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The Internationalization benefits of a music festival: The case of the Curacao North Sea Jazz Festival

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The internationalization benefits of a music festival: The case of the Curaçao North Sea Jazz Festival

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Abstract
A longitudinal research design was used to assess the potential internationalization benefits that may occur when hosting a music festival in a small island destination (SID). A macroeconomic analysis was used to assess these benefits. The results reveal that a music festival may make a positive economic impact and provide internationalization benefits for a small economy under the eclectic paradigm and the ownership, location, and internationalization framework. The study contributes to the understanding of music festivals as a strategic resource to enhance the competitiveness of SIDs.

Keywords
economic impact, music festival, OLI framework, small island destinations

Introduction
The focus of this study is to investigate the potential internationalization benefits that may occur within a small island destination (SID) that hosts a music festival. The study uses a longitudinal research design that extracts data from a festival participant intercept survey and applies an input–output model for a music festival that occurs in Curaçao, a SID, located in the Caribbean region.

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Festivals are experiential products that may be classified in a diversified tourism product portfolio as event tourism attractions that draw local, domestic, and international event attendees to specific destinations during specific time intervals (Anderson and Getz, 2009). Festivals are promoted due to the economic contribution that may be realized through a destination’s experiential product offerings that increase international tourist arrivals resulting in increased foreign earnings and economic activity in other industry sectors observed by primary and secondary effects (Getz, 2008; McKercher et al., 2006; Schubert et al., 2011). Kim et al. (2010) note that one of the major research streams that have emerged from the general body of festival literature is that of festivals’ economic impacts to their host destinations. Thus, there is substantial documentation that festivals serve as revenue sources for festival organizers and destinations (Getz, 2010).

Although festivals’ purposes and goals may vary largely, past research demonstrates that festivals have the ability to contribute to economic growth by increasing the number of international tourist arrivals to destinations (Simeon and Buonincontri, 2011). Based on festivals’ ability to increase international tourist arrivals, much of festival research pertains to a demand line of thought, that is, focusing on participant motivations to attend a festival and the consequent economic impact of the subsequent attendees’ demand. Most of these demand-orientated studies are concerned with calculating the impact of economic gains generated by festivals through analyses of multiplier effects for a designated area that festivals may (or may not) bring to a said location.

It is not unexpected that the next main course of action for researchers to follow may be to confirm the findings from the broad body of festival literature to that of specific types of festivals (e.g. music, art, cultural, sport, food, and wine festivals, etc.) as well as contextual environmental circumstances (e.g. constrained economies, competitive markets, location specific, etc.). The current study follows this course of action by examining the economic impact of a specific type of festival (i.e. a music festival) that occurs within a unique context of a small economy, namely, a SID (i.e. Curacáo).

To date, one technical report has assessed the economic impact of music festivals in SIDs (Nurse, 2001). The report found that in the case of the Caribbean, music festivals may make an important contribution to the wider economy through increased employment opportunities, tourist arrivals, tax receipts, and spillover effects to ancillary industry sectors. However, nearly two decades have passed since the release of the report and yet the findings have neither been updated nor confirmed.

The absence of this topical discussion that is relevant to assessing the economic impact of music festivals in SIDs is not due to a lack of music festivals actually occurring (see Table 1). Rather, it may be due to researchers’ lack of contextual attention pertaining to small economies, which present unique economic characteristics that warrant exclusive empirical attention (Croes, 2006; Srinivasan, 1986). Moreover, the study contributes to the understanding of music festivals as a strategic resource to enhance the competitiveness of SIDs.

**Literature review**

**Market characteristics of SIDs**

SIDs are defined as island destinations with a population of one million or less (Croes, 2006, 2013; Easterly and Kraay, 1999; Srinivasan, 1986). Past research has delineated structural and infrastructural market compositional challenges that small economies face when compared to that of larger economies. These challenges include the absence of economies of scale, vulnerability,
remoteness, reduced access to capital markets, problems of macroeconomic policy dependence, and overstatement of real income (Easterly and Kraay, 1999; Srinivasan, 1986). Croes (2006) suggests that for SIDs to rectify these challenges tourism may be used: viz-a-viz, as an economic driver that induces the market demand required to balance the economies of scale thus resulting in increased market competition, trade openness, and prosperity.

Music festivals are frequently used in SIDs as tourism attractions that result in increased international tourist arrivals that subsidize the tourism industry during low seasons. As international tourists arrive to attend a music festival, so do foreign exchange earnings that serve as financial injections to stimulate the local economy. However, just like any other tourism attraction, the economic benefits incurred via music festivals may only be as potent as the economic linkages are effective.

In the case of SIDs, one may assume that (given its water-locked geographic disposition) that the economy may benefit more from active economic linkages through tourism and its supporting attractions (Semrad and Bartels, 2014). However, this assumption may be to the contrary. This is because while many SIDs have specialized in tourism, the market landscape is often representative of heavy foreign investments as opposed to that of locally owned tourism businesses. This type of foreign investment concentration is not an unusual market configuration in tourism industries located in the Caribbean.

