, 2020).

The creation and further growth in CL is therefore, targeted by marketers considering its importance for profitability and maintaining a competitive advantage. The outcome of focusing on CL translates to higher conversion rates, WOM and tolerance for errors. Also, the lower price of retaining customers compared to seeking new ones reinforces the importance of CL. (Chen, 2015)

A study by Sirapracha & Tocquer (2012) concluded that customer experience has a positive influence in customer loyalty determined by the customers' less likelihood of brand replacement. Corresponding to the section above, although CL is a result of customer satisfaction and customer experience, CSAT is not the best predictor of CL unlike customer experience (Fig.7). (Öztürk, 2015; Pekovic & Rolland, 2020)

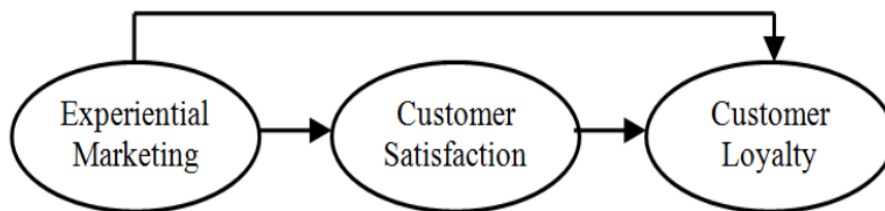


Figure 7 - Relationship between Experiential Marketing, CSAT and CL. Source: Öztürk (2015)

2.6. Purchase Intention

In traditional marketing, the focus lays upon the marketing to persuade customers to buy a certain product/service. Yang (2009) explain that brands experience customer dissatisfaction and shortage of customer retention due to the lack of post-purchase attention and delivery. Thereupon, experiential marketing advocates the importance of complying with the promises conveyed in the pre-purchase process to achieve overall satisfaction, repurchase and loyalty. (Yang, 2009)

Purchase intention is the process precedent to purchase behavior. It is understood as the consumers' willingness of purchase. (Khan & Rahman, 2014; Morwitz et al., 2007; Peña-García et al., 2020) A study by Khan & Rahman (2014) showed that the five strategic experiential model established by Schmitt have a strong influence on purchase intention, particularly think and feel experiences. Additionally, emotional responses caused by experiences have an impact on purchase intention and consequent behavior (Li et al., 2015). Experiential Marketing in destination tourism emphasizes the pre-travel phase as the focal point of delivering mental and emotional perceptions to potential tourists which plays an influential role in the tourist purchase intention (Tung & Ritchie, 2011). The authors mention how pre-travel intentions influence expectations fulfillment. These expectations can be built through friends or family recommendations, or third parties such as tour operators. Accordingly, the internet and social media are applicable means of delivering positive pre-travel experiences achieving competitive advantages (Köchling, 2020). Its interactive feature provides the ability of co-creation where experiences are enhanced when the tourists become an integral part of the equation (Neuhofer et al., 2014). Also, imagery processing is a significant factor in the creation of vacation dreams and fantasies. In this sense, a pre-travel exposure to pictures and videos results in emotional responses that influence decision-making (Goossens, 2000; Kwortnik & Ross, 2007).

2.7. Repurchase intention

Repurchase intention is the costumers' intention to purchase a product/service again (Hellier et al., 2003). According to Anderson & Sullivan (1993) and Hume & Mort (2010) there is an association between customer satisfaction and repurchase intention. However, while customer satisfaction has an effect on repurchase, customer loyalty is the stronger determinant to its attainment. (Eisingerich & Bell, 2007; Suhaily & Soelasih, 2018) However, a study by Subawa (2020) proved the positive and influential relationship between experiential marketing and repurchase intention, meaning that if there is an increase on experiential marketing there is also a correlative increase in repurchase intention.

Customers must be satisfied with the brand to want to repurchase the experience and walk towards loyalty, but it is when CL is acquired that the level of customers trust is heightened. Trust is a belief and according to Fishbein & Icek (1977) there is the expectation that beliefs translate to behavior such as loyalty. Further, when customers trust in the company their relationship is solidified and they feel confident in recommend the product or service to others.

Eisingerich & Bell (2007) mentions the correlation between customers that are willing to promote a brand with intent to remain loyal. (Eisingerich & Bell, 2007)

In sum, experiential marketing, CL, CSAT and repurchase intention are interconnected. CSAT is a fundamental segment of the correlation considering that without it, CL or repurchase intention would not be achieved. Further, experiential marketing enhances the attainment of these marketing concepts.

