

Product Mix Pricing Applied in the Events Sector: Study of Generation Z Perceive the Pricing of Music Festival in Jakarta



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ABSTRACT: This research will explore about the product-mix pricing as one of pricing strategies on event industry, music festival specifically. The research will use generation Z in Jakarta as its main focus. This research was conducted in order to provide recommendations for event managers to apply the pricing strategies which would maximize their financial return, this will be achieved by completing the aim and objectives of this research. The aim of this research was to explore generation Z perception on product-mix pricing in music festivals which would be achieved by doing the secondary research and primary research before providing recommendations. The secondary research will be conducted by critically reviewing literatures on marketing, pricing, event industry, generation Z, and Jakarta. Before moving into the primary research which will be conducted using quantitative method. The findings will talk product-mix pricing on events, about generation Z in Jakarta behaviour, preferences, and perception on music festivals in general and event situation in Jakarta. This research may benefit event managers and researchers alike, as it provides recommendation on pricing a music festival and provide some recommendation on further researches.

KEYWORDS: Product Mix Pricing, Events Sector, Music Festival

I. INTRODUCTION

The author will investigate product mix pricing strategies within the Jakartan Events Industry as it relates to Generation Z purchase intentions. To achieve this the author will firstly review literature related to marketing and pricing strategies within the context of the Events Industry and then conduct primary research on Generation Z Indonesian consumers to better understand their attitude and behaviour related to pricing of local Events. Finally, the author will provide recommendations to Indonesian Event organisers with a view to optimizing financial returns at future Events.

Hiller (2016), previous research stated a model of customer demand motivates the empirical analysis using a unique bundling problem in which the consumer faces an unknown element, depending on festival reputation for expected utility. The empirical analysis utilizes characteristics important to the negotiation between the festival and the band as input. Festivals hire quality, unknown bands to take advantage of the lower costs of lesser known acts by leveraging a reputation for evaluating quality before the consumer. Other industries face similar input decisions, giving the results a broader application.

Kotler (2019) also stated that customers might have some threshold on the price of service or goods. Where on the lower side of the threshold the price will illustrate unacceptable quality, and the upper side of the threshold the price will be perceived as too expensive or not worth the money. The reason of this is because a purchase decision is based on how a customer perceive the price to value of a product. This is why the right pricing plays a vital part in marketing a product or service.

This also applied to the event industry, Courty (2015) mentioned that there's no unique way in pricing an event but any changes in the environment may result in very different pricing strategies. An event manager must understand the relation between revenue generation and operational cost. Gurung (2013), for instance if they want to generate maximum revenue, they will charge the target market the highest price they are willing to pay, on the other hand if they are a market-oriented event the price of the ticket will adjust according to its validity. Some might also say that this theory also applies to music festivals and young people especially Generation Z.

Kotler (2003) mentions that the purpose of product line pricing is to establish a difference in perceived-quality while justifying the price differences: 1) Optional-feature pricing, 2) Captive-product pricing, 3) Two-part pricing, 4) By-product pricing.

Adams and Yellen (1976), there are two types of bundling which is pure bundling and mixed bundling. Pure bundling means that the product only being offered as a bundle while mixed bundling means that the product being offered individually as well as a bundle.

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By reviewing these literatures on marketing, the author had realized pricing is a really important aspect in marketing. By exploring further pricing, the author had gained some insights that consisted of different pricing strategies with product-mix pricing as the focus of this research. By identifying these different product-mix strategies in pricing, one could say that these strategies may also be applicable in the event industry to maximize its financial return.

Getz (2010), music festivals serves as a resource of interest for festival organizers and destinations. Gibson and Davidson (2004), music festivals are a popular form of entertainment which can be an important resource for the host if it is successful enough to be the host site's identity.

Rivera et al., (2016), it contributes to the economic growth of destinations by increasing international tourist arrivals to the host destinations. Based on these literatures, one might argue that to maximize the financial return of a music festival is optimal for its purpose in contributing into economic growth.

Tkaczynski and Rundle-Thiele (2013), one of the product which this generation enjoy to consume would be music festivals, there are a lot of generation Z who enjoy going to music festivals.

This statement made by Tkaczynski and Rundle-Thiele (2013) could be supported by the statistics provided by Mintel (2018) in which 49% of Generation Z in United Kingdom had gone to a music festival in 2018. Based on Stein (2007) statement on how generation Z receive more money than the other generation, music festivals organizers should look into the marketing strategies which are suited to generation Z as they can be one of the major consumer of music festivals. To decide the suitable product-mix pricing on a music festival, the organizer can create more attractive deals to generate more sales to generation Z as the target market by enhancing perceived value and manipulate customer's perception.

