

THE CULTURAL SECTOR AS A FACTOR IN THE CREATION OF THE KNOWLEDGE ECONOMY: OVERCOMING BARRIERS TO THE CONSUMPTION OF CULTURAL PRODUCTS

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Abstract: *The cultural sector plays an essential role in the creation of the knowledge economy and the accessibility of cultural products for wide sections of the population helps to build a knowledge-based society. The identification of barriers is a significant and necessary condition for ensuring this accessibility. The article examines the main barriers preventing the consumption of cultural products in the cultural institutions of Latvia as well as the comparison of these barriers with the situation in the field of culture in the EU countries is carried out. The high costs of cultural services, lack of time and interest among potential consumers have been identified as the main barriers. The state financial support of cultural institutions, as well as the improvement of the elements of the marketing mix by using the innovations in the distribution and promotion of cultural products play an important role in overcoming these barriers.*

Keywords: *cultural sector, cultural products, barriers to consumption, marketing mix government funding.*

JEL classifications: *M31, Z1.*

1 INTRODUCTION

In the modern conditions of transition to the economy of knowledge, where human capital plays an important role, the importance of cultural product belonging to the category of merit goods significantly increases. In contrast to ordinary consumer goods, merit goods, according to the definition of R.A. Musgrave (1959) [20], have not only individual, but also social significance.

Consumption of cultural products provides not only the primary effect (pleasure, artistic information, satisfaction of aesthetic needs) and its appropriation by those individuals, who go to theatres, concerts, museums,

exhibitions or other cultural events, but also leads to the emergence of the secondary effect in the form of gains of “social capital” and its appropriation by the whole society. This concept is considered, particularly, in the studies of D. Throsby (1994) [24], M. S. Jeannotte (2003) [11], P. DiMaggio and T. Mukhtar (2004) [8], C. B. Upright (2004) [25]. The provision of accessibility of consumption of cultural products for the widest audience, therefore, becomes an important marketing task.

Under these circumstances the marketers are faced with the following tasks: 1) to identify barriers, preventing the consumption; 2) to suggest the ways to overcome them. Attracting of funding on the part of donors (government subsidies and private donations), use of new innovative technologies in the distribution and promotion of cultural product can contribute to the improvement of the marketing mix and overcoming of barriers of consumption.

The aim of this paper is to present the results of the marketing research carried out by the authors, related to the main barriers to consumption of cultural products in Latvia, as well as the comparison of these barriers with the situation in the field of culture in the European Union countries as a whole. The experience of the study conducted on the example of the Latvian cultural sector may be useful as a starting point for further research.

2 STUDY OF BARRIERS TO THE CONSUMPTION OF CULTURAL PRODUCTS

Taking into the consideration the practical significance of identifying barriers preventing the consumption of cultural products, studying of this topic has an active nature in the scientific society. The topic of barriers in the field of culture is examined in sufficient detail by authors J. S. Bernstein (2006) [1], N. G., Kotler, P. Kotler and W. I. Kotler (2008) [14].

It should be noted that for different countries researchers emphasize the different primary reasons of reducing of frequency or total refusal to consume cultural products and, thus, focus their attention on these individual issues. The British researchers such as R. Naylor, B. Lewis, C. Branzanti, G. Devlin and A. Dix (2016) [22] distinguish the following barriers determined by external and internal marketing environment: the difficulties related to the remoteness of place of residence from cultural institutions, expensive transport and high cost for cultural services.

The results of a Russian study of A. Kostyukov and K. Puzanov (2016) [15], devoted to the involvement of various social groups in the cultural life of the city, demonstrate that lack of time, money and information have influence on insufficient activity of visiting cultural institutions by the residents and as a strong reason the infrastructure problems and uncertainty in the safety of event location are indicated.

Barriers of attendance American art museums and ways to overcome them on the part of marketing departments are examined in the research of G. L. Geissler, C. T. Rucks & S. W. Edison (2008) [10]. In the work of American scientists M. E. Blume-Kohout, S. R. Leonard and J. L. Novak-Leonard (2015) [2] emphasis is placed on the differences in barriers in relation to visual arts (exhibitions, museums) and performance arts (concerts, shows). As the three main reasons preventing the attendance scientists name lack of time, the difficulty to get to the place, where the cultural event is held and the high cost of cultural services. At the same time for visiting events of performance arts the most significant barrier is the high cost, while for visual arts the main obstacle is the lack of time.

