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*Examining a Customer Management Strategy: The Antecedents and Consequences of Gift-Giving Behavior*

BY

*Yashoda Yatin Bhagwat*

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree

Of

Doctor of Philosophy

In the Robinson College of Business

Of

Georgia State University

GEORGIA STATE UNIVERSITY  
ROBINSON COLLEGE OF BUSINESS  
2015

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2015

## ACCEPTANCE

This dissertation was prepared under the direction of the *STUDENT'S NAME* Dissertation Committee. It has been approved and accepted by all members of that committee, and it has been accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy in Business Administration in the J. Mack Robinson College of Business of Georgia State University.

Richard Phillips, Dean

## DISSERTATION COMMITTEE

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ABSTRACT

*Examining a Customer Management Strategy: The Antecedents and Consequences of Gift-Giving Behavior*

BY

*Yashoda Yatin Bhagwat*

*July 18, 2015*

Committee Chair: *V. Kumar*

Major Academic Unit: *Marketing*

Given the significance of the gifting industry- the National Retail Federation reports that Americans were forecasted to spend 18.9 billion dollars on Valentines' Day gifts in 2015, we model the impact of gift-giving on customer buying behavior using two Type I Tobit models. We address the following research questions with individual level transaction data that spans seven years from a large national retailer:

1. How are past personal spending, gift spending, and gift-receiving related to future gift spending?
2. How are past gift spending and gift-receiving related to future personal spending?
3. How do past gift behaviors moderate the relationship between past personal spending on future personal spending and future gift spending?

Our findings have strong managerial implications in terms of whether and how firms should encourage gift-giving. By understanding the financial implications of customers' gift behaviors for the firm and which customers are most likely to engage in gift behaviors, firms can better communicate with their customers to encourage future spending.



## Introduction

Humans have engaged in gift-giving for centuries and it is widely accepted that humans are obligated to give, receive, and reciprocate to properly function in society (Mauss 1954). Even in contemporary society, gift-giving is still a pervasive behavior as evidenced by its economic significance to retailers, ten percent of their annual sales (Unity Marketing Gift Report 2007). Retailers have encouraged gift-giving as a subtle form of promotions for quite some time, whether they promote specific products for specific holidays (e.g. Mothers' Day) or encourage the purchase of gift cards. From a retailer's perspective, encouraging gift-giving is one more way to encourage customer spending. For example, according to the National Retail Federation, Americans were expected to spend 18.9 billion dollars on gifts for Valentines' Day alone in 2015, an all-time high (Allen 2015). The National Restaurant Association reported that even in a sluggish economy the industry has seen a boost in sales due to the sale of gift cards (Killifer 2010). While retailers undoubtedly seek higher sales and encourage gift-giving as a purchasing behavior in general because it generates sales, it should be recognized that gift purchases are different than personal purchases.

A gift purchase requires making a choice for another, while a personal purchase involves making a choice for oneself. While limited, existing research has shown that consumers focus on different goals when making choices for themselves versus others (Laran 2010). It has also been demonstrated that consumers expend more effort on a purchase in terms of time spent, number of stores shopped, and money spent when that purchase is a gift as opposed to a personal item (Clarke and Belk 1979). Furthermore, a gift purchase requires the consumer to decipher the

preferences of another rather while personal preferences are known to the consumer when making personal purchase decisions. Given that gift purchases are different than personal purchases and the economic significance of gift purchases, ten percent of the total United States retail market, we argue a deeper understanding of gift behaviors (both gift-giving and gift-receiving) is of importance to firms. A better understanding of the relationships between personal spending, gift spending, and gift receiving may deliver insights that will help managers better tailor their customer relationship management and promotional strategies.

If consumers expend more effort on gift purchases than personal purchases (Clarke and Belk 1979) and can be more involved in gift purchases (Belk 1982) firms may want to take advantage of gift purchases (and better understand them) as a means to better engage their customers<sup>1</sup>. Firms are now increasingly interested in strategies that increase customer engagement (Bolton 2011). We argue that gift behaviors are a particularly engaging behavior and should be further studied because of their potential positive and negative impacts on the firm. While we intend to empirically test the financial impact of gift-giving and gift-receiving on the firm, there is evidence that gift behaviors may have both positive and negative impacts on the firm. For example, gift recipients may love or hate their gifts (Sherry, McGrath, and Levy 1992)- having future implications for the brand of the gift or the store in which it was purchased (i.e. gift returns, positive word of mouth). The gift selection and giving process can also be a positive or negative experience in which one exerts time and energy to express positive emotions (Belk and Coon 1993) or feels anxiety due to the social pressures of finding an appropriate gift (Wooten 2000).

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<sup>1</sup> While gift-receiving does not entail a purchase, customers who receive gifts purchased from a given retailer are also engaging with that retailer by interacting with the physical product.

