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Labovitz School of Business & Economics, University of Minnesota Duluth, 11 E. Superior Street, Suite 210, Duluth, MN 55802

Giving Happiness: Do Experiential Gifts Lead to More Happiness?

Joseph Goodman, Washington University in St. Louis, USA

This research investigates what types of gifts—material or experiential—consumers tend to give, whether experiences lead to more happiness, and whether gift givers accurately predict any increase in happiness from experiences. Results support an experiential advantage, but gift-givers predict otherwise, preferring the more traditional and less effortful material gift.

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Gift Givers and Gift Recipients: “You Don’t Always Get What You Want...”

Chairs: Meg G. Meloy, Penn State, USA

Evan Polman, University of Wisconsin-Madison, USA

Paper #1: Choosing Gifts for Picky People: Where is the Fun in That?

Andong Cheng, Penn State, USA

Meg G. Meloy, Penn State, USA

Evan Polman, University of Wisconsin-Madison, USA

Paper #2: Gratitude, Guilt, and Gift Giving

Cindy Chan, University of Toronto, Canada

Cassie Mogilner, University of Pennsylvania, USA

Leaf Van Boven, University of Colorado Boulder, USA

Paper #3: Giving Happiness: Do Experiential Gifts Lead to More Happiness?

Joseph K. Goodman, Washington University in St. Louis, USA

Paper #4: Mental Accounting and Gift Card Spending

Chelsea Helion, Cornell University, USA

Tom Gilovich, Cornell University, USA

gift cards, such that people are more likely to buy dinner and books for others when they are using a gift card rather than when they are using cash.

Taken together, these papers provide insight into the gift-giving process. In theoretical terms, people have considerable experience acting as both givers and receivers, yet despite the extensive experience that people have as both givers and receivers, it seems people struggle to transfer information from one role (giver) and apply it to another role (receiver). In practical terms, people spend substantial amounts of money on gifts. By better understanding the context and constraints of the gift-giving process, we hope to improve overall well-being for both givers and recipients.

Choosing Gifts for Picky People: Where is the Fun in That?

EXTENDED ABSTRACT

In this paper, we discuss the challenges of choosing gifts for picky people. Such choices are common – in a recent survey concerning Black Friday, consumers reported that 39% of their purchases were for people they considered “picky” (NPD Group 2014). Despite the ubiquity of buying gifts for picky people, little research has formally examined how such gift purchases are made. In this vein, we explore how consumers cope with choosing gifts for picky people. First, we show how buying a gift for someone picky is uniquely different from other forms of difficulty that may accompany a gift choice. For example, we argue that “pickiness” is a unique construct because it focuses solely on the perceived preferences of the recipient. In contrast, a gift choice may be “difficult” should it stem from environmental and contextual constraints (e.g., choosing a gift for a recipient who lives far away); relationship closeness (e.g., choosing a gift for a co-worker or boss); and personal constraints (e.g., insufficient funds). Then, we examine whether consumers’ choices (such as what gift consumers decide to buy) and their respective shopping tendencies (such as consumers’ willingness to pay) systematically differ when a gift recipient is picky vs. difficult. Study 1 begins by defining “picky” in a gift-giving context. Study 2 examines gift choices people make for picky versus difficult recipients. Study 3 examines the effort and money consumers are willing to spend on picky recipients (relative to difficult recipients). Finally, study 4 examines the specific strategies that are employed in selecting a gift for a picky recipient.

Study 1. Participants ($n=205$) imagined selecting a gift for a “picky” or “difficult” person in a between-subjects design. They rated how well each of 18 short phrases described their gift recipient on a 1 (*not at all*) to 11 (*extremely*) scale. Half of the phrases were drawn from descriptions of difficult gift recipients; for example, choosing for someone distant (Otnes et al. 1992, 1993). The other half of phrases were drawn from the literature on picky eating; for example, phrases that describe people who display narrow preferences and avoid consuming specific foods (Carruthers et al. 2004). In addition we added phrases we created, such as *snobby* and *decisive*. Five factors emerged ($VE=61.88\%$). Picky gift recipients were seen as having narrower preferences ($M_{\text{Picky}}=7.47$, $M_{\text{Diff}}=6.76$, $p=.012$) and stronger opinions ($M_{\text{Picky}}=7.02$, $M_{\text{Diff}}=5.93$, $p<.001$). Difficult gift recipients were perceived as more likely to have different tastes than the giver ($M_{\text{Picky}}=6.29$, $M_{\text{Diff}}=6.93$, $p=.031$), be someone in a relation-