Government funding of the cultural field and fund raising from sponsors and patrons, as an important factor, contributing to the support of affordable prices is considered by such researchers as Manda, C. C., Nicolescu, C. E. and Mortelmans (2017) [18] D., Muzychuk V. Y., (2013) [21], Klamer, A., L. Petrova and A. Mignosa (2006) [13], Rubinstein, A. (2014) [23].

The issues related to informational support of cultural events and barriers arising from the lack of media support are examined in the works of I. D. Moss, L. Geraghty, C. I. Schuhmacher and T. Gibas (2015) [19], D. Waterman, R. Schechter and N. S. Contractor (1991) [26], P. Kay, E. Wong and M. Polonsky (2008) [12], R. Davies (2001) [7].

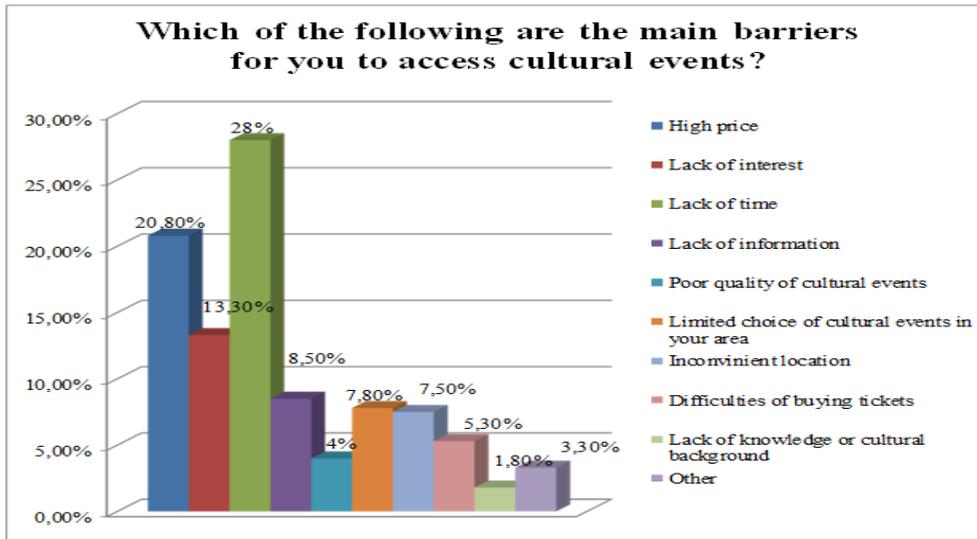
For obtaining the relevant and detailed data relatively barriers preventing the active attendance of the main state cultural institutions by the residents of Latvia – theatres, museums, concert halls, the authors carried out the survey in which participated 400 respondents - residents of Latvia.

As the main method of the Research the marketing survey in the form of a survey was used. Statistical data processing was carried out, using SPSS software that allowed using the cross – tabulation method to evaluate the results.

2.1 The main barriers to the consumption of cultural product in Latvia

Three main barriers were identified: 1) ‘Lack of time’ - 28% of respondents indicated this factor, 2) ‘High price’ – 20.8%, 3) ‘Lack of interest in the cultural products’ - 13.3% (Figure 1).

Figure 1: The main barriers preventing the visit of cultural institutions of Latvia
Source: Compiled by the authors based on the results of own research