Further differentiating gift behaviors from personal purchases is that when purchasing a gift one must remember a given brand in order to consider purchasing it for another individual and the gift literature has documented how the decision making process involved in gift selection is especially complex (Otnes, Lowrey, and Kim 1993). On the other hand recipients evaluate their gifts and make judgments about the quality of the gift, inferences about the intentions of the giver, and decisions about whether to keep, return, or exchange the gift (Areni, Kiecker, and Palan 1998). Gift behaviors are affective or emotional in nature, particularly when the relationship between the giver and recipient is close or romantic (Belk and Coon 1993). Gifts are often chosen with great deliberation and can hold sentimental value for the recipients (Sherry 1983; Belk and Coon 1993). Finally, gift behaviors are inherently social since they involve both a giver and a recipient, and can be used to shape and strengthen social bonds (Sherry 1983). Furthermore, gifts transfer knowledge about the relationship between the giver and the recipient (Schwartz 1967). The fact that gift exchange is inherently social particularly differentiates gift purchases from personal purchases and makes gift purchasing an interesting phenomenon to understand from a retailer's perspective.

While existing literature has focused on how gifts carry information about the relationship between the giver and the recipient (Schwartz 1967), we argue that gifts additionally transfer information about the product itself and the firm from which it was purchased. Hence customers who choose to give gifts purchased from a given retailer (or who receive gifts purchased from a retailer) are willingly involved in the perpetuation of knowledge about that retailer's products. For example, in Japan department stores wrap gifts that identify the retailer (Rupp 2003). Similar to how customers who refer the firm to others are considered brand advocates, an intriguing question is whether the same logic can be applied to customers who

purchase gifts from the firm to give to others. During a gift exchange, the giver is sending the message that he or she condones shopping from the firm. Furthermore, the gift process involves the diffusion of information amongst the giver, the firm, and the recipient. The giver learns more about the firm during the gift search process, the firm should learn more about the customer's buying habits, and the recipient can make inferences about the firm based on the quality of the gift. Given this knowledge transfer, the gift process should have implications for both the giver's and the recipient's future buying behavior from the firm. Furthermore, we argue it is that gift purchases require deciphering the preferences of another (which requires more effort than realizing one's own preferences), have the potential to be emotionally driven, and are inherently social (require another) that especially differentiates gift purchases from personal purchases. The fact that gift purchases are different than personal purchases makes both gift spending and gift receiving intriguing to study from the firm's standpoint, particularly how gift behaviors are related to one another and personal spending.

We argue that since gift purchases are inherently different than personal purchases their implications for the firm may also be different. Of key interest to retailers is how spending on oneself is related to spending on others. Do customers who purchase gifts from a given retailer also spend on themselves, do gifts cannibalize future personal purchases, or are they simply independent behaviors? Also, of interest is how gift-receiving is related to personal spending. Particularly whether gift-receiving is an indication that a customer is a good fit for the retailer since others are choosing to bestow items purchased from that retailer upon him or her. Also worth studying are how gift behaviors are related to one another and whether customers who receive are also more inclined to give. We argue that the answers to these questions will provide

valuable insights to managers that will enable retailers to better manage and communicate with their customers.

After taking a closer look at customers of a nationwide apparel and housewares retailer who engaged in gift-giving (through that retailer) versus those who had not, we found that these customers had longer tenures with the retailer (4345 days vs. 3144 days), shopped across more departments (4 departments vs. 2 departments), and spent more than customers who never purchased a gift from the firm (\$1296 vs. \$457). Hence we propose that managers should understand the dynamics of customers who engage in gift-giving better. Particularly of interest is how spending on gifts is related to personal spending, and whether these two spending behaviors are drivers of one another, are negatively related, or are two independent behaviors.

[Insert Table 1 About Here]

Specifically, we ask the following research questions:

1. How are past personal spending, gift spending, and gift-receiving related to future gift spending?
2. How are past gift spending and gift-receiving related to future personal spending?
3. How do past gift behaviors moderate the relationship between past personal spending on future personal spending and future gift spending?

The answers to these questions should provide actionable insights that managers can use to create new customer management strategies. First, managers should understand the relationship between past personal spending and future gift spending to understand whether the customers who have a history of personal purchases with the firm are also the most likely to spend more on others. Managers should also understand if customers who purchase and receive gifts will

continue to do so in the future and whether engaging in gift behaviors leads to greater future personal spending. Identifying givers and receivers may serve as a novel way for retailers to know whom to target with promotions to encourage additional spending. How the firm communicates with givers and receivers may differ based on the relationships between gift spending, gift receiving, and personal spending. It may give firms an additional reason to invest in gift registries and marketing communication strategies that encourage customers to participate in gift behaviors. It is also of interest to know whether gift behaviors strengthen the impact of personal spending on future personal spending and gift spending. If this is the case, encouraging gift behaviors will be especially beneficial to firms. Finally, it is important to note, while gift-giving is encouraged particularly during holiday seasons, gift-receiving has been largely ignored by retailers. If gift-receiving has a positive impact on future spending (whether it be personal spending or gift spending), firms may want to create strategies that also encourage gift-receiving behaviors (i.e. wish lists, registry notifications).