Methodology

3.1. Research Design

According to (Leedy & Ormrod, 2015), research is a systematized process aimed to understand or create new knowledge through the gathering, analysis and interpretation of data. Followed by the understanding of a research gap and creation of the research questions, the research design is the overall structure/plan of your scientific work that will lead to the attainment of specific knowledge required to answer the research questions (Helen L., 1993).

Accordingly, the nature of a research can be branched as exploratory, descriptive and explanatory. (Kotler et al., 2004)

Exploratory research is used as an introductory form of gathering further information on an idea that has not been fully developed prompting the establishment of research problems and hypotheses. This type of research acts as the foundation for further research meaning it will not provide conclusive results. (Kotler et al., 2004)

Descriptive research is an observational research method that focuses on describing the characteristics or behaviors of a problem, population, situation, or phenomenon without variable manipulation. This type of research cannot be used to prove or disapprove hypotheses. (Kotler et al., 2004)

Explanatory research is a detailed focused research that aims to determine the cause and effect between variables enabling hypotheses testing. (Kotler et al., 2004)

This research aims to enlighten on the impact of Experiential Marketing on the tourism of Madeira regarding purchase intention, repurchase intention, customer satisfaction and customer loyalty. To reach conclusions on this matter an explanatory research will be applied.

3.2. Conceptual Model and Research Hypotheses

To achieve the objectives of this research, the following conceptual framework (Fig.8) was established, and hypotheses were formulated. The literature review sustained the assumed interaction between the variables presented.

In chapter 2.1 the concept of experiential marketing was explained as a marketing strategy focused on creating an emotional connection between consumer and brand through the delivery of memorable experiences. Additionally, Schmitt (1999) identifies five types of experiences: sense, feel, think, act and relate.

Several authors explained the synergy between experiential marketing and purchase and repurchase intention, customer satisfaction and loyalty. For instance, Khan & Rahman (2014), Li et al. (2015) and Tung & Ritchie (2011) studies established a positive linkage between experiential marketing and customer purchase intention (chapter 2.6). Accordingly, when analyzing experiential marketing's effect on repurchase intention, Subawa (2020) underlined its positive and significant influence (chapter 2.7). Furthermore, according to Artanti, (2016), Yuan & Wu (2008) and Zena & Hadisumarto (2013), the equivalent interaction is observed when discussing its effect on customer satisfaction (chapter 2.4). Moreover, in chapter 2.5, customer loyalty relationship with experiential marketing is discussed. Sirapracha & Tocquer (2012) and Zena & Hadisumarto (2013) proved through their research the positive influence of experiential marketing and customer loyalty achievement.

Furthermore, customer satisfaction connection to repurchase intention and customer loyalty is accounted for in the sections 2.4, 2.5 and 2.6. According to Anderson & Sullivan (1993) and Hume & Mort (2010) customer satisfaction has a positive impact on repurchase intention. Additionally, CSAT is also known to have a significant influence on customer loyalty (Grønholdt et al., 2000). Therefore, it is logical to assume these two hypotheses have an indirect effect on experiential marketing.

