Co-creation of Experience for Special Interest Tourism Destinations

Diaz Pranita[a*], Ernie Tisnawati Sule[b], Dwi Kartini[c], Umi Kalsum[d],
[a]Vocational Education Program, Universitas Indonesia, [b,c,d]Faculty of Economics and Business, Universitas Padjadjaran Bandung, Indonesia, Email: [a*]diazpranita@vokasi.ui.ac.id

This study is intended to examine the effect of niche marketing and co-creation of experience on the competitiveness of tourism destination for yachting. It uses an explanatory survey method for 64 (sixty-four) tourism destination populations for yachting in Indonesia. Primary data are collected by circulating questionnaires to managers of yachting destinations. Hypothesis testing uses Smart PLS (partial least square) to examine the series of relationships between latent variables in a limited population. The results show that niche marketing and co-creation of experience are able to improve the competitiveness of yachting destinations, while co-creation of experience has a greater role to improve destination competitiveness compared to niche marketing strategy.

Key words: *Niche marketing, co-creation of experience, destination competitiveness, yachting tourism.*

Introduction

Yachting or yacht tourism is a special interest tourism activity that involves sailing activities along and over the water (Mikulic et. al., 2015), using boats or vehicles as shelter, recreational facilities and means of transportation (Diakomihalis, 2007), as well as offering unique tourist experiences for direct contact with the sea, in groups or individuals and enjoying exclusive marine tourism activities (Lukovic, 2012). Tourism destinations in Southeast Asia have a great opportunity to be developed for yachting tourism, although its growth in this region is considered to be at an early stage as the number of yachts sailing in Southeast Asia is very small compared to Europe, Australia or North America (The Superyacht Report, 2013). The main challenge for yachting tourism in South-east Asia is the poor condition of infrastructure, variation and limited quality and quantity of services to serve the yacht tourists, the tradition of local people who are not

encouraged to participate in yachting activities, limited travelling by yachts and yachting activities which are pioneered by experts, as well as the limited growth of domestic industries especially leasing (charter) yachts and sailing schools. These factors have an intense effect on the growth of yachting tourism. The Superyacht Report also revealed that Indonesia's position as a yacht tourism destination in Southeast Asia is still behind Thailand, Singapore and Malaysia. Sailing in Indonesian waters offers adventure, natural beauty and lifelong experiences. The above conditions indicate that the competitiveness of Indonesia as a yacht tourism destination is still low. The World Economic Forum has elaborated on the model of competitive destination based on Ritchie and Crouch (2010), using it to measure the competitiveness of global tourism destinations from 2011 to the present, and has become the reference for measuring the competitiveness of global tourism destinations. . Indicators include core and supporting resources, destination management, competitive factors and tourism policy. Lower competitiveness indicates that Indonesia has not yet provided superior value to customers, as according to Hitt, Ireland, and Hoskisson (2015) strategic competitiveness is achieved through a firm's success in formulating and implementing a value creating strategy.

Binkhorst & Dekker (2009) explain that in the digital era, tourist experience is created in an experience network which involves many participants and stakeholders. While each individual tourist has a different experience and his or her environment is constantly changing, the lack of capability to provide high value experiences to travellers means that the destination has not yet been able to co-create experiences effectively and efficiently. The main problem for co-creation is the weakness in synergy, co-operation and collaboration and the level of commitment amongst stakeholders in the value chains.

Another problem that is caused by lack of competitiveness is the fact that the destination has not yet been able to develop appropriate and integrated marketing strategies. Isabelle & Batat (2013) state that in order to offer unique tourism experiences to tourists, it is necessary to consider contemporary marketing strategies. Based on the above phenomena, this study is aimed at examining how niche marketing and co-creation strategies improve the competitive advantage of yacht tourism destinations.