These research questions of relevance to retailers can be answered due to the nature of the data set. Our data comes from a large national retailer which sells its vast array of products (ranging from apparel for men, women, and children to camping supplies and home décor) through catalogs, its website, and a few brick and mortar stores. We have individual level data for 93,491 households. For every item the customer purchases, we know among other things what the item was, how much it cost, whether it was on promotion, and whether it was purchased as a gift for someone else or whether that customer received it as a gift.

This data set allows us to explore gift behaviors from a mainly behavioral perspective while existing research has focused predominantly on the consumer mindset. Existing research has used surveys, projective techniques, and ethnographies to explore how consumers think and

feel (i.e. Sherry, McGrath, and Levy 1993). For example, there is plenty of research examining customers' attitudinal motivations to engage in gift behaviors (i.e. Goodwin, Smith, and Spiggle 1990) and literature on consumer satisfaction as a consequence of gift behaviors (i.e. Belk 1976; Ward and Broniarczyk 2011). While transaction data is limited in terms of assessing customers' mindsets, it allows researchers to observe how consumers actually behave as opposed to how they report they behave. So while we cannot test for many theoretical constructs in this study given the limitations of the data (a lack of attitudinal measures), we use existing theories and build upon the extant gift literature to help explain observed relationships between gift behaviors and some of their antecedents and consequences. It is important to note that our data set enables us to deliver insights to the firm on how to target and communicate with its customers better based on their engagement in gift behaviors. While the data may allow us to gain some insights about gift-giving and gift-receiving in general, we are less interested in the gift process as a whole than in what the purchase of a gift from the focal firm means to that firm. In other words, we do not observe all the situational factors that influence gift selection, as this is typically information retailers do not have. We aim to deliver insights generated from the information commonly available to retailers.

Our study contributes to the customer relationship management and burgeoning customer engagement literature. Our study will help scholars better understand the behavioral drivers and consequences of gift behaviors using theories grounded in marketing and psychology to explain and justify these relationships. This study will add to the body of customer relationship management literature by showing whether and how customer gift behavior can be used to manage customer relationships analogously to existing studies' examinations of how customers' product return behavior, cross buying behavior, and multichannel shopping behavior are related

to their future customer behavior. Our study adds to the customer engagement literature by examining a specific customer engagement behavior in depth and may in turn shed light on other customer engagement behaviors (e.g., blogging). This study also contributes to the gift literature by further differentiating gift-giving and receiving behaviors and being, as far as we know, the first study to explore gift behaviors from the firm's perspective using econometric models.

We use two Type I Tobit models to explore the relationships between past gift behaviors and personal spending on future gift spending and the relationships between past gift behaviors and personal spending on future gift spending. Our results suggest that while past personal spending is positively related to future gift spending, the opposite is true for the relationship between past gift spending and future personal spending. Furthermore, past gift-receiving is unrelated to future gift spending but positively related to future personal spending. These results pose some interesting implications for managers to better communicate with and manage their customers. The rest of the paper is organized as follows: we begin with a review of relevant literature and then follow with our conceptual framework and hypotheses. We then in more detail describe our data and methodology. Finally we discuss our results and implications for managers and suggest future avenues of research.

## Literature Review

Gift-giving is a pervasive human behavior that has been a source of fascination for anthropologists (e.g., Mauss 1954), sociologists (e.g., Schwartz 1967), and consumer researchers (e.g., Belk 1979) for decades. Gift-giving is likely so intriguing because it is a basic, fundamental social norm -- humans are obligated to give, to receive, and to reciprocate in order



to properly function in society (Belk 1976), yet it is still a complex behavior that poses many questions to scientists from various perspectives.

In his seminal essay Marcel Mauss (1954) shows how gifts might not be as generous as they appear. In his study of archaic societies he observed a system on the coast of Northwest North America, the potlatch, whereby one clan would seemingly voluntarily present another clan with things of economic value while also feasting, dancing, and participating in other ritual ceremonies. He explains that this exchange was in fact not voluntary, but inherently obligatory. One is obligated to accept the gifts from the potlatch because a refusal is a signal of hostility and perhaps even warfare. What is more interesting is that one must then reciprocate by giving just as much if not more back to maintain or raise one's social status. The whole point of the potlatch is to out-give your opponent. The potlatch also allowed for redistribution of resources. Mauss (1954) specified that one is faced with three obligations: the obligation to give, to receive, and to reciprocate. His finding that gift-giving in archaic societies was a system of reciprocity formed the foundation for much of the future literature on gifts.

Another way gift-giving gave rise to social hierarchies in ancient societies was due to the belief that while humans must reciprocate, gods are exempt from this obligation (Godbout and Caille 1998). Godelier (1996) argues that in ancient societies humans were always indebted to gods and hence did not expect anything in return. He argues that this belief gave rise to caste systems and allowed class relations to take form because it allowed the elite (i.e. kings or those closer to the gods) to take advantage of the common people. He gives the example of how the ancient Egyptians believed that their Pharaoh was actually a god living among them, to whom they owed their life and the lives of future generations. There was no way for them to ever fully pay him back, which can explain their exploitation by the elite (Pharaoh himself and his priests).

