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Hiding Gifts Behind the Veil of Vouchers: the Effect of Gift Vouchers in Conditional Promotions

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To boost sales, companies often conduct gift promotions. Should companies present gifts directly or distribute vouchers that can be exchanged for gifts? Six experiments find that using a voucher, as compared to presenting a gift directly, decreases purchase intention for high-value-gift promotions but increases purchase intention for low-value-gift promotions.

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EXTENDED ABSTRACT

Marketers commonly offer gifts to induce purchases. In the marketing literature, such offers are often called *conditional promotions*, in which consumers receive a supplementary product for free or at a discounted price conditional on the purchase of a focal product (Neslin 2002; Palmeira and Srivastava 2013).

Marketers face the question of whether to introduce a voucher when running conditional promotions. For example, a telecommunication service provider can offer its users a free pair of headphones upon signing up for a package, or hand them a voucher that consumers can exchange for the same pair of headphones. As of now, the effect of using vouchers as compared to using gifts directly in conditional promotions is a largely under-studied topic. Past research has been mostly devoted to comparing the effect of offering gifts with that of not doing a promotion at all (Kamins et al. 2009; Palmeira and Srivastava 2013; Raghuram 2004a; Raghuram 2004b), with that of offering price discounts (Chandran and Morwitz 2006; Krishna et al. 2002; Liu 2013; Mishra and Mishra 2011; Nunes and Park 2003), or with that of offering gifts that are incommensurate with the required purchases (Kivetz 2005). The current research, instead, compares the effect of directly giving gifts with the effect of using vouchers.

Consumers' evaluation of a promotion is driven by the perceived promotion value, defined as the comparative value of the gift in relation to the price of the focal product ($\text{Value of the gift} / \text{Price of the focal product}$) (Krishna et al. 2002). For example, people are more likely to try a promotion if it offers a \$5 discount for a \$15 calculator than if it offers a \$5 discount for a \$125 calculator (Kahneman and Tversky 1984). The comparative nature of the attractiveness judgment implies that the evaluation is largely based on the comparison between the price of the focal product and the value of the gift.

In this research, we argue that using vouchers reduces price comparison for two major reasons. First, past research has shown that the acquisition of points and miles can make people focus more on the immediate relationship between invested resources and the points and miles, and less on the comparative value of the input of resources in relation to the output of reward that really matters (Hsee et al. 2003). Second, research on transaction decoupling finds that consumers spend more in otherwise identical purchasing situations when paid by credit card than by cash or checks (Feinberg 1986; Hirschman 1979). By adding an intermediate step of swiping one's credit card, the pain of paying is greatly reduced because credit card usage effectively dissociates the purchase action (happening on the spot) from the payment action (typically happening once a month) (Prelec and Loewenstein 1998).

These findings collectively suggest that adding something in between the input and the output impairs people's ability to see the direct relation between the input and the output. We suggest that the introduction of a voucher will produce similar effects. It breaks the direct association between the focal product and the gift (buying the focal product → receiving a gift) and makes the association indirect (buying the focal product → receiving a voucher → exchanging for a gift). Thus, we anticipate that adding a voucher in between the focal product and the gift decouples the product from the gift, lowering people's tendency to assess the comparative ratio between the focal product's price and the gift's value.

Importantly, this reduced tendency to compare can produce more than just a simple main effect on purchase intention. We suggest that the effect of using a voucher depends on whether the promotion is of high or low value. For high-value promotions, using a voucher deemphasizes the high value of the promotion and thus decreases consumers' intention to purchase the focal product; whereas for low-value promotions, using a voucher shifts consumers' attention away from the low value of the promotion, increasing their intention to purchase the focal product.

Our explanation of the effect of vouchers highlights the theoretical importance of the activation of the comparison process. Our theory is distinct from a possible alternative that consumers are still making the comparisons after a voucher is introduced, but they simply do not apply the comparison outputs to their purchase decisions. This distinction represents the importance of identifying whether an effect is driven by the activation of a psychological process or by the application of the outputs of a psychological process (Gilbert and Hixon 1991; Higgins 1996). As of now, no experiments have been conducted to tease apart these two possibilities in the literature on intermediaries.

In this research, we report experiments that could provide a theoretical test of the two possibilities. If people make comparisons but do not apply the comparison outputs into their decisions, then the effect of vouchers should not be influenced by whether a mental comparison process is activated. If, however, vouchers reduce the tendency to compare, then activating a comparison process should reduce the effect of vouchers.