Source: Compiled by the authors based on the results of own research

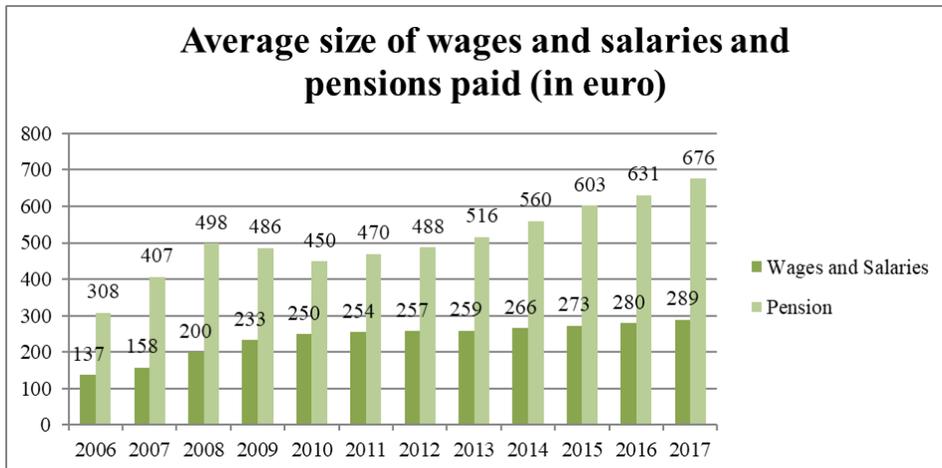
It should be noted that for groups with different socio-cultural, demographic and economic characteristics the priority of barriers is significantly different. As the results of cross-tabulation showed, the activity of respondents plays a significant role in the assessment of the factor ‘Lack of time’ as the main reason preventing the consumption of cultural services: 70.4% and 64.3% of respondents, respectively, indicated this reason among businessmen and hired employees, while among pensioners and students this indicator made up 14.5% and 21.6%.

2.1.1 Barrier the ‘the high prices’ and ways of its overcoming

The factor ‘High Price’ as the main barriers closely correlates to the level of income of respondents: it is the most significant for individuals with incomes up to 300 Euros (38.9% of respondents from this group indicated it as the main reason), while among respondents with incomes from 300 to 600 Euros this indicator equals to 17.4%, from 600 to 900 Euros - 15.3%, individuals with incomes of more than 900 Euros this barrier wasn’t chosen as the main one.

This barrier is especially significant for pensioners, whose incomes are significantly lower than the average salary (See. Figure 2).

Figure 2: Average size of wages and salaries and pensions paid in Latvia, 2006-2017 (euro)

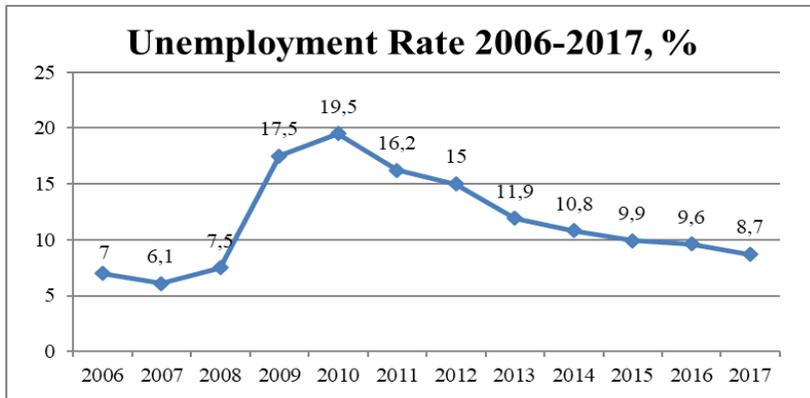


Source: Compiled by the authors based on Central Statistical Bureau of Latvia, 2019 [4], [5]

As can be seen from Figure 2, over the past years, on the average, the amount of the pension is less than the half of the salary. In 2017 the pension was only 42.75% of the average salary. The solution of the problem of this barrier for pensioners is the use of price discrimination. All state cultural institutions offer discounts for pensioners, which are established at the level of 30%-50%.

However, in Latvia there are also other categories of people with low incomes, first of all, it is unemployed. At the height of the economic crisis in 2010, the unemployment rate in Latvia was the highest in the European Union and reached 19.5% (See Figure 3).

