

INCENTIVE PROGRAMS: CONSUMER-DRIVEN SOLUTIONS IN SUSTAINABLE TOURISM

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Incentive programs are a common tool used by businesses and other organizations to encourage specific behavior in customers and employees. This research note provides detailed information on how incentive programs may be an effective tool for encouraging sustainable travel-related purchases. A discussion outlining the existing research on green consumerism and consumer-driven solutions for encouraging sustainability is followed by industry and academic information on incentive programs. A focus group study then builds on this existing knowledge by looking at young professionals from Raleigh and Greenville, North Carolina to determine the effectiveness of incentive programs at encouraging green consumerism while traveling. Analysis of the resulting dialogue confirmed incentive programs may be an effective tool for encouraging sustainable travel-related purchases. Based on this result, recommendations provide design and logistical considerations that are important to take into account when trying to create an effective incentive program for sustainable tourism marketed to young professionals.

Key words: incentive, sustainable tourism, focus group, young professional, travel decisions



INTRODUCTION

The early 1990s marked the beginning of travel-related companies voluntarily implementing initiatives to showcase their commitment to sustainability (Ayuso, 2007) and to meet the growing demand for sustainable tourism products (Wehrli, Egli, Lutzenberger, Pfister, Schwarz, & Stettler, 2011; Weissenberg, Redington, and Kutyla, 2008). The most common initiatives are codes of conduct, best practices, ecolabels (or certifications), environmental management systems (EMSs), and environmental performance indicators (Ayuso, 2007). Because of the growing popularity of incentive programs (IPs), the purpose of this research was to explore the viability of using them on traveling young professionals.

Sustainability initiatives are not without their challenges. Businesses with ecolabels and certifications find it difficult to communicate their achievements in a way that provides a distinct marketplace advantage. Certification systems often have fees associated with the auditing and recognition process, effectively creating cost barriers that exclude smaller, locally-owned businesses (Mycoo, 2006). EMSs are time intensive and costly, and self-imposed codes of conduct and environmental performance indicators do not guarantee increased sustainability. There is also conflicting research on whether or not sustainable practices enhance visitor experience (Susskind & Verma, 2011; Chun and Giebelhausen, 2012) or which sustainable practices consumers prefer (Millar, Baloglu, 2011).

Although Miller (2003) stated consumers can be a major force for progress toward sustainability, society does not currently have a consumer-driven solution for encouraging sustainable travel-related purchases. Instead, companies ineffectively invest in sustainability and travelers see consuming responsibly as time intensive, economically disadvantageous, and stressful (Valor, 2008). Incentive programs could be positioned to capitalize on the growing demand

for sustainable tourism as a less stressful, more economically advantageous alternative to existing sustainability initiatives.

IPs have five dimensions: 1) they encourage specific actions, 2) by a defined market, 3) to produce measurable outcomes, 4) through integrated strategies, 5) during a specific period of time ('Executive Summit,' 2010). According to the Incentive Performance Center, the objectives of IPs vary from increasing sales or customer numbers to acquiring market share and building customer loyalties ('Consumers: Incentive Overview,' 2012). Currently, 57% of America's largest companies use incentives ('Executive Summit,' 2010), and U.S. businesses spend \$30 billion dollars on consumer incentives annually. Because incentives are a large part of the current global economy, the recent recession has provided an opportunity for marketers to intensify their focus on IPs to help achieve organizational goals (Law, 2009).

Studying the effectiveness of IPs as a consumer-driven solution for sustainable tourism is important because: 1) existing supply-side initiatives haven't worked (Ayuso, 2007), 2) incentives are based on sound economical and psychological principles (Jolley, McHugh, & Reid, 2011), 3) there is a market demand for sustainable tourism products (Wehrli, Egli, Lutzenberger, Pfister, Schwarz, & Stettler, 2011), 4) IPs are on the rise as a means of engaging consumers ('Executive Summit,' 2010), and 5) current research on IPs in sustainable tourism is lacking (Chabowski, Mena, and Gozalez-Padron, 2011; Keh and Lee, 2006). Given the 5 known dimensions of IPs and the above potential implications of using IPs for consumer-driven solutions for sustainable tourism, the topic is worthy of investigation. The specific research questions for this study were:

- 1) Is an incentive program an effective tool for encouraging sustainable travel purchase decisions?
- 2) If so, what form should the incentive program take? If not, why are IPs ineffective?

3) What specific incentives are appealing to make sustainable travel-related purchases?

METHODS

Focus groups were chosen for this study because they have historical validity within marketing research (Calder, 1977). They provide rich, detailed information that allow the researcher to understand and analyze the reasons beneath the opinions expressed (Lunt & Livingstone, 1996). Lastly, a focus group is helpful for creating new ideas, which are crucial when studying fields where research is limited (Merton, 1987).

The samples for this study were two young professional groups (YPs) in North Carolina (NC): the Young Professionals Group sponsored by the Chamber of Commerce in Greenville, NC and the North Carolina Young Planners Group in Raleigh, NC. Participants were screened according to their age, profession, and previous travel experience. Altogether, there were nine YPs (eight males) ranging in age from 23 to 46. They worked in architecture, city planning/urban development, information technology, and sales.