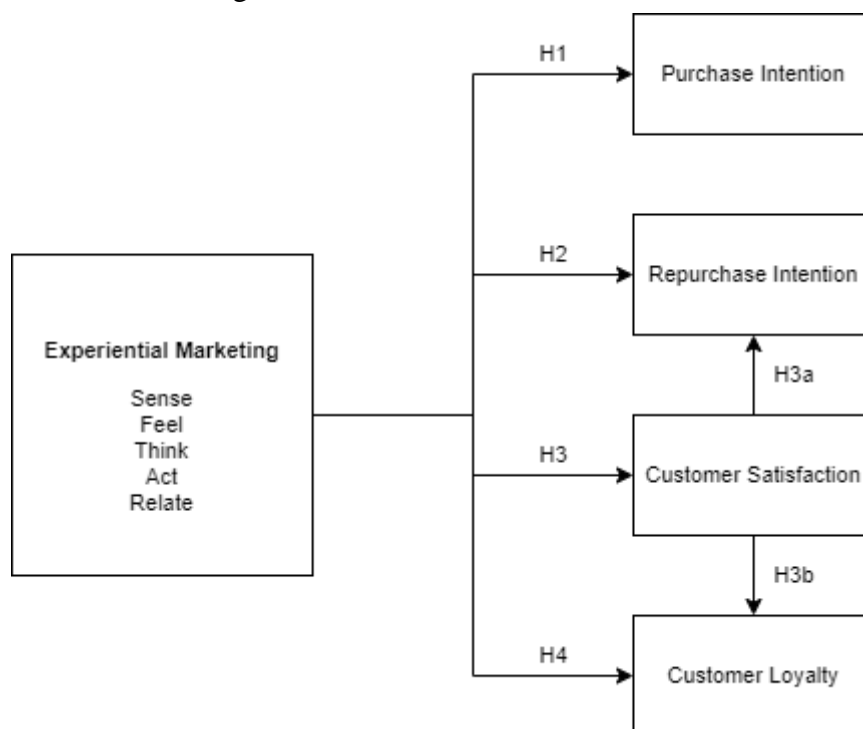


Figure 8 - Conceptual Framework. Source: own elaboration

Based on the above, the following hypotheses were formulated to test these variables in the destination tourism level:

- H1: Experiential marketing positively influences purchase intention.
- H2: Experiential marketing positively influences repurchase intention.
- H3: Experiential marketing positively influences customer satisfaction.
- H4: Experiential marketing positively influences customer loyalty.
- H3a: Customer satisfaction positively influences repurchase intention.
- H3b: Customer satisfaction positively influences customer loyalty.

3.3. Research Approach

Both primary and secondary data have been collected to strengthen the validity of this research. Secondary data was first used, through the literature review, as a baseline and complementary source to understand the existing studies on the topic and how it relates to this research. Through the literature review, the research problem was identified, thus aiding on the establishment of specific primary data collection.

The definition of variables and their relationships are the preliminary stage of an explanatory research design. Thus, a deductive method was applied prompting the formulation of the conceptual framework and hypotheses.

Additionally, in view of the nonexistence of previous research on the identified problem, primary data was collected.

According to Given (2008), an explanatory research is typically conducted through quantitative data. This data is numeric and appropriate for statistical analysis and hypotheses testing. Hence, this research adopted a quantitative approach.

3.4. Data Collection Process

The data for the research was collected using online surveys. Surveys grant researchers the possibility of collecting large amounts of data in a short period of time. Also, its inexpensive feature and flexibility, considering the Covid-19 pandemic, made this method the most appropriate for this research.

The survey was conducted on Google Forms throughout the month of July 2021. There were two approaches for respondent gathering: offline and online. The data collection comprised respondents from a social media group of tourism in Madeira through Facebook, and the hotel Savoy Saccharum Resort & Spa in Calheta, Madeira. In the hotel respondents gained access to the survey through a QR Code available at the front desk. To strengthen the validity

of the online responses, a follow-up was made with a greater number of respondents through Facebook. In average the respondents completed the survey in 5 minutes.

3.5. Measurements

For this research, purchase intention, repurchase intention, customer satisfaction and customer loyalty were chosen to be dependent variables while the experiential marketing construct represented the dependent variable.

The variables were measured through a 22-question survey (Appendix 1). Considering that experiential marketing regarding destination tourism, falls upon not only the visit, but also events and activities, the survey presented seven experiences offered by the island.

The survey was developed on the basis of literature review therefore measurement items were adapted from past researchers' studies.

To measure purchase intention, a single categorical variable was created adapted by Morwitz et al. (2007) conceptualization: ("personal action tendencies relating to the brand"). Respondents were asked to explain if the experiences offered by the island affected their intention to visit.

Moreover, regarding repurchase intention, respondents ranked, through a 4-point likert scale, their likelihood of returning to the island, backed up by Hellier et al. (2003) model component definition.

Customer loyalty was measured through a 4-point likert scale. Respondents were asked to rank their likelihood of visiting madeira over a cheaper destination, supported by Lakshman & Sethuraman P. (1991) study on customer loyalty and price sensitivity.

Furthermore, customer satisfaction and experiential marketing were classified using a 7-point likert scale. Customer satisfaction was measured through five statements adapted from Oliver (2010, p.8) perception of satisfaction as a "pleasurable level of consumption-related fulfillment" and recommendation mediator. On the other hand, experiential marketing was conceptualized through Schmitt (1999) SEMs: sense, feel, think, act and relate perceptions. Therefore, ten statements adapted to the island were formulated.

Reported on chapter 3.5, the survey also focused on the demographic and psychographic profile of the respondents. The latest sought to understand, in a descriptive level, the cognitive factors that prompt consumer behaviors. Therefore motivations, intent, activities, and opinions regarding tourist's travel decisions were examined.