It is evident that the role of gift exchange in archaic societies was different than it is today. There are several perspectives on gifts, for example, essayist Lewis Hyde (1983) loosely defines a gift as anything we cannot acquire on our own. He argues that a gift is something “bestowed” upon us, and that, “if it cannot be given away, it ceases to be a gift (xiv).” He makes the case that art is a gift (i.e. a talent for writing is a gift bestowed upon the writer), the spirit of the gift can only be maintained by giving it to others (i.e. publish or perish, reinterpreted) and is lost when it is commoditized (he gives the example of how romance novels which are written according to findings from market research with the intent to sell copies are not considered art). To Hyde the value of a gift is its ability to strengthen social relationships as opposed to its worth in terms of money. He proposes the dilemma of the modern artist who lives in the market economy and must earn money to survive but who still wants to preserve the integrity of his or her creative contributions.

On the other hand, Waldfogel (2009) writes about gifts from the utilitarian perspective of an economist. He is less interested in the spiritual and creative value of art and instead defines gifts as, “things others buy for you” (preface). He explores gifts in a purely modern market context where people go to stores to buy items for their family and friends. He argues that gifts rarely match the preferences of the recipients and hence are wasteful. He contends that the money wasted on gifts that do not satisfy the recipients can be better spent on other things. This discussion is meant to illustrate how the existing literature on gifts vastly ranges from the perspective of romantic poets (i.e. Hyde) to practical economists (i.e. Waldfogel). While Hyde is thinking in terms of the gift economy whereby there is an emphasis on giving in the short run in order to strengthen relationships in the long run (Cheal 1988), Waldfogel is thinking in terms of the selfish individual and the corporation-dominated market economy where there is an emphasis

on short-term tangible profits (Cheal 1988). Our study takes place in the modern market economy. From a marketing perspective we acknowledge that gift behaviors are more than simple economic and are a medium to establish and maintain social bonds (Belk 1979), but we are primarily interested in the economic impact gift behaviors can have for the firm from which the gifts are purchased.

It is evident that the role of gift exchange in archaic societies was different than it is today. In archaic societies, gifts were a medium for meeting people's material needs by redistributing resources and to create or reinforce social hierarchies. It was also compulsory and extended into all aspects of life – economic, religious, & social – what Mauss calls a total social fact. While this economic function of the gift is “redundant” in affluent societies today (Cheal 1988), gift-giving has actually been encouraged commercially (Otnes and Beltramini 1996). Not only are more items being promoted as gifts, marketers are also promoting new gifting occasions like Grandparents' Day (Otnes and Beltramini 1996). The concept of a “Hallmark Holiday” alludes to the creation of new occasions to buy cards, gifts, and candy. Christmas is a particularly important holiday in the United States and has interested researchers due to the traditions involving gift exchange. Caplow (1982) observes the Christmas gift exchange rituals of 110 respondents representative of the town Middletown in the late 1970s. He found that households spent a significant portion of their annual budget on Christmas gifts, that women were far more involved than men in the selection and presentation of gifts, and that while men were less active they tended to buy more expensive gifts. He also observes that the gifts symbolize the giver's relationship with the receiver. Fischer and Arnold (1990) were also interested in the cultural role Christmas plays in consumption and paid particular attention to gender roles. They explain that Christmas gifts are especially “value expressive” (333) and hence Christmas shopping requires

significant effort, primarily by women, to find appropriate gifts. They argue that the communal aspect of Christmas shopping explains why it is widely regarded as “women’s work.”

As exemplified in Christmas gift traditions, in contemporary society in general gifts are less about meeting material needs and redistributing resources and more about communicating emotions (Cheal 1996). Cheal (1996) explains, “Gifts today help display to others the giver’s identifications and emotions.” Belk (1979) articulates four functions of gift-giving in modern society in which a gift can be virtually anything -- an object, service, experience, money, or even blood. Today with the advent of the Internet, gifts can be exchanged digitally and need not be tangible (Belk 2013). What makes something a gift is how it is exchanged- socially between two or more (Giesler 2003) parties, whether they are individuals or organizations (Sherry 1983).

Belk (1979) explains the first function of a gift is to act as a medium for communication between the giver and the recipient. A gift reflects how the giver views the recipient and how the giver perceives him or herself (Schwartz 1967). A gift can also be used to confirm the identity of the giver (Sherry 1983). Closely related to a gift functioning as a medium for communication, according to Belk (1979) the second function of a gift is to, “establish, define, and maintain interpersonal relationships (100).” A gift not only delivers a message between the giver and recipient, but based on how the gift is interpreted by the recipient it can have implications for future conduct between the giver and the recipient. For example a gift can be used to help one belong to a group and to strengthen social ties (Sherry 1983). Ruth, Otnes, and Brunel (1999) observe how gift exchanges impact relationships over time. They find that gifts’ impact on relationships can range from strengthening to severing. Joy (2001) also studies the role of gift-giving in maintaining social ties in Hong Kong where the society is more collectivist and people prioritize the family over the individual self.

