



Effective promotions for membership subscriptions and renewals to tourist attractions: Discount vs. bonus



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HIGHLIGHTS

- We investigated the effective promotions for tourist attraction membership.
- Bonus was more effective than discount for new membership subscriptions.
- Tourists who had previously renewed memberships did not distinguish between discount and bonus for renewal promotions.
- Tourists who had never renewed memberships preferred bonus at hedonic attractions but discount at utilitarian attractions.

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ABSTRACT

Tourist attractions actively promote membership subscriptions and renewals. Although discount promotions are commonly utilized in practice, the literature review suggested that bonus promotions, such as an “extra three months,” could be more effective. Two experiments were conducted to identify effective promotions for membership subscriptions and renewals. Bonus promotions were found to be more effective than discount promotions at generating more positive tourist attitudes and behavioral intentions toward new subscriptions. In contrast, neither bonus nor discount renewal promotions were more effective for tourists who had previously renewed membership. However, tourists who had never renewed memberships to utilitarian attractions, such as botanic gardens, preferred discount promotions, whereas tourists who had never renewed membership to hedonic attractions, such as theme parks, preferred bonus promotions. This implies that attraction managers should offer tailored promotions to encourage membership subscriptions and renewals.

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1. Introduction

Tourist attractions, such as theme parks, museums, botanic gardens, and aquariums, are one of the most crucial businesses in tourism (Leask, 2010; Swarbrooke, 2001). There were more than 400 theme parks and similar attractions in the United States with approximately 290 million annual visitors in 2010 (International Association of Amusement Parks and Attractions, 2012). Even though each tourist attraction provides diverse services ranging from entertainment, food, and beverages to hotels, shopping, and education, admission fees are their single largest source of income.

In fact, admission fees account for approximately half of tourist attractions' total revenues (Milman & Kaak, 2013).

Admission fees are generally collected in two forms: tickets and membership. A ticket allows a visitor to access the attraction a certain number of times, commonly once, whereas a membership allows unlimited access during a certain period of time, usually a year. Even though most tourist attractions utilize both forms, the price of an annual membership is generally only 3–7 times more expensive than that of a daily ticket. This can thus add up to a huge discount considering the number of possible admissions.

Membership plays an important role for tourist attractions. It promotes more frequent visits by members and, accordingly, contributes to cross-sales by restaurants and retail shops. Membership also helps tourist attractions optimize the number of daily visitors, which allows facilities (e.g., rides or shows) to efficiently operate and manage staffing. Financial stability can also be

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strengthened by collecting membership fees upfront. In sum, successfully managing membership is beneficial for tourist attractions.

Tourist attractions actively promote both membership subscriptions and renewals. They often provide additional benefits for members, such as free parking, designated entrances, or free magazines. Further, membership fee discount promotions are commonly witnessed at many tourist attractions. For example, Six Flags offered a New Year's promotion with a 46% discount on its season passes (Six Flags Magic Mountain, 2014). Likewise, Walt Disney World provided a 15% discount for annual pass renewals, Universal Studios Hollywood offered an 11% discount, and LEGO Land offered a 25% discount (from LEGO Land, 2014; Universal Studios Hollywood, 2014; Walt Disney World, 2014).

While discount promotions are popular with tourist attractions, bonus promotions, such as an “extra free three months,” are also commonly utilized in other industries, such as cable TV, Internet services, rental businesses, magazines and newspapers. Further, among tourist attractions, SeaWorld started to offer a bonus promotion for its annual pass – “Buy 1 Year and Get the 2 nd Year Free!” (SeaWorld, 2014). The attractiveness of discount and bonus promotions might appear similar when the associated benefits and costs are the same. For example, a 10% price discount promotion seems more or less similar to a 10% quantity bonus promotion in terms of savings and costs. However, the extant research in marketing indicates that the effectiveness of such promotions can differ based on product type and customer characteristics (e.g., Diamond, 1992; Diamond & Campbell, 1989; Hardesty & Bearden, 2003; Kamins, Folkes, & Fedorikhin, 2009; Mishra & Mishra, 2011).

There is little empirical evidence on the effectiveness of discount promotions, which have conventionally been used by tourist attractions. In general, there are few studies on marketing or promotions for tourist attractions (Leask, 2010). This study intends to fill this gap by investigating the effectiveness of membership fee discount promotions on customers' attitudes and behavioral intentions in comparison with extra membership period bonus promotions. This study will help tourist attractions to identify appropriate promotions to attract new visitors and maintain current members. Managers of tourist attractions can offer tailored promotions for their visitors and members.

