Undecidable? Categorization and its effects
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Chapter 5

MIND THE GAP: DIFFERENCES IN CLASSIFICATION BY THE PRODUCTION AND CONSUMPTION SIDE OF THE MARKET AND MUSIC FESTIVAL SUCCESS

Authors

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Abstract

Producers and consumers – who represent opposing sides of the market – have different frames of reference, which may result in differences in the classification of the same products. This study aims to demonstrate that ‘classification gaps’ have a negative effect on the performance of products, and that these effects play a role in different stages of consumers’ decision process. The data collection consisted of three comprehensive parts, covering production and consumption in the music festival market in the Netherlands. The first part focused on festival organizers who were asked to classify their own music festival in terms of musical genres. In total 70 festival organizers agreed to participate. The second part measured the genre classification of 540 consumers. In the third part, 1554 potential visitors of music festivals in the Netherlands were interviewed about their awareness of the festival and whether or not they considered visiting or visited the festival. This paper provides empirical evidence that a classification gap between the production side and the consumption side of the market has negative effects on music festival performance. This is due in part, to reduced activation of potential consumers in the marketplace. This paper demonstrates that a fundamental – but understudied – disconnect between the two opposing sides of the market (i.e., producers and consumers) regarding the classification of the same products can have negative effects on the performance of these products.
5.1 Introduction

It has been acknowledged that producers and consumers bring different perspectives to the market and that they may perceive the market and the products in it differently (Giesler, 2008; Rosa et al., 1999; Steinman et al., 2000). This paper examines situations in which consumers and producers have different perceptions about the categorical identity of the same product. Categories are sense-making devices (Murphy, 2002; Ross, 1996), on the basis of which consumers create expectations for the products that are in these categories (Eguaras et al., 2012; Suchman, 1995). If consumers cannot easily identify a product’s category membership, product evaluations can be negatively affected (e.g., Gregan-Paxton et al., 2005; Gregan-Paxton, et al., 2002; Lajos et al., 2009; Moreau et al., 2001; Noseworthy and Trudel, 2011; Zhou and Nakamoto, 2007). To provide consumers with guidance about how to categorize a product, producers can use category cues. These category cues can provide explicit guidance to consumers in their categorization efforts, and thereby help consumers decide to which alternatives the product should be compared to (Mogilner et al., 2008).

Even in the presence of category cues, consumers and producers can have different perceptions regarding which category a product belongs to. This difference is called the classification gap. For instance, a producer of running shoes can perceive this product as belonging to the category of high-performance professional sporting goods, while a consumer may perceive running shoes as an exclusive fashion good. The notion of a classification gap represents a more fundamental disconnect between the two opposing sides of the market (i.e., producers and consumers) than is normally acknowledged in the positioning literature (e.g., Punj and Moon, 2002; Ries and Trout, 1986). The positioning literature suggests that producers offer products that provide optimal value relative to competing products, to the consumer. Precisely which products are considered to be competing will depend on how the consumer categorizes the focal product, which – in the case of a classification gap – differs from the categorization of the producer.

The empirical setting was the Dutch music festival industry. While the music industry has been suffering from consistently decreasing sales over the last decade (e.g., Liebowitz, 2008; Sinha et al., 2010), the music festival market has been performing well (e.g., Festival Insights 2013; Grose, 2011; VVEM 2013). As observed by Gamble and Gilmore (2103) – contrary to the recorded music sector – the live music sector seems – as
of yet – largely unaffected by digital piracy. However, the growth of the music festival market has also resulted in increased competition, and many festival organizations currently face questions about the viability of their festival as they compete for visitors (Festival Insights 2013; VVEM, 2013).

Music festivals consist of multiple musical performances within finite time frames and spaces – even though they may be held at regular intervals (Saleh and Ryan, 1993). The dominant way to categorize music products is in terms of genres, which can be defined as: “systems of orientations, expectations, and conventions that bind together an industry, performers, critics, and fans in making what they identify as a distinctive sort of music” (Lena and Peterson 2008, p. 698). Most consumers are led in their choices of music festivals by the musical experience that they expect, and therefore the music genres that they expect the festival to offer (Bowen and Daniels, 2005; Pegg and Patterson, 2010). Anecdotal evidence suggests that neither consumers nor artists appreciate when festival producers program an artist from a genre that is not associated with the festival. For example, the producers of the 2015 edition of the Glastonbury rock festival in Glastonbury decided to program the rap artist Kanye West, which received a lot of resistance from both rock star Ronnie Wood – the guitarist of the Rolling Stones – and many consumers (Mirror, 2015).

Music festivals are ‘special events’ and ‘unique market offerings’ with characteristics that are often different from other market offerings (Hede and Kellett, 2011). Similar to other special events, music festivals are on-off occurrences that are limited in duration, and are dynamic in that they continuously change their contents (e.g. the performing artists and their music) (cf. Hede and Kellett, 2011). Due to this dynamic nature of music festivals, their classification can change from year to year, making it an excellent setting for this study.