Belk (1979) identifies a third function of a gift as a means to socialize children and familiarize them with traditions. For example, Caplow (1982) found that Christmas traditions typically mandated that children still participate in gift exchange even though they received disproportionately more from their elders than they gave. Furthermore, gifts can influence how children interpret their self-concepts and can establish gender roles. Finally, Belk (1979) explains that even in modern society a gift can function as a medium for economic exchange. For example, gifts can function as a way to bestow a material benefit to the recipient (Sherry 1983). Gifts are also a way for the wealthy to alleviate any guilt that they may have for their unequal share of resources (Belk 1979). In accordance with Waldfogel (2009), Belk (1979) admits that it is not economically rational to give gifts since meeting recipient's desires is difficult and resources can be more efficiently spent on personal consumption. However, it is the added benefits such as surprise to the recipient or expressing love and social status to the giver, that propagate gift-giving.

Researchers have expended considerable energy exploring why people engage in gift-giving. For example Beatty, Yoon, Grunert, and Helgeson (1996) explore the role of personal values in four countries in influencing the amount of gift-giving and the amount of effort expended in the selection process. Those that valued warm relationships regardless of culture, gender, and generation gave more gifts and expended more effort than those who valued fun and enjoyment. Personal values related to interpersonal relationships help motivate engagement in gift activities. Beatty, Kahle, and Homer (1991) find that givers can be classified based on whether they give to feel better about themselves or to maintain relationships. Goodwin, Smith, and Spiggle (1990) acknowledge that maintaining interpersonal relationships are a primary

purpose of gifts, but that gift-giving can range from voluntary to obligatory. They find that gift-givers who gave voluntarily were more concerned about the recipients' needs.

An interesting question that arises throughout gift literature is to what extent is gift-giving about the giver versus the recipient. Schwartz (1967) says that gifts communicate both the giver's self and the giver's perception of the recipient's self. Sherry (1983) says that the gift-giving process can range from primarily agonistic (hostile and more about the giver) to primarily altruistic (generous and more about the recipient). For example, Belk (1996) characterizes the "perfect gift" as one that entails a sacrifice on the giver's part, meant to please only the recipient, as a luxury, as a surprise for the recipient, uniquely matched to the recipient, and delightful to the recipient. In the case of the perfect gift, the giver is not trying to express anything about him or herself but is entirely focused on pleasing the recipient. However, recent research has acknowledged the fact that many gifts are unsuccessful at pleasing the recipient even if that was the giver's primary motivation (i.e. Waldfogel 2009). Steffel and Le Boeuf (2014) find through a survey that the most important goal givers had in choosing a gift was choosing something the recipient would like, yet when givers had multiple recipients they had a tendency to choose suboptimal gifts by "overindividuating" each gift. That is, they attributed this phenomenon to givers trying to be thoughtful and thinking of each recipient as unique. Gino and Flynn (2011) also address the issue of givers choosing suboptimal gifts for recipients. They argue that people are biased to believe others share their own preferences and perspectives more than they really do. Gino and Flynn (2011) show that while givers like giving unsolicited gifts because they seem more thoughtful and are more surprising, recipients actually prefer gifts that they explicitly asked for. Otnes, Lowry, and Kim (1993) show that givers change their gift selection strategies based on the recipient. They found that the most common role givers assumed was that of the

“pleaser.” Pleasers aimed to choose a gift the recipient would like (based on their own perceptions) and the gift’s purpose was to maintain or strengthen social ties. Wooten (2000) finds that some givers want to please their recipients but do not believe they can find an appropriate gift, resulting in anxiety.

At the other end of the spectrum is the idea that the giver’s (ideal) self concept dominates gift selection (Belk 1979) and that gift-giving is a way for the giver to express his or her own identity. Wolfinbarger (1990) discusses how a gift is a symbol of one’s self. She gives the example of a wife who said she chose gifts she wanted her husband to have as opposed to what he really wanted. Sherry and McGrath (1989) also document that givers frequently admitted to choosing gifts for others that they themselves would like to receive. Schwartz (1967) argues that gifts function to generate and maintain identity. They allow one to confirm his or her own identity to others through an objectified form. For example Schwartz (1967) explains how wives and children are bestowed gifts that show the social status of the husband or father. Otnes, Lowrey, and Kim (1993) find that some givers give gifts with the intention of teaching the recipient something they believe he or she should learn. In a way they are extending their own values and interests onto the recipient. Belk (1988) explains that one’s possessions are a means to reflect his or her self and that gift-giving is also a means to confirm one’s identity to others. Ward and Broniarczyk (2011) find that when consumers are forced to give gifts that conflict with their identities they engage in extra identity confirming behaviors after gift selection to alleviate the threat to their identities. Their findings make a strong case for the idea that although gifts are meant to please the recipient, they are still reflections of the giver. People feel highly uncomfortable giving gifts that are not an accurate depiction of who they are and try to avoid doing so.