3.6. Sample

In a research study, the goal is to determine the problem, gather data, analyze, and reach conclusive information that can be generalized to a whole population. However, in most cases, studying a whole population is not always possible. Therefore, the strategy with sampling is granting the possibility to study a part of the population that is representative of the larger population. There are 2 types of sampling methods: probability and non-probability sample. In probability sampling all members of the population have an equal chance in being selected for the sample, hence ensuring generalizability. In non-probability sampling the probability in the selection of members for the sample is unknown, subjecting the sample to a number of bias. (Acharya et al., 2013) However, due to monetary limitations, time, and the pandemic situation, non-probability convenience sampling was used. According to Suen et al. (2014) in this type of sampling, there is a correlation in the increase of sample size and its statistical power.

Moreover, to increase the scope of this research, restrictions regarding gender, ethnicity or country of residents were not applied. Thus, the population of this study are tourists that have visited Madeira Island.

The sample consisted of 327 responses. Table 1 represents its demographic characteristics. The distribution by gender was 21% (N=70) male and 79% (N=257) female. Like the gender, the age group distribution showed different tendencies. Most of the respondents were concentrated in the 40-60 age group (N=162) representing 50% of the sample, followed by the above 60 age group, representing only 21% of the sample (N=29). Regarding the employment status, the largest groups were made up of full-time (N=146, 45%) and retired (N=91, 28%) respondents. Additionally, respondents from the UK (N=179, 55%) and mainland Portugal (N=49, 15%) defined most of the sample's country of residence. Finally, the respondents with a high school diploma of equivalent degree comprised 38% of the sample (N=124). Subsequently, respondents with bachelor and master's degrees described 28% (N=91) and 22% (N=71) of the sample, respectively.

Table 1 - Demographic Characteristics of the sample. Source: own elaboration

Demographic Characteristic	Option	N	%	Demographic Characteristic	Option	N	%
Gender (N:327)	Male	70	21.4	Country of Residence (N:327)	UK	179	54.7
	Female	257	78.6		Portugal	49	15
Age Group (N:327)	Under 18	2	0.6		USA	16	4.9
	18-24	14	4.3		South Africa	14	4.3
	25-39	57	17.4		France	10	3.1
	40-60	162	49.5		Netherlands	9	2.8
	Above 60	92	28.1		Canada	8	2.4
	Full-time	146	44.6		Poland	7	2.1
Employment Status (N:327)	Part-time	30	9.2		Germany	5	1.5
	Unemployed	14	4.3		Belgium	4	1.2
	Self-employed	35	10.7		Finland	4	1.2
	Student	11	3.4		Brazil	3	0.9
	Retired	91	27.8		Denmark	3	0.9
	Less than a high school diploma	34	10.4		Sweden	3	0.9
	High school diploma or equivalent degree	124	37.9		Norway	2	0.6
Highest Qualification (N:327)	Bachelor's degree	91	27.8		Australia	1	0.3
	Master's degree	71	21.7		Austria	1	0.3
	Doctoral degree	7	2.1		Czechia	1	0.3
					Holland	1	0.3
					Lithuania	1	0.3
			Malta	1	0.3		
			Nepal	1	0.3		
			Romania	1	0.3		
			Slovakia	1	0.3		
			Switzerland	1	0.3		
			Zambia	1	0.3		

To build a deeper understanding of the sample, the psychographic and behavioral profile of the respondents were descriptively analyzed.

Most of the respondents (71.3%) reported having visited the island more than 3 times. The motives for the chosen destination fell upon recommendations (36.1%) and scenery (24.2%). 264 respondents (80.7%) reported knowing about the experiences mentioned in the survey before visiting Madeira. Out of those respondents, friends and/or family recommendations (37.6%), internet (18.3%) and social media (11.9%) were classified as the predominant information transmitters. The vast majority of respondents (92%) expressed taking part in those experiences. Regarding their opinions, there was not a lot of variation in the scale since satisfied (18%) and highly satisfied (68.5%) were the most scored points in the scale.

3.7. Statistical Procedures

The data was analysed using the SPSS 28.0 software. To reach conclusive information regarding the established conceptual model, several statistical procedures were undertaken.

Firstly, a principal component analysis (PCA) was performed. Thus, the KMO and Bartlett tests were examined to understand if the data was suitable for this analysis. As mentioned in chapter 3.6, prior research was used to determine the components used in the PCA.

