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SETTING MOTIVATING PRICES, INCENTIVES, AND DISINCENTIVES

“When we launched the Click It or Ticket campaign in Washington State, part of me worried we were opening Pandora’s box—Pandora’s really BIG box! Focus group participants (comprised of people who said they didn’t wear their seat belts) told us they hated the Click it or Ticket slogan. They raged at the moderator, ‘You do that and I’ll call the Governor!’ I worried I’d have to defend it in front of legislative hearings. Still, I knew our more positive, coaching messages like ‘We love you, buckle up’ had run their course. The state’s seat belt use rate had hovered near 80% for six years running. With 550 to 600 vehicle occupant deaths yearly, only a very different, more aggressive seat belt campaign would change the behavior of the remaining holdouts.”

Jonna VanDyk

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If you could eavesdrop into conference rooms, elevators, or even a manager's internal dialogue, you might hear the following similar concerns and dilemmas regarding pricing in the public sector:

- What should we charge our utility customers for purchasing these rain barrels to collect runoff water? We know our costs, but will they pay it? If we have many left over, this idea is a goner.
- If we don't get more families moving to our town, the school district is saying they will have to consolidate the elementary school students with the high school students. What in the world will bring families here? We don't even have a movie theater!
- We didn't meet our goals for new military recruits again this month. I thought the increased bonuses would do more for us than this. How high do we have to go?
- We still have less than half of the dogs and cats in this county licensed. Is the \$20 fee that unreasonable? Do we really have to resort to increased enforcement? That's going to cost a bundle in overtime.

In the following opening story, of specific interest is the role that marketers play in cases like this where existing fines and laws don't seem to be motivating target audiences. They probably know about these penalties. They just don't believe they will be caught or that they will actually be fined. Marketers are masters at managing perceptions and knowing when that is what is needed.

Opening Story: Click It or Ticket

Sometimes a slogan says it all. Sometimes that can make all the difference.

The National Highway Traffic Safety Administration (NHTSA), under the U.S. Department of Transportation, was established in 1970 and is responsible for reducing deaths, injuries, and economic losses resulting from motor vehicle crashes. *Click It or Ticket* is one of their success stories.

Challenges

Just in the year 2000 alone, the failure of a substantial portion of the driving population to buckle up (around 20 percent across the nation) caused 9,200 unnecessary fatalities and 143,000 serious injuries and cost society \$26 billion in easily preventable injury-related costs including medical care and lost productivity.¹

Reasons for not wearing a safety belt vary, especially by demographics. Hispanics, for example, have lower than average safety belt rates (estimated at 63 percent vs. 80 percent in the general population²) with several potential explanations identified by NHTSA. Due to higher poverty rates, Hispanics may tend to drive older vehicles that don't have seat belts or whose seat belts don't work. They often have larger families, with cars that don't have enough seat belts for all the passengers. Those living in rural areas frequently drive pickup trucks, and it is not uncommon for children and other family members to ride in the back of the truck unrestrained. And recent immigrants may not be acquainted with the use of seat belts or child safety seats and might not be familiar with the laws and regulations in the U.S.³

Teens are another important targeted demographic group, having the highest fatality rate in motor vehicle crashes, with one key reason being that this age group has lower safety belt use rates than adults.⁴ In 2003, 57 percent of 16- to 20-year-old passenger vehicle occupants killed in crashes were not wearing a safety belt.⁵ Reasons that teens give for not buckling up are perhaps not surprising: some say it is not cool to be safe; it's fun to be rebellious; it's okay as long as they're in the back seat; it's unlikely they will be in a crash, and even if they were, it wouldn't kill or seriously injure them. They feel invincible.

Agencies working to increase seat belt usage rates also address additional challenges, including opinions of an often quite vocal part of the community who declare that in a free society, each person has the discretion to make his or her own choices, regardless of what others think of the wisdom of those decisions.