The contributions of this study are threefold. First, this study presents arguments that a classification gap can have detrimental implications for market performance. Second, this study demonstrates how the classification gap affects product success. More specifically, it argues that the classification gap leads to ineffective consumer activation, which prevents the product from entering the purchase decision stage. Third, this study provides an empirical test of the effects of the classification gap in the culturally, socially and economically important, but understudied industry of music festivals.
The outline of this paper is as follows. First, relevant literature on the effects of categorization and product evaluation is reviewed, on the basis of which hypotheses regarding product success were formulated. The empirical setting, and the data collection process and measures are described in the methods section. Subsequently, the results are discussed and a conclusion rounds off the paper.

## 5.2 Theory

### 5.2.1 Classification

Categories can be seen as socially constructed cognitive orderings (Rosa et al., 1999). Since categories are sense-making devices (Murphy, 2002; Ross, 1996), the categories perceived by consumers create expectations for the products and producers that are in these categories (Chocarro Eguaras et al., 2012; Suchman, 1995). Consumers often use prior knowledge to categorize new products (Gregan-Paxton et al., 2005; Moreau et al., 2001; Noseworthy and Goode, 2011; Yamauchi and Markman, 2000). Although many products combine elements from multiple categories, consumers tend to use knowledge from only one category to gain understanding of and evaluate something new (Gregan-Paxton et al., 2005; Moreau et al., 2001; Murphy and Ross, 2010; Noseworthy and Goode, 2011; Rajagopal and Burnkrant, 2009). Indeed, Murphy and Ross (2010) suggest that consumers tend to use only the first category that they perceive to make sense of the product, if this category provides a viable answer. This “single category belief problem” (Rajagopal and Burnkrant, 2009) provides producers with challenging decisions in terms of product development and the signals that they send out to promote and position their products. Generally, consumers are not tolerant of organizations that are not easy to classify (e.g., Gregan-Paxton et al., 2005; Gregan-Paxton et al., 2002; Lajoset et al., 2009; Moreau et al., 2001; Noseworthy and Trudel, 2011; Zhou and Nakamoto, 2007;).

Both the marketing literature and the sociology/organization literature on classification (e.g., DiMaggio, 1987; Hsu, 2006; Hsu et al., 2009; Pontikes, 2012; Zuckerman, 1999; Zuckerman and Kim, 2003) tend to focus on actors that represent the consumption side of the market. However, as categories are socially constructed, actors on both the consumption and the production side of the market can have different
classifications of the same product. This can occur due to their different frames of reference, for example, a production and competitive frame versus a frame based on consumption and value (Rosa et al., 1999). This study investigates the presence and the effects of this difference in the music festival market, where many festival organizations that compete for visitors and music programs change every year, which may create classification challenges between the two opposing sides of the market: producers and consumers.

5.2.2 The classification gap

In a competitive arena different actors interact with each other (e.g., producers, consumers, critics), and these actors often have different economic interests and different economic relations to the product that is offered in that arena (Wijnberg, 2011). Prior research has, for example, analyzed how product evaluations by consumers, experts, and competing actors (peers) may differ, and the differential effects that these evaluations have on market success (e.g., Gemser et al., 2008).

This paper argues that actors on different sides of the market, especially producers and consumers, operate in different contexts, have different knowledge structures, and may use different comparative frames regarding substitutability of products (Rosa et al., 1999). Consumers’ demands are rooted in their usage requirements and relate to the benefits that the product provides and the available alternatives that can provide similar benefits (Day et al., 1979). The demands of producers relate to their product and its competitive space, and the resources needed to develop this position (Porac et al., 1995). It argues that the differences in demands among consumers and producers can cause them to perceive the market differently, resulting in a disconnect that has broad performance implications.

Both consumers and producers use categories to make sense of a competitive arena (Porac et al., 1995; Sujan 1985). However, as producers and consumers have different perceptions and comparisons, the way that they categorize a product might also be different, even if the categorization system is widely accepted and shared. Noseworthy et al. (2012) have shown that competitive context is important for how people categorize products within that context. As producers and consumers have different roles in a particular context and can experience the context differently, they may also have different perceptions about
product classification. In this paper, the term classification gap is used to signify the difference in classification of the same product by the production side and the consumption side of the market.

Theoretically, the differences in classification between the two sides of the market can even go further; the consumption side can, for example, identify categories other than those that the production side identified, but they can also identify more categories than the production side and vice versa. Because the manner in which actors classify products and services builds on their understanding of the domain and shapes their understanding of the objects in the domain, it is expected that differences in classification between actors who are involved with different sides of the same market (i.e., production and consumption side) will have strong repercussions for how this market will function. In fact, this is a complex marketing problem because it implies that the incommensurability of meaning systems can put a fundamental penalty on the market performance of the organizations in an industry. If there is a mismatch, consumers may not be convinced to make the purchase, or they may not be activated in the first place (Spence, 1973).