SESSION OVERVIEW

Individuals spend a lot of money on gifts each year. According to the National Retail Federation (NRF 2013), holiday retail sales were over US\$602 billion in 2013 – 40% more than Belgium’s gross domestic product – and much of that spending was on gifts for others. Similarly, in November 2013, the average household planned to spend about \$801 on holiday gifts alone, and that was just on “planned” purchases (American Research Group 2013). Despite the fact that consumers spend much of their income on gifts for others, relatively little is understood about how consumers select such gifts and whether such gifts actually bring happiness to the recipient. Stated more formally, what gifts are selected for others, and how much happiness is derived from the exchange? It is these questions that our session intends to address.

The first paper by Cheng, Meloy and Polman begins with a common challenge of gift-giving: Shopping for picky people. The authors delineate what it means to be a picky person (from the perspective of the giver), and how shopping for someone who is thought to be picky is different from shopping for someone who is thought to be difficult. This paper identifies some of the gifts consumers prefer to buy for picky people, and how people negotiate the burden of shopping for picky people.

The next two papers continue to examine gift-giving, and both extend this research by identifying different asymmetries between givers and receivers. In one paper, Chan, Mogilner, and Van Boven demonstrate that when the gift giver is motivated by feelings of gratitude versus guilt, the strategies and choices are different. Their research shows that givers feel more connected to their receivers when the givers’ motivation is guilt, but receivers feel more connected to their givers when the motivation for the gift is based on feelings of gratitude. In the other paper, Goodman investigates the relationship between giving and receiving experiential gifts. He finds that givers prefer to give material gifts, rather than experiential gifts, because material gifts are more conventional and easier to give. However, receivers prefer to receive experiential gifts, evidencing a gap between what givers prefer to give and what receivers prefer to receive.

Finally, in the last paper, Helion and Gilovich examine how the recipient chooses to spend a gift that they have received in the form of a gift card and compare the effects of spending gift cards versus cash on others. They find that people are more generous when using

Gratitude, Guilt, and Gift Giving

EXTENDED ABSTRACT

Gratitude and guilt are both socially-adaptive emotions that help cultivate interpersonal relationships. This research shows that the same situation of social inequity can elicit feelings of gratitude or guilt, and that both emotions motivate people to give gifts to restore the relationship. For example, if one spouse performs the lion's share of the housework, the idle spouse may feel grateful (for the other's benevolence) or guilty (for inadequately contributing), and give their spouse a gift. We further explore the downstream social consequences of gifts that say "thanks" versus "sorry" and find that a gift can help restore social equity, but with differential effects for the giver and recipient. Gift givers report greater improvements in relationship closeness from giving out of guilt, whereas recipients tend to report greater relationship improvements from receiving a gift given out of gratitude.

Experiment 1 tested the hypothesis that gratitude and guilt can arise in the same situation of social inequity, but are differentially associated with the actions of others and the self. Participants read and imagined themselves in four randomly-ordered scenarios in which another person had helped them when they were in need (e.g., they left the kitchen a mess and their roommate cleaned up for them). Immediately after reading each scenario, participants rated how grateful and guilty they would feel in that scenario (1-7), as well as to what extent the other person went above and beyond what was required of him/her and to what extent they themselves fell short of what was expected of them (1-7).

The results of Experiment 1 showed that gratitude was more closely associated with ratings of the other person's actions than guilt: both emotions were positively associated with perceptions of benevolence, however the effect of gratitude ($\beta = 0.76, t=17.30, p<.001$) was four times that of guilt ($\beta = 0.19, t=7.42, p<.001$). In contrast, guilt was more closely associated with ratings of one's own actions than gratitude: both emotions were positively associated with perceptions of personal shortcomings, however the effect of guilt ($\beta = 0.64, t=15.24, p<.001$) was four times that of gratitude ($\beta = 0.16, t=2.24, p<.03$). These results suggest that although these emotions arise from the same situations, gratitude is more focused on the extent to which the other person has gone above and beyond whereas guilt is more focused on the extent to which they had fallen short.