Strategies

Click It or Ticket had its beginning in North Carolina, and because of its success in getting citizens to buckle up and stay buckled up, it was hailed as a model for the nation (see Figure 4.1).⁶



FIGURE 4.1 North Carolina's seat belt campaign slogan and logo

The *Click It or Ticket* model supports and encourages states to implement special safety belt checkpoints, assign patrols to special enforcement duties, and adopt a primary seat belt law. A primary law allows law enforcement officers to write a ticket if they simply observe an unbelted driver or passenger. Under a secondary law, an officer cannot ticket anyone for a safety belt violation unless the motorist is stopped for another infraction. Primary laws have been proven effective in increasing safety belt use, with average belt use in states with primary laws at 84 percent in 2004, compared with 73 percent in states without primary laws.⁷

Additional campaign components vary by state but usually include use of the *Click It or Ticket* slogan (see Figure 4.2), promotional efforts such as advertising (often during an established national timeline for activities), signage, earned media (publicity), and partnerships with local agencies, schools, and private sector companies.



FIGURE 4.2 Tennessee's slogan and logo⁸

Rewards

These *Click It or Ticket* efforts helped to increase the national belt use rate to a record high, at 80 percent in 2004. In 2005, the top states were Arizona, California, Hawaii, Michigan, Oregon and Washington, all with rates of 90 percent or higher.⁹ Rates are calculated scientifically using trained spotters who count the number of motorists in a given area who are wearing seat belts, using a refined methodology that provides reliable data.¹⁰

NHTSA estimates that each percentage-point increase in safety belt use represents 2.8 million more people buckling up, approximately 270 more lives saved and 4,000 injuries prevented annually.¹¹ In 2000, the deaths and serious injuries prevented by safety belts resulted in savings of nearly \$50 billion in injury-related costs. And for those who claim this is a personal issue, not a taxpayer's one, this fact should be shared. The general public pays nearly three-quarters of all crash costs, primarily through insurance premiums, taxes, delays, and lost productivity.¹²

NHTSA has conducted evaluations to determine which components of the *Click It or Ticket* model are critical for success. The results of a May 2002 program evaluation, for example, confirmed that intensive short-term *and* well-publicized enforcement can produce large gains. The ten states that implemented full-scale *Click It or Ticket* campaigns increased safety belt use overall by 8.6 percentage points, to 77.1 percent. The states used paid and earned media and statewide law enforcement for four weeks. But in states that increased enforcement without publicizing the effort through paid media, belt use rose an average of only half a percentage point.¹³

And states employing the model are being rewarded. In 2005, the Bush administration endorsed a bill that would give additional highway funding to states that have primary seat belt laws and who have usage rates of 90 percent or higher. If the bill passes, a state like Michigan, for example, could gain an additional \$14.3 million.¹⁴

Price: The Second “P”

Price is one of the key marketing tools that an organization uses to achieve its marketing objectives. It is a powerful one, often the major

factor influencing a buyer's decision. In the public sector, as you have just seen with the *Click It or Ticket* story, price isn't just related to fees for products, programs, and services. It is also reflected in monetary disincentives such as tickets and fines and monetary incentives such as discount coupons. An additional strategy you are encouraged to explore that is also described in this chapter is the use of nonmonetary incentives and disincentives. The results have surprised many—and they may surprise you.

Setting Prices for Products, Programs, and Services

Reflecting back on the public utility managers' debate regarding what to charge for the rain barrel, there are ideal sequential steps that you can take to set this price.¹⁵

The first step is to determine the *objective of the price*. What do you want the price that you set to do for you? Is it to just *recover your direct and possibly indirect costs*? Or are you setting the price to *maximize sales, participation, and/or usage levels*, which may mean you'll need to subsidize the offer? Perhaps instead there is a market segment that you know is eager for the product, program, or service, one that will pay "top dollar," a strategy in the commercial sector called *market skimming*. Or it may be that you want to establish a position of *quality leadership* and by pricing high create the perception that the product, service, or program is a premier one (e.g., some citizens are willing to pay a premium for personalized license plates).

