

Investigating the Role of Government Policy and the Environment on Locals' Loyalty to Spring Music Festivals

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ABSTRACT

This paper explores the importance of government policy and the environment in determining locals' perceived value of and loyalty to festivals. Although past studies have analyzed attendee loyalty, little research has examined the perspectives of local businesses and residents. Locals with unsatisfactory experiences can hinder festivals from being held. This study applied a structural equation model (SEM) approach to investigate the responses of locals to spring music festivals in southern Taiwan. The results indicated that both government policy and the environment affected perceived value, which consequently influenced loyalty. Implications are drawn for government policy support, festival management, and tourism.

Keywords: Festival Loyalty, Festivalscape, Perceived Value, Music Festival

INTRODUCTION

Festivals and special events incorporating unique offerings have grown rapidly during the past decade (Huang, Li, & Cai, 2010; Yoon, Lee, & Lee, 2010). Research on festivals and special events has been linked to tourism from several perspectives, including generating economic benefits (Litvin & Fetter, 2006; Mckercher, Mei, & Tse, 2006), preserving local culture (Xie, 2004), and marketing targeted place (Boo & Busser, 2005; Felsenstein & Fleisvher, 2003). In Taiwan, more than 400 festivals are held each year, indicating the arrival of a culture-consumption era (Global-Views-Monthly, 2013). Much of the past research has focused on festival attendees (e.g., tourists), because expenditures made at festivals heavily determine the economic impact. For example, prior study has investigated the relationships between “festivalscape” and “patrons’ emotions, satisfaction, and loyalty or future behavior” (Lee, Lee, Lee, & Babin, 2008; Mason & Paggiaro, 2012). Festival attendees include tourists, local businesses owners and/or managers, and residents (Bres & Davis, 2001). The results of such research have indicated that social costs of festivals more strongly affect locals (i.e., business owners and/or managers and residents); consequently, they more frequently impede the festival when the social costs are excessive or the experience is unsatisfactory. Despite the importance of locals as patrons, scant research has been conducted to elucidate the loyalty of locals to festivals. Therefore, the purpose of the current study is to investigate locals’ loyalty to festivals. The following overarching questions guide the course of this study:

- (1) What are the underlying factors and causal relationships that determine the loyalty of locals to music festivals?
- (2) What are the differences in music festival–loyalty factor means between local business owners and/or managers and residents?

The study context is the spring music festivals occurring annually in southern Taiwan during spring break. Two of the most famous festivals are Spring Scream at Kenting National Park and Spring Wave at Hengchun Airport. Approximately 150,000 to 500,000 person-trips have been generated each year since 2007 (SpringScream, 2014). Both festivals are outdoor events, and the length of each festival ranges from 2 to 11 days. In addition to music, the festivals feature a film festival, art exhibits, stalls, food vendors, and camping (Wikipedia, 2013). At the same time each year, a variety of other music and entertainment events occur in the surrounding areas. Kenting National Park is a famous attraction for international tourists; the number of tourist visits to scenic spots in Kenting National Park reached 7.25 million in 2013 (Kenting National Park, 2014). The spring music festivals provide multifaceted attractions, such as ocean,

beaches, sunshine, weather, landscape, maritime activities, pop music, and ecotourism, and many of the activities are suitable for and attract youths. The influx of crowds boosts tourism and benefits the local economy. By understanding the factors and relationships affecting loyalty to festivals, government administrators and festival management parties can increase the loyalty of and prevent resistance from locals, resulting in sustainable festivals.