Secondly, a normality test was conducted on the quantitative variables (Experiential Marketing and Customer Satisfaction). A Kolmogorov-Smirnov test was performed for both variables. The test was significant ($p < .001$) in both variables, meaning that the distribution is significantly different from a normal distribution. The skewness and kurtosis did not meet values between -1 and 1, reinforcing the non-normal distribution verified in the previous test. Additionally, the presence of numerous outliers was identified. An analysis of the boxplots revealed that most people scored on the maximum values of the scale, resulting in a low distribution to other points of the scale. Therefore, even though the sample was large, the decision to use non-parametric tests and not implement a mediation analysis was made.

Lastly, the hypotheses formulated in chapter 3.2 were tested. For the first hypotheses, experiential marketing and purchase intention variables were used. Considering the type of variables to be tested (scale and nominal, respectively), a Mann-Whitney test was performed. For the remaining hypothesis (ordinal and scale variables), a spearman's correlation test was conducted. In the correlation test, 95% confidence interval values were checked. These values did not cross 0 meaning that we can be confident in the test results. Moreover, the effect size of the spearman's correlation coefficient was measured based on Cohen (1988) studies. The author

explained that values ranging from 0.1 to 0.3 were defined as having a small effect size; from 0.3 to 0.5 the effect size is classified as medium; and higher than 0.5, large.

CHAPTER 4

Analysis

In this chapter the results of the data analysis are presented. First, a descriptive analysis is conferred and explained, followed by a principal component analysis and reliability test. The last section contains the findings from the hypotheses tests.

4.1. Principal Component Analysis and Reliability

The principal component analysis is a dimension-reducing technique used to reduce the number of variables in a data set while retaining most of its information. PCA supports the identification of the underlying factors of a principal component. (Sarbu & Pop, 2005) In this analysis, it is important to test the internal consistency, to understand if the items chosen for the principal component are reliable.

According to Tavakol & Dennick (2011) internal consistency is a measure that refers to the correlation between different items in the same scale. It measures if the concepts relate to each other. To ensure validity, the internal consistency should be the first step of an analysis. Accordingly, reliability implies consistency of multiple items measuring the same construct. To test this, the common measure of scale reliability is Chronbach's Alpha, expressed as a number between 0 and 1. Field (2018) acknowledges that a value higher than 0.8 is an acceptable value for this measure, meaning that lower values reflect unreliable scales.

Taking this into account, a principal component analysis, with Varimax rotation, was performed on 2 items. The Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) revealed a value of .935, being above the acceptable value of .5 (Field, 2018). Bartlett's test of sphericity was significant, $\chi^2(105) = 6771.654$, $p = .000$, and this assumption is also fulfilled (Field, 2018). This analysis extracted 2 components, which explain 78.778% of the total variance. Table 2 presents the rotated matrix obtained for these items as well as the results of the reliability analysis performed for these 2 components, through the calculation of Cronbach's Alpha (α) which is higher than 0.8 indicating a high internal consistency. The first ten items load highly on component 1, named "Experiential Marketing", since it includes questions that address the SEMs conceptualized by Schmitt. The last five items load highly on component 2, named "Customer Satisfaction", considering its questions being related to the positive feelings and recommendation intent classified by (Oliver, 2010) as customer satisfaction.

Table 2 – Principal component analysis and Cronbach's Alpha results. Source: own elaboration

Items	Components	
	1	2
The trip inspired me.	.852	.294
I felt accomplished.	.830	.244
The trip stimulated my curiosity.	.819	.305
I felt relaxed and comfortable.	.779	.476
Soothing and fresh aired environment.	.760	.433
Good local food and drinks.	.751	.459
The experiences made me feel happy.	.751	.459
The trip made me want to change something about my lifestyle.	.735	
Pleasant landscape.	.713	.473
The trip made me connect with other people.	.676	.164
I will say positive things about these experiences if asked.	.292	.920
I am satisfied with the decision to travel to Madeira.	.325	.917
I enjoyed the experience of Madeira Island.	.322	.912
The overall experience gave me positive feelings.	.334	.897
I will encourage friends and family to travel to madeira	.270	.881
% of Variance	66.306	12.472
α	.946	.979

4.2. Hypotheses testing

4.2.1. The Mann-Whitney test

The Mann-Whitney test is used to understand if there is a difference in the dependent variable for two independent groups. To carry out this test, the assumptions of the two groups being independent, the dependent variable being ordinal or continuous, and non-normality must be verified. In this particular test, the dependent variable is experiential marketing and the independent groups are yes and no.