For the rain barrel scenario, assume that the utility planning to distribute the rain barrels is doing this for the first time. The driver for the effort is not as much to conserve water as it is intended to help avoid runoff into storm drains, causing problems with water quality and fish and wildlife habitats. With some in the utility skeptical of household interest, the management team wants to demonstrate that households in the service area are in fact interested in capturing rainwater from the roof and will be willing to purchase the product and make the effort to install and maintain it. By proving demand for the product, a case can then be made for ongoing distribution by the utility or

support for contractors to sell and distribute the rain barrel. Given this, it is likely that the team will be interested in establishing a price for this first offering that will maximize sales, knowing this may mean selling the barrels at cost or less than cost (subsidizing). Let's assume that the utility had decided that if they could get 2 percent of households to purchase a barrel, or about 3000 barrels, administrators have said they would consider it a success.

After the objective is established, the next step is to *assess market demand*, what you would call citizen interest in the public sector. And you will want to know how this demand varies, if at all, by alternative prices. If a particular product is price sensitive, probable sales will vary depending on the price. When demand varies significantly, it is said to be price sensitive or "elastic." If, on the other hand, demand doesn't vary significantly by price, it is said to be price insensitive or "inelastic."

Returning to the rain barrel project, managers could turn to other cities that had offered rain barrels to their citizens to learn what response rates they experienced and prices they charged. They could also refer to similar efforts, such as a program promoting low-flow toilets. Assume they discussed lessons learned with other cities and that they also participated in an omnibus survey offered by a research firm, a survey that has multiple clients who pay only for the questions and results for those questions that they submit for the survey. Furthermore, let's assume that results of this survey showed that overall, 25 percent of households indicated they were very interested in having a rain barrel and that at \$80, 5 percent would be very likely to purchase one from the city, but at \$30, 15 percent would be very likely. They would have established that citizen interest seemed strong relative to their goal and that there was apparent price elasticity.

Your next important consideration is the *cost* of the product: direct costs as well as indirect (overhead). Demand estimates help set a ceiling for a price, and the cost could be considered the floor.

Assume direct costs for the rain barrels were estimated by the team to be \$35, with an additional \$15 per barrel for overhead costs including staff time and estimated promotional expenses. The total cost then is estimated at \$50 per barrel.

Before moving on to actually setting a price, now make an effort to *analyze the competition* for the product being offered. In the public sector arena, you will often need to interpret broadly the definition of competition, considering also what citizens are using or doing instead of purchasing or utilizing your services to satisfy a similar want or need. For public transportation, for example, even though there are no other buses to take, you would consider the cost of an automobile, gas, insurance, and parking as costs associated with an alternative competing behavior.

The competition would be fairly straightforward: the price being charged for other similar rain barrels. A search on the Web and a few calls to local nurseries and home and garden supply stores would assist in this process. Assume that the research revealed prices for a similar barrel ranged from \$60 to \$80.

You're getting closer now to setting a price. It is useful at this point to reach agreement with colleagues and administrators on the *overall method for price setting*. The cost of the product has set the floor. The consumer's value has set the ceiling, and the competition's pricing has provided a third parameter for consideration, one that could be thought of as the walls in the room.

Taking into consideration the desire the team has to prove there is citizen interest in harvesting rainwater, it is likely that they will decide to base their final price primarily relative to their costs, estimated at \$50 per barrel. They will also take into consideration the going retail price of \$60 to \$80, with an interest in stimulating demand for the utility's offering.

The decision on pricing method has helped to narrow the range for *selecting the final price*. You will now consider several additional factors. Does the organization want to subsidize the effort? If so, will you subsidize this for all or for only some market segments (e.g., low-income households)? Is this price one that you can "live with" in the future, or will funding be tighter and subsidies less likely? How will it look to citizens if your launch price is lower than the price in subsequent years? Will they remember and complain? Are there any policies or legislative mandates that need to be considered? Are you going to provide bulk discounts or rebates to increase short-term sales?

By setting the final price at \$55 per barrel and limiting purchases to one per household, managers believed they would be able to cover their costs, including any unanticipated ones. This would also help manage the demand. After all, they only had 3000 barrels to sell this first year, representing 2 percent of households. Even though 15 percent of households had said they would be very likely to buy at \$30, the plan was to sell these at a single community event, and the expectation (hope) was that only a portion of those interested would actually show up, especially given the final price of \$55.