Indonesian Minister of Trade also stated that the event industry has massively developing in Indonesia as the country has been seen as an attractive destination to hold an event. The main type of event which has been most of the attention in Indonesia as of now is the MICE industry which might overshadowed other type of events such as sports and music festivals.

II. METHODOLOGY

The research design which will be used to conduct this study is the quantitative method. In relation to the purpose of this research, the study will look into which product-mix was favoured by generation Z especially on music festivals as the focus of the study. Will start with explaining on how the research is conducted with its secondary and primary research, before moving further with the research method and research tool which will be used. How and why the samples will be chosen also will be elaborated along with the ethics which will be withheld.

The research tool being used is survey. The questionnaire consists of questions about agreement, demographic, previous experiences, preferences, perceptions, and recommendations. The questions had been designed by reviewing the related literatures about the research question and it was designed that way to get relevant answers that will support the ideas of the research. The questions about agreement were asked to meet the ethical aspect of the survey. Then, demographic questions be used to identify the background of the participants before moving into previous experience, which was being asked as it might influence their answer regarding preferences, perceptions, and recommendations. Next, preferences questions were asked to know the majority of participants' preferences in a music

festival as to create recommendations. Henceforth, perception questions were being asked to know their perception of current music festivals condition in Jakarta as of now. Finally, recommendation questions were asked to know exactly what the participants would like from a music festival.

As the questionnaire would be passed to other generation Z respondents in the area of research. The snowball sampling will be done by spreading the questionnaire across social media groups of generation Z which is more likely to consists of people in the same group age and who lived in specific areas. The questionnaire will also be spread in different parts of Jakarta to add diversification in the result based on the participants' demographic.

III. RESEARCH RESULT

The research instrument which has been used as mentioned before is survey. The piloting has been conducted from 17 December 2019 to 18 December 2019, before the questionnaire officially being spread to the targeted samples in 18 December 2019 which happen until 1 January 2020. The questionnaire has resulted in 101 responses, in which three people refused to participate in the survey. This inability to meet the ideal sample size was a disappointment for the author as it will affect the validity of the research. But, this research will still hold some degree of validity, as the sample size still met the requirement for ten percent margin of error which is 97. This sample size has been calculated with sample size calculator provided by SurveyMonkey as to provide some statistical evidence.

Demographic

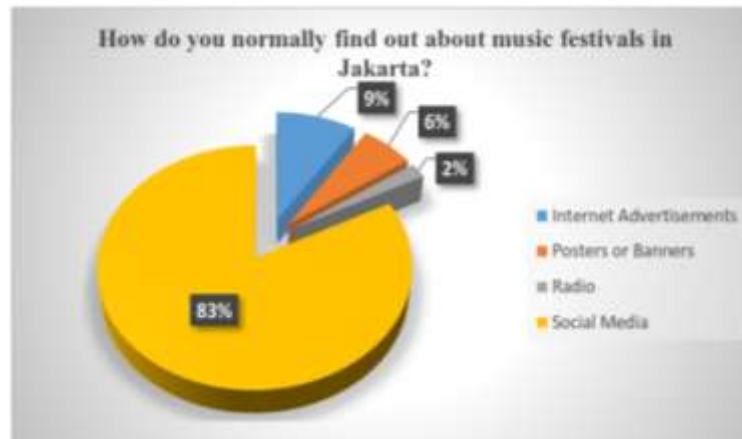
Aspect would be age group, the sampling technique to be quite successful as most of the respondent is in the age of 18 to 25 which representing the target of this research, which were generation Z.

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This research has also shown some findings in which most of the participants are single in marital status, the numbers of single participants and the numbers of generation Z is not far apart in which one could assume that the results of this research would be most valid for unmarried respondents from generation Z. The earning aspect has been quite diversified. The highest percentages numbers (under 1.500, 1.500 to 3.500) were below Jakarta minimum monthly wage, these respondent could be seen as someone who has no full-time job as any full-time job obligated to be paid more than those numbers. An interesting finding was that the majority of respondents have low levels of disposable income but almost 80% are still attending music festivals. This finding indicates the relatively high importance they place on attendance and it would be reasonable to assume that as income levels increase in the future, they would be more likely to attend more music festivals.