5.2.3 The classification gap and product performance

Consumers come to purchase decisions by gathering and interpreting information about brands or products that they are considering purchasing (e.g., Alba and Hutchinson, 1987; Belonax and Mittelstaedt, 1978; Shugan, 1980). According to standard positioning theory, one of the key tasks of producers is to send the right signals to position the product in the mind of consumers as addressing their needs more effectively than other offerings. The closer the moment of an eventual consumer choice is, and the more it is a prominent part of consumers’ needs the more consumers will be willing to invest in information gathering and to enter some form of evaluation process (Bettman et al., 1998; Hauser and Wernerfelt, 1990; Roberts and Lattin, 1991). During this stage consumers use the available signals and information in combination with their previous experiences and knowledge to determine whether the product is worth purchasing.

During the process of evaluating products, consumers may gather information that does not match their expectations, which is more likely to occur in the case of a classification gap. For a number of reasons, a
classification gap can have serious consequences on product performance. First, the new and unexpected knowledge about the product might arouse feelings of mistrust because consumers may feel that the producer provided them with incorrect information (Geyskens et al., 1998; Sirdeshmukh et al., 2002). Consumers’ understanding of what the product is, and their confidence that the producer understands the product in the same way, may create a gap that will lower the appeal of the product and will have a negative effect on its perceived value if the classification is not shared (Garbarino and Edell, 1997). Second, the cognitive effort needed to understand unexpected information is higher than that needed for expected information (Heckler and Childers, 1992). As consumers prefer to simplify their purchase decisions (Bettman et al., 1998), this unexpected information makes their decision more difficult, which in turn may result in a decision not to purchase the product. Third, in the case of a classification gap, newly gathered product information refers to one or more categories that differ from the categories that the consumer has in mind. This makes it harder to identify the category membership of the product. As indicated earlier, prior research in marketing (e.g., Gregan-Paxton et al., 2005; Lajos et al., 2009; Moreau et al., 2001) and organization sociology (e.g., Hsu, 2006; Hsu et al., 2009; Fontikas, 2012; Zuckerman and Kim, 2003) has shown that consumers’ evaluations can be negatively affected if they cannot easily identify the category membership of a product. In sum, it was expected that a classification gap would have a negative effect on the market performance of the product.

Hypothesis 1: A classification gap between the production side and consumption side of the market has a negative effect on product performance.

5.2.4 The classification gap and market activation

Consumers go through different stages before a purchase decision is made (Punj and Brookes, 2002). Marketing scholars have examined the different stages of a consumer purchase decision in depth (e.g., Bettman, 1979; Johnson and Payne, 1985; Kardes et al., 1993; Shocker et al., 1991). Implicit in this conceptualization is the notion of a threshold that must be exceeded before consumers choose an alternative to the next decision stage towards adoption.
Consumer decision models have a nested nature and the number of consumers who decide to purchase the product is in general, smaller than the number of consumers who are aware of the product (Gronhaug, 1973; Shocker et al., 1991). If a producer can grab the attention of the market for a product, consumers will be activated to start a decision-making process by considering this product (Punj and Brookes, 2002). Not all product alternatives, however, will receive sufficient market attention and not all producers can sufficiently activate consumers to start considering a product (Gronhaug, 1973). This paper suggests that a possible classification gap affects the final stage of the consumer decision-making process when consumers make their purchase decision, and it impacts on the likelihood of activating the market to consider the product in the first place.

The market can be activated through marketing activities that are deployed by the producer, especially through advertising (Zhao, 2000). The starting point is that producers must encourage consumers to weigh the cost of evaluating a product against the expected benefits of considering – and eventually buying – the product (Roberts and Nedungadi, 1995). The expected benefits of considering one more product seem greater if the product is a member of a category that the consumer is interested in. Therefore, there is a cost–benefit approach to considering the product, whereby the consumer invests in the search and evaluation process to assess the extent to which alternatives fit the category of their interest (Hauser and Wernerfelt, 1990; Roberts and Lattin, 1991). Consumers will only consider products if they belong to a perceived category that is of sufficient interest to them (Nedungadi, 1990). This occurs when consumers interpret the signals that a producer has sent in a manner that they identify the product as part of a category that they are actively or passively interested in.

In the context of this cost–benefit approach, positively and negatively reinforced feedback loops can ensue, which will be affected by the classification gap. If consumers identify a product or producer as likely to belong to a category of interest, they will generally be willing to invest more in search activities and explore further product and communication signals (Alba and Lynch, 1997). In this case, if the signals originating from the producer reinforce the consumer’s original opinion, then the consumer will be activated to start considering the product. However, if there is a classification gap, and the consumer does not think that the product is in the favored category that the producer thinks it is in, the consumer will stop considering the product before
seriously investigating the producer's signals. In addition, if consumers think the product is in their category of interest, but they receive producer signals that create doubts about the categorical identity of the product, they will be likely to stop searching for further information or to create a delay in the adoption decision.

Thus, it was expected that the negative effect of a classification gap on product performance would be in part, generated by lower market activation during the earlier stages of the consumer decision-making process.

Hypothesis 2: Market activation mediates the effect on product performance of a classification gap between the production side and consumption side of the market.

