International Journal of Economic, Business, Accounting, Agriculture Management and Sharia Administration (IJEBAS)

International Journal of Economic, Business, Accounting, Agriculture Management and Sharia Administration (IJEBAS Journal) | ISSN (e): 2808-4713
Volume 6 No. 6 (2026)

THE EFFECT OF EXPERIENTIAL MARKETING IN THE CAR FREE DAY (CFD) EVENT ON POVERTY ALLEVIATION THROUGH STRENGTHENING THE LOCAL ECONOMY OF MSMES IN KUPANG CITY

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Received: 18//08/2026 | **Revised:** 03/09/2026 | **Accepted:** 20/09/2026 | **Published:**28/10/2026

Abstract

The purpose of this study is to analyze the role of experiential marketing in the Car Free Day (CFD) event on strengthening the MSME economy as an effort toward poverty alleviation in Kupang City. This study is backgrounded by the importance of inclusive economic development in supporting the achievement of the Sustainable Development Goals (SDGs), particularly SDG 1 (No Poverty). As the locomotive of the local economy, MSMEs make a significant contribution to increasing public income but still face constraints in marketing aspects. Car Free Day (CFD) activities in Kupang City serve not only as a public space but also as an optional economic space that facilitates interaction between MSME actors and consumers. In this context, the implementation of experiential marketing (sense, feel, think, act, relate) becomes an important strategy to enhance product attractiveness, customer engagement, and purchasing decisions. This study utilizes a quantitative approach with an explanatory design through a survey method administered to MSME actors involved in CFD activities. The analyzed variables consist of experiential marketing as the independent variable, MSME economic strengthening as the mediating variable, and poverty alleviation as the dependent variable. Data analysis was conducted using mediation-based multiple regression to test direct and indirect effects among variables. The results of the study show that: 1. Experiential marketing (through the dimensions of sense, feel, think, act, and relate) has a direct, positive, and significant effect on strengthening the local MSME economy in Kupang City. 2. Experiential marketing and MSME economic strengthening significantly affect poverty alleviation. 3. MSME economic strengthening is significantly proven to act as a partial mediator connecting experiential marketing with poverty alleviation.

Keywords: Experiential Marketing, Poverty Alleviation, MSME Strengthening, CFD Kupang City

INTRODUCTION

Inclusive and sustainable economic development is a key agenda within the Sustainable Development Goals (SDGs), particularly SDG 1: No Poverty. Poverty remains a structural issue in various regions across Indonesia, including Kupang City. One approach considered effective for poverty reduction is strengthening the local economy, specifically through the Micro, Small, and Medium Enterprise (MSME) sector.

MSMEs play a strategic role in the economy due to their capacity to absorb labor, boost community income, and foster equitable economic distribution. However, in practice, MSMEs face various challenges particularly regarding marketing, product competitiveness, and limited access to broader markets which negatively impact their income levels and business sustainability.

Against this backdrop, the local government (Kupang City) has introduced an innovation by organizing a Car Free Day (CFD). This initiative creates a public space that serves not only as a venue for recreation and social interaction but also as an alternative economic space for MSMEs. The CFD facilitates direct interaction between business owners and consumers within an atmosphere that is more relaxed, open, and participatory.

This situation is highly relevant to the concept of experiential marketing a strategy that emphasizes creating consumer experiences through five key dimensions: sense, feel, think, act, and relate (Schmitt, 1999, p. 1). In the context

of Car-Free Day (CFD), the consumer experience is shaped not only by the products offered but also by the atmosphere, social interactions, entertainment, and community activities taking place in the public space. Experiential marketing is believed to enhance consumer engagement, strengthen product appeal, and drive increased sales. The subsequent impact of this rise in transactional activity is an increase in MSME revenue, which ultimately contributes to poverty reduction.

However, there remains a research gap regarding the relationship between experiential marketing at public events, the strengthening of the MSME economy, and poverty alleviation, particularly in the city of Kupang. Therefore, this study focuses on the following problem statement:

- How does experiential marketing at Car-Free Day (CFD) events influence the economic strengthening of MSMEs?
- How does the economic strengthening of MSMEs influence poverty alleviation?
- What is the indirect role of experiential marketing in supporting poverty alleviation through the economic strengthening of MSMEs?