Going forward, it is important to recognize that the pricing task is probably not over. Adjustments to basic prices are likely to be needed to account for various customer differences and changing situations on an ongoing basis. Table 4.1 summarizes five price adjustment strategies often used in the private sector, with application in the public sector as well: *discount and allowance pricing*, *segmented pricing*, *psychological pricing*, *promotional pricing*, and *geographical pricing*.¹⁶

TABLE 4.1 Price-Adjustment Strategies

Strategy	Description	Example
Discount and allowance pricing	Reducing prices through use of discount coupons, bulk rates, rebates, or others	A city offering lower parking prices for hybrid cars
Segmented pricing	Adjusting prices to allow for differences in customers, products, or locations	A city utility charging low-income seniors less for utility services
Psychological pricing	Adjusting prices for psychological effect	A state agency setting the fine for tossing a lit cigarette butt on state highways at \$1025
Promotional pricing	Temporarily reducing prices to increase short-run sales	Pricing the rain barrels below competitive offerings and cost for the first 3000 customers
Geographical pricing	Adjusting prices to account for the geographic location of customers	Fines for littering vary based on state or local roadways and by county within the state

Monetary and Nonmonetary Incentives and Disincentives

As noted earlier, setting prices for products, programs, and services is only one of the pricing decisions and options that you will consider. Four additional pricing tools can be used to influence citizen participation and behavior: *monetary incentives* (e.g., discount coupons for bike helmets), *monetary disincentives* (e.g., fines for littering), *nonmonetary incentives* (e.g., public recognition as an environmentally-friendly business), and *nonmonetary disincentives* (e.g., public exposure for owing back taxes).

Monetary Incentives

Four examples of the use of monetary incentives follow. You will consider how this strategy is being used to encourage children in India to attend school, entice young people in the United States to sign up for military duty, increase the likelihood that postal workers show up for work in Britain, and persuade families to move to a small rural town in Kansas.

Incentives to Encourage School Attendance

In many parts of India, persuading parents to send their children to school takes more than words of encouragement. An article in *The Washington Post* in April 2005 describes a different incentive, one that addresses a more urgent citizen want and need—hunger. One such citizen was a nine-year-old girl named Munki who lived in Dataan, India. Munki's parents had pulled her out of school when she was six. Like many other children in India, she was needed at home to take care of her three siblings while her parents worked ten-hour days to earn less than \$2 to support the family. Her mother said the new midday free lunch the school started offering was the reason she sent her back. "They only gave free food to the children who went to school, not those who were at home. So I sent her back to school last year."¹⁷ She also sends her younger children with her, who then also get a free meal. Dataan's school records show a 23 percent increase in girls' enrollment and attendance since the program began in 2002. The program became mandatory across the country in January 2005. An earlier

effort to assist poor families and improve education provided six pounds of wheat monthly to children who attended school. It was abandoned because students were attending class only on the day the free food was distributed. A member of the government's National Advisory Council said "When schools provide midday meals, children often rush to the schools on their own."¹⁸

Incentives for Military Recruiting

For 20 years, the all-volunteer U.S. Army succeeded in filling its manpower and leadership needs with its enlistment bonuses and generous scholarships. Recruits signed up in such numbers that there were annual surpluses that could be held over to succeeding years. But when the Iraq war began to stretch from months into years, the view of the military as an attractive option for young Americans gradually began to change. As of June 2005, the Army and other military services failed to meet recruiting goals for four months straight. For the Army, enlistment bonuses had increased from \$6,000 for most recruits to \$20,000. Officials were confident that by midyear they would reach their target for increasing enlistment among riflemen.¹⁹ Most blame the disappointing numbers realized in subsequent months on tough realities such as longer deployments, from months to years; constant news of casualties from Iraq and Afghanistan; opportunities in a sounder job market at home; and parental fears, even threats. The military tried other strategies: increased advertising targeting patriotism, more recruiters, raising the eligible age for the Army National Guard or the Reserve from 35 to 39, accepting more recruits who are not high school graduates, shortening the enlistment commitment to 15 months, and decreasing the amount of time traditionally required for team and unit training. As of June 2005, the Pentagon was also considering asking Congress to double the enlistment bonus it can offer to the most-prized recruits—from \$20,000 to \$40,000.²⁰ Only time will tell if these increased incentives and promotional strategies worked. The question is how high will the incentives need to go to equal perceived costs? And will there be enough potential recruits who value this benefit/cost exchange to meet aggressive goals?