Figure 3: Unemployment Rent in Latvia, 2006-2017 (%)

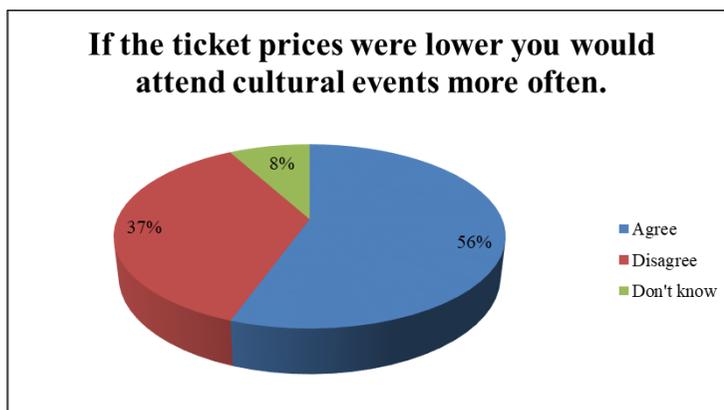


Source: Compiled by the authors based on Central Statistical Bureau of Latvia, 2019 [6]

Despite the fact that since 2011 the situation began to improve and in 2017 the number of unemployed in Latvia decreased up to 8.7%, this still exceeds the pre-crisis indicators. Currently, the discounts are not provided for this consumer segment. The experience of the European countries, for example, Great Britain and Greece, where many cultural institutions offer discounts or free visits for registered unemployed can be used in Latvia.

It should be noted that the cost of cultural services plays a significant role in the activity of their consumption. An analysis of answers to the question ‘Would you visit cultural events more often, if their cost would be lower?’ showed that more than half of respondents (56%) answered in affirmative (Figure 4).

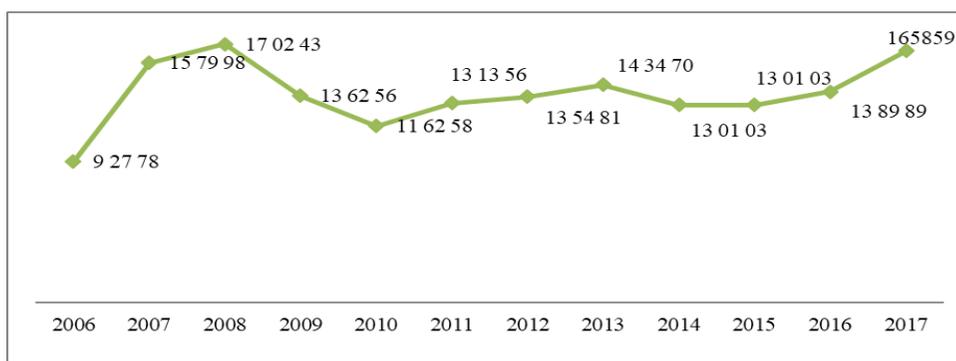
Figure 4: Influence of reduction of price on the frequency of visit



Source: Compiled by the authors based the results of own research

Substantial financial support on the part of the state allows maintaining a low level of prices in state cultural institutions. For the period from 2006 to 2017 the financing of culture increased by 78.7% (See. Figure 5).

Figure 5. Budget Expenses of the Ministry of Culture of the Republic of Latvia, 2006-2016 (in thousands euro)



Source: Latvijas Republikas Kultūras Ministrija, 2017 [16]

As can be seen from figure 3, a sharp drop occurred during the economic crisis of 2009-2010, but, since 2011 the situation had become to improve. Over the past ten years, state subsidies have accounted for about 40% of the budget of the state drama theatres, 70% of the budget of the Latvian National Opera theatre and over 90% of the budget of state museums (Latvijas Republikas Kultūras Ministrija, 2017) [16]. Thanks to state support, the cost of tickets in state cultural organizations is significantly lower than in private ones, while, according to the assessment of the experts, state theatres and museum provide a high quality of artistic product.

Currently, the volume of private funds raised on the part of sponsors and patrons by cultural institutions is extremely small. For example, in the budget of theatres, their share is from 1% to 3%. To a large extent the low activity of donors is related to the lack of a convenient system of collection of donations. There is a great potential to use extensive experience of foreign countries, where convenient mechanisms for collecting money are developed for private donors (through the websites of organizations, additional voluntary fees when buying tickets, etc.).

2.1.2 Promotion of cultural products as overcoming information barriers

There were no significant differences among the various groups of respondents with respect to such barrier as ‘Lack of interest’ the only category in which the significant deviations were seen was ‘Activity’: a higher indicator was observed among ‘Unemployed’ – 25%, while as for other categories it made up $13 \pm 3\%$.