To achieve these objectives, this study first reviewed the literature to identify diverse factors that might influence customers' preferences between the two types of promotions (*i.e.*, discount and bonus). Then, hypotheses on effective promotions for tourist attractions were developed by applying the above factors to both membership subscriptions and renewals. Two experimental designs employing the survey method, one examining new member subscriptions and the other focusing on renewals, were used to test the hypotheses. Finally, the results of the ANOVA analysis and the implications were discussed.

2. Literature review

Prospect theory (Kahneman & Tversky, 1979, 1984; Tversky & Kahneman, 1992) is the theoretical foundation for the argument that bonus promotions are preferred over discount promotions (e.g., Chandran & Morwitz, 2006; Diamond, 1992; Diamond & Sanyal, 1990). Prospect theory describes decision making under risks and indicates that choosing between risky alternatives is influenced by how the choices are framed. The option framed as a gain is perceived as better than an alternative framed as reduced losses (Kahneman & Tversky, 1979, 1984; Tversky & Kahneman, 1992). Prospect theory has been widely confirmed in diverse situations (Diamond & Sanyal, 1990; Thaler, 1985). On the other hand, researchers have also argued that customers' preferences toward discount or bonus promotions can be affected by other factors, such

as product stack-ability or customers' familiarity with the product (e.g., Hardesty & Bearden, 2003; Mishra & Mishra, 2011; Ong, Ho, & Tripp, 1997; Smith & Sinha, 2000). Thus, some customers may prefer discount promotions rather than bonus promotions.

Section 2.1 below investigates diverse factors that influence customers' preferences between discount and bonus promotions. Then, these factors are applied to identify effective promotions for membership subscriptions and renewals in Section 2.2.

2.1. Preferences between discount and bonus promotions

Customers generally prefer bonus promotions rather than discount promotions. First, Diamond and Sanyal (1990) claimed that bonus promotions are preferred based on prospect theory (Kahneman & Tversky, 1979, 1984; Tversky & Kahneman, 1992) because customers tend to consider a quantity bonus as an extra gain but a price discount as reduced losses (refer to Diamond, 1992 as well). Second, Chandran and Morwitz (2006) argued that bonus promotions are preferred because a quantity bonus is viewed as *free* from negative contextual information such as quality issues. Their experiment showed that “free shipping” yields significantly higher purchase intentions for used books than price discount promotions, even when both offers amount to the same economic benefits (Chandran & Morwitz, 2006). Lastly, Chen, Marmorstein, Tsiros, and Rao (2012) argued that bonus promotions are preferred because customers do not pay much attention to the base value of a product or service and, consequently, prefer the nominally higher percentage of the bonus promotion rather than the lower percentage of the economically equivalent price discount promotion. For example, a 50% bonus promotion was considered as superior to a 35% price discount promotion even though they were similar in terms of dollar per unit value (*i.e.*, \$1.0@1.5 for bonus vs. \$0.65@1.0 for discount) (Chen et al., 2012).

However, researchers have also identified several circumstances where customers' preferences can be moderated in favor of discount promotions. The findings on these moderators are summarized in Table 1. First, Smith and Sinha (2000) found that customers prefer price discounts for expensive products but bonus promotions for inexpensive products (refer to Chen et al., 2012 as well). For example, when the price is high, a 33% off promotion is significantly preferred over a 33% more promotion (Chen et al., 2012). Second, Smith and Sinha (2000) also claimed that price discounts are generally preferred for non-stackable goods, such as perishables. For example, their experiment (Smith & Sinha, 2000) found that a discount promotion is more effective for bread and cheese than bath tissue and detergent. Third, Mishra and Mishra (2011) found that a price discount is more effective for vice foods, such as chocolate chip cookies, while a bonus pack is more effective

Table 1
Moderators on preference toward bonus vs. discount promotion.

| Category | Moderator | | Preference toward promotion |
|-----------|--|-----------------|-----------------------------|
| | Type | Level/Condition | |
| Product | Price | High | Discount |
| | | Low | Bonus |
| | Stack-ability | High | Bonus |
| | | Low | Discount |
| | Guilty Feeling | Vice Goods | Discount |
| | | Virtue Goods | Bonus |
| Customer | Familiarity with products and services | High | Bonus/Indifferent |
| | | Low | Discount |
| | Usage Frequency | High | Bonus |
| | | Low | Discount |
| Promotion | Size of Promotion | Large | Discount |
| | | Small | Bonus/Indifferent |

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