Related to the idea that gift-giving is not entirely about pleasing the recipient is the idea that reciprocity still plays a role in gift-giving today. While in primitive societies reciprocity was a social fact (Mauss 1954), reciprocity is still very much so a part of gift-giving today (Komter 2005). For example, Belk (1976) uses reciprocity to describe the process of gift exchange and to explain how consumers value balance over time in their social relationships with one another. Also people may choose how much to give based on their “debt balance” or how much they anticipate the recipient to give back in the future (Komter 2005). Goodwin, Smith, and Spiggle (1990) find that the extent to which consumer motivations to purchase a gift are voluntary versus obligatory has ramifications for the choice of gift, price paid, and effort expended on gift selection. Even in the context of contemporary dating (although not agapic love) Belk and Coon (1993) explain that reciprocity still guides some gift exchange, but rather than holding economic value, a gift produces social value and is intended to strengthen the bond between the giver and the recipient. Supporting Komter (2005) who argues that the gift can be a vehicle for social solidarity and bringing people together, Giesler (2006) critiques the traditional dyadic model of gift exchange as being limiting and uses Gouldner’s (1960) norm of reciprocity to characterize consumer gift systems in which consumers form a social network for gift exchange.

Various perspectives on gift exchange exist ranging from gift exchange being necessary due to social norms of reciprocity, to the idea that gifts are symbols of communication that say something about the giver, to the idea that gifts are meant to please the recipient. We argue that all perspectives have an element of truth in explaining the gift exchange process. Particularly, we argue that in contemporary society gift selection is a function of both pleasing the recipient and expressing oneself. However, without surveying the customer it is extremely difficult for a firm to identify which of these two extremes dominates the gift selection process. We argue based on



the literature that givers typically find gifts that they hope will please the recipient, and that they are also comfortable giving. Surprisingly we find a dearth of research that acknowledges the role of the retailer or brand in gift-giving, particularly since retailers and brands are influential in making personal purchase decisions. For loyal customers, brands are closely linked to expressing the givers' selves and signaling their lifestyles. While Segev, Shoham, and Ruvio (2012) mention the importance of the brand when choosing gifts for adolescents, a deeper examination of the role of the brand and/or retailer has not been undertaken. Furthermore, the customer relationship management literature has neglected the fact that gift purchases are prevalent and different than personal purchases. With the exception of Moreau, Bonney, and Herd (2011), papers pertaining to gift-giving do not focus on actionable insights for managers. These authors explain that customization of gifts is an effective strategy. Our study aims to fill this gap by building upon the existing literature to uncover the dynamics of givers in terms of their behavior at a given retailer. The findings will help retailers better manage their customers and communicate with them.

### *Conceptual Framework*

As noted before, we plan to study the correlates of gift-giving and the consequences of gift-giving and gift-receiving behaviors. In terms of the drivers of gift-giving, we examine the past personal spending, past gift-giving, and past gift-receiving behaviors. The underlying theoretical reasoning we use to explain why past personal spending, gift spending, and gift-receiving should predict future gift-giving stems from Belk's (1988) position that one's "possessions are a major reflection and contributor" to his or her identity. While there are other mechanisms at play given that gift-giving is a very complex behavior influenced by many factors, we believe at its core gift-giving is motivated by expressing one's own identity to others while simultaneously recognizing the other's identity. We believe givers likely want to give a

gift they approve of while also pleasing the recipient. It is still a long standing premise that possessions are considered a part of one's extended "self." A person is defined by what he or she owns or in other words is a "sum of his or her possessions" (Belk 1988). They purchase things only if these things are consistent with, enhance, or in some other way fit well with the conception he or she has of him or herself (Ross 1971) and these possessions are a way to confirm, reflect, and express who one is (Belk 1988). In addition to actual possessions reflecting one's identity there is evidence supporting the notion that consumers prefer to purchase possessions from stores they believe are associated with images similar to themselves (Stern, Bush, and Hair 1977; Sirgy, Grewal, and Mangleburg 2000). Hence it is reasonable to believe that the more one interacts (i.e. purchases with a firm (i.e. a retailer) the more he or she perceives congruity between his or her "self" and the firm. The stronger this congruity, the more he or she should incorporate the firm's products into his or her extended "self." We argue that the more a firm's products are incorporated into a customer's extended self the more likely he or she is engaged with the firm, and the more likely he or she is to participate in engagement behaviors.