This means that while the revenue earned by foreign owners pays out for the local labor force, a large portion of earnings may leak to foreign markets (Croes, 2006). This is an unfortunate circumstance for SIDs’ economies given that many of these small states are considered developing nations. It is also unfortunate that, for many SIDs, tourism and its supporting attractions act as primary economic pillars that support the wider economy but become structurally less stable when foreign-owned companies absorb the majority of tourist earnings.

While studies have implied that many SIDs have been fortunate to possess the natural resources (e.g. sun, sand, and sea attractions) that are appealing to an array of tourists; and, while Schubert et al. (2011) note that the top 10 beneficiaries of tourism’s activities are SIDs, these resources are not a guarantor for sustained economic growth. Therefore, in order for SIDs to combat potential economic leakage it becomes necessary for a small economy to centrally concert efforts toward the usage of business linkages to ensure sustained economic growth. This would imply that island

<table>
<thead>
<tr>
<th>Festival name</th>
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<th>Festival name</th>
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<tbody>
<tr>
<td>Soul Beach Music Festival</td>
<td>Aruba</td>
<td>The Red Strip Sumfest</td>
<td>Jamaica</td>
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<tr>
<td>Aruba Piano Festival</td>
<td>Aruba</td>
<td>Rebel Salute Music Festival</td>
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<td>Jazz and Latin Music Festival</td>
<td>Aruba</td>
<td>Ocho Rio Jazz Festival</td>
<td>Jamaica</td>
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<td>Junkanoo Festival</td>
<td>Bahamas</td>
<td>Jamaica Rock and Blues Jam</td>
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<td>Barbados Jazz Festival</td>
<td>Barbados</td>
<td>Reggae Summerfest</td>
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<td>Barbados Gospefesto</td>
<td>Barbados</td>
<td>Festival Casals</td>
<td>Puerto Rico</td>
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<td>Trinidad and Tobago</td>
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<td>Dominican Republic</td>
<td>Jazz Artists on the Green</td>
<td>Trinidad and Tobago</td>
</tr>
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<td>Latin Music Festival</td>
<td>Dominican Republic</td>
<td>Rhythm and Blues Festival</td>
<td>US Virgin Islands</td>
</tr>
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</table>

*Compiled by Rivera, Semrad and Croes from multiple sources.
destinations that have a strong diversified tourism product portfolio also have a well-developed network of local business linkages. One aspect of diversified product portfolio management is the prevalence of experiential product offerings (e.g. music festivals).

How then might a music festival that occurs in a SID assist the destination in supporting tourism and the economy while facilitating the process of positive terms of trade? In order to formulate a potential answer for this question, the process of internationalization, though not a common topic in festival literature, is frequently discussed in international trade literature and will be reviewed.

**Internationalization**

The United World Tourism Organization recognizes the tourism industry as one of the dominant forms of worldwide consumption and is a leading export earner worldwide (Saayman and Saayman, 2006). This is an impressive recognition given that tourism is a service-based commodity industry that requires consumers to physically move to the destination in order to consume the services. Ferdinand and Williams (2013) point out that festivals hold a conspicuous part of tourism’s market share when considering that there are prominent festivals such as Octoberfest which attracts over 5 million visitors to Germany, and New York City’s St. Patrick’s Day Parade that attracts over 2.5 million spectators for a single-day event. Clearly, then, festivals are a formidable tourism draw.

Indeed, the tourism industry and its subsequent supporting forms of tourism attractions are representative of a global marketplace whereupon foreign market entry becomes an integral part of internationalization. Internationalization may be defined as the economic initiative that requires the local crafting, designing, and updating of products that may then be consumed on the global marketplace (Dunning, 2000; Hill, 1999). Ferdinand and Williams (2013) define internationalization as the process of increasing involvement in external activity. Clark et al. (1997) reference that the economic process of increasing external activity that would result in internationalization may follow the course of two directions, that is, (1) outward internationalization and (2) inward internationalization.

Outward internationalization ensues when market activities are conducted in foreign markets. In tourism, outward internationalization is traditionally achieved through marketing the destination abroad either by the destination marketing organization or by private entities for a specific tourism product. In either case, the resultant externalities are redeemed and beneficial to the majority of tourism stakeholders as evidenced by the increase in foreign exchange earnings resulting from international tourist arrivals. Although the potential benefits from outward internationalization for a SID are clear, the investment risk is either absorbed by the destination or displaced to private entities.

The opposite occurs with inward internationalization. Inward internationalization is the process where market activities are performed in domestic markets. An example in the tourism industry may be the business transactions that occur within a SID in order for international tourists to attend a music festival. The increased economic activity in such business transactions results in an increase of tourists’ expenditures.