Problem-Solving Approach

This study employs a quantitative approach using a survey method to empirically examine the relationships between variables. The key variables in this study are:

- Experiential Marketing (X) as the independent variable, measured through the dimensions of sense, feel, think, act, and relate.
- MSME Economic Strengthening (Z) as the mediating variable, reflecting improvements in income, sales, and business sustainability.
- Poverty Alleviation (Y) as the dependent variable, measured through improvements in the welfare and economic stability of MSME operators.

The analytical approach utilized is multiple regression with a mediation model, enabling the researcher to examine both direct and indirect effects between the variables. This model was selected for its ability to explain causal relationships more comprehensively within the context of socio-economic research.

LITERATURE REVIEW

Experiential Marketing

Experiential marketing is a strategy that integrates emotional, sensory, cognitive, behavioral, and social aspects to create value for consumers (Schmitt, 1999). This approach emerged in response to the limitations of traditional marketing, which tends to emphasize product features and benefits. In a modern context, consumers do not merely purchase products; they also seek meaningful experiences throughout the consumption process. From a modern marketing perspective, experiential marketing plays a crucial role in establishing a competitive advantage. Keller (2016) states that customer experience is a key factor in building customer satisfaction and loyalty.

Event marketing is a strategy that utilizes specific events as a medium for interaction between producers and consumers. In this context, Car Free Day (CFD) serves as a form of public space with a dual function: a venue for both recreation and economic activity. Public spaces like CFD foster an environment of intense social interaction, enabling an exchange of value between business operators and consumers. The relaxed, open, and participatory atmosphere makes CFD an effective medium for implementation.

Strengthening the MSME Economy

Micro, Small, and Medium Enterprises (MSMEs) constitute a strategic sector within the national economy. They play a vital role in creating jobs, increasing public income, and strengthening local economic structures. The strengthening of the MSME economy can be gauged by several key indicators: increased income, higher sales volume, growth in the customer base, and business sustainability (Tambunan, 2019). Strengthening the MSME economy depends not only on factors of production but is also significantly influenced by the marketing strategies employed.

Poverty Alleviation

Poverty alleviation is one of the primary goals of the Sustainable Development Goals (SDGs). It emphasizes that poverty reduction must be achieved by increasing access to economic resources and business opportunities (United

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Nations, 2015).

Variable Concept
Independent Variable: Experiential Marketing (X)
Sense (sensory experience)
Feel (emotion)
Think (cognitive)
Act (behavior)
Relate (social relationships)

Mediating Variable: Strengthening of MSME Economy (Z)
Increase in income
Increase in sales volume
Number of customers
Business sustainability

Dependent Variable: Poverty Alleviation (Y)
Ability to meet basic needs
Family economic stability
Reduction in economic vulnerability

Previous Research

Several prior studies confirm that consumer experience is shaped not only by the product itself but also by social interactions, the environmental atmosphere, and emotional engagement during an event. Research by Khan and Z. (2021) demonstrates that experiential marketing significantly influences customer engagement and purchase intention, particularly within the context of events and experience-based activities. Furthermore, Rather (2020) found that experiential marketing dimensions specifically "feel" and "relate" play a crucial role in fostering customer loyalty through powerful emotional experiences. In the context of public events, Lee (2022) asserts that community-based activities, such as festivals and open-space events, enhance social interaction and create collective experiences that influence consumption behavior. This is reinforced by Chen and Lin (2021), who state that environmental experiences are a vital factor in boosting consumers' perceived value of local products.

Research on MSMEs has largely focused on economic resilience and market adaptation (Tambunan, 2021), emphasizing that improved market access and innovative marketing strategies are key drivers of MSME performance. Studies by the OECD (2020) also confirm that strengthening MSMEs through a local economic development approach can increase income and reduce the community's economic vulnerability. However, research specifically linking experiential marketing to the economic strengthening of MSMEs within the context of public events such as Car-Free Day (CFD) remains very limited.

Research Gap:

1. Most experiential marketing research has been conducted in formal sectors such as modern retail and tourism; few studies have examined it in the context of public events like Car-Free Day (CFD).
2. Previous research has largely focused on consumer behavior variables (purchase intention, satisfaction) without linking them to the economic strengthening of MSMEs.
3. There is limited research connecting experiential marketing with poverty alleviation (SDG 1).
4. Research in Eastern Indonesia specifically in Kupang City remains very limited.