5.3 Methodology

5.3.1 Empirical setting: Music festivals

The empirical setting for this study was the music festival industry in the Netherlands. The Netherlands has one of the richest music festival histories in Europe and is home to several of the oldest and most well-known music festivals in the world, such as Pinkpop, North Sea Jazz Festival, and Sensation (Leenders et al., 2005). According to the Vereniging van Evenementenmakers (VVEM, 2013) – a Dutch association for the event industry – music festivals in the Netherlands attracted 12.8 Million visitors across 520 different music festivals in 2013. The total revenue from ticket sales was €119.7 million (in 2012).

5.3.2 Sampling and data collection

The data collection consisted of three comprehensive parts that covered production and consumption in the music festival market in the Netherlands. The first part of the data collection focuses on festival organizers. A list of 120 music festivals was created from public sources such as national and regional newspapers. The 120 music festivals were analyzed using desk research of publicly available information on the organization, age, the entrance fee, and the audience size. To measure the classification from the producer perspective, we used an informant
approach and asked the 120 directors of the music festivals – using a survey – to classify the genre of their festival. The response to the survey was $n = 73$ (61%). Considering that we asked the most knowledgeable informant, and given that festivals were organized by relatively small organizations, no substantial response errors were expected and a single informant approach was considered justified (Anderson, 1987). The genre classification is discussed in detail later.

The second part of the data collection enabled the measurement of the genre classification from a consumption perspective. Given that consumers vary in terms of knowledge about the festival, an attempt was made to control for knowledge by only including knowledgeable informants in this task. To identify informants who were knowledgeable about the consumption side of the market, 540 people were interviewed who indicated that they had visited at least one music festival in the Netherlands in the last 12 months. The interviews focused on their last-visited festival and asked for a genre classification for the most recently visited festival only (this way their memory about the experience was fresh). This approach meant that the genre classification was based on a recent experience and that respondents did not have to provide a genre classification for multiple festivals or a festival that they were less familiar or unfamiliar with. In other words, the respondents from the consumer side of the market were knowledgeable and involved, similar to the sampled producers. Moreover, measuring the classification of potential festival attendees – instead of the ones who visited the festival – would have meant that they had to score a whole range of festivals (i.e., 120 in this case), including the ones that they did not know. This could have led to fatigue issues and incomplete questionnaires, and it would create an unreliable classification measure that was prone to knowledge biases.

Using the classification from the production side and the consumption side of the market, the festival classification of the two sides was matched, resulting in a classification gap measure. The number of consumer informants per music festival in the database ranged from 1 to 140. Several analyses were performed using a minimum of one highly informed consumer per music festival up to a maximum of ten informed consumers. The results proved consistent, irrespective of the cut-off level. In the analyses, using a minimum of two informed consumers per music festival (e.g., Ashton and Ashton, 1985; Libby and Blashfield, 1978) resulted in a final data set of $n = 70$ music festivals.
The third part of the data collection focused on the festival market performance and its success in activating the market to consider visiting the festival. Unfortunately, public and commercial data on festival visitor numbers is limited and only visitor numbers for 37 festivals were obtained (see robustness checks). Data on activation is also not publicly available and had to be collected. To this end, a representative panel of potential visitors was created to observe their recent decision making and behavior regarding music festivals. This phase consisted of interviews using a representative sample of 1554 potential visitors of music festivals in the Netherlands. Potential visitors were defined as people between the ages of 16 and 65. The interview locations, often shopping centers, were not linked to any festival or music event.

The resulting audience pool was stratified to be representative of the Netherlands as a whole in terms of geographic distribution across regional provinces and age. Respondents were interviewed about their music festival knowledge, decision making, and visit behavior related to each of the 70 festivals in the sample. For each of the 70 festivals, respondents had to indicate whether or not they were aware of the festival, and whether they had considered visiting, or had visited the festival (cf. Gronhaug, 1973). The audience pool that was constructed was an innovative approach to representing the total potential market, in which some consumers have bought the product, others may have considered but not have bought the product, and other consumers may not have considered buying the product.

5.3.3 Festival market performance

Apart from the visitor numbers for 37 festivals from public sources, two measures of festival performance were developed from the consumer panel (n=1554) for each of the 70 festivals in the sample. These two performance variables relate to two stages in the consumer decision making process: the market activation stage where consumers decide to consider the festival, and the decision stage, or whether consumers visited the festival or not. Both measures have count data properties as they represent the total number of people that considered or visited the festival out of the panel.

To exemplify the data, Table 5.1 shows market activation, market performance, and the observed classification gap (measured using Jaccard coefficients, see below) for ten of the larger music festivals in
the Netherlands which were also part of the sample. As shown in Table 5.1, there is variation in market activation, market performance, and classification gaps across festivals.