A Chance to Win a Car Decreases Absenteeism

On a lighter and more encouraging note for monetary incentive strategies, in Britain the postal service feels they have discovered a cure for what they consider “rampant absenteeism” among its staff. According to an article in *The Week*, all Royal Mail employees who come to work as scheduled for a period of six full months are entered in a drawing to win a car. The report indicates that since this single program began six months ago, the postal service has seen a 10 percent increase in attendance. “We have 1,000 more people every day than we would otherwise have if nothing had changed,” said a Royal Mail spokesman.²¹ Go figure that one!

Incentives Luring People to Move to Rural Towns

For one final example to represent the range of monetary incentives and agencies’ use of them, consider what is happening in a few rural communities in Kansas who share a Web site, www.KansasFreeLand.Com, that hints of their incentive strategy (see Figure 4.3). According to an article in *USA Today* in February 2005, one of those communities, Ellsworth, is a town of about 2,900 with “one grocery store, one stoplight and no mall, no fast food restaurant and no movie theater.”²² Their goal is to reverse decades of population loss as a result of the decline of small family farms and businesses. They also seek to expand the tax base and keep schools from closing. For years, they tried “elephant hunting”—going after the big companies who would bring a big workforce. For the most part, it didn’t work. Now they have a new mantra they call “economic gardening”—building one family at a time—and their incentives seem up to the challenge. In Ellsworth, for example, if you agree to build a house there, you pay nothing for the lot that it is on. If you enroll a child in school, you receive \$1,500 towards the down payment on your home and \$750 for the second and third child. The lenders and bankers of Ellsworth County have agreed to apply the value of the free lot received towards the down payment on the home, and all fees normally charged by the bank associated with financing the construction of a new home or purchase of an existing home are waived. They will also waive the water hook-up fee, sewer tap fee, and building permit fee, and takers can also have their choice of a family golf pass for one year, annual family

swimming pool pass, or waiver of monthly recreation fees for one year.²³ Promotions include daily two-hour bus tours around the county, visiting several cities participating in the program. Initial results for Ellsworth’s “Welcome Home Plan” have been encouraging: 88 new residents, 24 families, and 33 new schoolchildren, drawing \$6,000 each in additional state education aid.



FIGURE 4.3 Using monetary incentives to lure people to move to Kansas

Monetary Disincentives

A monetary disincentive is just as it sounds. It is a strategy used to influence citizens *not* to do something. In the following examples, you

explore how it is used to persuade citizens in Ireland to bring reusable bags to stores for their purchases, to convince pet owners in a small town in Italy that they should take better care of their pets, and to keep cigarette butts and jugs of urine off the highways in Washington State.

Discouraging Purchase and Littering of Plastic Bags

In Ireland in the spring of 2002, a tax of 15 euro cents for a plastic bag was introduced in an attempt to curb litter and to encourage shoppers to use tougher, reusable bags. Littering of bags had become so visible that some had even resorted to calling the plastic bags Ireland's "national flag" because they were such a common sight in trees and shrubs, on streets and shorelines, and around the countryside. There was concern for the country's beauty, as well as the health of wildlife and habitats. The 15-euro-cent charge per bag was applied at the point of sale in shops, supermarkets, service stations, and other retail outlets. Of noteworthy interest is that revenue generated from the Plastic Bag Environmental Levy was designated for a new Environmental Fund that would be used to support waste management, litter, and other environmental initiatives. Evidently, some Irish citizens were irate about the new tax. According to one article, words like "terrible" and "disgraceful" were used to describe the tax, with one person saying, "They are putting the price of food up without telling us."²⁴ Less than six months later, however, it appears the disincentive was working. The Environment Minister reported a 90 percent reduction in the use of bags and that 3.5 million euros had been raised so far that would be spent on environmental projects. The estimate is that in the first three months, shops handed out 277 million fewer bags than normal.²⁵