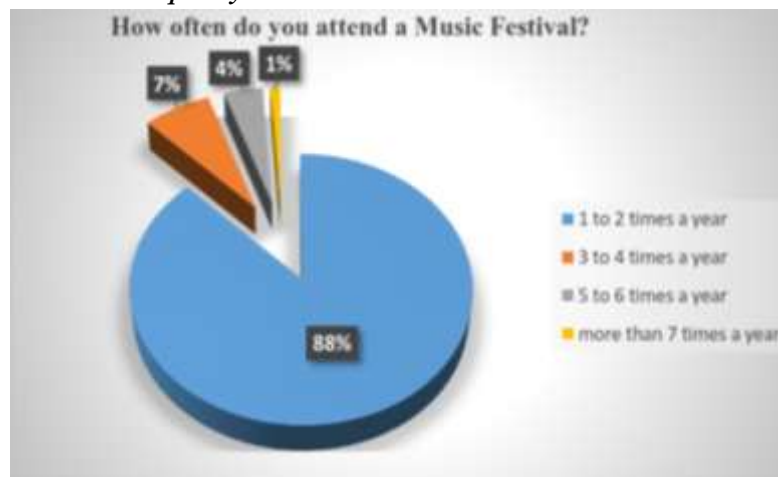
Event Behaviour

Figure 1. Music Festival Awareness Channel Chart



Above suggests that social media has been the most effective distribution channel in raising awareness of music festivals in Jakarta. This could be associated with the fact that almost 81% of the participants of this research are generation Z and therefore digitally native preferring social media over more traditional forms of media.

Figure 2. Music Festival Attendance Frequency Chart

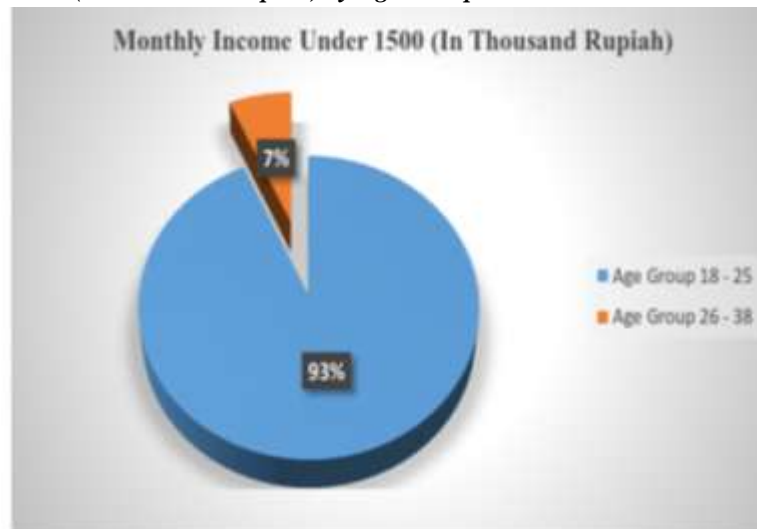


The respondents are attending music festivals on a yearly basis. The vast majority are only attending a maximum of twice per year. This could be linked to the individual's budgets or availability or simply be a reflection of the number of music festivals hosted in Jakarta on a yearly basis.

More interesting breakdown in regards to attendance, it suggests that those respondents from Gen Z are attending music festivals more regularly which supports the idea of generation Z enjoys to go to music festival (Tkaczynski and Rundle-Thiele, 2013) and therefore available time might be suggested to be the most important aspect influencing attendance. This is assuming that Gen Z respondents are less likely to be in full time employment than Gen Y. If this result is truly representative of these Jakartan generations, then it suggests that price might not be the most important barrier to entry.

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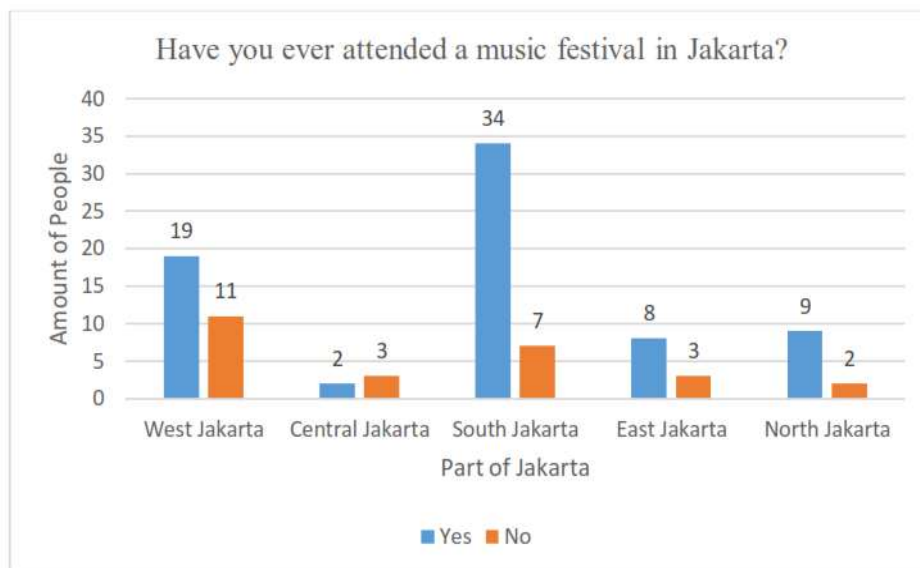
Figure 3. Monthly Income Under 1500 (in Thousand Rupiah) by Age Group Chart