**Table 5.1** Ten of the larger festivals in the Netherlands*

<table>
<thead>
<tr>
<th>Festival</th>
<th>Market activation</th>
<th>Market performance</th>
<th>Classification gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dance Valley</td>
<td>165</td>
<td>75</td>
<td>0.04</td>
</tr>
<tr>
<td>Mysteryland</td>
<td>129</td>
<td>62</td>
<td>0.21</td>
</tr>
<tr>
<td>Grachtenfestival</td>
<td>70</td>
<td>41</td>
<td>0.42</td>
</tr>
<tr>
<td>Lowlands</td>
<td>320</td>
<td>140</td>
<td>0.54</td>
</tr>
<tr>
<td>Pinkpop</td>
<td>305</td>
<td>136</td>
<td>0.58</td>
</tr>
<tr>
<td>Koninginnenacht</td>
<td>137</td>
<td>103</td>
<td>0.64</td>
</tr>
<tr>
<td>Parkpop</td>
<td>167</td>
<td>107</td>
<td>0.67</td>
</tr>
<tr>
<td>Bevrijdingspop</td>
<td>151</td>
<td>119</td>
<td>0.67</td>
</tr>
<tr>
<td>North Sea Jazz</td>
<td>230</td>
<td>105</td>
<td>0.69</td>
</tr>
<tr>
<td>Night of the Proms</td>
<td>98</td>
<td>64</td>
<td>0.78</td>
</tr>
</tbody>
</table>

*Sorted by size of classification gap

**5.3.4 The classification gap**

The key independent variable in this study is the classification gap that results from the fact that the knowledge structure and frames of producers can be disconnected from the knowledge structure and frames of consumers (Rosa et al., 1999). A genre classification was obtained for a collection of nine common music genres. The set of genres were: 1) Pop, 2) Rock, 3) Dance, 4) Jazz, 5) Hip Hop, 6) R&B, 7) Classical, 8) World, and 9) Folk. These genres were selected from news items in the popular press regarding the initially sampled 120 festivals, and were further validated by three festival organizers and three festival consumers who had a broad knowledge of the festival market. No additional classification labels were needed in their view. At the time of data collection, these labels were also used by music websites such as www.allmusic.com, www.muziek.nl, www.bbc.co.uk/music.

To measure the classification gap, Jaccard’s coefficients that measure the similarity or dissimilarity between the classifications from
the production side and the consumption side of the market was used. The Jaccard distance measure takes the following form:

$$J_0 = \frac{q + r}{p + q + r}$$

where $J_0$ is the Jaccard distance coefficient that lies between $J_0 = 0$ (completely similar) and $J_0 = 1$ (completely dissimilar), $q$ is the number of genres mentioned by the producer that were not mentioned by the consumer, and $r$ is the number of genres mentioned by the consumer that were not mentioned by the producer. The total number of genres mentioned by both the individual consumer informant and the producer informant is indicated with $p$. For example, if the consumer informant classifies a music festival as belonging to pop and rock, and the producer classifies its music festival only as rock, then the Jaccard coefficient is $1/2$.

First, the Jaccard difference between the producer and each consumer that genre classified the festival was measured. Subsequently, the average of all of the different gap sizes was taken to determine the classification gap score at the level of the music festival. The fact that the classification gap was measured at the market level ensured that this measure does not suffer from individual knowledge bias and increased the unreliability of the consumer side of the gap measure. Since both sides of the gap were measured through the most knowledgeable informants, the validity (and therefore reliability) of the measure’s components is high.

5.3.5 Control variables

Classification span

Some products – and in this case music festivals – combine elements from multiple categories, and are for that reason more difficult to categorize. Products that span multiple categories risk being ignored or undervalued because consumers might not perceive those products as a legitimate member of one category (Gregan-Paxton et al., 2005; Lajos et al., 2009; Moreau et al., 2001). Therefore, the genre classification span of the music festival was controlled for. This measure was operationalized
using the average number of genres – mentioned by the informants – per festival.

**Free festival**

Whether or not consumers have to pay to visit a festival may prevent them from considering and visiting a festival. Given that there is price variation depending on days, arrangements, and timing, a dummy variable was used in which a basic distinction between free and paid festivals was made. This information was obtained from the festival websites.

**National festival**

National festivals have, in general, larger marketing budgets. Larger marketing budgets allow festival producers to generate more attention and appeal for their festival, which can have a positive effect on consumers’ tendencies to consider and visit a music festival. Unfortunately, marketing budgets are not readily available for the Dutch music festival industry. A dummy variable was developed by scanning national newspapers and media regarding whether or not the festival was advertised or reviewed beyond the regional borders.

**Festival age**

Festival age was controlled for, and was measured by the number of years that the festival had been on the market. Festivals that have existed for longer periods of time will have established a larger ‘fan base’ and a certain reputation and recognition, which can have a positive effect on the number of consumers that consider and visit a music festival. Information about festival age was obtained from the festival website.

**Music genres**

Two of the most popular music genres were controlled for – (electronic) dance and pop – as music festivals with these music genres generally attract a large number of visitors.
International stars

Some festivals program international stars that can attract a large number of visitors. International stars were controlled for and this variable was measured by identifying whether the performing bands or musical artists appeared in the Billboard top 100 charts during the year of the festival.

