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Economic valuation of museums as public club goods: Why build loyalty in cultural heritage consumption?

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ABSTRACT

The economic valuation of public goods, which include museums, is an important field of study in economic analysis and management in that the findings to emerge help to design public policies and to further both private and public commitment to managing such cultural heritage institutions. The current paper seeks to ascertain the economic value assigned to a specific and relevant museum (Museo de Antioquia, Medellín, Colombia) by visitors and particularly by those wishing to become regular consumers of the services it offers and who are willing to pay. This value is determined using the choice experiments method. The analysis therefore provides a case study describing demand for cultural club goods and also helps to establish management funding strategies aimed at improving the museum's facilities and contributing to local social welfare. Finally, the paper expands the number of case studies on public cultural heritage institutions in Latin America and developing countries.

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1. Introduction

Estimating the economic value of cultural heritage goods, such as museums, which are perhaps one of the most emblematic examples of heritage institutions, is not an easy task, since many such goods meet the non-rival consumption and non-exclusive supply characteristics typical of public or quasi-public goods, which are not likely to be bought or sold in any market [1,2]. Nevertheless, this does not pose any hurdle to the existence of procedures that attempt to measure the intensity of consumer preferences for these goods and it is important to note that museums are one of the most widely studied models in the field of cultural property valuation [3]. There are different techniques and multiple applications for measuring the economic value of museums as a cultural institution, these generally being classified into methods of revealed preferences and stated preferences. The former are so called

because the economic value of the good in question is obtained through consumer behavior in parallel markets, two examples being the travel cost method [4,5] and hedonic price model [6]. Stated preference methods are characterized by explicitly obtaining the good's economic valuation by simulating a hypothetical market; examples include the contingent valuation and choice experiment techniques. Contingent valuation is by far the most widely used method for evaluating cultural goods [7,8] and specifically museums [9–11]. The choice experiment technique allows for a more detailed economic valuation analysis by decomposing the good's total value into its specific characteristics (attributes) value, giving a more useful and pragmatic approach from a management and public policy perspective. As a stated preference method, it also has numerous applications in the field of cultural heritage [12,13] and museums [14,15]. However, there are no references where the museum is valued specifically as a club good, that is, where an

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attempt has been made to estimate the willingness to pay for a collective group provision or for any or all of the services provided by a museum institution.

In this vein, the seminal study by Buchanan [16] explains that some public goods can be analyzed as equivalent to a private good when they lose the non-exclusivity condition, generating collective provision clubs. A club is formed by those who pay for a right or entry fee to access consumption of goods, such that this good continues to be a rival for those who do not bear the cost, but is of collective enjoyment for those who access it by paying a fee [17]. Extending this concept to the provision of local public goods is interesting, since it could be covered in as many club goods as preference groups there might be, limited by market size and the scope of provision costs. In this way, a museum might be considered a local club good, as there are people willing to pay to enjoy its services or an extension thereof and who also seek to differentiate themselves from other groups [18] through their tastes and preferences regarding the consumption of cultural goods and services. In our view, and following Buchanan [16], the possibility of exclusion lies in the fact that incentives for revealing preferences are present, and that State intervention may not be required to ensure provision of the good or, at least, that alternative sources of funding may emerge from exclusivity groups or loyal consumers who join together and 'vote with their feet' for the collective provision of the good or for certain improvements thereto. However, it is understandable that the State, and possibly some sponsors, should invest in an effort to standardize these tastes through cultural policies, and that a museum might therefore be considered as a merit good [19]. In other words, they are convinced that consuming cultural goods generates positive externalities and contributes to increased social welfare. However, nothing prevents us from thinking about alternative forms of provision, such as supply in the form of club goods provision [20], indeed or even more so, the privatization of some cultural services [21]. We thus feel that there may be a group of frequent consumers who express a direct use value, or even a group of enthusiastic citizens, linked to the passive use value, who manifest their intention to improve the museum through a specific willingness to pay and who, therefore, may be seen as club good consumers. This group needs to perceive advantages when consuming, albeit merely in terms of identification, and to overcome the temptation of free enjoyment. In this sense, the choice experiments technique may prove extremely useful for practical purposes since it allows for the specific valuation of the good to be studied by its main features or valuation segments, and for these to be ranked in preference ranges. The usefulness of these findings also lies in the fact that the manager can prioritize the possible improvements to be undertaken in the museum in line with stated preferences, and can use these financial resources to complement available public funds together with other possible sponsorship.

