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The Mental Accounting of Gift Card Versus Cash Gift Funds

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Receiving a monetary gift in the form of a gift card can lead one to regard, allocate, and consume these funds differently than if the gift is given as cash. Across four experiments, the presentation of a gift card rather than cash led to both intended and actual spending beyond the amount of the original gift, and also influenced the types of purchases that consumers made. Even when features of the gift card payment mechanism that restrict fungibility of funds were removed, receiving a gift card led to greater spending than when an equivalent cash gift was received.

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The Mental Accounting of Gift Card versus Cash Gift Funds

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EXTENDED ABSTRACT

While the popularity of gift cards has dramatically increased in recent years, there has been little investigation into how monetary gifts in the form of a gift card may lead consumers to spend and conceive of gift funds differently than if the gift were offered as cash. From a logical, economic point of view, consumers should treat gift funds equivalently, regardless of format (e.g., cash, gift card). However, research on the topic of mental accounting has demonstrated that equal funds are not always regarded, allocated, and consumed equivalently (e.g., Kahneman and Tversky 1984; Thaler 1985, 1999). The theory of mental accounting provides a broad description of cognitive processes through which people perceive, categorize, evaluate and engage in financial activities. Through the process of either literally or figuratively categorizing funds into budget categories, wealth accounts, and income sources, consumers typically treat assets within mental accounts as of non-fungible, or imperfectly transferable.

One relatively overlooked source of mental accounting effects involves the format in which funds are presented. When money is offered in a gift card format, the process of perceiving and evaluating how these funds should be used may qualitatively differ, and consequently the consumption of these funds may be influenced. The simple presentation of gift funds as a gift card versus cash may influence the primary income mental accounting of the funds themselves, which could in turn influence how the gift money is spent. However, consumption of funds may also be influenced by the payment mechanism through which the funds must be spent (e.g., Soman 2001). Gift card funds are typically more limited in their exchangeability compared to cash gifts, which may lead one use gift card funds differently than equivalent cash solely due to the practical restrictions of gift card funds. The current research was designed to address whether the presentation format of funds—specifically as a gift card versus cash gift—influences the manner in which these funds are regarded and consumed, as well as whether any fund format effects are primarily due to the influence of income mental accounting or to payment mechanism restrictions.

In the first experiment, the influence of gift fund format upon intended spending was examined. Participants were asked to imagine a scenario in which they received and spent either a cash gift, a gift card, or a gift card with a cash-back feature, all of equivalent monetary value. The participants were asked to report whether they would spend funds above and beyond the gift amount received in the scenario. When gift funds were presented as a gift card rather than as cash, individuals' likelihood to consume all of the gift funds was increased. When given a gift card, the participants were not only more likely to spend the gift funds, but also to spend additional funds from their current assets. When concerns about lack of fungibility and possible waste of unspent funds were removed by the cash-back gift card condition, participants were nevertheless significantly more likely to consume gift card funds than cash gift funds. Therefore, any increase in consumption resulting from the gift card format does not solely appear to be due to the effect of payment mechanism, or related concern about waste or inability to use the gift money. Rather, it seems that the simple presentation of funds on a gift card led to increased spending of those funds.

In the second study, the magnitude of this spending increase as a result of gift card format was examined. Participants were asked to imagine receiving a cash gift or an equivalently valued gift card, and were then asked to indicate whether they would intend to

purchase a series of items on a shopping trip. When gift funds were presented in gift card rather than cash format, participants' reported amount of intended spending nearly doubled, and was significantly larger than the amount of the gift itself. In contrast, those asked to imagine receiving a cash gift reported an intention to spend nearly the exact amount of funds that they received as a gift, on average.