The comparison tendency explanation also makes two predictions that have not been tested previously. First, the extent to which using a voucher results in a reduction of comparison tendency can be strongly affected by the saliency of the voucher versus the saliency of the gift value. We anticipate that if the gift value information is made salient even when a voucher is used, the voucher's effect will diminish.

Second, the extent to which the promotion value influences purchase intention also depends on consumers' familiarity with the focal product. Research has demonstrated that consumers who are familiar with the products are more sensitive to the size of price discounts in bundling promotions (Harlam et al. 1995). Thus, we predict that the effect of vouchers should be more prominent among novices than among experienced consumers.

Experiment 1

Participants were randomly assigned to one of four conditions in a 2 (promotion value: high vs. low) × 2 (voucher: presence vs. absence) between-participants design. Participants were told to imagine buying a digital camera and were presented with a print advertisement of a camera (including the price information of the camera). Participants were then informed that if they were to make the purchase, they would receive a gift. The gift was a 1-TB Toshiba external hard drive in high-value promotion conditions, and a 4-GB Toshiba flash drive in the low-value promotion conditions. Participants in the voucher-absent conditions were shown pictures of the gift directly. Those in the voucher-present conditions were shown a picture of a voucher stating that participants could use it in exchange

for the specified gift. Then participants indicated their likelihood to purchase the digital camera.

We found a marginally significant main effect of promotion value, $F(1, 157) = 2.76, p = .099, \eta^2 = .017$. Participants reported a greater intention to purchase the digital camera when presented with a high-value promotion ($M = 4.09, SD = 1.39$) than low-value promotion ($M = 3.77, SD = 1.33$). Importantly, there was a significant interaction between promotion value and voucher, $F(1, 157) = 9.09, p = .003, \eta^2 = .055$. For high-value promotions (external hard drive as gift), using a voucher lowered participants' purchase intention ($M = 3.81, SD = 1.33$) as compared to presenting the gift directly ($M = 4.41, SD = 1.40; F(1, 157) = 3.95, p = .049, \eta^2 = .025$). In contrast, for low-value promotions (flash drive as gift), using a voucher increased participants' purchase intention ($M = 4.10, SD = 1.28$) as compared to presenting the gift directly ($M = 3.42, SD = 1.30, F(1, 157) = 5.19, p = .024, \eta^2 = .032$).

Experiment 2

Experiment 2 replicated the findings of experiment 1 using a design that involved decisions with real consequences. Participants decided whether to buy a toy (the product). With the purchase of the toy, they could also receive two packs of sticky notes for free (the gift). The promotion value was manipulated by changing the price of the toy. A low toy price makes a high-value promotion and a high toy price makes a low-value promotion. Participants were either shown the sticky notes directly (voucher-absence) or a printed voucher that could be exchanged for the notes (voucher-presence). Results showed that using a voucher in high-value promotions lowered the percentage of participants making the purchase from 63% to 39%, $F(1, 157) = 3.74, p = .053$. In contrast, using a voucher in low-value promotions significantly increased the percentage of participants making the purchase from 25% to 59%, $F(1, 157) = 8.87, p = .003$. The Logistic Regression returned a significant interaction between promotion value and voucher, $F(1, 157) = 11.67, p = .001$.

Experiment 3

Experiment 3 adopted a theoretical method to test the importance of comparison tendency in causing the effect. It used a 2 (promotion value: high vs. low) \times 2 (voucher: presence vs. absence) \times 2 (priming: control vs. comparison) between-participants design. We primed half participants a comparison mind-set by asking participants to make a series of irrelevant comparisons before presenting them the main product and the gift. Participants in the control priming conditions were asked to make a series of judgments that did not involve comparisons. Then participants then decided whether to buy a toy that coupled with free bookmarks (5 bookmarks in the high-value condition and 1 bookmark in the low-value condition).

We expect to replicate the results of previous experiments in the control condition. When people are primed to compare, however, the comparison tendency is enhanced by the priming and the effect of vouchers is predicted to be mitigated. Consistent with this prediction, we replicated the results in the control conditions with vouchers either increased or decreased purchase intention depending on the promotion value (interaction $= 8.57, p = .003$), but we didn't observe similar effects in the conditions where people were primed with a comparison mindset ($F(1, 157) = 1.36, p = .244$).