LITERATURE REVIEW AND HYPOTHESES

Festivalscape and Environment

Festivals are a large-scale industry involving public authorities (governments), private firms, and nonprofit organizations; they are useful for increasing tourism (Andersson & Getz, 2009). Festivals, whether with or without explicit tourism-related goals, normally create a demand for tourism services at a specific place and time. Therefore, researchers have studied festival tourism from several perspectives: patron loyalty (Lee et al., 2008; Song, You, Reisinger, Lee, & Lee, 2014), the tourism industry (Andersson & Getz, 2009), the performative field of tourism (Giovanardi, Lucarelli, & Decosta, 2014), culture and community (Robinson, Picard, & Long, 2004), place marketing and the image making of community-based festivals (Quinn, 2005), economic impact (Mckercher et al., 2006), effect on the hotel industry (Litvin & Fetter, 2006), and contributions to regional development (Moscardo, 2007).

“Festivalscape,” a term similar to “servicescape,” refers to the general atmosphere experienced by festival patrons (Lee et al., 2008). Servicescape comprises an environment with numerous manmade atmospheric cues that provide people with various stimuli to help form an overall perceptual image of the service organization. The dimensions of the physical environment can be classified in three areas: “ambient conditions,” “spatial layout and functionality,” and “signs, symbols, and artifacts” (Bitner, 1992). Servicescape can influence a person’s cognitive, emotional, and actionable responses (Bitner, 1992; Kim & Moon, 2009). In past studies, researchers have adopted servicescape as an independent variable and a moderating variable (Kim & Moon, 2009; Lin & Worthley, 2012). Consumers often seek the quality evidence of servicescape based on various sensory cues and environmental attributes (Lin, 2004; Lin & Worthley, 2012). Similar to servicescape, the environmental dimensions of festivalscape can be described using Bitner’s classifications.

The term “festival patrons” typically refers to people (tourists and locals) attending a festival. Music festival patrons, for example, are people who buy tickets to attend a

concert. Festivalscape describes the general atmosphere and environment experienced by patrons of music festivals (e.g., a concert venue). Most previous studies have focused on voluntary festival patrons to elucidate consumer behavior. Other festival patrons include locals or hosts, such as local business owners and/or managers, and residents. These patrons might or might not participate in the festival itself, but are immersed in the environment surrounding the festivals. A binary logic of “action/reaction” exists, which involves the conflict and opposition between “hosts” and “guests” (Giovanardi et al., 2014). In the context of this study, the influx of festival visitors generated environmental problems such as waste, damage to ecological resources, traffic congestion, and noise. Drug use was another problem related to music festivals that was identified. In addition, the festivals examined in this study were held in or near a national park with ocean and mountain scenery and valuable ecological resources. One attendee survey related to outdoor music festivals included questions on environmental dimensions (Tourism-Management-Dept, 2007). The festivalscape in this paper referred to the physical environment observed and experienced by locals during the Spring Scream and Spring Wave music festivals. “Physical environment” refers to the cleanliness, traffic conditions, preservation of ecological resources, and environmental quality of the festival as perceived by locals.

Government Policy

Governments actively or passively influence tourism for numerous reasons (political or nonpolitical). Festivals and tourism are strongly associated with the terms of “merit goods,” “social equity,” and “public goods” (Andersson & Getz, 2009). Merit goods (such as music, culture, and arts celebrations) are generally considered beneficial to the public regardless of the economic potential. Social equity refers to the need and fairness of the government subsidizing cultural and leisure services. Several studies have demonstrated that government intervention in festivals or tourism is politically acceptable, particularly when the intervention generates economic and social benefits (Hall, 2005; Pearce, 1992). The “public goods” argument states that tourist attractions, natural resources, and cultural resources are typically owned and managed by public authorities but available to everyone.

Festivals and tourism are also political platforms. If government involvement can generate public benefits by enhancing the local image and tourism expenditures, these achievements are reflected in the votes of locals and tourists in the future, demonstrating how the political system can create customer influence. Locals influence the local government, and tourists, in a broader sense, influence higher-level

government. Therefore, government intervention is not a question of “yes or no,” but rather a question of “more or less.” As previously mentioned, environmental problems caused by music festivals are inevitable and must be resolved by public authorities. In this paper, “government policy” refers to locals’ expectations of support from the government in controlling illegal music activities, ensuring security, and creating a drug-free environment.