5.4 Results

Table 5.2 presents the descriptive statistics of the variables used in this study. On average, the classification gap of the festivals in the sample was $M = 0.56$, $SD = 0.38$. As expected, the average market activation was higher than the average market performance ($M = 58.16$, $SD = 68.37$ versus $M = 30.76$, $SD = 35.50$). In other words, the number of people activated to consider the product was higher than the number of people who visited the festival.

**Table 5.2 Descriptive Statistics (n = 70)**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>s.d.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Classification gap</td>
<td>0.56</td>
<td>0.38</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>2. Market activation</td>
<td>58.16</td>
<td>68.37</td>
<td>2</td>
<td>320</td>
</tr>
<tr>
<td>3. Market performance</td>
<td>30.76</td>
<td>35.50</td>
<td>2</td>
<td>140</td>
</tr>
<tr>
<td>4. National festival</td>
<td>0.57</td>
<td>0.50</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>5. Free festival</td>
<td>0.60</td>
<td>0.49</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>6. Festival age</td>
<td>15.56</td>
<td>8.73</td>
<td>3</td>
<td>38</td>
</tr>
<tr>
<td>7. Classification span</td>
<td>1.74</td>
<td>0.79</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>8. Dance genre</td>
<td>0.47</td>
<td>0.50</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>9. Pop genre</td>
<td>0.35</td>
<td>0.48</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>10. International stars</td>
<td>0.41</td>
<td>0.50</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>
There were more national than regional festivals and more free than paid festivals in the sample (respectively, $M = 0.57$, $SD = 0.50$ and $M = 0.60$, $SD = 0.49$). On average, the festivals were relatively old ($M = 15.56$, $SD = 8.73$), which is not surprising given the fact that the Netherlands, and Europe in general, has a rich festival tradition. In the last couple of years (electronic) dance has become more popular. Indeed, approximately half of the Dutch music festivals producers had ‘dance’ in their program ($M = 0.47$, $SD = 0.50$). Finally, 41% of the festivals had one or more international stars in their line-up.

Table 5.3 presents a negative binomial regression results. Negative binomial regression models were estimated because the dependent variable consisted of count data (Gardner et al., 1995). Multicollinearity is not a major concern, as all VIF scores were between 1.23 and 1.86. As the sample size was modest, bootstrapping was used by generating 1,000 samples (Speed, 1994). As presented in Model 1 in Table 5.3 (i.e. the simple model), the classification gap had a significant negative effect on market performance ($\beta = -0.71$, $p < 0.05$). The control variables ‘free festival’, ‘festival age’, and ‘classification span’ were not significant. The scope of the festival had a positive significant relationship with festival market performance ($\beta = 0.55$, $p < 0.05$). Furthermore, the controls ‘dance’, ‘pop’, and ‘international stars’ demonstrated a positive significant relationship with market performance (respectively, $\beta = 0.75$, $p < 0.01$; $\beta = 0.69$, $p < 0.01$; $\beta = 0.57$, $p < 0.01$).

As presented the full model – Model 2 – in Table 5.3, market activation was included as an independent variable in relation to market performance. The market activation variable obtained a significant and positive coefficient ($\beta = 0.01$, $p < 0.01$) and the classification gap had a significant and negative relationship with market performance ($\beta = -0.52$, $p < 0.01$). Therefore, these findings support Hypothesis 1.

To examine whether the effect of the classification gap was mediated by a lower activation of potential visitors, a multi-step mediation assessment using negative binominal regression models was followed (Baron and Kenny, 1986; Preacher and Hayes, 2008). The first step is provided by the test of Hypothesis 1. The second step was to identify a decrease in the effect of the classification gap on market performance when the market activation variable is included. Table 5.3 shows that this was the case ($\beta = -0.71$ versus $\beta = -0.52$) and this pattern was similar with respect to standardized and unstandardized coefficients. The next step was to determine whether or not there was a
significant relationship between the classification gap and market activation. Model 3 of Table 5.3 shows that this was the case ($\beta = -0.50, p < 0.10$). The final step was to test whether market activation had a significant effect on market performance. Model 2 of Table 5.3 also demonstrated a positive significant effect ($\beta = 0.01, p < 0.01$).

### Table 5.3 Negative binomial regression

<table>
<thead>
<tr>
<th>Variables</th>
<th>Market performance</th>
<th>Market activation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M.1</td>
<td>M.2</td>
</tr>
<tr>
<td>Classification gap</td>
<td>-0.71</td>
<td>* 0.31</td>
</tr>
<tr>
<td>Market activation</td>
<td>0.01</td>
<td>** 0.00</td>
</tr>
<tr>
<td>National festival</td>
<td>0.55</td>
<td>* 0.24</td>
</tr>
<tr>
<td>Free festival</td>
<td>-0.21</td>
<td>0.26</td>
</tr>
<tr>
<td>Festival age</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Classification span</td>
<td>-0.19</td>
<td>0.16</td>
</tr>
<tr>
<td>Dance genre</td>
<td>0.75</td>
<td>** 0.23</td>
</tr>
<tr>
<td>Pop genre</td>
<td>0.69</td>
<td>** 0.28</td>
</tr>
<tr>
<td>International stars</td>
<td>0.57</td>
<td>** 0.23</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-288.87</td>
<td>61</td>
</tr>
<tr>
<td>df</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(-2 \times \Delta \text{Log likelihood})</td>
<td>17.54</td>
<td>**</td>
</tr>
</tbody>
</table>