Table 3 - The Mann-Whitney test. Source: own elaboration

	Purchase intention		U	p
	No	Yes		
	(n = 327)	(n = 327)		
	Mean	Mean		
	Rank	Rank		
Experiential marketing	156.66	187.42	7884.5	.012

H1: Experiential Marketing positively influences purchase intention.

Regarding purchase intention, statistically significant differences were found between respondents who answered no and yes, $U = 7884.5$, $p = .012$. Moreover, the mean rank of yes is higher than the mean rank of no. These results indicate that the respondents that answered yes exhibit more experiential marketing than those that answered no.

4.2.2. Spearman's correlation coefficient

The Spearman's correlation test is used to understand the relationship between two variables. In this test the value of $r = 1$ translates to a perfect positive correlation, and $r = -1$ to a perfect negative correlation. In this test, experiential marketing serves as the independent variable, while repurchase intention, customer satisfaction and loyalty are the dependent variables.

Table 4 - Spearman's rho test. Source: own elaboration

	Experiential Marketing		
	r_s	p	CI 95%
Repurchase	.268	<.001	.163, .360
Customer satisfaction	.503	<.001	.413, .583
Customer loyalty	.200	<.001	.086, .302

Table 5 - Spearman's rho test. Source: own elaboration

	Customer Satisfaction		
	r_s	p	CI 95%
Repurchase	.377	<.001	.247, .494
Customer loyalty	.359	<.001	.250, .460

H2: Experiential marketing positively influences repurchase intention.

There is a significant positive, small, correlation between experiential marketing and repurchase intention, $r_s = .268$, $p < .001$. Thus, as experiential marketing increases repurchase intention also increases.

H3: Experiential marketing positively influences customer satisfaction.

There is a significant positive, large, correlation between experiential marketing and customer satisfaction, $r_s = .503$, $p < .001$. Thus, as experiential marketing increases customer satisfaction also increases.

H4: Experiential marketing positively influences customer loyalty.

There is a significant positive, small, correlation between experiential marketing and customer loyalty, $r_s = .200$, $p < .001$. Thus, as experiential marketing increases customer loyalty also increases.

H3a: Customer satisfaction positively influences repurchase intention.

There is a significant positive, medium, correlation between customer satisfaction and repurchase intention, $r_s = .377$, $p < .001$. Thus, as customer satisfaction increases repurchase intention also increases.

H3b: Customer satisfaction positively influences customer loyalty.

There is a significant positive, medium, correlation between customer satisfaction and customer loyalty, $r_s = .359$, $p < .001$. Thus, as customer satisfaction increases customer loyalty also increases.

To conclude, as shown in table 6, all hypotheses were supported.

Table 6 - Hypotheses results. Source: own elaboration

Hypothesis	Result
H1: Experiential Marketing → Purchase intention	Supported
H2: Experiential Marketing → Repurchase intention	Supported
H3: Experiential Marketing → Customer Satisfaction	Supported
H4: Experiential Marketing → Customer Loyalty	Supported
H3a: Customer Satisfaction → Repurchase intention	Supported
H3b: Customer Satisfaction → Customer Loyalty	Supported

Conclusion

The findings of this study will be presented in the present chapter. First, the discussion of the research results will be presented. Secondly, theoretical and managerial implications are indicated followed by the limitations of the study and suggestions for future work.

5.1. Discussion

This study contributed to the existing theoretical investigations through the proposed conceptual model focused on evaluating the influence of experiential marketing in purchase intention, repurchase intention, customer satisfaction and customer loyalty, in destination tourism. Prior research has been accumulated regarding these aspects, but no researcher investigated the variables combined in a destination tourism level.

To do this, the SEMs proposed by Schmitt (1999) were used to form the experiential marketing variable. This variable was used to test relationships.

Regarding purchase intention, respondents who classified the trip's purchase related to the experiences, showed more experiential marketing than those who answered no. In other words, it was verified that experiential marketing has an impact in purchase intention. This results accepted the previous studies by Khan & Rahman (2014). Also, Tung & Ritchie (2011) studies proved the influence of expectations in purchase intention. These expectations can be built upon friends and family recommendations or online searches and social media, where imagery processing is enabled resulting in emotional responses (Goossens, 2000; Kwortnik & Ross, 2007). The descriptive analysis of this research revealed high values concerning recommendations, internet, and social media as sources of obtaining information (see chapter 3.6). 92% of those respondents decided to partake in the experiences. This information can sustain the research conclusions gathered by the previous two authors.