Building upon and extending this notion, what someone gives and receives as a gift is a reflection of his or her "self" as well. Gift-giving is a way of expressing one's identity because the gift continues to be associated with the giver (Belk 1988) and allows the giver to express a particular social role (Sherry 1983). A gift allows the giver to present and confirm his or her identity to others (primarily the recipient) through an objectified form (Schwartz 1967). Gift-giving is also a way of extending the giver's identity to include the recipient (Belk 1988) and so the more a firm is associated with one's self the more likely a person is to give the firm's products as gifts. A gift is also a reflection of the recipient's identity since the recipient's characteristics are usually considered when choosing an appropriate gift and most consumers

want to please the recipient (Otnes, Lowrey, and Kim 1993). In this way a gift reflects the identity of both the giver and the recipient (Schwartz 1967).

While customers prefer to give gifts that are consistent with their own identities they also seek balance in gift-giving by also satisfying the recipient by considering his or her characteristics in addition to their own preferences (Belk 1976; Ward and Broniarczyk 2011). It is important to note however, that research has generally acknowledged that the giver's identity is the more dominant force in gift selection (Ward and Broniarczyk 2011; Belk 1979). Given that a customer is more likely to buy for his or her personal use from a firm that is congruous with his or her self, it is reasonable to believe that one is more likely to also give and receive gifts purchased from a firm that is congruous with his or her self. A firm is likely more congruous with a customer and incorporated into his or her self to the extent that he or she purchases from the firm. In other words personal spending which indicates firm and self congruity should be predictive of future gift-giving and gift-receiving behaviors. Extending this rationale to the consequences of gift behaviors, gift behaviors themselves should be indicative of how congruous a firm is and the extent to which it is incorporated into one's self and hence should also be indicative of one's future buying behavior.

[Insert Figure 1 About Here]

*Antecedents of Gift Spending.* We hypothesize that customers who spend more with a firm are better matched with the firm (Reinartz and Kumar 2003). The amount a customer spends with a firm on his or herself is reflective of the congruency between the firm and his or her self because it is unlikely that a customer is willing to spend large amounts of money with a firm that he or she does not believe accurately reflects his or her identity- particularly when the firm

exclusively distributes its own brand that is publicly visible. Although the amount a customer spends does not necessarily translate to a given number of items purchased from the firm, in general the more a customer spends with the firm the more purchases he or she has likely made. Consequently, how much a customer spends with a firm is taken as an indication of how greatly the firm's offerings are associated with this or her identity. We argue a customer who associates a firm closely with his or her identity is more likely to participate in engagement behaviors, specifically gift-giving, because it is a way for the giver to confirm and express his or her identity to the recipient (Belk 1988, Schwartz 1967). Furthermore, a customer who spends a lot on his or herself is likely to be familiar with the firm's product offerings and is more likely to be confident in choosing an appropriate gift from the firm due to product awareness and trust in the product quality. Given that customers typically want to maintain social ties with recipients (Ruth, Otnes, and Brunel 1999) they may want to reduce risk of choosing an inappropriate gift by choosing to buy a gift from a familiar retailer or known brand. Tangible gifts also stay with the recipient and hence continue to be associated with the giver. Hence many givers want the gift to accurately reflect him or her. While pleasing the recipient is typically important to givers, some givers want to "socialize" recipients and give them gifts they are familiar with, own, or believe the recipient should have (Otnes, Lowrey, and Kim 1993).

*H1: Past personal spending will be positively related to future gift spending from a given retailer.*

*Past Gift Behaviors' Impact on Future Spending.* Building upon the argument that one gives gifts that are a reflection of his or her self (Belk 1988), the more one has given gifts purchased from the firm in the past, the more likely he or she is to shop from the firm for him or herself in the future. In other words, if a retailer is well aligned with one's identity, (as evidenced

by past gift-giving), it is likely that he or she will continue to purchase for him or herself. Gift-giving is an identity confirming behavior -- one confirms his or herself to others through the presentation of the gift (Schwartz 1967). Gift search and selection is also a complex behavior (Otnes, Lowrey, and Kim 1993) and we argue that the gift search and selection process may actually strengthen the tie between the retailer and the giver. The gift selection process itself may require extensive search activities and involvement (Belk 1982) that educate the customer further about the firm's offerings and may induce future personal purchases. The more one learns about the firm's offerings the more items and the more expensive items he or she may become aware of and desire, and hence the more he or she may spend on him or herself in the future. Finally, gift-giving can be a means to belong to a social group (Sherry 1983). We argue that giving a gifts to recipients from a particular retailer (brand) may help givers feel part of a group, but also purchasing for themselves will help reaffirm their sense of belonging to the group.