The third experiment was designed to determine whether differences exist in people's conceptualization of gift funds based upon their initial presentation format. Participants were asked to imagine spending a cash gift or a gift card, and asked to endorse their primary interpretation of their purchase out of a set of 3 monetary interpretation options (e.g., "I feel like I just spent \$53.00 on a DVD set.") or a more symbolic option ("I feel like I have basically received a free DVD set as a gift."). Those in the gift card condition were significantly more likely to endorse the symbolic option than any of the monetary interpretations. Therefore, gift card funds may not always be categorized in monetary terms, and may often be viewed as possessing symbolic rather than monetary value (e.g., as a free DVD set).

Experiment 4 was designed to replicate and extend the previous results to a real-world examination of the impact of the format of gift funds. Participants in this study were asked to report their use of and thoughts about either a gift card or a cash gift they received over a recent holiday season. Compared to cash gift use, those who reported about gift cards spent significantly more than the gift amount at the time of purchase, gave a more positive rating of the gift that they received, and were more likely to spend the funds on hedonic rather than utilitarian purchases. Taken together, these experiments suggest that the presentation of a gift card rather than cash influences how gift money will be conceived, allocated within a person's mental accounts, and subsequently spent. As gift cards are claiming an increasing role in consumers' gift purchases and gift consumption, there are both theoretical and practical grounds for further investigation into how the presentation of gift card funds may influence consumer behavior.

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The Tri-Mediation Model of Persuasion: Incorporating Negative Advertising Appeals

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EXTENDED ABSTRACT

An on-going concern of advertising practitioners is the persuasive impact of their marketing communications. One of the most widely employed measures of persuasive impact is change in brand attitude (Ab). Consequently research attention continues to focus on describing the specific types of cognitive and affective responses to advertising that lead to brand attitude formation. The traditional "Dual Mediation" model (DMM), which has been well supported within the ad effects literature (e.g., Brown and Stayman 1992), models the effects of various constructs (i.e., ad cognitions, brand cognitions, and attitude toward the ad) on brand evaluations. However a weakness of the DMM is that it appears unable to model the effects of negative comparative advertising.

In this paper, we utilize a political advertising setting to re-define the traditional Dual Mediation Specification in order to model the effects of negative appeals. Because cognitive responses to a political advertisement can be directed toward either the sponsor or the opponent, and because these cognitions may act independently in terms of their influence on brand (sponsor) attitudes, we refine the brand cognitions construct to include both sponsor (i.e., CbSpon) and competitor or opponent (i.e., CbOp) components. Our modified version of the DMM results in three levels of mediation, and hence is referred to as the Tri-Mediation Model of persuasion, or "TMM."

We utilize an experimental setting to examine the impact of political ad type (positive, negative comparison, and negative attack) and argument strength (strong, weak) on the various paths and constructs in the TMM. Student subjects (n=359) were randomly assigned to one of the six conditions, viewed a target ad, and then filled out a written questionnaire.

We utilized structural equation modeling to analyze data. We find that *negative* thoughts about the ad sponsor's opponent or competitor can indeed have a *positive* effect upon attitude toward the sponsor. Our multiple-group analysis results indicate that if the message is strong, direct attack ads may be superior to either direct comparison ads or positive ads in generating favorable attitudes toward the sponsor. The reason for their effectiveness appears to lie in their ability to trigger the generation of a proportionately larger number of (negative) cognitions regarding the sponsor's opponent. These outweigh the relatively greater number of positive thoughts generated in regard to the sponsor, and the relatively greater salience of those thoughts in forming a sponsor evaluation in the case of positive or negative comparison ads.

Multiple group analyses further reveal that if the advertising message is weak, then direct comparison ads appear to be superior to either positive ads or direct attack ads in generating positive attitudes toward the sponsor.

Because our Tri-Mediation Model of Persuasion effectively incorporates thoughts about the advertising sponsor's competitor into overall sponsor evaluations, we are able, in effect, to utilize a *non*-relative measure of advertising effectiveness to assess the *relative* nature of a negative political ad. We demonstrate that a peripheral cue (attitude toward the ad) can have an impact on the central route to persuasion by fostering message acceptance not only in regard to the sponsor, but also in regard to the competitor (opponent).

Contact the author for a complete list of references.