An opportunistic position, then, for SIDs may be to focus on the internationalization of music festivals in order to increase tourist receipts thus increasing the largest export category (i.e. foreign exchange earnings) for the small economy (Croes, 2013). The downside of this advantage is the potential economic leakage effect (discussed in the ensuing section) that may occur due to the characteristics and inhibitors of small state economies. However, by drawing on the benefits of outward and inward international activity in one of the traditional means of internationalization—music festivals may represent an opportunity to compensate for the likelihood of economic leakage.
Music festivals as agents of internationalization

In Ferdinand and Williams’s (2013) efforts to provide a framework that would describe the internationalization process of a festival using data from the Trinidad and Tobago Carnival, they reviewed Hill’s modes of internationalization. According to Hill (1999), internationalization may occur in the following traditional manners: (1) exporting, (2) licensing, (3) foreign joint venture, (4) direct investment, and (5) franchising.

Chang (2006) notes that festivals that attract international tourist arrivals may be considered as an export (inward internationalization) due to the event marketing that occurs in foreign markets (outward internationalization) while the creation, design, and production of the actual festival is conducted in the host market. The study of Ferdinand and Williams (2013) further contends that the festival design process takes the shape of imports such as performers, technology, and services, which results in an inward internationalization process. Thus, internationalization via a festival becomes a fully integrated import/export process for the host destination.

This integration may provide a unique economic opportunity for SIDs to overcome the previously discussed small market challenges. Because the tourism industry for many SIDs has a market configuration that is densely populated by foreign investors and owners, SIDs do incur a relatively high-economic leakage effect. Lejárraga and Walkenhorst (2007) claim that approximately 31% of each tourist receipt floats to the shores of foreign owners.

However, in the case of a music festival, when considering that attendees’ expenditures are a viable export that results from outward internationalization and festival production may result (in part) from inward internationalization, the cumulative effect may be positive on primary and secondary economic activities that occur and spread throughout the island. Furthermore, because the entire internationalization process is integrated at the actual point of consumption (i.e. the SID) the economic leakage effect may be diluted. This means that producing music festivals that draw international attendees may present a potential potent economic opportunity for SIDs.

In other words, SIDs that use music festivals to capture international attendees as an export may enjoy the benefits of increased foreign exchange earnings that result in additional business turnover, household income, and government revenue (Archer, 1982). Moreover, SIDs that benefit from this export may also use a music festival to achieve internationalization as a subsidy to the tourism industry by importing business to produce the festival, but which also may consume tourism services during the actual festival production (e.g. festival organizers’ and performers’ transportation, hotel, restaurants, gas, groceries, etc.)

Theoretical framework: Eclectic (OLI) paradigms

The process of internationalization falls within the eclectic paradigm (ownership, location, and internationalization (OLI) framework) of international production (Dunning, 2000). The OLI framework includes three distinguishing factors that determine external activity (i.e. O-ownership, L-location, and I-internationalization advantages; Clark et al., 1997). According to Rugman (2010), the OLI framework explains outward foreign direct investment (FDI) that encourages institutions to develop competitive “O-advantages” at home and then transfer these O-advantages abroad, which would be dependent upon “L-advantages” through FDI that would allow the institution to internationalize the O-advantages.

Music festivals in SIDS may present an interesting application of the OLI framework. This is because the O-advantages are actually the music festival experience coupled with cultural
exposure that is facilitated through the consumption of tourism services at the said location (Croes and Semrad, 2015). This is especially the case if the festival aligns with tourists’ preferences of experiential goods. However, this consumption of the ownership product is owned at the destination and cannot be exported. Yet, what distinctly defines the O-advantages, in the case of music festival tourism, is that the receipts from this event are an export. This means that the O-advantages are consumed in situ thus requiring the international tourist to physically move to the SID in order to consume the music festival.

Therefore, the O-advantages for a SID when expressed abroad are actually only abroad for the festival attendee. The L-advantage for the SID becomes the simultaneous production and consumption of the tourism-related products and services by the festival attendees at the SID. And, the “I-advantages” are observed when a tourism-related product may actually initiate and support the internationalization process that includes efforts of inward and outward movements. The incorporation of the OLI advantages with internationalization speaks to the economic prowess that this type of international event may have in SIDs.

The process of internationalization and its theoretical framework have been reviewed and have provided insight regarding how a music festival that occurs in a SID could assist in supporting tourism, the economy, and reduce the likelihood of tourism profits from drifting across the sea to foreign business owners. However, if the economic impact of a music festival is to be revealed in addition to the described benefits of internationalization that a music festival may have, then it becomes necessary to assess the economic impact of such an event.

**Methodology**

*The Curacao North Sea Jazz Festival*

This is a longitudinal case study that includes a 5-year assessment (2010–2014) for the Curacao North Sea Jazz Festival (CNSJF). Curacao is a small Dutch island located in the Southern Caribbean. International tourist receipts are 13% of the local economy while the total economic contribution from the tourism sector is 23% of the economy (DPITS, 2014). Over the last decade, the tourism industry’s growth has stagnated and its continued contribution to the wider economy has become a growing concern to Curacao government officials and tourism business owners. Therefore, activities that increase foreign exchange earnings through OLI are desired opportunities to increase economic growth on the island.

