

Wildlife viewing: The impact of money-back guarantees

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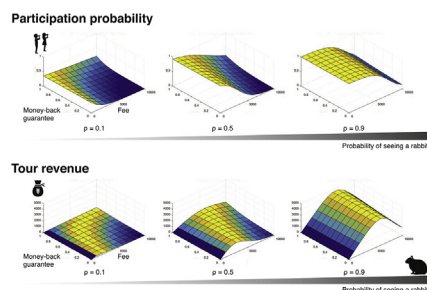
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GRAPHICAL ABSTRACT



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ABSTRACT

Wildlife sightings are not always guaranteed. To address this risk, tour operators often offer a money-back guarantee as a refund mechanism. However, studies have overlooked the influences of such refund mechanisms on tourists' tour participation decisions and tourism revenue. We conducted choice experiments to examine the impact of such mechanisms using a case of Amami rabbit tourism in Japan. We found that the guarantee significantly influences the tourists' decision-making and tour revenue. In particular, we found that the expected tourist participation rate and tour guide revenue vary drastically depending on the probability of the rabbit encounter. The maximum expected revenue from the tour with a 90% chance was about 20 times larger than that with a 10% chance. This indicates that conserving wildlife to maintain the sighting probability raises tour benefits, creating a win-win situation by balancing conservation and tourism development.

1. Introduction

Tourism is one of the fastest growing industries. However, about 20% of it depends on recreation in and around environmentally protected areas (Balmford et al., 2009; Buckley, 2011). As part of this trend, wildlife viewing is a popular form of nature-based tourism.

In the US, wildlife tourism has been increasing. In fact, in 2016, more than 86 million people pursued some form of wildlife viewing, spending more than US\$ 75 billion on wildlife tourism (US Fish & Wildlife Service, 2017).

Local communities, especially those in and around protected areas, depend on the revenue from such nature-based tourism (D. Biggs, Amar, Valdebenito, & Gelcich, 2016; R. Biggs et al., 2015; Kiss, 2004). These economic benefits contribute to the local economy and to biodiversity conservation (Adams & Infield, 2003; Buckley & Mossaz, 2018; Eshoo, Johnson, Duangdala, & Hansel, 2018; Steven, Castley, & Buckley, 2013). Gössling (1999) showed that locals who received more benefits from tourism were also more motivated than others to pursue biodiversity conservation (however, poorly designed tourism was also shown to degrade biodiversity) (Geffroy, Samia, Bessa, & Blumstein,

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2015; Pickering & Hill, 2007; Reynolds & Braithwaite, 2001; Steven, Pickering, & Guy Castley, 2011). At the same time, Naidoo, Fisher, Manica, and Balmford (2016) reported that substantial economic benefits from tourism had been lost because of illegal killing of elephants in Africa.

A well-established tourism market is believed to prevent illegal hunting and contribute to wildlife conservation. Thus, it is important to support growing interest in viewing wildlife, and benefits thereof, in order to enhance environmental conservation and protection (Schwoerer, Knowler, & Garcia-Martinez, 2016).

To analyse tourist demand for wildlife viewing and provide effective management, researchers have pursued valuation studies. For example, Richardson, Rosen, Gunther, and Schwartz (2014), applying a contingent valuation method, found that park visitors were willing to pay an additional US\$ 41 in entrance fees for continued roadside bear-viewing opportunities in Yellowstone National Park. Kubo and Shoji (2016), using a choice experiment, showed that there was substantial potential demand for bear-viewing tours, which in turn, could decrease the bear accident risk based on tourist satisfaction. C. K. Lee, J. H. Lee, Kim, and Mjelde (2010) used a choice experiment to estimate tourist willingness-to-pay for birdwatching. In another choice experiment survey in Uganda, Naidoo and Adamowicz (2005a, 2005b) showed that, based on the estimated revenues from birdwatching, the biodiversity benefits exceeded the management costs at the rainforest. Donovan and Champ (2009), using a travel cost method, found that the value associated with access to elk viewing exceeded the annual operating budget at the Jewell Meadows Wildlife Area in Oregon. These findings imply that visitors put a high value on guaranteed wildlife viewing.

Unfortunately, wildlife sightings are not always guaranteed. This means that tourists who expect to see wildlife may be very unhappy when they do not (Curtin, 2013). To address this risk, many tour operators now offer a money-back guarantee as a refund mechanism (Meynecke, Richards, & Sahin, 2017; Richards et al., 2015). There are various types of such money-back guarantees. These include, for example, a coupon to participate in another tour, as in the case of whale watchers in Hawaii who do not see whales. In the case of the Amami rabbit, which is an endangered and iconic wildlife species in Japan, tour participants to Amami Oshima, Japan who do not see rabbits can receive 50% of their money back.