Niche Marketing

Adopting niche marketing is an option for small businesses in today's competitive environment, as the firms that implement niche marketing know more about customers and can easily arrange their products according to consumers' needs and wants (Akbar et. al., 2015). Niche marketing is a defensive strategy which will be successful when the firm is able to implement a strategic initiative to reduce competition in the market place (Sert, 2017). In this research, niche marketing consists of three dimensions: product specialisation, (Dalgic &

Leeuw, 1994), focus market (Ang et. al., 2016) and relationship marketing (Toften & Hammervoll, 2009). Product specialisation consists of personalisation, adaptation and distinctive competence. Focus market is indicated by segmented subgroup markets and thorough customer knowledge. Finally, relationship marketing consists of digital marketing, continuous information system, synergy and a close relationship with customers.

Co-Creation of Experience

According to Verleye (2015), the dimensions of co-creation of experience include hedonic experience and pragmatic experience, co-creation environment, cognitive and personal experience. Hedonic experience is an intrinsically playful task which consists of aesthetic experience, enjoyment related benefits, fulfilment of promotion goals and pleasurable experience. Pragmatic experience is indicated by the opportunity to meet like-minded people, a solution for better meeting personal needs, reduction of risk associated with receiving inappropriate products and compensation through efforts. The co-creation environment consists of the level of technologisation, connectivity and control variable. Cognitive experience is indicated through keeping up with new ideas, acquiring new knowledge and developing new skills. Social experience consists of recognition and better status/social esteem (Abas & Yuniasanti, 2019).

Competitiveness

Based on Ringbeck & Pietsch's (2013) view, competitiveness indicates the position of destinations based on enabling criteria to shape economic competitiveness and differentiate it from competitors, while in Crotti & Misrahi's (2015) opinion, competitiveness is a collection of factors and policies that enable sustainable development of the tourism sector that contribute to the development and competitiveness of a country as a tourism destination.

In this study, measurement of competitiveness uses the tourism destination's competitiveness developed by the World Economic Forum (WEF), which adapts Ritchie & Crouch's (2010) competitiveness model later revised by the WEF in 2015 by Crotti & Misrahi (2015) which measures tourism destination competitiveness based on four dimensions: enabling environments, policy drivers, infrastructure and tourism resources.

Based on the above description, the dimension of yacht tourism destinations' competitiveness proposed in this study is a modification of ideas by Ritchie & Crouch (2010) and Crotti & Misrahi (2015) that includes tourism resources, conducive policy, competitive factors, destination management and economic value.

Relationships between Niche Marketing and Competitiveness

Ehmke (2015) states that niche marketing is a strategy to gain competitiveness. Parrish (2003) outlines that the application of niche marketing strategy is aimed at increasing opportunities in the global market while increasing tourism destinations' competitiveness. The strategy of niche marketing allows executives to leverage small firms in businesses dominated by large corporations or superstars, gathering mixed people in a previously non-existent community capable of filtering and controlling the most desirable communication and transforming research firms. Long tail marketing is a business strategy to excel in competition.

Relationships between Co-Creation of Experience and Competitiveness

According to Steiner (2010), co-creation affects competitiveness positively. Krishna et. al. (2013) argue that value co-creation should be one dimension of competitive advantage, while Gouillart (2014) maintains that implementing co-creation of experience creates competitive advantage.

Based on the above three variable relationships, the conceptual model of this research is as follows:
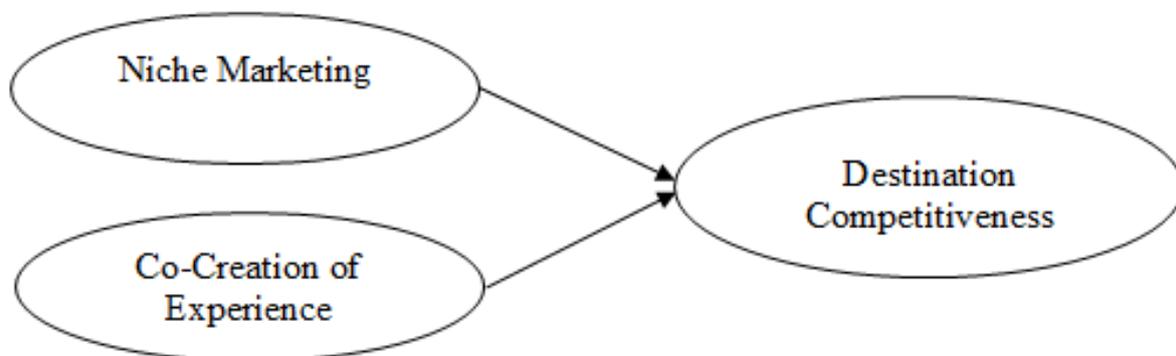
The hypothesis proposed in this research is:

H₁: Niche marketing and co-creation of experience affect tourism competitiveness, both simultaneously and partially.

Methodology

This study used an explanatory survey. It is a form of verification research that aims to test the hypothesis. Data was collected by circulating questionnaires to all managers or acting managers of marine tourism destinations servicing yacht tourists. The unit of analysis consists

of a yacht tourism destination in Indonesia, while the observation unit is formed by the managers of integrated tourism destinations which provide services to yacht visitors.

All yachting destinations in Indonesia are observed in this study with a total of 64 (sixty-four) destinations nationally. Therefore, it uses the census method and does not require sampling technique. The observation is conducted in a cross-sectional or one shoot time horizon, meaning that information or data obtained is the result of research conducted at one particular time.

Results and Discussion
Goodness of Fit – Inner and Outer Model

There are two sub models in a structural equation model: the inner model specifies the relationships between independent and dependent latent variables, whereas the outer model specifies the relationships between latent variables and their observed indicators.

Inner Model

Analysis of the structural model (inner model) shows the relationship between the latent variables in the study. Inner models were evaluated using R Square and Prediction relevance (Q square) from Stone-Geisser's with a blindfolding procedure. Referring to Chin (1998), the R square values 0.67 (strong), 0.33 (medium) and 0.19 (weak) and Prediction relevance (Q square) 0.02 (minor), 0.15 (medium) and 0.35 (big).

Table 1: Test of Outer and Inner Model

	AVE	Composite Reliability	Cronbach Alpha	R Square	Q square
Niche Marketing	0,587	0,894	0,865		0,682
Experience Co-creation	0,543	0,889	0,942		0,753
Competitiveness	0,598	0,919	0,905	0,578	0,446

Source: SmartPLS 2.0

Table 1 gives the value of R^2 on competitiveness as endogenous variable is in the criterion above medium (> 0.33), and the value of Q^2 refers to the large criterion (> 0.35), so it can be concluded that the research model has been supported by empirical condition or model of fit. To check convergent validity, each latent variable's average variance extracted (AVE) is evaluated. Table 3 indicates that that all AVE values are greater than the acceptable threshold of 0.5, so convergent validity is confirmed.

Outer Model

The outer model analysis is used to test the validity and reliability of latent variables and the dimensions measured by indicators. The measurement model explained by Cronbachs Alpha aims to discover the reliability of indicators in measuring dimensions and latent variables. If the Cronbach Alpha value is greater than 0.70 (Nunnally & Bernstein, 1994), it shows that dimensions and indicators are reliable in measuring variables. Table 4 shows the Composite reliability and Cronbachs Alpha of the variable (> 0.70), so that the variables and dimensions in the model meet the discriminant validity criteria. Finally, all variables have good reliability. Table 4 shows the result of a measurement model for each dimension on indicators.

