

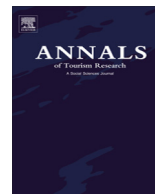


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Willingness to pay: Who are the cheap talkers?



Melville Saayman*, Waldo F. Krugell, Andrea Saayman

North-West University, South Africa

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ABSTRACT

The purpose of this paper is to determine who is willing to pay (WTP) for a greener event by applying a Contingent Valuation (CV) approach together with an experimental design. To identify the cheap talkers a survey was conducted at the Wacky Wine Festival in South Africa, where 474 respondents participated. Using a Heckman two-step approach, the results confirmed that the decision to contribute depends on behavioural and motivational factors, while the amount is income-dependent. The extent of cheap talking is significant, with a 50% deviation in stated and revealed behaviour. Besides cheap talkers, another category is identified, namely “ethicals”, who contribute their voucher to the tree planting project without indicating that they are willing to pay.

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Introduction

Today more than ever, tourism development has to be environmentally sustainable (Krugel & Saayman, 2013). A large amount of international academic literature examines different aspects of the environment and tourism ranging from climate change, to pollution, to being more environmentally friendly (which includes aspects such as Reuse, Recycle and Reduce), to saving the Panda, the dolphin or rhino, to name a few. The greatest challenge seems to be climate change and four categories of studies that look at the links between tourism and climate change (Fisher, 2007) have been identified, namely (i) the impact of tourism on climate change, (ii) the impact of climate change on tourism, (iii) adaptation to climate change, and (iv) mitigation of climate change. Willingness to

* Corresponding author. Tel.: +27 18 299 1810; fax: +27 18 299 4140.

E-mail addresses: melville.saayman@nwu.ac.za (M. Saayman), waldo.krugell@nwu.ac.za (W.F. Krugell), andrea.saayman@nwu.ac.za (A. Saayman).

pay for actions that mitigate climate change falls in this last category and studies range from the willingness of air travellers to pay for carbon offsets (see [Brouwer, Brander, & Beurkering, 2008](#)), to those that contribute to funds for the management and conservation of a particular natural resource (see [Casey, Brown, & Schuhmann, 2010](#)).

The greater promotion and publicity given to these issues has also had an impact on consumers starting to change their buying behaviour and practices ([Mihalič, 2006](#)), and since these consumers travel, it implies that the tourism industry has not escaped this movement which has led to the establishment of concepts such as green tourism (see [Azam & Sarker, 2011](#); [Chen & Qiu, 2013](#)), environment friendly tourism and in some cases, researchers also use the term green economics (see [Anand, Chandan, & Singh, 2012](#)). Tourists are starting to demand “green” facilities and experiences and are often willing to pay for it. This greater emphasis on sustaining and conserving the environment has also had a significant impact on business practices where many businesses have started to and continue to be involved in changing their products, services and operations in order to comply with the greater need to conserve our environment.

This is also true for events, and one such event is the Wacky Wine Festival held in Robertson in the Western Cape in South Africa. This festival celebrated its eleventh year in 2014 and has made significant changes to becoming more environmentally friendly; for example, the use of a recyclable entrance passes and marketing material such as brochures, bags and posters as well as the projects that they organise in their community. The purpose of this paper is to determine *who* are willing to pay for a greener event by means of a tree planting project in an impoverished part of the town. This paper will make a contribution to the literature by attempting to deal with the cheap talk problem in Contingent Valuation methods by applying an experimental approach to examine actual and stated behaviour. The authors could not find any evidence that this has been carried out previously in the tourism industry.

Literature review

The literature consists of three parts addressing the following: (i) why it is difficult to get people to pay for negative externalities; (ii) how to determine willingness to pay; and (iii) who would be willing to pay.

Why would they pay?

The earth's atmosphere and the climate that sustains life as we know it, is characterised as a common good. It is not owned by anyone and it is used by everyone. In a mixed economy, our production and consumption activities are undertaken via the market and the scarcity of land, labour and capital are accounted for by their prices. The goods and services that are produced and consumed are sold and bought at various prices via the market. However, these activities are often accompanied by pollution. The cost of this pollution is not paid for by private companies or individuals, rather, it is a social cost borne by society ([Van Tonder, Saayman, & Krugell, 2013](#)).

The unintended consequences of economic agents' actions are termed externalities. According to [Che and Cao \(2014\)](#), environmental externalities differ from general externalities since (i) it is inevitable and ever-present, (ii) its effects are longer lasting, and (iii) leads to external diseconomy. This view is echoed by [Sankar \(2006\)](#) who indicates that negative intertemporal externalities are the result of a depletion of natural resources at a rate faster than resource generation. The long run effect on production, consumption and pollution endangers natural habitats and changes the climate, which in turn has an impact on food production and human settlements and has costs in terms of drought, floods and other climate disasters. If these social costs could be included in the prices of our private production and consumption activities we would have an incentive to produce and consume less, or to do so in a cleaner way; but this does not happen. Environmental externalities are therefore the result of both market and government failures ([Sankar, 2006](#)). The market fails to account for the social costs since no-one owns their share of a sustainable environment to sell to polluters and as such no market or price exists. The result is the “tragedy of the commons”, whereby the common

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