Perceived Value and Loyalty

“Value” refers to perceived quality relative to price (Fornell, Johnson, Anderson, Cha, & Bryant, 1996). According to Porter (1985), business owners and managers conduct a series of activities (primary and supportive) to add value to products. Profits and costs are determined based on how these activities are performed. From the consumer’s perspective, perceived value is the consumer’s perception of a product based on a “give and take” tradeoff (Zeithaml, 1988). Customers’ perceived value has been examined from various perspectives, including products and goods (Sweeney & Soutar, 2001; Tsai, 2005), retailing (Rintamaki, Kanto, Kuusela, & Spence, 2006; Walsh, Shiu, & Hassan, 2014), Internet shopping (Chang & Tseng, 2013), and tourism and hospitality (Chen & Hu, 2010). Previous studies have also defined value perceptions as multidimensional (e.g., functional, emotional, and social; utilitarian, social, and hedonic; functional and symbolic).

In the context of this study, local business owners and residents can form varying perceptions of the value of music festivals. Business owners and/or managers are likely to generate more revenue from the influx of festival tourists, but residents might not benefit. In several situations, residents can indirectly obtain monetary value from increased job opportunities or property price. However, both business owners and residents experience the incurred social costs of festivals, such as traffic congestion, noise, garbage, and environmental damage. Generally speaking, consumers’ perceived value relates to individual benefits and private costs. Locals consider the social cost of festivals to be a combination of private costs and externalities (i.e., costs borne by the local community). Locals consider social benefit to be a combination of private gains and externalities (i.e., benefits for the local community). Based on the functional value argument, this study defines perceived value as the trade-off between the social benefits and social costs perceived by local business owners or residents.

Numerous studies have identified customer loyalty as a key outcome (Chang & Tseng, 2013; Chen & Hu, 2010; Floh, Zauner, Koller, & Rusch, 2013; Fornell et al., 1996; Song et al., 2014; Walsh et al., 2014). Customer loyalty has been defined as

revisit or repurchase intention (Chang & Tseng, 2013; Floh et al., 2013; Song et al., 2014), word-of-mouth and preference (Chen & Hu, 2010; Cronin, Brady, & Hult, 2000; Fornell et al., 1996; Lee et al., 2008), and experience extension (Dong & Siu, 2013). Locals can be service providers or mere observers of music festivals and are actively or passively immersed in the festival environment. Customer loyalty (i.e., locals' loyalty) results in part from the consequences of that immersion. The results can be positive word-of-mouth advertising based on a favorable experience or resistance to the festival based on a poor experience. Loyalty, in this paper, refers to word-of-mouth.

Hypotheses

The current study's hypotheses are summarized in the model displayed in Fig. 1. Local business owners and residents as well as tourists expect the government to play a role in festivals because festivals relate to "public goods," "social equity," and "social costs." Therefore, locals' perceptions of government support are based on how favorably the government moderates the trade-off between the benefits obtained and social costs incurred by the community. The positive perception of government policy causes a high perceived value of the festival. If locals consider an unfair or disordered festival to be the result of government incompetence, they might generate a sense of resistance to the festival and spread negative word-of-mouth about the festival (poor loyalty). Meanwhile, a high degree of government support results in high customer loyalty. Therefore, we hypothesized the following:

H1: Government policy support positively influences perceived value.

H2: Government policy support positively influences loyalty.