Experiment 4

Experiment 4 adopted a more practically meaningful method to test the mediating role of comparison tendency. It used a 2 (promotion value: high vs. low) \times 2 (voucher: presence vs. absence) \times 2 (sequence: purchase intention first vs. gift price estimate first) between-

participants design. We used the same materials from Experiment 1. Besides promotion value and voucher, we also manipulated whether consumers considered the price of the free gift before or after they indicated their purchase intention. We anticipated that making people consider the gift value before indicating their purchase intention would enhance the comparison tendency and this would consequently act against the effect of a voucher. We also measured comparison tendency at the end.

When participants indicated purchase intention before estimating gift price, the effect of voucher was replicated, $F(1, 315) = 34.66, p < .0001, \eta^2 = .099$. The bootstrap analysis revealed that the effect of a voucher on purchase intention was mediated by the measured comparison tendency ($ab = -0.11, \text{Boot SE} = 0.08, 95\% \text{ confidence interval } [-0.33 \text{ to } -0.01]$). However, when participants estimated gift price first, the effect of voucher was eliminated, $F(1, 314) = 0.04, p = .84$. The three-way interaction between promotion value, voucher, and evaluation sequence was significant, $F(1, 629) = 16.80, p < .0001, \eta^2 = .026$.

Experiment 5

In real marketing practice, marketers often state the gift price on vouchers. Experiment 5 tested how indicating the gift price on voucher affects the effect of using vouchers. It used a 2 (promotion value: high vs. low) \times 2 (voucher: presence vs. absence) \times 2 (gift price information: presence vs. absence) between-participants design. Participants were asked to imagine that they were considering buying a board game (the focal product) for an upcoming party, and that a store was running a promotion that buyers of the game would receive either four pieces of Godiva Signature Truffles (high-value promotion) or one piece of Ferrero Rocher chocolate (low-value promotion). Participants either received a picture of the gift or were presented with a picture of a voucher. In addition, half participants received no price information about the gift, the other half were informed about the market value of the gift (\$10 for Godiva and \$0.5 for Ferrero Rocher). We predict that explicitly mentioning the price of the gift will enhance comparison tendency and thus reduce the effect of using vouchers.

The effect of vouchers was replicated when participants were not informed of the gift price, with the interaction between promotion value and voucher being significant, $F(1, 395) = 8.82, p = .003, \eta^2 = .022$. However, stating gift price mitigated this effect, $F(1, 367) = 0.94, p = .334$, with three-way interaction between promotion value, voucher, and gift price information trending to significant, $F(1, 762) = 1.96, p = .162, \eta^2 = .003$.

Experiment 6

Experiment 6 used a 2 (promotion value: high vs. low) \times 2 (voucher: presence vs. absence) between-participants design to test whether the effect of vouchers is moderated by participants' previous experience of purchasing the focal product. Participants imagined to buy an electronic toothbrush with a gift. The gift was either four tubes (high-value promotion) or one tube (low-value promotion) of toothpaste. Half participants were presented with a picture of the gift, and the other half were shown a voucher which could be exchanged for the gifts. Participants also indicated their previous experience of buying electronic toothbrushes. We split the data by whether one had purchased any electronic toothbrushes before. We predict that those with past purchase experience were better equipped with price info to judge the promotion value, and thus they would be less likely to be influenced by vouchers.

As expected, the voucher effect was replicated among novices ($F(1, 634) = 45.77, p < .0001, \eta^2 = .067$) but not for experienced cus-

tomers ($F(1, 425) = 0.04, p = .85$), with three-way interaction between promotion value, voucher, and past purchase experience being significant, $F(1, 630) = 5.63, p = .018, \eta^2 = .009$.

General Discussion

Our findings further our understanding about how people process information when they are evaluating sales promotions. Although consumers usually evaluate a sales promotion by simply assessing its promotion value, our results show that when it is difficult to compare the gift value with the focal product price, such as when a voucher is introduced, consumers' purchase intention is less influenced by the promotion value.

Our findings also advance research on the effect of intermediaries. Besides inducing medium maximization (Hsee et al. 2003) and reducing the pain of paying (Prelec and Loewenstein 1998), our research suggests that the decoupling effect created by intermediaries could cause changes in how conditional promotions are evaluated. Although the most effective way of assessing a promotion is to directly compare the gift value with the focal product price, people seem unlikely to skip the intermediary (in our context, the voucher) unless they are nudged to do so.

Our findings suggest that marketers should avoid using vouchers for high-value promotions. In comparison, using a voucher that can be exchanged for a relatively inexpensive gift in conditional promotions could boost sales while minimizing promotion costs.

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