Discouraging Animal Harm

Pet protection was the focus of stiff fines in the city of Turin, Italy, in April 2005 where a 20-page rulebook was adopted by the city to protect the rights of pets. Don't walk your dog at least three times a day, and you will be fined up to 500 euros (\$844). Dye your pets' fur, trim their ears, or dock your dog's tail, another 500 euros. Feral cat colonies are now officially protected and cannot be disturbed. Even tiny goldfish in Turin's

main park now have rights too. They can no longer be scooped up, put in plastic bags, and awarded as prizes in street fairs. And oh, by the way, dogs may be led for walks by people on bicycles, the rules say, “but not in a way that would tire the animal too much.”²⁶ To enforce the law, Turin police will be relying heavily on citizens to report these unlawful behaviors.

It will be most interesting to revisit this initiative in a few years and discover whether the monetary disincentives were making the intended difference or whether they became targets of citizen jokes or cries for personal responsibility.

Discouraging Littering

A news release in May 2005 regarding the results of Washington State’s litter prevention campaign touted the headline “Ounce of prevention is worth 4 million pounds of litter.” The results from a litter survey in 2004 found a decline from 8,322 tons to 6,315 tons (24 percent) compared to a similar survey conducted in 1999. This reduction of more than 2,000 tons represented 4 million fewer pounds of litter on Washington’s roadways. In the years between the two surveys, the Department of Ecology launched an aggressive anti-litter advertising and enforcement campaign, using a “Litter and It Will Hurt” theme. The prevention campaign includes “Litter and It Will Hurt” advertisements, road signs, posters, the toll-free citizen-reporting line, litter-bag distribution, and increased ticketing for littering (see Figures 4.4 and 4.5). The toll-free litter hotline (866-LITTER-1) received more than 40,000 calls since its launch in April 2002, averaging more than 1,000 per month. Calls come in from motorists who witness people throwing trash from vehicles or losing materials from unsecured loads. When a citizen notices someone throwing something out the window (most often a lit cigarette butt), they call the hotline and are asked to report the license number, description of the vehicle, time of day, type of litter, whether it was thrown from the passenger or driver’s side of the car, and approximate location. Within a couple days, the registered owner of the car receives an envelope from the state patrol. The letter inside alerts the owner, for example, that a citizen noticed a lit cigarette butt being tossed out the driver’s side of your car at 3 p.m. on Interstate 5, near the University District. This is to inform you that if we had seen you, we would have pulled you over and issued a ticket for \$1,025. Now that’s one-on-one marketing!



FIGURE 4.4 Washington State's litter campaign focused on a hotline and stiff fines. (Courtesy of Washington State Department of Ecology)



FIGURE 4.5 Washington State's litter poster at truck weigh stations (Courtesy of Washington State Department of Ecology)

Nonmonetary Incentives

There are also ways to encourage participation or changes in behavior that don't involve money. As you will read, Singapore has a creative way to motivate taxi drivers to obey speed limits, countries around the world are influencing preferences for and purchasing of environmentally friendly products, and one county in the U.S. added value to pet licensing without raising the fee or increasing agency costs.