Although the money-back guarantee is expected to increase tour numbers, such risk could also result in the failure of the nature-based tourism business model. In other words, the money-back guarantee could significantly reduce tourism revenue, depending on the tour fee, refunding ratios (e.g. 50% guarantee), and the number of tour participants. However, the tradeoffs around the money-back guarantee have not been discussed in this context. Estimating demand for wildlife viewing without the guarantee offered by tour operators could, therefore, mislead stakeholders, such as wildlife managers and policymakers. To address this, we examine the case of the Amami rabbit tours in Japan to investigate tourist preferences for wildlife viewing, while taking into account money-back guarantees.

In business and marketing, the money-back guarantee is a well-known refund mechanism (Desmet, 2014; Suwelack, Hogeve, & Hoyer, 2011) used to reduce the likelihood of consumers being dissatisfied. It also improves their perception of the purchased goods as high in quality and reliability (Boulding & Kirmani, 1993; Heiman, McWilliams, & Zilberman, 2001; Moorthy & Srinivasan, 1995). Although it remains challenging to understand exactly how a money-back guarantee affects human behavior and decision-making (d'Astous & Guèvremont, 2008), scholars have shown that such guarantees can significantly influence consumer decision-making (Boulding & Kirmani, 1993; Erevelles, Roy, & Yip, 2001).

Despite its widespread use and reports (Evans, Dana Clark, & Knutson, 1996; Meynecke et al., 2017; Scott & Lemieux, 2010), no studies have quantitatively examined how the design of a tour with

money-back guarantees can affect customers' participation decisions and tour guides' revenue.

This study thus makes several unique contributions to the literature. First, we statistically model consumers' preference towards the design of tours with money-back guarantees and their participation decisions as a function of the tour price and the money-back guarantee ratio. The estimated model then allows us to calculate how consumers' participation decision and tour guides' revenue are affected by the price, money-back guarantee ratio, and sighting probability. We then identify the revenue-maximising design under various levels of sighting probabilities. No prior studies on money-back guarantee have considered how tour guides could change the tour design to attract participants.

Using the case of the Amami rabbit tours in Amami Oshima, Japan, the main objective of this study is to investigate the preferences of tourists for wildlife viewing by taking into account money-back guarantees. We apply the discrete choice model as the valuation method to assess tourist willingness-to-pay for Amami rabbit-viewing. As described in section 2, our methodology is based on previous valuation studies that include risk and uncertainty attributes (see Cameron, 2005; Glenk & Colombo, 2013; Rolfe & Windle, 2013; Rolfe & Windle, 2015; Torres, Faccioli, & Font, 2017). To the best of our knowledge, this is the first study to include the money-back guarantee in a valuation method for nature-based tourism.

2. Background and method

2.1. Amami Oshima and Amami rabbit-viewing

The island that forms our study area is located south west of the Japanese archipelago and about 400 km from Kagoshima city, the capital of Kagoshima prefecture. Amami Oshima is the largest (712.39 km²) among the Amami Islands; the population was about 65,000 citizens in 2015. The island has a unique ecosystem of subtropical rainforests and a variety of endemic and endangered wildlife, including the Amami rabbit (*Pentalagus furnessi*). The uniqueness of its ecosystems led to the designation of the island as part of the Amami Gunto National Park in 2017. The island's administrators expect it to be designated a Natural World Heritage site in the future.

Since this unique ecosystem and its wildlife attract many tourists throughout the year, nature-based tourism is one of the most important industries for local communities on the island. The Amami rabbit is a good example to use in our experiment, as it is an endangered and an iconic animal. It represents the importance of balancing nature conservation and sustainable tourism.

Each rabbit-viewing tour is conducted at night. In general, tourists enjoy viewing the rabbits from their cars as part of tours organised by local operators. To the best of our knowledge, there are five companies that provide Amami rabbit tours with the most promising rabbit encounters on their tours. For example, a company may pledge that tourists will see a rabbit with a 99% probability, and if they do not, it will refund half the tour fee.

Thus far, there are few rules and regulations regarding Amami rabbit tours, although low-speed driving is recommended on road sections where the rabbits can be seen. However, the Ministry of the Environment has noted that there is a risk of Amami rabbits being killed on roads. In 2016, more than 40 rabbit deaths were reported, although the cause of death was not identified in most cases (Hiragi, Kimoto, & Iwamoto, 2017). In this context, it appears critical to identify the tourist value of the Amami rabbit in order to enhance conservation.

2.2. Questionnaire design

Through interviews with local stakeholders and by analysing the attributes of existing tours, we designed a choice experiment survey. This survey included three attributes: the chance of a rabbit encounter, the money-back guarantee ratio associated with the tour fee, and the

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