Research hypothesis:
H1: Experiential Marketing has a positive and significant effect on the Strengthening of the MSME Economy.
H2: Strengthening the MSME Economy has a positive and significant effect on Poverty Alleviation.
H3: Experiential Marketing has a positive and significant effect on Poverty Alleviation.
H4: Experiential Marketing has a positive and significant effect on Poverty Alleviation through Strengthening the MSME

Economy

RESEARCH METHODOLOGY

This study uses a quantitative approach with *an explanatory research design*, which aims to examine the causal relationship between independent variables (X), namely experiential marketing, mediation variables (M), namely strengthening the MSME economy, and dependent variables (Y), namely poverty alleviation. The sampling technique uses purposive sampling, with the following criteria: 1. MSME actors who are actively selling at CFD, 2. Have been running a business for at least 3 months, 3. Willing to be a respondent.

According to (Hair, 2010), the determination of the number of representative samples depends on the number of indicators (Questionnaire items) multiplied by 5 to 10. The number of samples in this study is samples = the number of indicators (Questionnaire items) as many question items = (16 x 5) = 80, so the number of samples in this study is 80 respondents. The data collection technique uses Questionnaires and Observation directly at the CFD location. The data analysis technique was carried out using Process Macro Model 1 Version 4.0 from the Hayes Model (2022) to test the mediating effect of Experiential Marketing variables on Poverty Alleviation through the Strengthening of the MSME Economy.

RESULTS

Test Research Instruments

Based on the instrument test of 80 respondents (MSME owners), it was shown that the validity test results of all variable items were declared valid with the statistical criteria that had been set, namely the r value calculated > 0.3. Meanwhile, the reliability test showed that all research variable items were declared reliable with the statistical criteria that had been set, namely the r value calculated > 0.60.

Data Normality Test

Based on the results of the normality test, the following results were obtained:

Normality Test Table

		Unstandardized Residual
N		80
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.96745107
Most Extreme Differences	Absolute	.077
	Positive	.077
	Negative	-.073
Test Statistic		.077
Asymp. Sig. (2-tailed)		.200[c,d]

Source: Data processed by the author 2026

Based on the results of the normality test in the table above, it is known that the significant value is 0.200c > 0.05, so it is concluded that the residual value is normally distributed.

Description of Hypothesis Testing and Analysis Methods

Hypothesis testing and mediation influence analysis in this study applied the Multiple Linear Regression methodology based on PROCESS Macro Model 4 developed by Andrew F. Hayes (2022). The test was carried out at a significance level of $\alpha = 0.05$ (95% confidence level) with a sample size of 80 respondents (N = 80).

In order to prove the absolute effectiveness of the mediating variable (M), the indirect effect estimation was tested using the Non-Parametric Percentile Bootstrapping approach with 5,000 resampling. This approach is a modern academic standard to avoid the assumption of multivariate normality in intervening variables.

Presentation of Data on the Results of Regression and Mediation Analysis

A comprehensive summary of the statistical parameters that include the unstandardized regression coefficient (b),

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standardized (β), standard error, statistical value (t and F), significance (p-value), and 95% confidence interval (Bootstrap Confidence Interval) is presented in detail in the following table:

Table 1 Recapitulation of Hypothesis Testing and Analysis Results

Model Path/Structure	**Value Coeficin (b)**	**Co-efficiency Baku (β)**	**Standard Error (SE)**	**t-Calculate**	**p-Value**	**95% Confidence Interval (LLCI – ULCI)**	**Conclusion**
Equation 1: Effect of X on M (Outcome: TotalZ)							
Konstanta	3,5703	—	0,7611	4,6913	0,0000	2,0552 – 5,0854	significant
Variable X	0,2341	0,7662	0,0222	10,5298	0,0000	0,1898 – 0,2784	significant
Fit Model: R = 0.7662; R^2 = 0.5870; F = 110.8763; p = 0.0000							
Equation 2: Effect of X and M on Y (Outcome: TotalY)							
Konstanta	0,9441	—	0,6124	1,5418	0,0127	0,2752-2,1635	significant
Variable X Direct Effect	0,2120	0,7008	0,0246	8,6229	0,0000	0,1630 – 0,2609	significant
Variable M	0,2270	0,2293	0,0805	2,8209	0,0061	0,0668 – 0,3872	significant
Fit Model: R = 0.8888; R^2 = 0.7899; F = 144.7889; p = 0.0000							
Total Effects Model: Effect of X on Y without M (Outcome: TotalY)							
Variabel X Total Effect	0,2651	0,8765	0,0165	16,0797	0,0000	0,2323 – 0,2980	significant
Indirect Effect						**BootLLCI – BootULCI**	
X → M → Y	0,0531	0,1757	0,0182	—	—	0,0168 – 0,0896	Mediation significant Partial

Keterangan: N= 80; Bootstrapping resample = 5. 000; Level of Confidence = 95%.
Source: Primary Data Processed by the author (2026).