The CNSJF is viewed as one of these OLI opportunities for the following reasons. First, when considering Hill’s (1999) modes of entry in the internationalization process, the CNSJF is a licensed international activity. The CNSJF organizers retain a license to use the internationally renowned brand name, the North Sea Jazz Festival, which is a recognized festival in the Americas, Europe, and Hong Kong. Second, as the event is not owned nor organized by Curacao as the host destination, Curacao owns the environment in which the festival operates. Thus, the CNSJF provides positive externalities to the destination at low investment risk. Therefore, this is the first indication that the CNSJF confers to the O-advantages under the OLI framework.

In addition, the Central Bank of Curacao reports that the CNSJF has become a bright spot during the traditionally low demand month of August. For example, the RevPAR performance in August 2013 was US$98.41. This performance exceeds the RevPAR values for all other months (except January–April) with more than 40% of the revenues in the hotel industry coming from the festival. These values demonstrate a potential L-advantage for Curacao.
Last, the CNSJF provides a high rate of return on an investment opportunity given that the destination does not have to invest as much capital when compared to other tourism economic bearing activities. This provides the island with a minimum risk opportunity to diversify Curacao’s experiential tourism product portfolio thus exhibiting the last form of advantage under the OLI framework, the I-advantage.

**Measurement and methods**

The O-advantages are measured through income bearing activities such as total international tourist arrivals and the share of repeat attendees to the festival. An important aspect to consider regarding O-advantages is that the CNSJF should not displace nor cannibalize the existing demand for the island. Therefore, the study proxies for visitor additionality through the increase in international arrivals pre and post festival years of production. The L-advantages are measured by the destination’s production of the festival and the attendees’ consumption of tourism-related products so that tourists may attend the CNSJF. The attendees’ length of stay and purpose of travel to Curacao constitutes this measurement.

The I-advantages are measured by inward and outward movements. Inward movements are analyzed through the backward economic linkages and indirect economic impact; whereas the outward movements are assessed through the forward economic linkages and direct economic impact. The adoption of the OLI framework to a music festival that occurs in a SID is presented in Figure 1.

For purposes of this study, the internationalization benefits are detected in four ways. First, the I-advantage’s inward movement potential is assessed through observation of the backward linkages
and the degree of dispersion of the backward linkages. Second, the I-advantage’s actual inward movement strength is measured through the indirect economic impact. Third, the I-advantage’s outward movement potential is observed through the forward economic linkages. And, finally, the I-advantage’s actual outward movement strength is measured by the direct economic impact of the CNSJF.

Because the current study references the potential internationalization benefits of the CNSJF, it is necessary to extend the traditional input–output (I–O) model beyond the direct economic impact estimate. This is because, in accordance with the OLI framework, internationalization benefits are observed through the actual forward and backward linkages that represent inward and outward movements.

**Survey instrument and data collection**

In order to maintain consistency in this longitudinal study, the same intercept survey was distributed each year and involved polling festival attendees during regulated intervals (during performance breaks) and locations (rest areas). The survey instrument acquired information regarding CNSJF attendees’ demographic profile, length of stay, and expenditures.

The estimation of the direct economic impact considered the expenditures from two types of tourists. The first was from those expenditures of tourists whose main purpose for visiting Curacao was to attend the CNSJF. The second was event-related expenditures of tourists who attended the CNSJF but whose main purpose for visiting Curacao was “other.” The survey questions considered nine spending categories that were related to the respondents’ spending behavior during the CNSJF.

**I–O model**

An I–O model was used to capture the internationalization benefits of the CNSJF for Curacao. The I–O model was provided by the Curacao Bureau of Statistics and consists of an 11 × 11 matrix based on the 2008 National Accounts. The foundational notation of the I–O model used follows Miller and Blair (1985: 102) and is expressed as $X = (I - A)^{-1}Y$. Where $Y$ represents the final demand; $A$ is a square matrix defining the relations of production; and $(I - A)^{-1}$ is the Leontief inverse matrix. The I–O model provides multipliers that may be used as the first step to quantify the effects of demand change that may influence the internationalization benefits for a destination.

The Leontief multipliers are the first set of multipliers and reveal backward linkages within the economy that reflect partial economic activities (i.e. purchases from one sector to that of others) and the potential for inward internationalization movement. The backward linkage multiplier follows Cai et al. (2006) and will be denoted as $BL$ and is given by $BL_i = 1 + e'(I - A_{ji})^{-1}A_{ji}$, where $I$ represents the initial unit output change in industry $i$, while $e$ is a sub vector that aggregates the elements of $\Delta X_j$. In order to compare the $BLs$ across industries a $BL$ index is referenced. The corresponding $BL$ index is calculated by dividing the Leontief multiplier by the average multiplier for all industries and is expressed as $BL_i/\sum_k BL_k/k$.