A previous environmental psychology study proposed that people form a holistic picture of an overall servicescape based on various environmental cues and physical components (Mehrabian & Russell, 1974). Festivalscape is the servicescape experienced by festival patrons. The patrons in this study were local business owners and residents. Therefore, festivalscape mainly refers not only to the festival venue itself, but also to the physical environment surrounding the festival. Previous studies have indicated that servicescapes influence a person's cognitive, emotional, and actionable response (Bitner, 1992; Kim & Moon, 2009); perceived quality (Siu, Wan, & Dong, 2012); and service experience evaluation (Dong & Siu, 2013). Another study demonstrated that the impact of the environment on festival loyalty is mediated by patrons' emotions (Lee et al., 2008). During the festival period, both business owners and residents incur costs related to garbage, noise, and traffic congestion caused by

tourists at the site of the festival and in the surrounding area (social costs). However, business owners typically experience an increase in revenues, and residents benefit from increased job vacancies and property value (benefits obtained). The combination of these physical environment cues forms locals' perceived value (benefits vs. social costs). One study indicated that patrons more favorably assess festival value when they believe that the benefits of a festival outweigh the costs (Yoon et al., 2010). In addition, if locals perceive value from a festival experience, they spread positive word-of-mouth, preventing "local resistance" that creates opposition or inhibits tourist attendance. Therefore, we hypothesized the following:

H3: Festival environment positively influences perceived value.

H4: Festival environment positively influences loyalty.

Perceived value and loyalty are related. Several researchers have suggested that perceived value directly influences loyalty (Chang & Tseng, 2013; Chen & Hu, 2010; Floh et al., 2013), whereas others have proposed that perceived value indirectly influences loyalty based on satisfaction (Fornell et al., 1996; Yoon et al., 2010). One study indicated that both are true (Walsh et al., 2014). Yoon et al. (2010) found that festival quality dimensions affect value, consequently influencing visitors' satisfaction and loyalty. However, these studies focused on customers whose patronage was voluntary. Patrons in the current study were local business owners or residents of the area in which the festival occurred; they might be passively or involuntarily immersed in the festival atmosphere, obtaining an experience differing from that of festival attendees. Therefore, we adopted a direct relationship between value and loyalty, without considering the role of satisfaction. We formulated the following hypothesis:

H5: Perceived value positively influences loyalty.

METHODOLOGY

Sample and Procedure

Data for this study were collected during the spring music festivals. Nine college students approached local business owners and/or managers and residents (locals) during the final three days of the festival to explain the purpose of the study and invite the locals to participate in the survey. A total of 381 (175 residents, 206 business owners) valid questionnaires were collected.