Each focus group discussed the definition of sustainable tourism, obtained information on the participants' travel purchasing behavior, determined whether or not participants would use an incentive program for making sustainable travel-related purchases, and solicited feedback on three different incentive program models. To capture all responses, both focus groups were recorded using an audio-recorder, transcribed, and coded according to themes that emerged. Three phases of coding were used by the researchers for the analysis of the data. Initially, researcher 1 used open coding to categorize the data, followed by interconnecting the categories using axial coding. Then, researcher 2 carried out selective coding connecting the categories and providing a safeguard of validity. Feedback varied most on the interpretation of sustainable tourism and the type of incentive program that was most appealing.

FINDINGS

The YPs associated sustainable tourism with ideas of environmental longevity by reducing fossil fuels when traveling. They also equated it with completing a service project in a developing country. Although there is some recognition around the concept of sustainable tourism, it needs more clarification for YPs to identify with it. None of the participants used sustainability as a factor in their travel decisions; convenience, previous enjoyment levels, uniqueness, locality, authenticity, cost, safety, and overall quality were all more important. However, both focus groups considered sustainability a value-added component to their travel purchases.

Participants were, however, interested in a program that provided incentives for making sustainable travel-related purchases. Some saw IPs as a way to take out the hassle of researching sustainable businesses themselves, “You’re buying something of value as well as contributing to the environment and local economy”...“Now you’ve just given me two good things”...“Double bonus.” YPs would not participate if the program detracted from their overall experience.

The three incentive program examples mirrored existing consumer IPs. Program A was similar to a AAA membership. For \$25 per year a person receives a membership card that could be used for discounts at sustainable, travel-related businesses. Program B was similar to credit card points programs where consumers accrue points for their sustainable, travel-related purchases and redeem their points for prizes; it included a one-time fee of \$9.99. Program C encouraged travelers to go online to submit their information and unique receipt code for a chance to win prizes.

The YPs thought Program A was convenient, simple and liked the idea of an immediate benefit. Participants questioned the program’s quantity, type, and location of businesses involved. The ultimate criteria on whether to participate was if they received their

\$25 investment back. Three participants thought the \$25 was “relatively high” and some thought the price of the program suggested it might be a scam or assumed the discounts were unsubstantial. All stated they would be willing to pay more for a program if the discounts were worth it. Participants who did not like Program A felt restricted on where they could go when they traveled. Also, both groups stated a membership card was not attractive because they had too many unused membership cards. Six participants noted having a QR Code or an app would be more advanced, convenient, and environmentally sustainable.

The YPs found Program B had a low entry fee (\$9.99); two participants stated they would pay up to \$150 depending on how quickly that fee could be recovered through prizes offered. Participants liked this option because there were no annual fees, so you were not “under duress” to use benefits within one year. The YPs also liked the potential for this program to be competitive if participants knew how many points each other had through a social media platform. Most liked the idea of a direct benefit as opposed to accumulated points in exchange for a benefit. Participants expressed concern on the program’s flexibility and needed to know if points were based on the amount of money a person spends or the “level of sustainability” of the business. Another concern was if only locals used the program, then it would not increase the destination’s revenue. Lastly, tracking points was too much effort for the majority of participants.

Program C was the least favored amongst all YPs. The main concern was the possibility of getting nothing. The overall sentiment was, “Oh, I’ll never win.” Three participants noted this program offered the least amount of guarantee to help in tourism because the audience participating may not be tourists.

IMPLICATIONS

Although YPs are not looking for sustainable businesses when they travel, they are interested in becoming involved in the right incentive program because there is a “double bonus” in participation. By tapping into the internal motivation of the young professional market, companies can encourage young professionals to purchase products and services that are better for the environment and communities they visit. The long-term impact of having an effective IP is increased awareness, responsible travel, and pressure for companies to implement sustainability-focused options to access this market segment.

In order to encourage involvement and for IPs to be an effective tool for sustainable tourism, the program must be convenient, affordable, and have marketable benefits. Based on this study’s results, there is evidence supporting IPs as an effective tool for encouraging sustainable travel-related purchases. An optimal incentive program should be a hybrid of Program A and Program B and would:

- Cost a one-time fee between \$25 and \$150
- Offer accessibility via QR Code or phone application
- Include opportunity to collect immediate benefits and accumulate points for larger rewards
- Be visible online to encourage competition
- Base its points on the business’ level of sustainability and level of consumer spending
- Distinguish between locals and tourists during program registration
- Focus on significant involvement from one city or destination at a time to prevent multiple cities with only a few businesses participating
- Align with statewide certification programs for green businesses. This would make it easier to choose what businesses would be involved in the IP, as well as eliminate skepticism amongst consumers regarding the organizations’ level of sustainability.

The data from the two focus groups should be considered a 'stepping stone' for future research but is not generalizable because of the small numbers of participants and its concentration specifically within NC. Also, gender bias may be evident in the results since eight of the nine participants were male. There are several future research ideas that can build upon this study. Testing other market segments such as Baby Boomers or Millennials would expand the notion of IPs' effectiveness as a tool for sustainable tourism. Kotler (2011) called for a reinvention of marketing to create solutions that minimize the sacrifices consumers make (time, money, emotional well-being) to be sustainable. This qualitative research has provided insight into existing IPs, their effectiveness, and shown a market readiness for consumer IPs that encourage sustainable travel-related purchases.

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