A fairly significant number of respondents (8.5%) indicated as the main barrier ‘Lack of information’”. Solution to the problems, related to the overcoming the information barrier can largely can be associated with the active use of innovations in the process of promotion of a cultural product.

Latvia is in the top-10 countries in terms of Internet speed, the total number of mobile phone connections is 2.464 million or 126 connections per 100 inhabitants (Central Intelligence Service, 2015) [3]. These factors contribute to the development of mobile marketing and social media marketing.

Latvian cultural institutions currently don’t use these promotion tools sufficiently. Although all state museums and theatres have their own pages in such popular networks as Facebook, Twitter and Instagram, the activity of publishing of posts is not high in them. Two of the seven leading theatres of the country have no their own channels on YouTube, while, in general, among young people this is the most popular Video hosting service in terms of the number of channels in it, Latvia ranks 18th in the world.

Such a barrier, as ‘the lack of a cultural background’ was noted only by 1.8% of respondents. To the greatest extent, this barrier correlated with the level of education – the lower the level of education, the more often the respondents indicated a lack of cultural knowledge: for individuals with the basic and lower level of education, this indicator is 10%, for the average level of education – 2.3% and for individuals with bachelor, master or doctoral degrees – less than 1%.

2.1.3 Barriers related to geographic characteristics

A high degree of correlation is traced between the place of residence of respondents and the choice of such barriers as “Inconvenient location of cultural institutions” and ‘Limited choice of cultural events’ (Table 1).

Table 1: The main barriers to access cultural events for residents of different places

THE MAIN BARRIERS TO ACCESS CULTURAL EVENTS FOR RESIDENTS OF DIFFERENT PLACES										
Place of residence	High price	Lack of interest	Lack of time	Lack of information	Poor quality of cultural events	Limited choice of cultural events	Inconvenient location	Difficulties of buying tickets	Lack of cultural background	Other
Riga	23,2%	15,1%	33,5%	10,6%	4,9%	3,9%	1,8%	1,4%	1,8%	3,9%
Other city in Latvia	14,1%	11,5%	20,5%	5,1%	1,3%	12,8%	15,4%	16,7%	1,3%	1,3%
Other Place In Latvia	15,8%	2,6%	2,6%	0%	2,6%	26,3%	34,2%	10,5%	2,6%	2,6%

Source: Compiled by the authors based on the results of own research

As can be seen from Table 1., for residents of the capital of Latvia, where all the major theatres, museums and concert halls are located, these barriers were the least significant – only 1.8% and 3.9% of respondents indicated them, while for residents of other cities these indicators have already made up 15.4% and 12.8%, and to the greatest extent to the inaccessibility of the visit (34.2%) and little choice of cultural events (26.3%) indicated the residents of rural areas. One of the solutions of this issue is concert tour activity of the capital's theatres and concert organizations that facilitates the access to visit cultural events for residents of remote regions. Similar proportions can be emphasized for such barrier, as "Difficulties with the acquisition of tickets"– 1.4%, 16.7% and 10.5%, respectively.