By analysing the data further, the author had found out that generation Z dominated the lower earning power which the author may suggest were caused by the amount of generation Z participants in the research. Nevertheless, the author had identified that the people with under 1500 (in thousand Rupiah) were the one who goes to music festival the most. With these data, the author suggest that they were still being financially supported as it is under Jakarta minimum income, which may play a part in their tendencies on going into more music festivals.

Event Preferences and Perceptions

Figure 3. Jakarta Music Festival attendance based on residence graph.



By looking at the figure above, one could see there are strong indicators of willingness in attending a music festival in South, East, and North Jakarta more than the other two regions. By looking at these data, one might assume that South, East, and North Jakarta were ideal to maximize the attendance of a music festival as the other region shows some degree of disinterest in attending a music festival. Despite this, West Jakarta might still worth looking as the data shows that even with high level of people who never attend a music festival in Jakarta, there are also a lot of people who had attended one before.

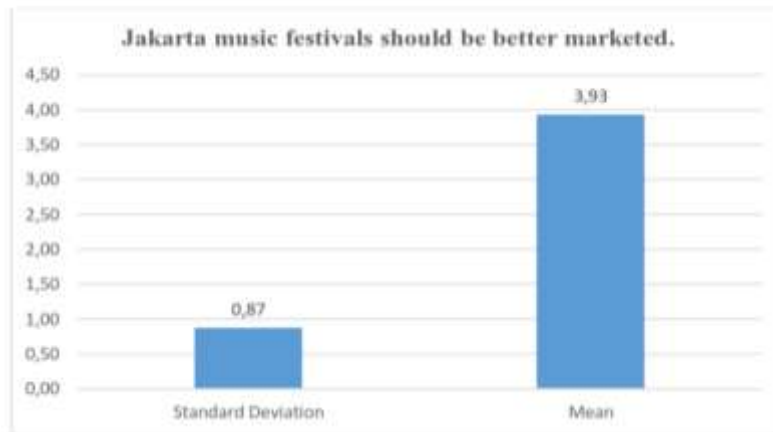
This means that more offers on group tickets may persuade people more to attend a music festival. The participants had answered accumulatively account for 84% in going with another people which could support the validity of the data.

Here's an interesting finding where people in the age range of 26 to 38 are not more interested which could be assumed they enjoy to go to a music festival alone. On the otherhand the age range of 18 to 25 and 39 to 50 had shown positive result regarding group tickets which further validate the idea of doing variation in pricing of an event.

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Mean and Standard Deviation

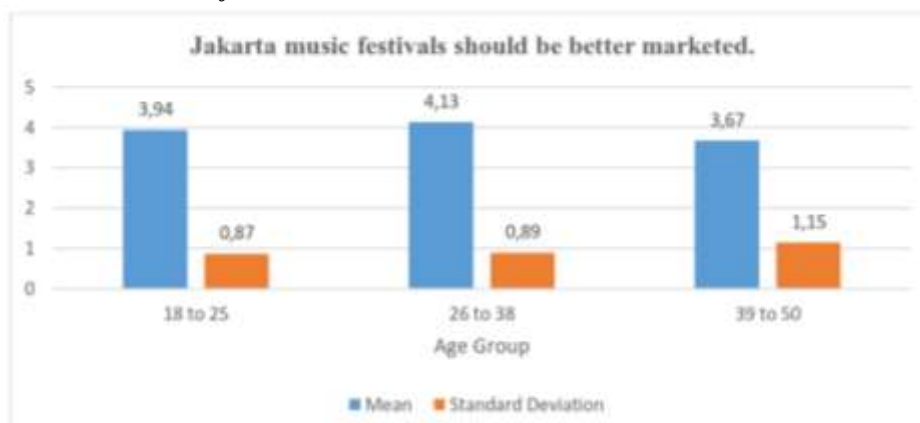
Figure 4. the result on Jakarta Music Festivals should be better marketed



The figure had shown positive result on Jakarta Music Festival should be better marketed. One might suggest that the marketing has been done poorly by music festival organizers in Jakarta which the author assumed to take effect because lack of support from the government.