Because the Leontief multipliers are grounded on demand pull considerations they are not able to capture the forward linkages ($FLs$). Therefore, the study also applied the Ghosh model to calculate the $FLs$ as a form of the potential outward movement of internationalization. The $FLs$ are the economic transactions that occur between the vendors and the CNSJF attendees. As suggested by Cai et al. (2006), the Ghosh forward multiplier was used and is given by $FL_i = 1 + B_{ij}(I - B_{ji})^{-1}e$. 

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The corresponding FL index is calculated by dividing the Ghosh multiplier by the average Ghosh multiplier and is expressed as \( FL_i / \sum_k FL_k / k \).

These multipliers and indices will measure the absolute and relative strength of the BLs and FLs viz-à-viz other industries.

### Results

A total of 1940 CNSJF attendees completed the participant intercept survey from 2010 to 2014. The respondents’ longitudinal sociodemographic breakdown is displayed in Table 2. In order to present the CNSJF’s potential internationalization benefits for Curaçao in a cogent manner, the results are presented in accordance with the OLI framework.

#### O-advantages

The O-advantages for Curaçao were captured by the total international tourist arrivals and the share of tourists whose main purpose to travel to Curaçao was for attending the CNSJF. The year of 2009, during the same week that the CNSJF occurs, was used as a benchmark to capture the growth of international arrivals because the CNSJF was not yet in production. During that week, a total of 4676 international tourists arrived to Curaçao. Since the CNSJF’s first year of production, total
international tourist arrivals during the week of the festival increased by 54.3%, which is 6476 international tourist arrivals to 9994 arrivals in the fifth year of production. This means that the share of tourists arriving to the island for the sole purpose to attend the CNSJF represents an average of about 80% of international attendees. In absolute numbers this is more than a two-fold increase, from 1978 in 2010 to 6301 in 2014.

Therefore, to date, while international tourist arrivals continue to demonstrate a positive trend, the rate of growth for CNSJF attendees’ whose main purpose to travel to Curaçao exceeds the rate of arrivals growth. This means that in terms of the O-advantage for Curaçao, the festival has been able to secure and sustain an international-based tourist segment that arrives to the island to attend the festival. The O-advantage, then, for Curaçao is that the island owns the environment in which the festival occurs.

The O-advantage information is presented in Table 3. Note that in 2013 international arrivals that came for the sole purpose of attending the CNSJF decreased by 33%, 5311 to 3310. This decrease is due to airline lift constraints as well as key performer cancellation. This is an indicator that Curaçao’s O-advantages are susceptible and influenced by extraneous forces.

### Table 4. L-Advantages.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of stay (days)</td>
<td>4.82</td>
<td>7.34</td>
<td>6.14</td>
<td>5.49</td>
<td>6.09</td>
</tr>
<tr>
<td>Spending per day (US$)</td>
<td>121</td>
<td>234</td>
<td>299</td>
<td>255</td>
<td>254</td>
</tr>
<tr>
<td>First time attendees</td>
<td>N/A</td>
<td>71%</td>
<td>61%</td>
<td>60%</td>
<td>48%</td>
</tr>
<tr>
<td>Repeat attendees</td>
<td>N/A</td>
<td>29%</td>
<td>39%</td>
<td>40%</td>
<td>52%</td>
</tr>
</tbody>
</table>

L-advantages

The L-advantages were apprehended by two specific factors that augment and exploit the previously mentioned O-advantages (see Table 4). The first factor was the share of repeat CNSJF attendees. When examining the L-advantages for the share of repeat CNSJF attendees, it increased...
from 29% in 2011 to 52% in 2014. The second L-advantage factor was the attendees’ consumption intensity, as measured by the length of stay and the spending per person per day.

Since the CNSJF’s inception, the duration of stay on the island increased from approximately four days in 2010 to 6 days in 2014. The longest length of stay recorded was in 2011 when attendees stayed an average of 7.34 days. With regards to the spending per person, the L-advantage indicates an upward trend from the first years of festival production that then begin to stabilize in 2013–2014. This may be due to the increase in repeat CNSJF attendees. The variation in per day spending could be attributed to repeat attendees’ familiarity with the destination and the means by which their spending is distributed during their stay (Opperman, 2000).

Curaçao’s L-advantage is the simultaneous production and consumption of the environment that the CNSJF operates within and the tourism-related products that are consumed by those tourists who arrived exclusively to attend the festival. Where the O-advantages captured a relative position of the potential internationalization benefits for the destination, the L-advantages confer Curaçao’s internationalization strength by examining the consumption, duration, and the longitudinal vitality of repeat CNSJF attendees to the island.

I-advantages

The I-advantages are comprised of inward and outward movements. The inward movement is measured by the potential strength of the $BL_j$ and the indirect impact. The outward movement is measured by the potential strength of the $FL_j$ and the direct impact. However, because these measurements cannot be discussed without relevance to the other they will be presented in the following sections: Curaçao’s inward and outward movement potential; and, Curaçao’s inward and outward actual strength.