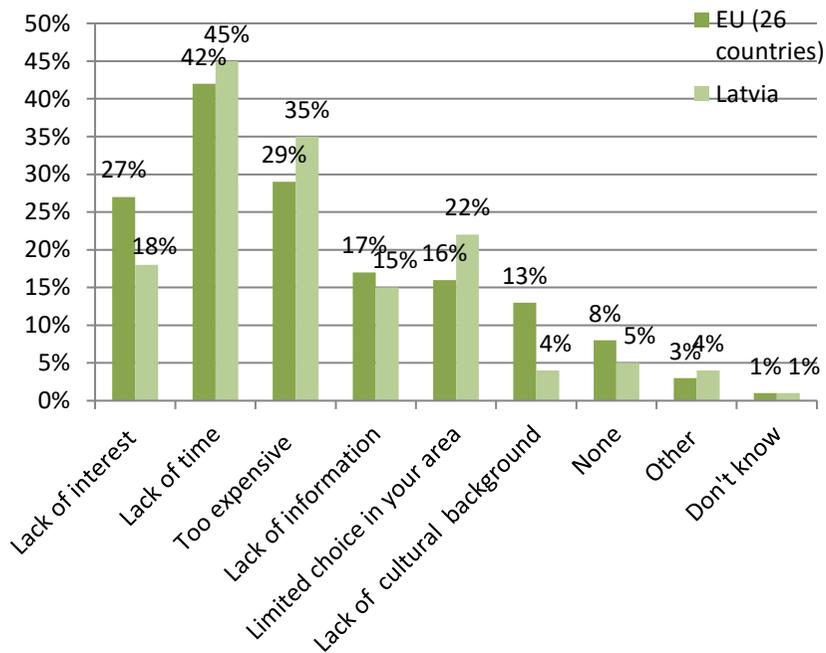
Among the towns people only 1.4% of respondents noted this barrier, for residents of rural areas this indicator was 16.7%. The introduction of innovative developments in the distribution process greatly facilitates the purchase of tickets online. New technologies allow not only to order and pay for the service by the means of Internet, but also provide additional services. For example, a 3D panorama of the auditorium on the website of the Latvian National Opera provides the opportunity for the buyer to see the scene from the selected place and to assess the degree of the review.

Almost all Latvian theatres and concert organizations currently offer the possibility of buying tickets at online-boxes of specialized agencies that significantly simplifies the purchase process and equalizes conditions for residents of different regions of the country.

3 COMPARATIVE ANALYSIS OF BARRIERS OF CONSUMPTION OF CULTURAL PRODUCTS IN LATVIA AND IN THE COUNTRIES OF THE EUROPEAN UNION

The results obtained by the authors were compared with the results of the research which was carried out at the initiative of the European Commission in 2007, during which data were collected for 26 countries. With regard to barriers creating the difficulties of visit cultural events, the answers of Latvian respondents and respondents from other EU countries largely coincided (Figure 6).

Figure 6: Distribution of responses to the question «Barriers in access to culture in Latvia and EU countries



Source: Compiled by the authors based on data from the European Commission (2007) [9]

As can be seen in Figure 6, both for Latvians and Europeans as a whole, two main barriers are 'Lack of time' and 'High cost' of cultural products, at the same time both factors being more significant for Latvian respondents. The third place according to the number of answers among the residents of Latvia was occupied by the 'Limited choice in your area', while for Europeans as a whole the barrier 'Lack of interest' is more significant and the difference in answers regarding this factor reaches 9%. In addition, by 9%, i.e., significantly less often, Latvian respondents indicated the barrier 'Lack of knowledge and cultural background'.

Comparing the results of the survey of 2007 and the results of the author's research it is possible to conclude that during the past 10 years' period there have been no significant changes regarding the barriers to consumption of cultural products in Latvia: respondents still mainly identify such barriers as 'Lack of time' and 'High prices' for the product.

At the same time, significantly less often as an obstacle was mentioned the answer 'Limited choice in your area' and the third, according to the importance the respondents called the barrier 'Lack of interest'. Thus, it can be said that the situation in the field of Latvian culture, regarding the barriers in 2017 get closer to the European indicators of 2007.

4 DISCUSSION AND CONCLUSION

The need to study the barriers preventing the consumption of cultural products and the active nature of research in this field are related to the social significance of availability of cultural products to a wide audience. Barriers are mainly determined by the factors of external environment: economic (low level of incomes), geographical (remoteness of the place of residence from the cultural institutions), technological (underdevelopment of transport system), socio-cultural (lack of habit of cultural product consumption, availability of alternative forms of leisure activities). Thus, for each individual country and region the cultural barriers in the field of culture may differ.

During the carried out research the main barriers are identified – it is a lack of time among the potential consumers, high prices for cultural products and lack of interest among the potential audience.

The use of cross-tabulation method allowed establishing that the significance and priority of barrier to consumption of cultural products differ for different segments of the target audience with different socio-cultural, economic and

demographic characteristics. The most significant characteristics are the level of income, place of residence and level of education.

Consideration of these data is particularly important in developing a marketing mix, as a competent forming of a system of price formation, using the price discrimination, organization of distribution and marketing communications with the use of innovative approaches can reduce barriers caused by external factors.

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