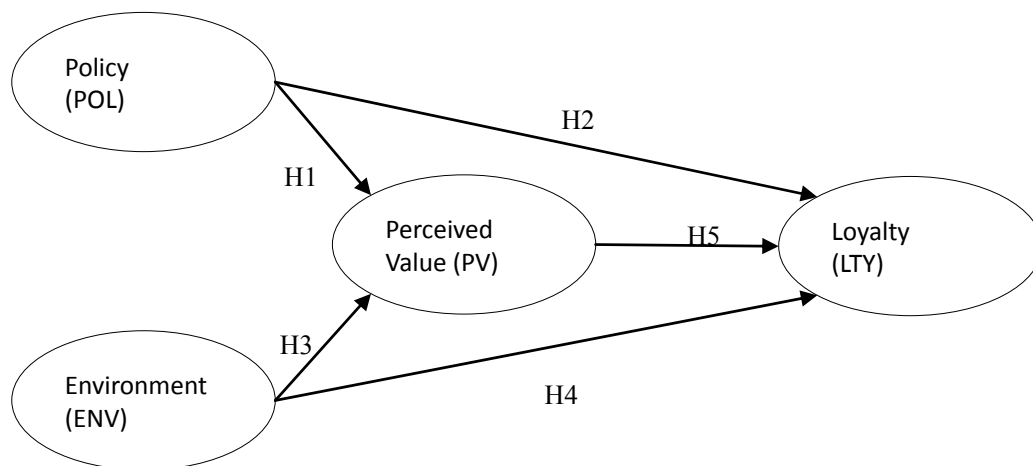


Figure 1 Research model

Among the residents, 60.6% were female and 39.4% were male. The majority of residents (80.6%) were between 17 and 46 years of age, followed by those between 47 and 56 (7.4%) and those younger than 16 years (7.4%). Approximately half of the residents were single (54.3%), and half were married (45.7%). Residents with a college-level education accounted for 44.5% of the sample, followed by those with a high school or lower level of education (55.5%). Residents' professions included services (20%), student (20%), food and beverage (13.7%), hotel (11.4%), commerce (8%), self-employed (5.1%), and other (12.7%). Business owners and/or managers were distributed into the following areas: food and beverage (29.6%), hotel (21.2%), apparel (10.2%), entertainment (9.7%), gift (6.2%), leasing (3.5%), and other (19.5%). Locations of businesses included Hengchun Township (57.8%), Kenting (35.9%), and other (6.3%). Business owners reported that, compared with normal business days, revenues during festivals increased by 1% to 50% (35.4%), 50% to 100% (16%), one to two times (18.4%), two to three times (8.7%), and more than three times (9.7%). Only 11.7% reported a decrease in revenues.

Instruments

Two separate survey questionnaires were provided for business owners and residents. Both surveys contained 14 items in the first section. The first 10 items, adapted from an earlier survey report (Tourism-Management-Dept, 2007), were derived from an exploratory factor analysis. Items 1 to 5 comprised questions concerning the physical environment in which locals were immersed. The subsequent 5 items comprised questions regarding government policy support. Items 11 to 14 were

adapted from past research (Fornell et al., 1996; Yoon et al., 2010). Among them, 2 items measured perceived value. Based on Zeithaml's definition (1988), perceived value was defined as "locals' overall assessment of the utility of a festival based on perception of what is received by and what is given to local community." The remaining 2 items measured loyalty (i.e., word-of-mouth). Locals' participation in the festival was not voluntary; therefore, the question "I will keep attending the festival" was not included in the locals' questionnaire. All measures adopted a 5-point Likert scale, with anchors ranging from *strongly disagree* (1) to *strongly agree* (5). Higher scores indicated more positive perceptions of the festival.

The second section included questions about demographic data. In the business owners' questionnaire, questions included business type, business location, and revenues generated during festivals. The residents' questionnaire included questions about gender, age, marital status, level of education, profession, and the public service with which they were most dissatisfied.

Measurement Model

Confirmatory factor analysis (CFA) was performed using LISREL 8.54. After an initial CFA analysis, the measurement model indicated a poor model fit (Table 1). The root mean square error of approximation (RMSEA; 0.112) was above the acceptable value of 0.08; the standardized root mean square residual (SRMR; 0.10) was greater than 0.05; and the goodness of fit index (GFI; 0.87), nonnormed fit index (NNFI; 0.86), and comparative fit index (CFI; 0.89) were below the acceptable level (0.90). Therefore, the residuals and modification indices were examined to identify specific areas of problematic fit. The indicator variance of each item was also examined to determine if substantial amounts were explained. Consequently, 4 of the 14 items were eliminated. Table 1 illustrates that the revised CFA model suggested an adequate model fit, based on a comparison of the fit indices of the revised model with recommended fit index values. The adequacy of the measurement model was then evaluated based on reliability, convergent validity, and discriminant validity. Table 2 indicates that the Cronbach's α , ranging from 0.823 to 0.898, exceeded 0.7, indicating satisfactory internal consistency and reliability for all four constructs. Reliability was also examined using the composite reliability values displayed in Table 2. All of the values, ranging from 0.834 to 0.910, exceeded the acceptable level of 0.7. For convergent validity, the results indicated that each item loaded significantly on the latent construct, with the lowest t value being 13.25 ($p < .01$). The average variance extracted (AVE) values for each construct, ranging from 0.664 to 0.816 (Table 3), were all higher than 0.5,

suggesting that each construct was strongly related to the set of respective indicators. These results suggest an acceptable convergent validity of the measurement model research variables.