The correlation test for experiential marketing and repurchase intention showed a positive but small relationship between the variables. Nevertheless, the results proved the positive influence of XM and repurchase intention. As XM increases, repurchase intention also increases. This results corroborates the study by Subawa (2020).

As for customer satisfaction, the correlation test revealed a positive strong relationship. As experiential marketing increases, customer satisfaction also increases. The findings supported

the studies of Artanti & Muhammad (2016), Yuan & Wu (2008) and Zena & Hadisumarto (2013).

On the other hand, customer loyalty was also proven to be positively influenced by experiential marketing. Even though the correlation's effect size is small, the findings sustain the assertions by Chen (2015) and Pekovic & Rolland (2020).

The relationships regarding customer satisfaction were tested in H3a and H3b. Both resulted in positive, medium, correlations, meaning that as customer satisfaction increases, repurchase intention and customer loyalty also increases. Previous studies by Anderson & Sullivan, (1993) and Grønholdt et al. (2000), also obtained the same conclusions.

All in all, this study aimed to understand how experiential marketing influenced positively the tourism of Madeira through the different variables (purchase and repurchase intention, and customer satisfaction and loyalty). Results proved the assumption that experiential marketing indeed influenced positively the four dependent variables of the study. Therefore, experiential marketing can be concluded to have an effect on the tourism of Madeira.

5.2. Theoretical Implications

The present study contributes to the literature since it fills the gaps regarding experiential marketing and destination tourism. Although studies focused on XM have emerged in recent years, its effects on the tourism field still lack research. Previous studies regarding customer satisfaction, loyalty, purchase and repurchase intention related to experiential marketing were found, however the relationship between these variables and experiential marketing in destination tourism was scarce. Therefore, this study has extended the science by providing knowledge in the topic in view of small island distinctive characteristics.

The findings support the theory that XM can contribute positively to the tourism industry considering its positive relationship with customer satisfaction, customer loyalty, purchase intention and repurchase intention. Also, these findings provide a foundation for customer satisfaction as a mediator of repurchase intention and XM, and customer loyalty and XM.

5.3. Managerial Implications

Although experiential marketing is still a recent topic, its positive effect has been tested in different studies and regarding different industries. Although research regarding experiential marketing's effect on sectors of the tourism industry (hotels, restaurants, museums) has been growing, in connection with the destination tourism level, this topic is still underdeveloped.

The tourism industry in Madeira is considered to be the anchor of development and economy of the island (N. Marujo, 2013). Therefore, marketers should focus on implementing strategies that appeal to tourist's emotion and engages them in the co-creating process.

Taking into account the peculiarities of a small island, the tourism sector needs to work harder to attract tourists. This research shows the importance of experiential marketing in attracting and securing tourists. Thus, the first step should encompass focusing on the internet and social media strategies. Since imagery is crucial in the creation of emotional responses, desire, and expectation, therefore appealing to purchase intention and satisfaction, videos and images must be accessible to the customers. A good strategy could be to utilize social media platform features, such as live streams to connect with tourists and enable co-creation. Overall, experiences must be unique and memorable to increase purchase, repurchase, satisfaction and loyalty and consequently, attract tourism.

5.4. Limitations

Even though this research provides significant conclusions regarding experiential marketing effects in Madeira's tourism regarding purchase and repurchase intention as well as customer satisfaction and loyalty, it is important to understand the limitations of the study.

First, mostly due to the Covid-19 pandemic, but also time and money constraints, the research data could only be gathered using a non-probability convenience sampling method. This type of sampling technique does not provide representative results. Even though there were attempts to avoid bias, in convenience sampling this is practically unattainable. Since a greater part of the data was collected in an online group regarding tourism in Madeira, the results can be foreseen as generally positive. This can explain the limited variation in the results, since most were concentrated at the higher end of the scale, resulting in skewed variables.

Lastly, another limitation falls upon the survey formulation. Albeit the use of knowledge from previous research regarding the formulation of the variable items, there was a degree of difficulty in its adaptation to destination tourism. For this reason, some variables were not grouped with more than one item, and the appropriate formulation of the hypotheses could be compromised. Additionally, some questions were later found as not being the most appropriate in terms of its fit in the research framework, thus, it was decided not to proceed with its analysis.

5.5. Further Research

Despite the limitations, this study is a feasible starting point for further research. Higher validity and reliability can be attained by conducting the same study resorting to probability sampling techniques, in furtherance of generalizability. Also, further research could be conducted in distinct destinations and results could be compared.