\* $p < 0.10$, \*\* $p < 0.05$, \*\*\* $p < 0.01$

Meeting these steps does not, however, conclusively establish that mediation has occurred. The conclusions from this mediation analysis are only valid if the causal assumptions are valid (Judd and Kenny, 2010). For example, the mediation may be caused by the outcome variable rather than the outcome variable causing the mediator. However, in this case the activation stage where the opportunity was assessed and alternatives were considered was generally conceptualized as an earlier stage in the decision making process and the reverse is hard to imagine (Punj and Brookes, 2002).

Another issue that may affect the validity of the mediation assessment is measurement error; however, as discussed previously, the measure of the classification from the consumption side seemed
unaffected by the addition of more informants, and the results were similar (albeit at somewhat lower significance levels) if the number of informants for the consumer side classification was increased (at the expense of sample size). Furthermore, the market activation and performance measures were based on unambiguous and simple questions about whether or not a consumer had considered going to the festival or had visited the festival. Respondents could easily answer these questions and no long questionnaires that can cause fatigue were used. The measure of classification by the production side of the market was also likely to be highly reliable, as the most knowledgeable person was interviewed. Finally, there may be biases because of omitted variables; in response to this possibility extensive controls were used for important festival characteristics that could affect performance. More importantly, a major source of correlation between the mediator and the outcome variable is often caused by a common method effect. This study used a multimethod approach and obtained data from different sources across the independent and dependent variables which significantly improved the ability to assess mediation.

Finally, the mediation effect was validated using a Sobel test. Bootstrapping with resampling and replacement (1000 times) was used when testing for the direct and indirect effects of the classification gap on market performance of festivals in one analysis. To normalize the dependent variables the natural logarithm of the market performance were obtained along with market activation variables (there were no values of zero) in order to accommodate the PROCESS and Sobel test procedures (version 2.04; obtained from www.afhayes.com). The total effect of the classification gap on logged performance was negative and significant ($\beta = -0.30$, $t = -2.01$, $p < 0.05$), the direct effect of the classification gap was negative and significant ($\beta = -0.17$, $t = -1.7$, $p < 0.1$), and the indirect effect was also negative and significant ($\beta = -0.13$, $z = -1.5$, $p < 0.1$). Similar effects were found when additional controls were added. This provided additional support for the mediation hypothesis and confidence in the comprehensive tests.

Robustness checks

Three additional analyses were conducted to test the robustness of these results. First, in addition to conducting a negative binomial analysis including bootstrapping, the same analysis without bootstrapping was performed. The relationship between the classification gap and market
performance – which was significant when bootstrapping was used – was not significant ($\beta = -0.52$, $p = 0.16$). In the model without market activation, the relationship between the classification gap and market performance remained significant – albeit at a lower significance level ($\beta = -0.71$, $p < 0.10$). The effect of the classification gap on activation was not significant ($\beta = -0.50$, $p = 0.20$).

Second, the remaining seven – out of the nine – musical genres were controlled for. The results show that – when the seven additional genres were added as controls – the effect of the classification gap on market performance and market activation was still significant (respectively $\beta = -0.47$, $p < 0.05$ and $\beta = -0.64$, $p < 0.05$). Whether or not a genre label in the name was related to the classification gap was also tested. Again the results demonstrate that this was not the case ($\beta = 0.01$, $p = 0.95$).

Third, data on the average travel time of the visitors at the festival was obtained and measured as background characteristics of the informants who provided the consumer classification of the last festival that they visited. This paper argues that longer the travel time influences consumers to be more careful when deciding whether or not to go to a festival. In other words, consumers will gather more information about those festivals to minimize the risk of making a wrong purchase decision. Due to this additional information, possible classification gaps – even small ones – might be perceived by the consumer and result in the rejection of the festival in their decision process. Therefore, it was expected that a classification gap would have a negative effect on travel time. OLS regression models were conducted – using the natural logarithm of the average travel time – to test the effect of the classification gap on travel time, which is negative and significant ($\beta = -0.58$, $p < 0.05$).

### 5.5 Discussion

#### 5.5.1 Summary and future research

This study examines the effects of a difference in classification of the same product between the production side and the consumption side of the market. The two different sides of the market operate in different contexts with different frames of reference, which can result in different classification perceptions of the same product. Using music festivals as
the empirical setting, this study shows that classification discrepancies between the consumption and production side of the market can create a classification gap that has detrimental implications for market performance. It also shows that lower festival performance is generated, in part, through lower activation of potential visitors in the marketplace. Market activation partially mediates the effect of a classification gap on market performance. Partial mediation may be explained by the fact that during the purchase decision consumers become more careful and gather additional information. When consumers gather additional information they can consciously or unconsciously experience a possible classification gap first hand, with negative consequences for the market performance of the product.