Statistical Interpretation and Regression Equation Formation

Based on the statistical equation table of path analysis (path analysis) is described as follows:

1. Sub-Structure of Equation 1 (X → M):

$$TotalZ\,(M) = 3{,}5703 + 0{,}2341\,(TotalX)$$

Deterministic Coefficient (R^2 = 0.5870): Variable X contributes 58.70% to the change or variation of the M variable.

Model 1 .

Significance Test F: Calculated value = 110.8763 with p = 0.0000 (p < 0.05), indicating that variable X is absolutely and significantly able to predict the condition of the variable M. Regression Coefficient (a = 0.2341, t = 10.5298, p = 0.0000): Every time there is an increase of 1 unit in the X variable, the value of the M variable is projected to increase by 0.2341 units significantly.

2. Sub-Structure of Equation 2 (X, M → Y):

$$Total(Y) = 0{,}9441 + 0{,}2120\ (TotalX) + 0{,}2270\ (TotalZ)$$

Deterministic Coefficient ($R^2 = 0.7899$): The combination of variables X and M together (simultaneous) was 78.99% against the change in variable Y. This value indicates a very strong level of model accuracy (goodness of fit), with the remaining variance of 21.01% being influenced by other variables that were not measured. Simultaneous Test F: Fcal value = 144.7889 with $p = 0.0000$ ($p < 0.05$), indicates that the two regression equation models fit and are linearly acceptable.

Partial Effect of X to Y ($c = 0.2120$, t huting = 8.6229, $p = 0.0000$): By controlling the variable M, every 1 unit increase in the X variable will directly increase the value of the Y variable by 0.2120 units ($p < 0.05$). Partial Effect of M to Y ($b = 0.2270$, $t = 2.8209$, $p = 0.0061$): By controlling for variable X, every 1 unit increase in variable M will increase variable Y by 0.2270 units ($p < 0.05$).

3. Mediation Role Analysis (Hayes Indirect Effect Test)

The hypothesis of the existence of the mediating effect was based on the Indirect Effect magnitude and range analysis, Bootstrap Confidence Interval 95%: Effect Magnitude: Direct Effect, c') = 0.2120; Indirect Effect, $a \times b) = 0.2341 \times 0.2270 = 0.0531$, Total Effect (Total Effect, $c = c' + [a \times b]) = 0.2120 + 0.0531 = 0.2651$.

Percentile Bootstrap Decision Criteria: Bootstrapping testing of 5,000 responses resulted in a 95% confidence interval between BootLLCI = 0.0168 and BootULCI = 0.0896. In accordance with the rules of Andrew F. Hayes (2022), if the range between BootLLCI and BootULCI does not include a number of 0 (zero), then the indirect influence is declared Statistically Significant. Because the interval range is positive (0.0168 to 0.0896), the variable M is legally proven to mediate the relationship between X and Y.

Typology/Nature of Mediation: Since the indirect influence coefficient ($a \times b = 0.0531$) is proven to be significant, and the direct influence coefficient ($c' = 0.2120$) also remains significant ($p < 0.001$), the role of the variable M (TotalZ) is categorized as Partial Mediation.

DISCUSSION

The Direct Influence of Experiential Marketing Variables on Strengthening the Local Economy of MSMEs

The results of the analysis prove that Experiential Marketing has a positive and significant effect on the Strengthening of the Local Economy of MSMEs in Kupang City ($b = 0.2341$, $p < 0.001$). The magnitude of the standardization coefficient ($\beta = 0.7662$) and the value of $R^2 = 58.70\%$ confirm that Experiential Marketing dominates the formation of the characteristics of MSME Local Economic Strengthening in Kupang City

Conceptually, this finding indicates that the higher the strengthening of Experiential Marketing, the more it will be directly proportional to the increase in the strengthening of the local economy of MSMEs in Kupang City. This empirical proof is in line with the theoretical foundation that states that the supporting indicators of Experiential Marketing — such as *sense*, *feel*, *think*, *act*, and *relate* — are able to create positive experiences that encourage consumer loyalty and purchasing power for local MSME products.