Inward and outward movements: Curaçao’s potential

The potential of the tourism industry’s linkages within the rest of Curaçao’s economy may be summarized through the assessment of the $BL_i$ and the $FL_i$ and the $BL_j$ and $FL_j$. These coefficients summarize meaningful information regarding the interdependencies between each economic sector and the wider economy. $BL_j$ is an indicator of Curaçao’s inward movement potential, whereas the $FL_j$ is a measure of Curaçao’s outward movement potential.

The $BL_j$ and the $FL_j$ estimates for the economic sectors in Curaçao are shown in Table 5. For both the $BL_i$ and the $FL_i$, two out of the top five sectors provide tourism-related services. These sectors include the hotels and restaurants and transportation. When comparing the $BL_j$ and the $FL_j$ coefficients, it seems these two sectors are particularly critical in determining the potential strength for stimulating output and serving other sectors that are involved in the CNSJF production. Thus, these sectors perform above the economy wide average. These results reveal that these sectors play an important role in generating foreign exchange demand for other sectors’ output.

Outward and inward movements: Curaçao’s actual strength

The outward and inward movements represent I-advantages that capture Curaçao’s actual strength and are measured as the indirect and direct economic impacts of the CNSJF in Curaçao. Traditionally, I-advantages are recognized when the product is consumed on a global scale. Curaçao’s
The internationalization process begins with the attendees’ individual consumption of tourism-related products per trip, which has increased from US$583 in 2010 to US$1545 in 2014, almost a two-fold increase. The increase in spending per tourist was followed with an increase in the consumption of key services such as hotels, restaurants, and nightlife, which increased their share of tourist dollars from 37% in 2010 to almost 50% in 2014.

The aggregate of attendees’ consumption has generated an outward movement that has increased from US$1.15 million in 2010 to more than US$9.7 million in 2014. Thus, Curacao’s I-advantage outward movement is augmented by the total volume of international arrivals and their spending. Curacao’s total outward movement throughout the lifespan of the CNSJF is US$33,731,142. Table 6 presents the spending distribution per year, per trip, and the total direct impact.

The inward movement strength for Curacao is represented through the additional linkages that reverberate throughout the economy as a result of the outward movement. The inward movement strength has increased from approximately US$1 million in 2010 to US$7.5 million in 2014. For

### Table 5. I-Advantage: backward and forward linkages.

<table>
<thead>
<tr>
<th>Sectors</th>
<th>$BL_i$</th>
<th>Rank top 5</th>
<th>$BL_j$</th>
<th>Rank top 5</th>
<th>$FL_i$</th>
<th>Rank top 5</th>
<th>$FL_j$</th>
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<td>Agriculture</td>
<td>1.535</td>
<td>1</td>
<td>1.020</td>
<td>1</td>
<td>1.625</td>
<td>3</td>
<td>1.112</td>
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<tr>
<td>Manufacturing</td>
<td>1.193</td>
<td></td>
<td>0.793</td>
<td></td>
<td>1.463</td>
<td></td>
<td>1.001</td>
</tr>
<tr>
<td>Utilities</td>
<td>1.749</td>
<td>2</td>
<td>1.162</td>
<td>5</td>
<td>1.557</td>
<td></td>
<td>1.065</td>
</tr>
<tr>
<td>Construction</td>
<td>1.532</td>
<td>3</td>
<td>1.018</td>
<td>4</td>
<td>1.128</td>
<td></td>
<td>0.771</td>
</tr>
<tr>
<td>Hotel and restaurant</td>
<td>1.937</td>
<td></td>
<td>1.287</td>
<td></td>
<td>1.654</td>
<td>2</td>
<td>1.131</td>
</tr>
<tr>
<td>Transport and communication</td>
<td>1.610</td>
<td>3</td>
<td>1.070</td>
<td>3</td>
<td>1.570</td>
<td>4</td>
<td>1.074</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>1.536</td>
<td>5</td>
<td>1.021</td>
<td>1</td>
<td>1.881</td>
<td>1</td>
<td>1.287</td>
</tr>
<tr>
<td>Real estate activities</td>
<td>1.351</td>
<td></td>
<td>0.898</td>
<td></td>
<td>1.561</td>
<td>5</td>
<td>1.068</td>
</tr>
<tr>
<td>Education</td>
<td>1.283</td>
<td></td>
<td>0.853</td>
<td></td>
<td>1.121</td>
<td></td>
<td>0.767</td>
</tr>
<tr>
<td>Health</td>
<td>1.591</td>
<td>4</td>
<td>1.058</td>
<td>1</td>
<td>1.121</td>
<td></td>
<td>0.767</td>
</tr>
<tr>
<td>Other services</td>
<td>1.232</td>
<td></td>
<td>0.819</td>
<td></td>
<td>1.401</td>
<td></td>
<td>0.958</td>
</tr>
</tbody>
</table>