Table 1 Overall Model Fit Indices for The Research Model

Model	χ^2	<i>df</i>	χ^2/df < 3.0 ^a	RMSEA < .08 ^a	SRMR < .05 ^a	GFI > .90 ^a	AGFI > .80 ^a	NNFI > .90 ^a	CFI > .90 ^a
Initial Measurement	372.25*	71	5.24	0.112	0.10	0.87	0.80	0.86	0.89
Revised Measurement	83.74*	29	2.89	0.069	0.05	0.96	0.92	0.96	0.97
Structural	83.74*	29	2.89	0.069	0.05	0.96	0.92	0.96	0.97

Note. *N* = 381. ^a Recommended values. **p* < .05.

Discriminant validity refers to the distinctiveness of constructs. Discriminant validity is present if the square root of the AVE of a construct is higher than the correlation between the construct and the other constructs in the model (Fornell & Larcker, 1981). Table 3 illustrates that the diagonal values exceeded the inter-construct correlations, thereby suggesting satisfactory discriminating validity. Therefore, the measurement model was acceptable.

Results of The Structural Model

SEM was used to evaluate the research model. The fit indices displayed in Table 1 indicated an acceptable fit for the structural model. Table 4 illustrates that four of the five direct paths exhibited a *p* value less than .05, indicating that four hypotheses were supported. The explanatory power of the research model (R^2 values) was also demonstrated. Government policy and environment accounted for 22.4% of the variance of perceived value. Perceived value, government policy, and environment accounted for 42.2% of the variance of festival loyalty.

Table 2 Summary of Measurement Scales

Construct	Measure	Mean (S.D.)	Loading	Source
Environment (ENV) (composite reliability = .834, Cronbach's α = .860)				
env1	The dispersed concert venues can mitigate dirty environment problems and plagues of traffic congestion in the local areas	3.41 (1.22)	0.891	Adapted from Tourism Management Dept. (2007)
env2	The dispersed concert venues can mitigate damages to the local natural ecological landscape	3.48 (1.15)	0.888	
env3	After dispersing the concert venues, the environmental quality (including traffic) for this year is better than that for last year	3.27 (1.10)	0.690	
Government Policy (POL) (composite reliability = .861, Cronbach's α = .839)				
pol1	Illegal musical activities should be controlled or banned by the public authority	4.09 (1.00)	0.637	Adapted from Tourism Management Dept. (2007)
pol2	I support the police use of detectors to investigate dangerous metal goods at the entrance of concert venues	4.21 (.88)	0.924	
pol3	I support the police use of anti-narcotics police dog for drug enforcement at concert venues	4.19 (.94)	0.855	
Perceived Value (PV) (composite reliability = .846, Cronbach's α = .823)				
pv1	The economic benefit gained is worthwhile considering the incurred social costs	3.93 (.87)	0.915	Adapted from Fornell et al. (1996) and Yoon et al. (2010)
pv2	The incurred social costs are reasonable considering the economic benefits gained	3.94 (.98)	0.769	
Loyalty (LTY) (composite reliability = .910, Cronbach's α = .898)				
lty1	I will say positive things about this festival to other people	3.93 (.92)	0.877	Adapted from Lee et al. (2008) and Yoon et al. (2010)
lty2	I will recommend this festival to my relatives and friends	3.95 (.96)	0.929	

Table 3 Discriminant Validity for The Measurement Model

Construct	AVE	ENV	POL	PV	LTY	Mean	S.D.
ENV	.686	.828				3.35	1.02
POL	.664	.154	.815			4.17	0.82
PV	.714	.267	.427	.845		3.89	0.86
LTY	.816	.270	.298	.641	.903	3.94	0.90

Note: Diagonals (in bold) represent the square root of the average variance extracted (AVE), and the off-diagonal entries are the factor correlations. ENV = environment, POL = government policy, PV = perceived value, LTU = loyalty.