Direct Influence of Variables X and M on Y

Based on the results of the second regression equation test, the Experiential Marketing (X) variable ($b = 0.2120$, $p < 0.001$) and the MSME Local Economic Strengthening variable (M) ($b = 0.2270$, $p = 0.0061$) separately or together had a significant effect in predicting the poverty alleviation variable (Y). And simultaneously at 78.99%, the combination of Experiential Marketing (X) and MSME Local Economic Strengthening (M) is the main driver that is able to explain the variance of poverty alleviation variables (Y).

Substantively, these results prove that the optimal achievement of poverty alleviation (Y) cannot be separated from the dual role of the Experiential Marketing (X) and MSME Local Economic Strengthening (M) variables. The Experiential Marketing (X) variable provides an initial foundation that substantively emphasizes poverty alleviation (Y), while the MSME Local Economic Strengthening variable (M). provide additional encouragement that accelerates poverty alleviation (Y).

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The Role of Partial Mediation of Variable M in Mediating the Influence of X on Y

Based on the testing of the mediation hypothesis, it was found that the MSME Local Economic Strengthening variable (M) was significantly proven to act as a partial mediator in the relationship between the Experiential Marketing (X) variable and the poverty alleviation variable (Y), with an indirect effect of 0.0531 (95% CI [0.0168; 0.0896]). This academic interpretation of the findings of partial mediation explains two important working mechanisms:

1. Direct Pathway (X → Y): The Experiential Marketing variable (X) has a strong and significant influence on the poverty alleviation variable (Y) without the need for intermediaries (c' = 0.2120).
2. Indirect Pathway / Mediation (X → M → Y): The Experiential Marketing (X) variable has a gradual effect through the increase of the MSME Local Economic Strengthening variable (M) first, which then has an impact on the poverty alleviation variable (Y)

The practical implications of the discovery of this partial mediation show that if the organization/research subject wants to maximize the poverty alleviation variable (Y) optimally (up to the total effect level of c = 0.2651), then its efforts are not only focused on improving the Experiential Marketing Variable (X) directly, but also must strengthen the availability of MSME (M) Local Economic Strengthening. The existence of the MSME Local Economic Strengthening variable (M) acts as an accelerator that strengthens and multiplies the effect of the Experiential Marketing (X) variable on the poverty alleviation variable (Y).

CONCLUSION

1. Experiential Marketing (through the dimensions of sense, feel, think, act, and relate) has a positive and significant effect directly on strengthening the local economy of MSMEs in Kupang City
2. Experiential Marketing and Strengthening the MSME Economy have a significant effect on Poverty Alleviation.
3. Strengthening the MSME Economy has proven to play a significant role as a partial mediator that connects experiential marketing with poverty alleviation.

Suggestions

1. For MSME Actors at Car Free Day (CFD) Kupang City:
   a. Optimizing the 5 Dimensions of Experiential Marketing by strengthening sensory appeal (sense) such as attractive and hygienic booth arrangement, emotional touch (feel) through friendly service, and building social relationships (relation) with the visitor community to increase consumer loyalty and purchasing power.
   b. Product Quality and Sales Development: MSMEs need to take advantage of the momentum of CFD not just to sell for a moment, but as a means of promotion and product testing to expand the customer base and increase sales volume in a sustainable manner.
2. For Local Government (Kupang City) & Event Manager:
   1. The Kupang City Government needs to continue to consistently organize and improve the quality of infrastructure and comfort of the Car Free Day area as a creative and inclusive economic space for local MSMEs.
      a. Experiential Marketing Training: Conducting coaching and training programs for micro business actors on modern marketing strategies, product packaging, and customer experience creation to encourage community economic independence.
3. For the Next Researcher
   1. Add other external variables that have not been studied in this model such as digital financial literacy, e-commerce/QRIS utilization, or government policy support
   2. Similar research can be extended to public events or other local cultural festivals in East Nusa Tenggara by using a qualitative approach or comparative study to deepen the socio-economic dynamics of the community.

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