An insight into the significant influence of experiential marketing in destination tourism was seized. Considering the impact of social media in the current world, further research could be focused in exploring social media as a mediator of experiential marketing for destination tourism.

Furthermore, it would be interesting to perform a mediation analysis on the research to better understand the intermediate variables effect in the conceptual model.

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Appendix 1

Master Dissertation Survey

Dear participant,

Thank you for your participation in this research. This study is part of my master's dissertation that aims to analyse the influence of Experiential Marketing on tourist satisfaction, purchase, repurchase and loyalty in Madeira Island. The survey consists of 22 questions and is going to take approximately 5 minutes to complete. The responses are anonymous and will only be used for the purpose of my master's thesis.

1. What is your gender?

Male

Female

Other: _____

2. What is your age?

Under 18

18-24

25-39

40-60

Above 60

3. What is your country of residence?

4. What is your current employment status?

- Full-time
- Part-time
- Unemployed
- Self-employed
- Student
- Retired

5. What is your highest qualification?

- Less than a high school diploma
- High school diploma or equivalent degree
- Bachelor's degree
- Master's degree
- Doctoral degree

6. How many times have you been to Madeira?

- 1
- 2
- 3 or more

7. What made you choose Madeira as your travelling destination?

- Weather
- Recommendations
- Cost
- Culture
- Geographic closeness
- Scenery
- Popularity
- Tourist attractions
- Other: _____

8. Which of the following experiences, available in Madeira, were you aware of?

- “Montes sledge” / “Carros de Cesto”
- Dolphins and Whale watching tours
- Levada walking tours
- Madeira Flower Festival
- Wine tasting tours
- Land activities (Canyoning, climbing)
- Sea activities (Scuba diving, paddle, surf)

9. Did you know about these experiences prior to your trip to Madeira?

- Yes
- No

10. If so, how did you learn about them?

- Social media
- Internet
- Tv or Radio
- Magazine/Newspaper
- Friends and/or family recommendations
- Travel agencies
- Other: _____

11. Have you experienced any of them?

- Yes
- No

12. If so, which ones?

- “Montes sledge” / “Carros de Cesto”
- Dolphins and Whale watching tours
- Levada walking tours
- Madeira Flower Festival
- Wine tasting tours
- Land activities (Canyoning, climbing)
- Sea activities (Diving, paddle, surf)

13. What is your overall level of satisfaction regarding the experiences above?

- Highly Dissatisfied
- Dissatisfied
- Neutral
- Satisfied
- Highly Satisfied

14. Did your level of satisfaction regarding Madeira increase because of these experiences?

- Yes
- No

15. Were you motivated by these experiences when choosing Madeira as your destination?

- Yes
- No

16. Did you purposefully travel to Madeira because of any of these experiences?

- Yes
- No

17. Please state your likelihood of returning to Madeira.

- Very Unlikely
- Unlikely

- Likely
- Very likely

18. Does the experiences offered by the island affect your likelihood of revisiting the island?

- Yes
- No

19. How likely are you to recommend Madeira as a destination?

- Very Unlikely
- Unlikely
- Likely
- Very likely

20. How likely are you to visit Madeira over a cheaper destination?

- Very Unlikely
- Unlikely
- Likely
- Very likely

21. Please classify the different aspects of the Madeira experience, evaluating each given statement in the scale given.

	Strongly Disagree	Disagree	Disagree Somewhat	Neither agree nor disagree	Agree Somewhat	Agree	Strongly Agree
Sense Perception							
The landscape was pleasant.							
I experienced a soothing and fresh aired environment.							
The local food and drinks were good.							
Feel Perception							
The experiences made me feel happy.							
I felt relaxed and comfortable.							
I felt accomplished.							
Think Perception							
The trip inspired me.							
The trip stimulated my curiosity. (eg. Finding new places, activities, curiosity in exploring)							
Act Perception							
The trip made me want to change							

something about my lifestyle. (eg. travel more, be more adventurous)							
Relate Perception							
The trip made me connect with other people.							

22. Please evaluate your feelings and future intentions:

	Strongly Disagree	Disagree	Disagree Somewhat	Neither agree nor disagree	Agree Somewhat	Agree	Strongly Agree
I enjoyed the experience of Madeira Island.							
I am satisfied with the decision to travel to Madeira.							
The overall experience gave me positive feelings.							
I will say positive things about these experiences if asked.							
I will encourage friends and family to travel to Madeira because of these experiences.							