Experiment 2 examined the extent to which gratitude and guilt motivate gift giving. Participants imagined that they had asked a friend to help them move to a new apartment and that s/he spent the weekend helping with the move. Participants were randomly assigned to one of three conditions and asked to write about why they would feel grateful or guilty in the situation, or to write about the situation in an objective, unemotional way. Participants then indicated how likely they would be to give a gift to their friend (1-7). Those who wrote about feeling grateful and guilty reported they were more likely give a gift to their friend compared to those who wrote unemotionally ($ps<.05$); the likelihood of giving a gift did not significantly differ between participants in the grateful and guilty conditions ($p>.66$). These results highlight that both gratitude and guilt are emotions that motivate gift giving.

Experiments 3A and 3B examined how giving and receiving gifts that express gratitude or guilt affect relationship closeness. In Experiment 3A, participants imagined they had left the kitchen a mess and that their roommate had cleaned up after them. Participants then wrote about the extent to which their roommate had gone above and beyond (gratitude condition), about the extent to which they had fallen short (guilt condition), or no essay (control condition).

ship-conflict with the giver ($M_{Picky}=5.13, M_{Diff}=5.82, p=.012$), or be someone of a different age/income group than the giver ($M_{Picky}=5.67, M_{Diff}=6.59, p=.003$). Overall, the results reveal that picky recipients are differentiated from difficult gift recipients through their narrow preferences and stronger opinions. An open question, however, is whether these beliefs affect consumers' gift choices and the strategies they decide to implement. We addressed this issue next in study 2.

Study 2. Participants ($n=206$) were randomly assigned to one of two conditions (picky/difficult) and asked to imagine participating in a Secret Santa exchange. After describing their gift choices in an open-ended response, participants rated how much effort they would exert in obtaining a gift for their gift recipient (from 1 to 11), estimated their WTP for the gift, and reported whether they believed the gift recipient would return or re-gift their gift (from 1 to 11). We analyzed the open-ended responses and found that participants provided less specific identifying details (e.g., brand names) when describing a gift choice for a picky recipient (20% mentioned a brand name) versus a difficult recipient (38.2%), $\chi^2=8.12, p=.004$. Furthermore, givers reported expending less effort selecting a gift for a picky recipient ($M_{Picky}=6.18, M_{Diff}=7.16, p=.021$). And participants indicated they would spend less money for a picky recipient ($M_{Picky}=\$31.04, M_{Diff}=\$35.40, p=.009$). Finally, although there were no differences in perceptions that the gift would be returned, participants did believe that a picky recipient was more likely to re-gift the item in the future ($M_{Picky}=3.30, M_{Diff}=2.71, p=.046$). These results indicate that givers spend less money on a gift for a picky recipient – we investigated this further in study 3.

Study 3. Participants ($n=162$) were assigned to a 2 (social distance: acquaintance, friend) x 2 (recipient: picky, difficult) between-subjects design. Givers' WTP for the recipient's gift was assessed. While difficult friends received a more expensive gift than difficult acquaintances ($M_{DFriend}=\$43.00, M_{DAcq}=\27.73), social distance did not moderate the amount of money givers intended to spend on picky gift recipients ($M_{PFriend}=\$32.73, M_{PAcq}=\$31.53, p=.008$).

Study 4. Study 4 was a 3 (recipient: picky, difficult, control) x 2 (social distance: acquaintance, friend) between-subjects design. Participants ($n=277$) considered seven popular gift-giving strategies (Otnes et al. 1993) and were asked to select the strategy they preferred, according to recipient condition. Two popular strategies include the *ask strategy* (where participants ask the recipient what they want) and the *fun strategy* (where participants give the recipient something delightful). The *ask strategy* was preferred over the *fun strategy* when the recipient was picky, but we did not observe this difference in the difficult or control conditions ($Ask_{Picky}=77.2\%, Ask_{Diff}=37.0\%, Ask_{Cont}=31.2\%$, and $Fun_{Picky}=5.4\%, Fun_{Diff}=32.6\%, Fun_{Cont}=31.2\%$; $\chi^2=49.41, p=.000$). This suggests that people do not use the same gift-giving strategies for picky recipients relative to difficult/neutral recipients.

Discussion. Our studies show that gift givers do not approach the gifting process for picky recipients in the same way they would approach choosing gifts for other types of recipients (notably, difficult recipients). Givers recognize that picky recipients are more decisive and have narrower preferences. This results in a greater probability that they will put in less effort, spend less money on picky friends, and may ask the picky recipients directly for gift ideas instead of trying to delight them. This leaves a number of open questions for future research, including whether there are asymmetries in giver/picky recipient perceptions of what the ideal gift is, the attractiveness of material versus experiential gifts for picky recipients, and whether gift choices for picky recipients vary based on givers' motivation for the gift (gratitude versus guilt).