Encouraging Romance

Singapore is so well known for strict laws defining appropriate public behavior that some call it the “Fine City.” In fact, t-shirts sold as souvenirs flaunt the image, as did one with the following imprints: “No Smoking (Fine \$1000); No Urinating in Lifts (Fine \$500); No Feeding the Birds (Fine \$1000); No Eating or Drinking in the MRT (Fine \$500); No Littering (Fine \$1000); Not Flushing (Fine \$150); Possession of Fire-Crackers (Cane); Possession of Drug 20 Grams (Death Sentence); Vandalism (Jail and Cane).” And these don’t include others that you may have heard about, including heavy fines associated with spitting (even before the SARS outbreak) and chewing gum. Singapore may not be as well known, however, for their creative and innovative use of nonmonetary incentives as well. To encourage taxis, for example, to drive within the speed limits and thus avoid accidents, electronic scanners that sense that a taxi equipped with a special chip is driving over the limit will set off a loud “ding-ding-ding” in the vehicle, warning the driver to slow down and prompting the passenger to ask, “What’s wrong?” To increase safety at crosswalks in the city, pedestrians are flashed the number of seconds they have to get across the street before the green light changes, in addition to a standard flashing hand. Restaurants that offer healthy choices are publicly recognized, as in the Healthier Chinese Cuisine initiative where chefs are featured and recognized who have dishes that contain less fat, salt, or sugar and have added vegetables or fruit. As a final and more unusual example, the government, who is concerned with a declining birthrate, has offered unmarried university graduates (a targeted market for procreation) matchmaking services and a Web site creating a “Friends”-like cyber lounge that it calls the LoveByte Cafe, which includes dating advice. The government has also created an annual Romancing Singapore Festival held in February to celebrate love, romance, and relationships. In 2004, the festival even included cologne created by students from Singapore Polytechnic’s School of Chemical and Life Sciences formulated to create “a mood for love and romance.”²⁷

Encouraging Environmentally Friendly Purchasing

The world’s first eco-labeling program was created in Germany in 1977 to influence consumers to purchase environmentally friendly products

over others in the same category. Many claim it's working. The German Blue Eco Angel now covers over 4,000 products (its only exclusion is food and pharmaceuticals) that have positive environmental features. Products are approved by the German Environmental Protection Agency based on an evaluation by an Eco-Label Jury composed of industry members, environmental associations, trade unions, churches, and public authorities. Criteria include efficient use of fossil fuels, use of alternative products with less impact on the climate, reduction of greenhouse gas emissions, and conservation of resources. When approved, they are reviewed every two or three years²⁸ (see Figure 4.6).



FIGURE 4.6 Germany's Blue Angel eco-label recognizing environmentally friendly products²⁹

Encouraging Pet Licensing

One final example underscores the point that codes, potential fines, and laws (disincentives) may not be enough to motivate citizens to act—that providing something “in it for them” can be, and often is, the key. In King County, Washington, getting and paying for a pet license is positioned as “a gift of love” rather than a law. A promotional brochure highlights fringe benefits. When your pet is wearing a county license, you are assured that you will *be notified if the pet is found* by King County Animal Control or a concerned neighbor who accesses the found pet information line. Your pet will get a *free ride home* on the first impound. Officers will attempt to return your pet

home immediately, skipping a visit to the animal shelter, thus *avoiding an impound fee*. Your licensed pet will be *cared for at the King County Animal Shelter* for at least five days after phone contact with you and up to two weeks after mailed notice before it is adopted or euthanized. A license also includes participation in the *Vacation Pet Alert Program*, which lets the county know who will be responsible for your pets' care and where you can be reached if necessary. If your pet gets loose during your vacation, the county will call the number you have given them. Readers are now potentially left with the idea that the average \$20 fee is worth more than compliance.³⁰

Nonmonetary Disincentives

Nonmonetary disincentives have the same job to do as monetary disincentives. They are used to persuade a target audience *not* to do something, but in this case without the threat of fines or tickets. It is instead the use of threats such as mandatory community service (e.g., a litterer having to pick up litter on roadways), public embarrassment (e.g., having to register as a sex offender when moving into a new neighborhood), or even being sued (e.g., a vacated property posing a safety risk). In the following example, many in this town were surprised how fast things moved when they tried this approach.