**Table 2:** Loading Factor of Latent Variable-Dimension-Indicator

INDICATOR – DIMENSION	λ	SE	t-value
NICHE MARKETING -> Product specialisation	0,725	0,066	10,966
X11 <- Product specialisation	0,838	0,035	24,044
X12 <- Product specialisation	0,845	0,034	25,206
X13 <- Product specialisation	0,768	0,056	13,753
NICHE MARKETING -> Focus market	0,845	0,033	25,770
X21 <- Focus market	0,854	0,028	30,389
X22 <- Focus market	0,883	0,025	35,229
NICHE MARKETING -> Relationship Marketing	0,909	0,023	40,186
X31 <- Relationship marketing	0,857	0,032	26,749
X32 <- Relationship marketing	0,874	0,025	35,197
X33 <- Relationship marketing	0,857	0,040	21,354
X34 <- Relationship marketing	0,711	0,081	8,832
CO CREATION -> Hedonic experience	0,739	0,068	10,910
X41 <- Hedonic experience	0,809	0,033	24,783
X42 <- Hedonic experience	0,801	0,087	9,197
X43 <- Hedonic experience	0,775	0,156	4,958
X44 <- Hedonic experience	0,706	0,138	5,103
CO CREATION -> Pragmatic experience	0,859	0,029	29,490
X51 <- Pragmatic experience	0,849	0,025	34,306
X52 <- Pragmatic experience	0,745	0,057	13,098
X53 <- Pragmatic experience	0,625	0,076	8,203
X54 <- Pragmatic experience	0,625	0,064	9,812
CO CREATION -> Co-creation of environment	0,738	0,050	14,780
X61 <- Co-creation of environment	0,826	0,051	16,199
X62 <- Co-creation of environment	0,883	0,042	20,865
X63 <- Co-creation of environment	0,874	0,024	36,913
CO-CREATION -> Cognitive experience	0,638	0,075	8,543
X71 <- Cognitive experience	0,677	0,113	6,015
X72 <- Cognitive experience	0,874	0,047	18,788
X73 <- Cognitive experience	0,751	0,063	11,848

| INDICATOR – DIMENSION	λ	SE	t-value
CO-CREATION -> Personal experience	0,797	0,039	20,259
X81 <- Personal experience	0,869	0,029	30,278
X82 <- Personal experience	0,740	0,119	6,215
COMPETITIVENESS -> Tourism Resources	0,875	0,020	42,789
Y11 <- Tourism Resources	0,412	0,115	3,595
Y12 <- Tourism Resources	0,701	0,073	9,659
Y13 <- Tourism Resources	0,799	0,046	17,409
Y14 <- Tourism Resources	0,826	0,037	22,489
COMPETITIVENESS -> Conducive policy	0,797	0,041	19,643
Y21 <- Conducive policy	0,659	0,194	3,403
Y22 <- Conducive policy	0,779	0,043	18,115
Y23 <- Conducive policy	0,819	0,043	19,197
COMPETITIVENESS -> Competitive factors	0,946	0,010	93,695
Y31 <- Competitive factors	0,757	0,056	13,619
Y32 <- Competitive factors	0,727	0,056	13,011
Y33 <- Competitive factors	0,723	0,046	15,585
Y34 <- Competitive factors	0,783	0,043	18,091
Y35 <- Competitive factors	0,763	0,059	13,010
COMPETITIVENESS -> Destination management	0,866	0,030	28,730
Y41 <- Destination management	0,724	0,080	9,082
Y42 <- Destination management	0,808	0,033	24,221
Y43 <- Destination management	0,487	0,179	2,720
Y44 <- Destination management	0,653	0,079	8,273
Y44 <- Destination management	0,559	0,086	6,472
COMPETITIVENESS -> Economic Value	0,655	0,063	10,423
Y51 <- Economic value	0,895	0,036	24,769
Y52 <- Economic value	0,912	0,019	46,912

valid for α=0.05

The result of the measurement model of dimensions show that the indicators are valid at the value of t < 1, 99 (t table at α = 0.05). The results of the measurement model of latent variables on their dimensions show the extent of the validity of dimensions in measuring latent variables. Figure 1 shows the complete path diagram:

Figure 1. Complete Path Diagram of Research Model
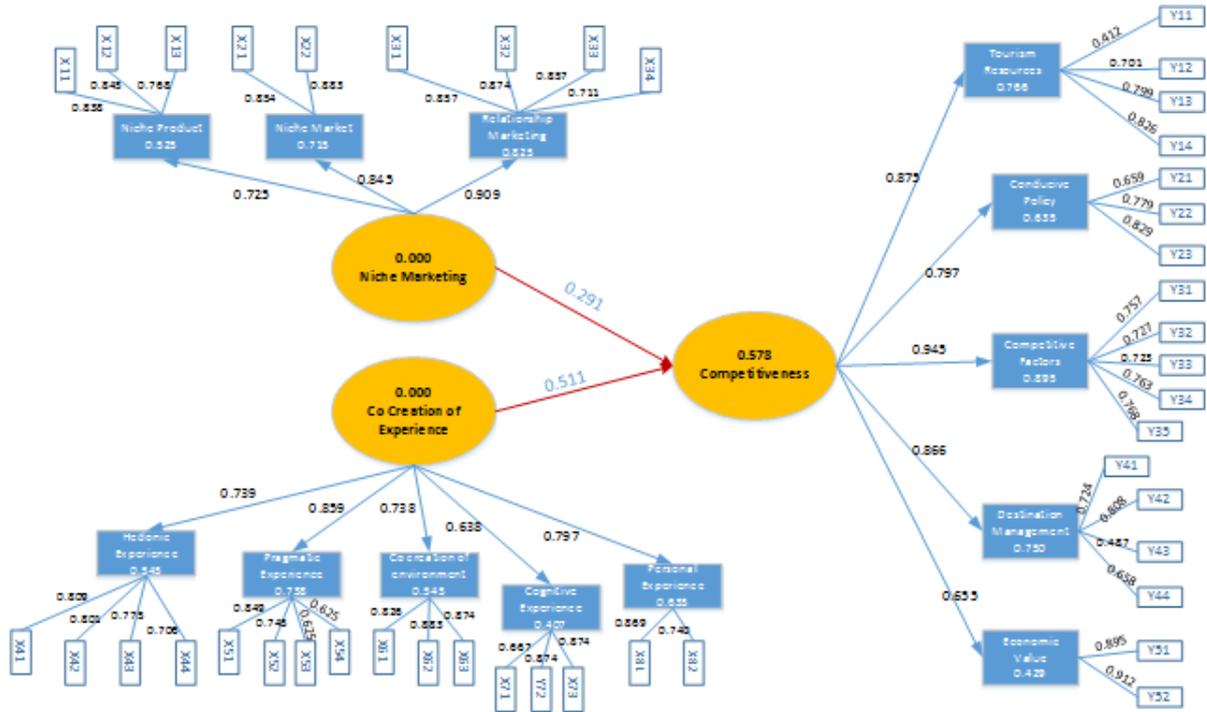
Figure 2. Complete t-value Diagram
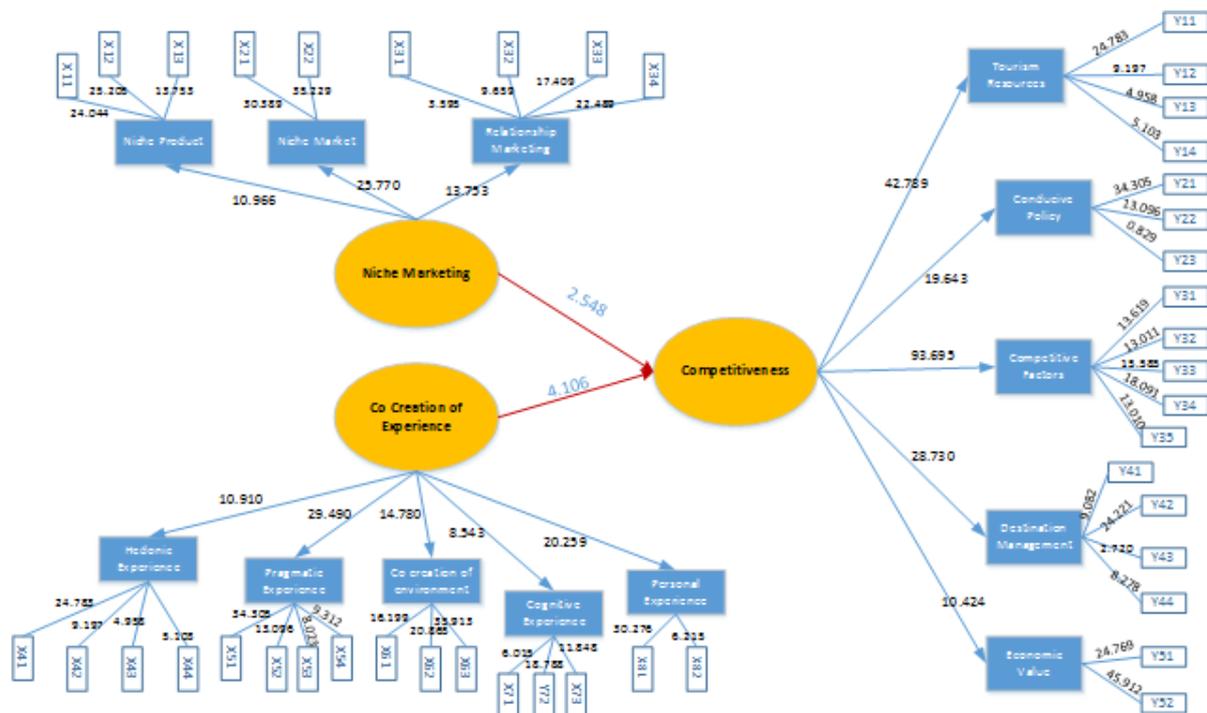
Structural Model