Thus, the purpose of this paper is to estimate the economic value given to the Museum of Antioquia in Medellín (Colombia) by the people who wish to be loyal consumers of the cultural goods and services ('club consumers'), taking into account each of the museum's most important characteristics or attributes, the iconic heritage of the city and the cultural policy instrument for the country and the region where it is located. The Museum of Antioquia is a non-profit, art and regional history museum governed by private law. It is one of Colombia's leading cultural institutions in addition to being one of the main tourist and cultural attractions thanks to its housing one of the most important collections by the world-renowned artist Fernando Botero. For the purpose of this research, the choice experiment method is used as a means to derive the rate of contribution to a club good by those interested in the continued loyalty of their consumption. The study is thus structured as follows: after this introduction, the research aims are summarized, and then the methodology based on choice experiments is

presented. The fourth section contains the empirical application to the Museum of Antioquia in Medellín, including the justification of the case study, an explanation of the fieldwork and a presentation of the main valuation results. Finally, the study's most important conclusions and policy implications are presented.

2. Research aims

The present research seeks to explore museums from the perspective of considering them as public club goods. In particular, the aim is to ascertain the value allocated by the visiting public and/or enthusiasts who are willing to pay for specific facilities and improvements to the museum that can provide advantages in the use thereof, whilst at the same consolidating their time long-term consumer fidelity. The technique used is choice experiments, one of the stated preference methods, which proves particularly suited since it allows the allocated value to be broken down into the various attributes analyzed in the study, which in turn leads to greater usefulness for management strategies and policy makers alike. The case study involves evaluating the Museum of Antioquia, Medellín, one of the leading cultural institutions in Colombia, and an internationally renowned museum due to its housing one of the most important collections by the world famous artist, Fernando Botero. Finally, the research aims to expand the number of case studies evaluating public cultural heritage institutions in Latin America and developing countries, where such studies remain scarce.

3. Methodology: the choice experiment as an economic valuation technique

The choice experiment method has emerged as an alternative stated preferences method to the one most commonly used for valuing non-market goods, namely the contingent valuation method. The choice experiment method also makes a contingent market on the element being assessed, where the interviewer presents the offer, while the respondent seeks to express the valuation for its demand. Specifically, the interviewer provides sets of alternatives to the interviewee. These sets contain common, specific characteristics of a good, but with different levels. Respondents are asked to choose the preferred alternative, which will therefore contain their stated preference. In order to carry out the method, it is necessary to gather information on the degree of substitution or trade-off that individuals show between attributes, without requiring the presentation of all possible choices. Respondents must choose between a base case and the alternative. When choosing between these two options, the respondent is providing information from which it is possible to determine the value of the good's improvement and therefore deduce its demand function.

In a global literature review, Kaminski et al. [22] found that of 17 non-market economic valuations in European cultural locations, 15 used the contingent valuation method and only two applied the choice experiment. One of the first applications of the choice experiment can be found in the study by Louviere and Hensher [23], who examined the effect of the attributes and ticket price of a bicentennial exhibition in Australia. Along a similar line, Snowball and Willis [24] evaluated the characteristics of the sections of an Arts Festival in South Africa so that the festival's organizers could make decisions about in which areas they should spend more or less and thus offer more shows to provide greater value to attendees. More recent studies, such as Bimonte et al. [25] make an ex-ante valuation of tourists' preferences for mobility systems to access the historical city of Siena, Italy. The choice experiment has also been applied to assess heritage sites, such as humanized cultural landscapes [13,26]; monumental ensembles [27,28]; or archaeological sites [12,29].

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