The negative effect of a classification gap on market performance – even when market activation is accounted for – may be influenced by the nature of the object of research, in this case music festivals. A classification gap will generally decrease over time when consumers and producers have repeated interactions with regard to the same product. This, however, also suggests that a classification gap is more likely to occur in contexts where a specific product is only offered once or where products differ largely from previous editions, as is the case in the empirical setting of the music festival industry.

Visiting a music festival provides experiential value rather than instrumental value to consumers (Pine and Gilmore, 1998). In contrast to a tangible product – which can be returned to the store if it is not working as expected – it is not possible to return a bad festival experience to the store, which can make buyers even more careful in the final decision stage. Indeed, as demonstrated by Noseworthy and Trudel (2011), consumers respond less favorably towards ambiguity – which they might perceive in the case of a classification gap – when there is a focus on experiential rather than instrumental product value. It is therefore possible that products in the entertainment industry are particularly prone to the negative effects of a classification gap, especially if consumers only have a limited amount of time to begin considering and make up their mind about visit the festival. However, considering the importance of categorization for non-entertainment industries, it was assessed that other industries will be impacted by a similar classification gap, albeit less visibly. Future research should explore this in more detail. It would also be interesting to study the impact of consumer characteristics. As shown in prior literature, consumer expertise, involvement, and familiarity with a product or
product category can influence information seeking behavior (e.g., Chocarro Eguaras et al., 2012; Gronhaug, 1973; Kuusela et al., 1998), which can influence the occurrence of a possible classification gap.

Future research is also needed to examine the effects of a classification gap in the post-purchase phase. Studies on consumer decision models often do not consider the post-purchase stage. However, this stage is important because consumers may decide to tell others about their experience with the product. As demonstrated in this study, a classification gap will negatively influence the number of consumers who buy the product. However, there may still be consumers who buy the product, and who subsequently find that the product does not fit their classification expectations. This experience can have a negative effect on their post-purchase product evaluations. These evaluations, such as online consumer reviews, can subsequently have a negative effect on product performance (e.g., Chevalier and Mayzlin, 2006; Zhang et al., 2013). This is particularly true in the music industry and other creative sectors, in which there is a naturally high level of ‘consumer co-creation’ in the marketing of products (Gamble and Gilmore, 2013), and consumers tend to actively seek third-party information due to the experiential nature of the products (Situmeang et al., 2014).

This study used genres that are fairly broad, which increased the chance that different actors will classify an object in the same category. However, as emphasized by Glynn and Navis (2013), the unit of analysis matters in studies on classification, and when category definitions are too broad the effects of category spanning may go unobserved. The fact that a measurable classification gap was found at the market level and negative performance consequences were demonstrated while using broad genre labels is therefore a key strength of this study. Future research may study whether the effects of classification gaps change substantially when using categories at lower levels of the classification system: for instance, not only rock, but subgenres ranging from rockabilly to slow-core.

5.5.2 Managerial implications

Every region, city, or neighborhood in Europe hosts at least one or more music festivals per year. There are hundreds of music festivals in the Netherlands and much attention is often paid to the role that festivals play in creating a tourist destination or providing economic benefits to
local communities (Getz, 1991). Music festivals are however, also interesting from a marketing perspective. As competition may be intense – particularly during the prime summer season – many festival organizations must understand how they can effectively compete in such a crowded market. The marketing challenge lies in the fact that each edition of a music festival is – at least partly – different in the key attribute of the experience: the artists. This can increase the mismatch between the musical genres that are perceived between the festival organizers and the consumers. As demonstrated in this study, such a classification gap can have significant negative performance outcomes.

An important managerial implication of this study is that – in general – producers should be aware that classification gaps can occur and that this can have serious consequences. This awareness is not obvious because the category membership of products is often considered obvious. In addition, it cannot be assumed that the classification perceived by one economic group is the same as that of another group. This underpins Rosa et al.’s (1999) claim that categories are social cognitive orderings. The awareness of the concept of a classification gap is important for how producers can prevent the negative outcomes of a gap.

To identify a potential classification gap, producers must carefully examine what the classification system looks like on the consumption side of the market, and investigate how consumers will categorize their products. Particularly in industries where categories are dynamic and evolving – which is often the case in entertainment industries – producers need to continuously examine the market environment. Ruef and Patterson (2009), for example, found that spanning categories in emerging classification systems is tolerated because of a lack of clear and socially legitimate boundaries. Indeed, a classification gap that increases over time may be an indication that a category is in ‘flux’, while a decreasing gap may suggest that a category is stabilizing. Relatedly, when organizations innovate they must pay attention to how they communicate the innovation to eliminate the risk of a classification gap.

5.5.3 Conclusion

This study introduced the concept of a classification gap and provided empirical evidence for the detrimental effects of a classification gap on
both market performance and market activation in the important but under researched entertainment industry of music festivals. This work is intended to stimulate further empirical endeavors by studying the effects of differences in classification between producers and consumers in different settings and different stages of the consumer decision-making process.