Motivating Property Owners to Clean It Up

The *Filthy 15* is a Web site that features 15 boarded up homes, empty apartment buildings, and other structures considered the worst violators of city codes for Tacoma, Washington. It's working as an incentive to get property owners to "get moving." Visitors to the site see photographs of each of the *Filthy 15*, and when they click on a photo, they can read detailed descriptions of what city officials are doing and what property owners have agreed to do. The focus is on properties the city has been working on that haven't had substantial movement. City officials hope that the community will then know the city is working on it and, more importantly, that the public display will inspire owners to take action. After the *Filthy 15* Web site had been up and running for only a few days, the city reported that they started seeing some action,

perhaps stimulated by local television news coverage and a story in the local newspaper about the Web site. Some homeowners claimed they planned to clean them up all along, and others had already summoned their contractors to the site. And when they've succeeded in motivating owners of these properties, the city said they have another 300 that could one day end up on the *Filthy 15* list.³¹

Decisions Regarding Incentives

How do you decide when to use an incentive and whether it should be monetary or nonmonetary in nature? It helps to return once more to the Exchange Theory and examine the potential role that each of these tactics can play in increasing value and decreasing costs, making the desired exchange more likely.

As a marketing tactic, incentives are most often used to increase sales (in the public sector we refer to these more often as purchases, participation, and compliance) beyond what we are getting with current strategies or anticipate we are likely to get. Stated informally, they are used to sweeten the pot. Described more formally, they are used to increase perceived value or decrease perceived costs.

Our four incentive tactics work in different directions, illustrated in Table 4.2 and summarized as follows:

- A monetary incentive reduces the monetary price of the desired behavior.
- A monetary disincentive increases the cost of the competing behavior.
- A nonmonetary incentive increases the perceived value of the desired behavior.
- A nonmonetary disincentive decreases the perceived value of the competitive offering.

Managers choose from among these tactics based on a variety of factors, including resources (e.g., for subsidizing coupons), feasibility (e.g., to inspect dry cleaners for environmentally friendly practices), potential general public response (e.g., placing a tax on plastic bags), potential target audience reaction (e.g., to being forced to use a hands-free cell phone when driving), and potential competitive reaction

(e.g., FedEx response if the U.S. Postal Service lowers prices for overnight delivery).

TABLE 4.2 Incentives to Decrease Costs and/or Increase Value

	Supporting the Desired Behavior	Attacking the Competing Behavior
Behaviors	<ul style="list-style-type: none"> • Purchasing products or services • Complying with laws • Participating voluntarily in desired behaviors 	<ul style="list-style-type: none"> • Purchasing competing products • Ignoring laws • Participating in legal but undesirable behaviors
Cost-Related Tactics	<p>Monetary incentives decrease costs of the desired behavior.</p> <p><i>Offering discount coupons for lockboxes for guns at a variety of retail outlets.</i></p>	<p>Monetary disincentives increase the costs of the competing (or undesirable) behaviors.</p> <p><i>Raising the fine for discarding a lit cigarette butt to \$1,025.</i></p>
Value-Related Tactics	<p>Nonmonetary incentives increase the perceived value of the desired behavior.</p> <p><i>Rewarding a dry cleaner for being an EnviroStar, including publicity in newspapers as well as a banner to display on their building.</i></p>	<p>Nonmonetary disincentives decrease the value of the competing behavior.</p> <p><i>Restricting smoking to areas around the building that are not covered or sheltered.</i></p>

Summary

As these examples have demonstrated, pricing strategies and tactics (both monetary and nonmonetary) are essential and instrumental tools in the marketing mix. You saw how they helped to increase seat belt usage, attendance at school, use of reusable grocery bags, licensing of pets, purchase of environmentally friendly products, the number of residents in small, rural towns on the brink of extinction, and the cleanup of dangerous and dilapidated buildings. You saw how they are being used to decrease employee absenteeism, litter, and automobile and pedestrian accidents. Although marketers or those with a marketing mindset are not always, even often, responsible for developing policies such as fines for littering or prices for personalized license

plates, they can be instrumental in helping make these decisions. They are the ones the agency should depend on to know the value that the target audience places on the potential exchange. They know the target audience and what will persuade them and what won't. If they don't, they will know where and how to find out. They can be used as experts on what barriers and benefits citizens see to compliance and what incentives and disincentives will tip the scales, making the desired exchange more likely. They should definitely be at the pricing table and if not in person, at least in the mindset of those who are.