Table 4 Direct, Indirect, and Total Effects for The Research Model

Hypothesis	Determinant	Standardized Estimate			Result
		Direct	Indirect	Total	
Loyalty ($R^2=0.422$)					
H5	PV	.603*		.603*	Supported
H2	POL	.024	.238*	.262*	Not supported
H4	ENV	.105*	.124*	.229*	Supported
Perceived value ($R^2=0.224$)					
H1	POL	.395*		.395*	Supported
H3	ENV	.206*		.206*	Supported

Note. * $p < .05$.

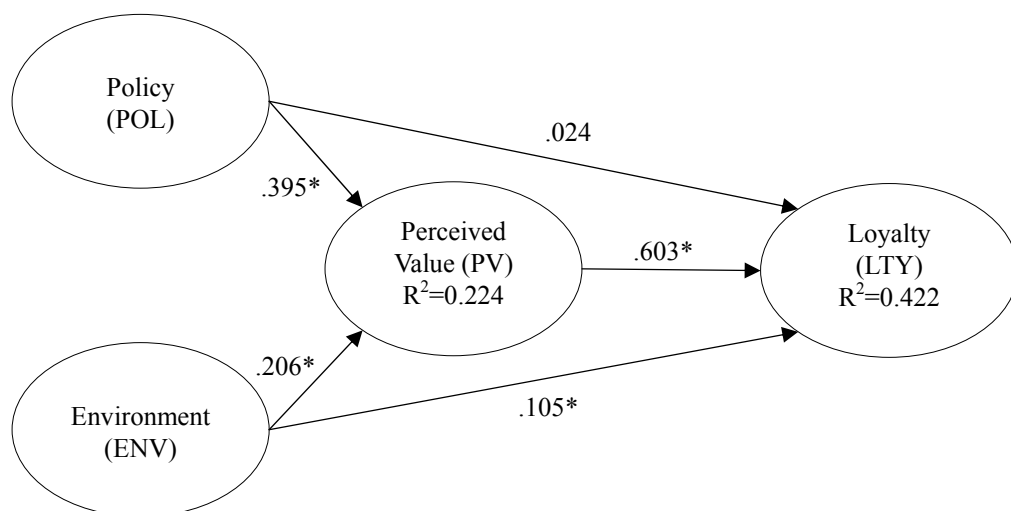


Figure 2 Results of Structural Equation Modeling

DISCUSSION AND CONCLUSION

The current study examined the influence of government policy and environment on the loyalty of local businesses and residents to music festivals. The objective of this study was to elucidate the antecedents and consequences of the locals' music festival experience. For a music festival held in a resort area, concert participants and tourists are the direct consumers, whereas local business owners and residents are involved indirectly; however, local business owners and residents are also notably affected by the festival. The sustainability of the festival relies not only on participants, but also on locals. This study focused primarily on local business owners and residents located near the festival venue. In response to the first research question, a final full model was derived (Fig. 2). The model contained the factors and relationships that predicted locals' loyalty to festivals. Factors that exhibited statistically significant total effects (Table 4) on loyalty were perceived value, policy support, and environment. All factor means were higher than the neutral state of 3 (Table 3), indicating that business owners and residents perceived the music festivals in a positive manner. Factor means, in descending order, were 4.17 for government policy, 3.94 for loyalty intention, 3.89 for perceived value, and 3.35 for environment. Environment, which bears the burden of the festival, remained positive, suggesting that social costs were not perceived negatively. The results also indicated that locals expect government policy support when maintaining order during the festival, positively perceive the economic benefits given the social costs, and spread positive word-of-mouth.