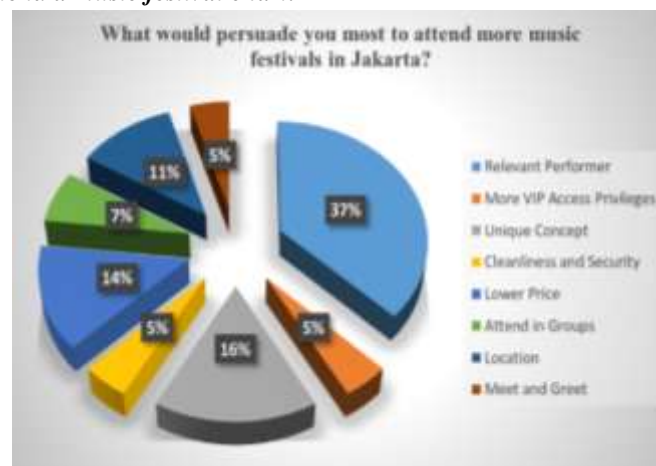
With this finding the author assumed that using social media as a medium on marketing might create a better marketing result for the music festival organizers, this assumption has been made by looking at Figure 4-5 in which generation Z had shown more initiative in attending music festivals. Williams and Page (2011) statement on generation Z relation with technology and internet.

Figure 5. Mean and Standard Deviation of the result on Jakarta Music Festival should be better marketed based on age group



Every age group shows positive result on Jakarta music festivals should be better marketed, which could be assumed that the marketing was equally lacking between age groups.

Figure 6. Persuading factors to attend a music festival chart.



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Looking at figure 6, the author assumed that even if the price of the event were high it was not the first thing being considered by the participants. It could be suggested as long as the performer is relevant to the market, the participants would still come to the music festival. Another big aspect of the persuading factors are price and concept, an assumption that relevant performer followed with lower price and unique concept could maximize the revenue of a music festival as it might raise the perceived value.

The author had found out that most of the participants meets the target sample which were generation Z in Jakarta. The main findings about the behaviour in a music festival would be the influence of social media as a channel in spreading awareness of an event and generation Z had more initiatives in attending music festivals.

Another finding which comes from the event preferences and perceptions questions were the participants' preferences in coming with groups, food and beverages as additional products, high level of interest in packages, and their perception of the ticket which was perceived as too expensive. Finally, the recommendation question which turn out to favour relevant performer on a music festival, while provide other recommendations such as to provide unique concept, lower price, and better location.

CONCLUSIONS

The generation Z perception on product-mix pricing on the events sector. To achieve the aim, the author developed three objectives.

The author had also found out about the generation Z in Jakarta opinion about music festivals in general as well as about the pricing and product-mix which they would prefer for music festivals.

Recommendations to Indonesian event managers on how to create a product-mix pricing which would optimise their financial returns in the future. This would be achieved by increasing the value which was perceived by the target market by doing packages. The recommendation which would be created were:

- 1) Raising awareness with the optimal medium.

By analysing the result of the research, the author had found out that social media was the optimal tool in raising awareness which might culminate into a better marketing result. This recommendation was created based on the primary research in which the result had shown that eighty-three percent of the respondents being aware of a music festival from social media and secondary research on marketing in which awareness or promotion was one of the most important function as without awareness any pricing strategies would be redundant. Social media has been shown as the most effective marketing tool for a music festival no matter the age group the respondents in.

- 2) Segmentation

The second recommendation the author would like to suggest were to be more specific on choosing a target market. The primary research results had shown little difference in the satisfaction on marketing of a music festival based on age group. This might indicate low initiative of current Indonesian event managers on enforcing specialized marketing strategies on a target market. The author suggests that event managers in Indonesia to focus more on generation Z as a target market as they show more initiative in participating on a music festival, are easier to reach as they are open to multiple information sources and globally connected, and have been shown to spend more on a music festival more than any other age group.

- 3) Product packaging pricing and optional-product pricing

The third recommendation which the author suggested were to create a concept of added value through all-inclusive, VIP, or budget offers which were included with the ticket price and also to offer some optional-product such as food and beverages or merchandises to maximize the financial return. The primary research had shown that the participants were highly interested in group tickets and packages while also highly interested in buying additional products such as food and beverages and merchandise.

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