### Table 6. I-Advantage outward movements: direct impact (in US$).

<table>
<thead>
<tr>
<th>Spending per tourist</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tickets</td>
<td>$219</td>
<td>38%</td>
<td>$333</td>
<td>19%</td>
<td>$342</td>
</tr>
<tr>
<td>Hotel (lodging and F&amp;B)</td>
<td>$184</td>
<td>32%</td>
<td>$393</td>
<td>23%</td>
<td>$515</td>
</tr>
<tr>
<td>Food and beverage (other)</td>
<td>$64</td>
<td>11%</td>
<td>$168</td>
<td>10%</td>
<td>$164</td>
</tr>
<tr>
<td>Car rental</td>
<td>$39</td>
<td>7%</td>
<td>$139</td>
<td>8%</td>
<td>$138</td>
</tr>
<tr>
<td>Other shopping</td>
<td>$34</td>
<td>6%</td>
<td>$358</td>
<td>21%</td>
<td>$442</td>
</tr>
<tr>
<td>Nightlife</td>
<td>$24</td>
<td>4%</td>
<td>$101</td>
<td>6%</td>
<td>$115</td>
</tr>
<tr>
<td>Gasoline</td>
<td>$8</td>
<td>1%</td>
<td>$75</td>
<td>4%</td>
<td>$43</td>
</tr>
<tr>
<td>Taxi</td>
<td>$5</td>
<td>1%</td>
<td>$62</td>
<td>4%</td>
<td>$43</td>
</tr>
<tr>
<td>Music/souvenirs</td>
<td>$6</td>
<td>1%</td>
<td>$88</td>
<td>5%</td>
<td>$35</td>
</tr>
<tr>
<td>Per person per trip</td>
<td>$583</td>
<td>100%</td>
<td>$1717</td>
<td>100%</td>
<td>$1837</td>
</tr>
<tr>
<td>Total direct impact</td>
<td>$1,153,174</td>
<td>$8,464,810</td>
<td>$9,756,307</td>
<td>$4,624,898</td>
<td>$9,731,265</td>
</tr>
</tbody>
</table>

I-advantages from the CNSJF come through the global distribution and consumption of the destination’s offerings via international arrivals and foreign exchange earnings.
example, the total inward movements from the CNSJF in 2010 indicate that for every US$1 of outward movement an additional 86 cents is produced indirectly by other industries. Thus, the multipliers range between 1.77 and 1.86 (see Table 7).

Where the outward movements directly benefit those sectors that directly interact with the CNSJF attendees (e.g. hotels), inward movements benefit the other sectors on the island. For example, the hotel and restaurant sector capture an average of 3% of the indirect impact since 2010, thus indicating that the majority of the impact is absorbed by other sectors on the island. In other words, those sectors that do not have direct access to the CNSJF attendees receive strong stimuli from tourism-related sectors. This stimulus is represented by other sectors receiving a larger share of the inward movement’s strength. The results for the indirect impact and the degree of dispersion for each sector are presented in Table 7.

Overall, the outward movement provides an initial I-advantage for Curacao, but the inward movement I-advantage is a result of the dynamics between the sectors and the island’s use of linkages.

### Discussion and conclusions

Economic practice would advocate that in small economies that face high leakage, concerted efforts should be undertaken to use linkages to strengthen the positive terms of trade that may then counter leakage. For this reason, the study adopted the process of internationalization and the OLI framework in order to provide insight regarding how a music festival (that occurs in a SID) could assist in supporting tourism, the economy, and reduce the likelihood of tourism profits from leaking to areas outside of the host destination.

### OLI-advantages and implications

A primary contribution of this study is the objective measurement of the OLI framework. Traditionally, OLI-advantages are measured subjectively by managers’ perceptions (Dunning, 2000).
This study evaluates the actual performance of the OLI-advantages. Based on the results of this study, it seems that the internationalization mode of entry for a music festival is important if the festival is to facilitate the process of internationalization for a destination. In the case of the CNSJF, a private organization owns the festival license from a world-renowned brand. However, Curaçao (as the host destination) seems to reap the majority of the internationalization benefits from the CNSJF.

This is because what would traditionally be looked at as the outward internationalization cost, which is the promotion and production imports of the music festival abroad, is carried by the investor who owns the festival. The international promotions indirectly market the destination and the actual outward internationalization benefit for Curaçao is receiving the export from the organizer’s efforts. Thus, the omnibus result seems to be that the macro destination absorbs the outward and inward internationalization benefits at relatively low risk while penetrating international tourist market segments that are willing and able to buy CNSJF tickets, thus increasing the terms of positive trade.

This order of logic is based on the OLI framework where Curaçao does not own the CNSJF but owns the environment in which the festival operates. The O-advantages for Curaçao are expressed abroad for only the attendee who must actually arrive to Curaçao to consume the music festival. Based on the environment of operation, the L-advantage is the simultaneous production and consumption of the tourism-related products and services that the CNSJF attendees consume while in Curaçao. And, finally, the I-advantages are initiated in the process and include inward and outward movements.