Based on the research framework, a structural model is obtained as follows:

$$\eta_1 = 0.291\boldsymbol{\xi}_1 + 0.511\boldsymbol{\xi}_2 + \zeta_1$$

η_1 = Competitiveness
$\boldsymbol{\xi}_1$ = Niche Marketing
$\boldsymbol{\xi}_2$ = Co-Creation of Experience
ζ_i = Residual

Hypothesis Testing

Below is the result of the partial testing of the hypothesis. Table 5 shows the result of hypothesis simultaneous testing.

Table 3: Simultaneous Testing of Hypothesis

Hypothesis	R^2	F value	Conclusion
Niche Marketing and Co-creation → Competitiveness	0,578	41.155*	Hypothesis accepted

significant at $\alpha=0.05$ (F table =3, 15)

The table shows that Niche Marketing Strategy and Co-Creation of Experience have a simultaneous significant effect on Competitiveness (57.8%).

Below is the result of partial testing of hypotheses:

**Table 4P:** Partial Testing of Hypotheses

No	Hypothesis	γ	SE(γ)	t	R^2	Conclusion
1	Niche Marketing → Competitiveness	0,291	0,114	2,548*	0,200	Hypothesis accepted
2	Co-Creation → Competitiveness	0,511	0,124	4,109*	0,378	Hypothesis accepted

* significant at $\alpha=0.05$ (t table =1.99)

Research Findings

Based on the hypothesis testing result, the Research Model Finding can be described as follow:

Figure 3. Research Finding
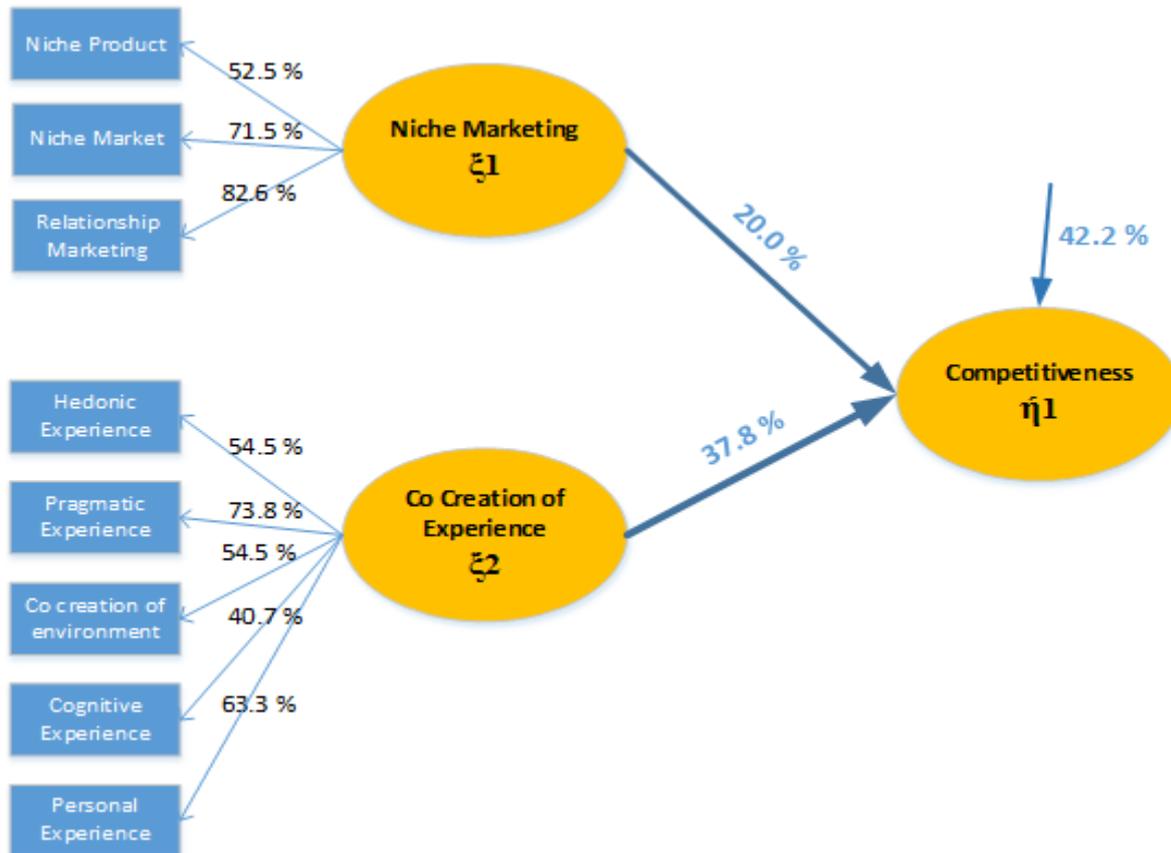
The research findings indicate that niche marketing and co-creation of experience are able to increase competitiveness where co-creation has a greater role than niche marketing. Pragmatic experience has the highest role in developing co-creation of experience, while relationship marketing is the most important aspect in developing niche marketing. These findings reveal that the increasing competitiveness of yacht tourism destinations in Indonesia should be based on the development of co-creation of experience, especially the development of pragmatic experience, which is supported by the development of niche marketing particularly related to relationship marketing.

The results support the findings of Steiner (2010); Krishna et. al. (2013) who maintain that co-creation should be one dimension of competitive advantage, meanwhile Gouillart (2014) argues that implementing co-creation creates competitive advantage. Mostafa (2015) demonstrates the positive effect of value co-creation on competitive advantage while Hsu (2016) shows that value co-creation strategy is aimed at improving the performance of new product development and enhancing a company's competitive advantage.

These findings also support Ehmke (2005) who maintains that niche marketing strategy is one strategy to gain competitiveness. Parrish (2003) states that the application of niche marketing

strategy is aimed at increasing opportunities in the global market while increasing the competitiveness of tourism destinations. Niche marketing strategy allows executives to leverage small firms in businesses dominated by large corporations or superstars, gathering mixed people in a previously non-existent community, capable of filtering and controlling the most desirable communication and transforming research firms. Niche marketing is a business strategy to excel in competition.

Conclusion

Niche marketing and co-creation of experience are able to increase the competitiveness of tourism destinations where co-creation has a greater role than niche marketing. The results of this study provide implications to the management of yacht tourism destinations in Indonesia, to develop competitiveness by relying on the development of co-creation of experience, especially regarding Pragmatic Experience Niche and Relationship Marketing Strategy.

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