In response to the second research question, further testing of differences in means revealed that business owners and residents exhibited no significant differences for any of the four factors—namely, loyalty, perceived value, government policy, and environment. These results appeared to be counterintuitive. For example, in terms of perceived value, business owners, who experience an increase in customers and monetary income during festivals, were expected to exhibit higher perceived value than residents, who gain no benefit from festivals but must assume social costs. The following survey data conformed to this analysis. Business owners reported an increase in customers (the number of customers over 40 people per day increased from 49% to 72%) and higher revenue (88.3% of businesses experienced increases in revenues, ranging from 50% to more than three times) during festivals. However, residents reported that the five most unfavorable consequences of festivals are traffic congestion, insufficient parking spaces, excessive garbage, lack of public toilets, and inconvenient transportation. These results did not explain the lack of differences in the perceived value of festivals between business owners and residents. One plausible explanation is

that residents also gained indirect benefits from festivals, including increases in job opportunities, property values, and musical atmosphere. Another possible explanation is the link between tourism revenue and the local economy, such as agriculture, fisheries, and other service sectors (Cernat & Gourdon, 2012), which benefits residents. For example, popular products from the festival area include mangos, onions, flying fish, and lamb. Therefore, although business owners scored perceived value higher than residents did, the difference was nonsignificant.

The results indicated that government policy and environment, which are external variables and environmental cues, predicted perceived value. Governments proactively and reactively influence large-scale music festivals because business order and participant safety must be guarded through government involvement. For example, the government should ban unapproved music activities and search for dangerous goods or drugs at the concert venue's entrance. Therefore, we expected the government to affect the tradeoff between economic benefits and social costs. Environment refers to traffic congestion, garbage, and ecological damage experienced by locals as well as the level of the festival's quality at the expense of social costs. Therefore, improving the environment would enhance perceived value. This result was consistent with a prior study that indicated that facility, as an environmental cue, predicted festival value (Yoon et al., 2010). This finding is encouraging to both festival planners and government policymakers. Festival planners should promote music, art, and leisure activities while advocating ecotourism to mitigate damage to natural ecological resources, thereby creating more favorable environmental quality. Regarding policymakers, the results suggested that governments can attempt to enhance policy support and improve environmental quality to increase locals' perceived value of festivals, an indicator of local economies' improvement. Therefore, festivals are an effective political tool considering that both central and regional governments in Taiwan use music festivals to attract tourists to the concert venues for the purpose of increasing tourism and generating economic benefits.

The results indicated that perceived value directly influenced loyalty. The effect was large (0.603), suggesting that locals' perceived economic benefits in relation to social costs caused positive word-of-mouth, thereby increasing festival sustainability. The direct effect of perceived value on loyalty correlated with past research (Chang & Tseng, 2013; Chen & Hu, 2010; Wu, Chen, Chen, & Cheng, 2014). In addition, our results demonstrated that environment directly influenced loyalty, indicating that more favorable environmental quality caused locals to spread positive word-of-mouth. The environment included the areas surrounding Kenting National Park and the music

festival venues. Finally, although the direct effect of policy support on loyalty was nonsignificant, the total effect was significant because of the significant indirect effect through perceived value. Based on this result, policy support indirectly contributed to positive word-of-mouth, increasing the role of the government.

This study contributes to festival tourism research. Little research has been conducted to investigate the loyalty of local businesses and residents to festival tourism; therefore, the goal of this study was to fill this research gap. The results can aid the decision-making of festival and tourism policymakers, festival managers, and tourism agencies.

However, limitations of this study should be acknowledged. For example, this study focused primarily on indirect consumers of music festivals (i.e., local business owners and residents). Direct customers (i.e., festival attendees and tourists) were not included in the study. In addition, this study illustrated the differences in factor means between business owners and residents. Further research should be conducted to explore the moderating effects of the types of interested parties (business owners vs. residents) on the research model to determine whether any significant difference in path coefficients exists. Tourism linkage or leakage effects in Kenting should also be examined further.

In conclusion, locals' loyalty is a prerequisite to the sustainability of music festivals held in national parks. Festivals are affected by the value, government policy support, and environmental quality perceived by local businesses and residents. Festival planners and managers should develop methods to control tourist flow, research methods for mitigating damage to natural resources, and request government support to control illegal business activities, direct traffic, provide a drug-free and safe environment, and help with garbage, public toilet, and parking problems.

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