



Look for people, keywords, and in Google:

 Search

University of Waterloo

News Release

Gift cards instead of cash gifts entice shoppers to spend more, says UW researcher

WATERLOO, Ont. (Tuesday, Dec. 12, 2006) -- Shoppers will likely spend more when they receive gift cards electronically loaded with cash instead of cash gifts, says a study by a University of Waterloo psychology researcher.

Rebecca White, a postdoctoral fellow in the psychology department, specializes in studying consumer decision-making and financial judgment. Her study on gift card spending has been presented at an annual meeting of the Society for Judgment and Decision Making.

"In this research, I examined how people use gift cards compared with equivalent cash gifts," White said. "Presenting a monetary gift on a gift card can lead a person to spend and think about these funds quite differently than if the gift were given as cash."

White's research shows that receiving money on a gift card seems to make people not only more likely to spend all of the gift money, but also more likely to spend more of their own money beyond the amount of the gift that they were given.

"Gift cards are claiming an ever-increasing role in consumers' gift purchases," White said. "Therefore, there are both theoretical and practical reasons to investigate how gift cards may influence consumer behavior."

White's recent research, based on experiments conducted while she was a graduate student at the Ohio State University, indicates that:

* When people receive gift cards, they are likely to spend significantly more money, above and beyond the amount of funds on the card, as compared with those who receive the same amount as a cash gift.

White said that even when participants were asked to imagine using a gift card that returned unspent money in cash, they still reported a desire to spend more money than those who were asked to think about using a cash gift.

* People often think of gift cards as possessing symbolic value rather than monetary value. As a result, they may feel free to spend additional money even after using a gift card.

"It often appears that gift card recipients may not view them as having 'real' monetary value -- instead gift cards may be viewed as a symbolic object," White said. "When I asked participants to describe the use of a gift card on a DVD box set, they were much more likely to report that this gift purchase felt like 'receiving a free DVD set as a gift,' rather

than any possible monetary interpretation they could have chosen to report, such as saving \$50 on a DVD set or spending \$50 on a DVD set."

* While people who receive gift cards are likely to use them in making indulgent purchases, those who receive cash gifts are more likely to use them on practical purchases.

White said a gift card might allow one to feel entitled to indulge in a manner not offered by cash gifts. "When we receive a cash gift, we may also feel greater social obligation to put the funds to practical use, rather than using them to indulge. Gift cards seem to offer a person the license to treat themselves."

* Gift cards are rated more positively and their use as more memorable, compared with cash gifts.

Cash gifts are an unpopular form of gift giving for two main reasons, White says, pointing to previously published research. "There's an apparent lack of time and effort taken by the gift giver, as well as the unintended use of gift money for practical rather than pleasurable uses."

White found that even when people received more money in the form of a cash gift versus less money on a gift card, people seemed to derive more enjoyment from their use of gift cards.

"People who I asked to report about an actual cash gift that they received reported gift amounts two times greater than the monetary amount reported by those who I asked about a gift card they received. However, cash gift recipients still rated their gift less positively and rated their use of the cash as less memorable compared with those who rated their gift card use."

She notes that people's experience and use of gift funds should not vary significantly simply because of their initial presentation format as a cash gift or gift card. "After all, these funds were clearly earmarked for use on gift purchases."

But her experiments show that the gift format does indeed matter in people's experience of gift funds, despite participants being told that the monetary gifts -- whether presented in cash or card format -- were for use on an enjoyable gift.

The results of the research hold implications for people's gift-purchasing decisions, White said. Gift cards may be more positively viewed and more memorably used on indulgent purchases than cash gifts.

She warned that if one's intention in presenting a monetary gift to a friend or relative is to offer a bit of financial assistance, a gift card may paradoxically cause the recipient to actually end up spending more money instead of saving.

White is currently working with Derek Koehler, a UW professor of cognitive psychology, on a series of research projects related to people's self-predictions about their financial decision-making.