They next rated the how close and connected they would feel to their roommate in the situation (1-9). Participants were asked to imagine they decided to give a gift of a drink to their roommate. Finally, participants rated how close and connected they would feel to their roommate after giving the gift (1-9). Results showed the guilty participants experienced a greater improvement (change) in how close they felt to their recipient as a result of giving the gift, compared to grateful participants ($F=7.30, p<.008$).

In Experiment 3B, participants read a scenario similar to in Experiment 3A, however they imagined they were the roommate who had cleaned up the kitchen for their messy roommate. Participants rated how close and connected they would feel to their roommate in this situation (1-9). Participants were next shown an image of a drink with a note attached that said either “thanks” or “sorry,” and asked to imagine their roommate had given them this gift. Participants rated how close and connected they would feel to their roommate after receiving the gift (1-9). Results showed that participants who received a “thanks” gift experienced a greater improvement (change) in how close they felt to their roommate as a result of receiving the gift ($t=2.37, p<.02$).

Experiments 4A and 4B replicated the results of Experiments 3A and 3B using a more natural expression of gratitude and guilt. Instead of imagining a drink, gift givers in Experiment 4A (i.e., the messy roommates) created a card for their roommate using cardstock and markers. These cards were then randomly distributed to recipients in Experiment 4B (i.e., the roommates who cleaned up). The results again showed that guilty gift givers experienced greater improvements in relationship closeness as a result of giving a card than grateful gift givers ($F=19.18, p<.001$); in contrast, recipients of cards made by grateful gift givers experienced greater improvements in relationship closeness than those who received cards made by guilty gift givers ($F=6.00, p<.02$).

Together, these studies reveal the social benefits derived from gifts given out of gratitude and guilt to be asymmetrical. Whereas giving a gift out of guilt proves more connecting, receiving a gift given out of gratitude proves more connecting. This poses a challenge for gift givers seeking to build closer relationships and highlights the important role of emotions in gift giving.

Giving Happiness: Do Experiential Gifts Lead to More Happiness?

EXTENDED ABSTRACT

Gift giving increases consumer happiness (Dunn, Aknin, and Norton 2008) and is a frequent social and consumer behavior in both time and money (\$800+ billion). It has received enormous attention—not only from consumer researchers (e.g., Belk and Coon 1993; Otnes and Beltramini 1996), but also from sociologists, anthropologists, economists, and psychologists (e.g., Camerer 1988; Komter 1996; Robben and Verhallen 1994; Schwartz 1967). Much of this research is qualitative or game theoretic, and has provided a wealth of insight. However, there is little empirical evidence as to what type of gifts—material or experiential—consumers tend to give, which ones lead to the most recipient happiness, and whether gift-giving consumers accurately estimate these differences. After all, the main goal of gift giving is not to increase the giver’s happiness, but to increase the happiness of the person receiving the gift.

To further examine what type of gifts consumers believe will lead to the most happiness, I asked 100 Mechanical Turk (MTurk) workers to list gifts that they recently received, and then rate each gift as more material or more experiential. I found that a vast majority of gifts (81% of holiday gifts and 66% of birthday gifts) were

viewed as more material than experiential. Thus, consumers not only prefer to give material gifts, but it also seems that they do not believe that giving experiential gifts will lead to more happiness than giving material ones.

Though gift givers might prefer to give material gifts, recent research on consumer happiness suggests that experiential gifts may lead to more happiness. When spending money on oneself, research shows that experiences lead to more happiness than material goods, assuming they turn out positively (Nicolao et al. 2009; Van Boven and Gilovich 2003). The process leading to this “experiential advantage” is due to several factors associated with experiences: greater identity relevance (Carter and Gilovich 2012), more comparability (Carter and Gilovich 2010), less regret and interchangeability (Rosenzweig and Gilovich 2012), slower adaptation (Nicolao et al. 2009), and greater social associations (Caprariello and Reis 2013). On the one hand, these theories suggest that a gift should be different because the choosing is done for the recipient, and thus it will not be susceptible to choice comparability, decision regret, or identity relevance, suggesting that an experiential gift is unlikely to be more central to the recipient’s self-concept. On the other hand, the adaptation and the social association theories predict that the experiential advantage should hold for gifts. I conducted several studies to examine whether consumers accurately predict the best gifts and why they prefer to give material gifts.