As previously defined, internationalization is the economic initiative that requires the local crafting, designing, and updating of products that may then be consumed on the global marketplace (Dunning, 2000; Hill, 1999). This study applied this definition to a macro perspective where internationalization is representative of a process where the O and L-advantages identify key performance metrics that affect the I-advantages of the destination. It is important to note, that internationalization is not exclusive to the consideration of the destination’s I-advantages (backward and forward linkages). Rather, in the case of Curaçao, internationalization is a holistic representation of the OLI-advantages. In other words, the CNSJF is beneficial to Curaçao by creating new demand but also increasing the frequency of arrivals.

With regard to the OLI framework, the results revealed four things. First, the framework may potentially be applied to include a macro-based application (i.e. destination) rather than only a micro application. Second, given the destination application, Curaçao has an opportunity to increase the O-advantage via the repeat attendees that continue to consume the CNSJF by way of the destination. Therefore, Curaçao owns these tourists in that specific space and time. However, this ownership may be compromised by external forces that extend beyond Curaçao’s control. For example, if the CNSJF ceased to exist, Curaçao would be required to either update the current destination product offerings or create a new product. In order to create new O-advantages, the destination would incur increased production and acquisition costs.

Third, the simultaneous production and consumption of the attendees’ augmented experience while on the island presents a unique L-advantage. This means that when considering the CNSJF attendees’ consumption intensity as well as the increasing share of repeat attendees an L-advantage emerges as an opportunity to develop innovative and value-adding complementary products. Thus, this L-advantage may exert a force in the diversification of the destination’s tourism product portfolio that makes an adequate platform to attract the continued intensity of foreign exchange thus leading to internationalization.
Last, when considering that Curacão is a SID, which infers a confined and small economy, the prospective ability for Curacão to render the benefits of I-advantages involves sustaining the O and L-advantages. It is important to note that in order for a destination to capture the I-advantages, the O and L-advantages must be sustained and functional in order to initiate an outward movement that would then trigger the consequential positive inward movement. Thus, it seems imperative that the destination management organization efficiently craft complementary products that allow for the cohesive function of the OLI-advantages. Additionally, it is necessary that the destination management organization conduct a perpetual evaluation of these advantages in order to understand how to update and maintain efficiencies pertaining to those advantages.

**Operational implications for SIDs**

It seems that a dexterous means for a SID to benefit from internationalization may be to support the development of quality products that result in the use of linkages thus maximizing the outward and inward movements. This product development does not need to take the exclusive shape of music festivals. In other words, SID tourism officials should support the opportunity of entrepreneurs that would like to create privately owned events as a tourism attraction in a SID. This is because the use of OLI-advantages seems more beneficial to a SID economy than that of a transaction cost production.

Additionally, SID governments should identify the government and local linkages that are used by festival attendees. This information may provide insight to the destination in terms of which economic sectors should be explored for economic efficiency and productivity. For example, it is important to have insight regarding the increase in transactions from the tourist sector (e.g. hotels) to the utilities companies.

**Limitations and future research**

The study reveals two main limitations. The OLI framework and the I-O technique are static in nature. Therefore, it is difficult to detect the dynamic evolution of the music festival as well how that evolution impacts the destination. In addition, the economic impact of the CNSJF stems from the specific configuration of the political and social factors present in Curacão. The CNSJF was sponsored by a private owner who funds the festival with a significant amount of capital. This context specific experience may limit the possibility of epistemic theoretical construction, because other SIDs may not possess similar resources.

Future research should examine if music festivals can sustain their economic prowess benefiting SIDs over time, and if the condition of a private owner matters for the viability of music festivals as strategic resources supporting the competitiveness of SIDs. As suggested by Wanhill (2013), the topic of visitor additionality and the propensity of which events may generate additional tourists to a destination so as not to displace the demand for other attractions may be an important contribution to this line of research. According to Young et al., (2010) it is important to examine whether an event is the direct cause for a visitor to arrive to a destination or whether that visitor would have arrived without the event.

In the case of a SID, it becomes especially important to further dissect the purpose of arrivals in order to ensure that the production of an event is not saturating the attraction market but rather is stimulating new demand. Under the premise of the OLI framework, if the CNSJF is not generating new and repeat attendees who arrive exclusively to attend the festival then the CNSJF is only
consuming the existing demand and internationalization benefits may be hindered. In other words, the CNSJF is beneficial to Curaçao by creating new demand but also increasing the visitation frequency to the island.

Additionally, more effort should be dedicated to focusing on issues that improve our understanding of how SIDs attain I-advantages and enhance the applicability of the OLI framework in different tourism contexts. It may also behoove researchers to investigate the impact of music festivals on linkage intensity, on internationalization, and on the economic productivity landscape of a small economy.

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