In the first study, I addressed what makes material gifts different to examine why consumers prefer material gifts. For instance, it is possible that material gifts are more traditional and are thus given due to social norms—the proper gift should fit into a box and to be easily exchanged. Similarly, it could be that material gifts are viewed as more memorable, less risky, more appreciated, are easier to choose, require more effort to buy, or require more effort from the recipient. To test these explanations, I asked 375 MTurkers to list three gifts that they were thinking about giving and rate them on the following dimensions: enjoyable/happiness, giver effort, receiver effort, decision difficulty, traditional, memorable, negative outcome, appreciation, and material/experiential. Three conclusions emerged. First, experiences were perceived as being less traditional ($M_{\text{Experience}}=3.56$) than material gifts ($M_{\text{Material}}=3.92, t(403)=2.21, p<.05$), supporting the notion that experiences can violate gift giving norms. Second, gifters perceived experiences as requiring more receiver effort ($M_{\text{Experience}}=2.89$) than material gifts ($M_{\text{Material}}=2.06, t(401)=5.58, p<.001$), suggesting that the extra planning required for an experience can place an extra burden on the recipient. Finally, gifters did not believe that experiential gifts ($M_{\text{Experience}}=5.63$) would be more enjoyable by recipients than material gifts ($M_{\text{Material}}=5.58, t(401)<1$).

In the second study, a 2(give vs. receive) x 2(material vs. experiential) between subject design, I asked participants to recall an experiential/material gift that they received/gifted for the holidays. Participants then indicated how much this gift contributed to their own/recipient’s happiness across three happiness measures (adapted from Nicolao et al. 2009). A significant interaction ($t(132)=2.00, p<.05$) supported the experiential advantage for gift recipients ($M_{\text{Experience}}=5.61$ vs. $M_{\text{Material}}=4.74, t(132)=3.41, p<.01$), while gift-givers did not believe in an advantage for experiences ($M_{\text{Experience}}=4.97$ vs. $M_{\text{Material}}=4.81, t<1$). Thus, it seems that consumers are biased towards material goods when in fact experiences would lead to more recipient happiness.

Study 3 used a different methodology whereby participants recalled three gifts that they either received or gave around the holidays. As in study 2, participants rated how much each gift contributed to their own or recipient’s happiness, and rated each gift as more material or more experiential. Using a hierarchical analysis

regressing happiness on to each participant's material/experiential ratings, the results again showed a significant difference between givers and receivers. Givers did not believe that their experiential gifts led to more happiness ($b=.034$, $t(233)=1.10$, $p=.27$), while receivers showed that experiential gifts led to more happiness ($b=.157$, $t(233)=3.30$, $p<.01$).

In sum, the research shows that though giving experiences leads to more receiver happiness than giving material goods, givers believe otherwise. Consumers tend to give more material gifts because they are more traditional—and thus more likely to conform to the social norms of gift giving—and because givers view them as demanding less effort from the part of the receiver. For receivers, though, the extra effort and nontraditional nature of experiences is outweighed by the additional happiness. Therefore, it seems that consumers would be better off giving more experiences than material gifts. Yet, this may be a hard pill to swallow for many gift givers, because they mispredict their recipient's happiness pre-consumption. And even if givers overcome their mispredictions about experiences, the extra happiness associated with experiential gifts comes at a cost—they are perceived as less traditional and requiring more effort from the recipient.

Mental Accounting and Gift Card Spending

EXTENDED ABSTRACT

How people spend money can be strongly influenced by what, exactly, is being spent. Although individuals enjoy receiving and (sometimes) spending money in any form, how money in the form of a gift card is spent remains unclear. Gift cards were the most requested holiday item in 2009, and had held the top position for the previous three years (NRF 2009). With gift card spending increasing, it is important to know how gift cards are spent as compared to other tender types. The principle of fungibility entails that money not be endowed with specific meaning that might constrain its use. This is an implausible assumption in the case of gift cards, which are typically attached to a specific retailer. In our research, we show that gift cards reduce guilt associated with hedonic spending, thereby increasing indulgent purchasing and generosity towards others.

Study 1. Participants ($n=200$) were asked to imagine that they had either a gift card or cash, and had to choose between buying a hedonic item (a novel) or a utilitarian item (a book on doing one's taxes at home). Following the purchase decision, participants reported how guilty they would feel buying each item. A higher proportion of participants in the gift card condition (76%) indicated that they would purchase the hedonic item as compared to individuals in the cash condition (57%), $X^2(1, N=200)=8.69$, $p<.01$. To test our prediction that guilt mediates the relationship between condition (gift card or cash) and hedonic purchasing, we conducted a mediational analysis (Hayes 2013). Although condition predicted both hedonic purchasing ($b=-.90$, $p<.01$) and guilt ($b=-.72$, $p<.01$), the relationship between condition and hedonic purchasing dropped to non-significance when adjusting for differences in guilt. A bias-corrected bootstrap 95% CI indicated that the indirect effect through guilt was significant, $a \times b = -.72$, 95% CI: [-1.24, -.22].

Study 2. Participants ($n=40$) were given the opportunity to earn money (\$5) by completing a trivia task. Half of the participants received their money as a gift card; the other half received their payment in cash. All participants were required to spend their earnings in a laboratory store stocked with items that had been pretested as hedonic or utilitarian. Individuals in the gift card condition spent a significantly higher proportion of their money on luxury items ($M=.76$,

$SD=.29$) than individuals in the cash condition ($M=.47$, $SD=.38$), $t(36)=2.53$, $p<.05$.

Study 3. Six years of transactional data were collected from a bookstore. The dataset included all individuals who had used a gift card during this period and a randomly selected subset of those who had made credit card purchases. Individuals ($n=13,883$) were separated into three types: those who exclusively used a credit card, those who exclusively used a gift card, and those who used both a credit card and gift card. Our primary analysis focused on individuals who had used both tender types. We calculated, for each of these participants, the proportion of their total gift card expenditures that: 1) were made in hedonic departments (e.g. college memorabilia); and 2) were made in utilitarian departments (e.g. textbooks). A significantly higher proportion of the total amount spent with gift cards were in hedonic departments ($M=.52$, $SD=.43$) compared with credit cards ($M=.21$, $SD=.17$), $t(331)=12.597$, $p<.0001$. Additionally, individuals who had exclusively used a gift card spent a significantly higher proportion of their total amount in hedonic departments ($M=.54$, $SD=.44$), compared with individuals who had exclusively used a credit card ($M=.30$, $SD=.28$), $t(12,840)=33.361$, $p<.0001$.

Study 4a. The previous studies focused on how individuals use gift cards to treat themselves; in the following studies, we examined how gift cards might promote generosity towards others. Participants ($n=78$) were asked to imagine that they were out to dinner with a friend and were planning on paying with a restaurant gift card or with cash. Participants were told that they had enough money on the gift card (or cash in their wallet) to pay for both meals, and were asked if they would buy both their and their friend's meal. A higher proportion of individuals in the gift card condition indicated that they would purchase their friend's meal (85.7%) as compared to individuals in the cash condition (60.5%), $X^2(1, N=78)=6.075$, $p<.01$.

Study 4b. Participants ($n=92$) were asked to imagine that they were at a bookstore with a friend and were planning to pay with a gift card or with cash. Participants were told that they had enough money on the gift card (or cash in their wallet) to pay for both their and their friend's book, and were asked if they would buy both. A higher proportion of individuals in the gift card condition indicated that they would purchase their friend's book (74%) as compared to individuals in the cash condition (42.9%), $X^2(1, N=92)=9.208$, $p<.01$.

Study 5. This study examined the differences between gift cards and cash received as a gift when it comes to experiential and material purchases. Participants ($n=120$) were assigned to one condition of a 2 (tender type: gift card or cash gift) \times 2 (purchase type: experiential or material) full factorial design. A binary logistic regression model was used with tender type (-1 = cash gift and 1 = gift card) and purchase type (-1 = material and 1 = experiential) as predictor variables, and with treating a friend (1 = Yes and 0 = No) as the dependent variable. We found two main effects: 1) individuals were more likely to buy their friend an item when using a gift card than when using a cash gift ($B=.96$, $SE=.23$, $p<.0005$), and 2) were more likely to treat a friend to an experiential rather than a material purchase ($B=.829$, $SE=.23$, $p<.0005$).

These studies indicate that gift card spending is unlike that made with other tender types. Gift cards increase hedonic spending compared to cash and credit cards, due in part to decreased guilt about hedonic purchasing. Additionally, gift cards may increase generosity towards others.

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