Some customers value interpersonal relationships more than others. These customers may simply have a tendency to engage in more gift-giving in general. Hence, past gift-giving may also be a sign of the customer's innate tendency to give (Beatty, Kahle, and Homer 1991). Beatty, Yoon, Grunert, and Helgeson (1996) found that personal values that prioritize maintaining warm social relationships and the desire to belong are positively related to gift-giving in general. So customers who have spent more on gifts from the firm in the past may reflect their personal values such that they will likely continue to engage in gift-giving. Since a gift is a reflection of the giver (Schwartz 1967), the more one has given gifts purchased from the firm in the past, the more likely that the firm is a reflection of his or her identity. Hence, the more likely he or she is to give gifts purchased from the firm in the future. Past giving behavior is also a sign that the individual trusts the firm's offerings and believes that the offerings are a

positive reflection of him or herself (Otnes, Lowrey, and Kim 1993). Also, given that customers like to achieve balance in terms of their own preferences and those of liked recipients when selecting gifts (Belk 1976), past gift-giving may indicate that the customer associates with people who are a good fit with the firm's offerings and consequently good candidates for receiving gifts from the firm. Furthermore, given the risk one feels when selecting gifts (Wooten 2000) it is likely that if a customer has given gifts purchased from the firm in the past, he or she feels comfortable with doing so and will continue to give gifts purchased from the firm in the future. Otnes, Lowrey, and Kim (1993) find that one strategy givers use when selecting gifts for their intended recipients is to give similar gifts to a recipient time and time again. The logic behind this strategy is that if a past gift exchange was successful, the gift exchange should be "replicated" in the future. So if a giver knows a recipient likes a particular retailer based on a past gift exchange, it will be advantageous to purchase another gift from the same firm for that recipient in the future.

*H2: Past gift spending will be positively related to future personal spending from a given retailer.*

*H3: Past gift spending will be positively related to future gift spending from a given retailer.*

*Past Gift-Receiving Behaviors on Future Spending.* While gifts are chosen with the giver's tastes and preferences in mind, they are chosen with the recipient's tastes and preferences in mind as well (Belk 1979). Otnes, Lowrey, and Kim (1993) found that the most common intention givers have when purchasing gifts for others is to please the recipient. Steffel and Le Boeuf (2014) also found that the most important goal in gift-giving to consumers was "Choosing a gift the recipient will like the most (1170)." Although, givers do not always give the "perfect

gift” they do typically make an effort to choose a gift that will please the recipient. In fact givers sometimes directly ask recipients what they would like or will even “sleuth” to find hints as to where the recipient’s preferences lie (Otnes, Lowrey, and Kim 1993). Hence, it is likely that if a customer has received gifts that were purchased from the firm in the past, he or she is a good fit with the firm’s offerings. In other words, another customer has identified a potential match between the recipient and the retailer. Schmitt, Skiera, and Van den Bulte (2011) use the phenomenon of “best matching” to explain the underlying mechanism guiding why customers who were acquired by the firm through a referral system (by other existing customers) spent more with the firm than customers acquired through traditional firm-initiated marketing efforts. They explain that when prospects are referred to the firm, their social acquaintances are identifying their characteristics that would make them good customers for the firm.

We argue that similar to a customer who was referred to the firm, a customer who receives a gift purchased from the firm is likely well matched with the firm (Schmitt, Skiera, and Van den Bulte 2011). Furthermore, we argue that a gift acts like a tangible form of word of mouth. The positive impact of word of mouth on future customer behavior is well documented (e.g., Trusov, Bucklin, and Pauwels 2009; Villanueva, Yoo, and Hanssens 2008). When someone gives a gift purchased from a particular firm, he or she is spreading information about that firm, and given the social risks involved with a gift exchange, is also sending the message that the recipient is a good fit with the firm. A customer who has received gifts purchased from the firm will evaluate the quality of the gift (Areni, Kiecker, and Palan 1998). He or she may become more familiar with the firm’s offerings through actual product usage and choose to spend more with the firm for his or herself in the future. In other words, the physical interaction with the gift may induce future personal purchases, similar to how positive word of mouth or even product

samples may induce future purchases. If the recipient finds the gift to be high quality and is satisfied with the gift, he or she may explore the firm's offerings further for future personal purchases. Furthermore, Sherry (1983) discusses how gifts can be emotionally charged due to their sentimental value. This may further create a bond to the firm due to associations with the giver and induce future personal purchases.

We further argue that if the firm is a good reflection of the recipient's identity, he or she may be more inclined to give gifts purchased from the firm to others in the future. In other words, receiving gifts may indicate congruity between the firm and the recipient's self -- making it more likely for him or her to express his or her identity to others by giving gifts also purchased from the firm. The firm may be associated with "gifts" in the recipient's mind for future gift purchases and the recipient may "pay it forward" to others. Furthermore, customers who received gifts purchased from the firm may believe that the giver believe the firm is an appropriate place to purchase gifts (given that the giver is tacitly endorsing the product and hence the firm from which it was purchased) and may reciprocate to the giver with gifts also purchased from the firm to maintain social ties.

*H4: Past gift-receiving will be positively related to future personal spending from a given retailer.*

*H5: Past gift-receiving will be positively related to future gift spending from a given retailer.*

*The Moderating Impact of Gift Behaviors on Future Spending.* Given that gift behaviors are emotional and social, we argue that engagement in gift-giving and gift-receiving should strengthen customers' relationships with the firm. The actual gift process (whether giving or receiving) should intensify customers' relationships with the firm. For example, receiving a gift



that may have sentimental value should strengthen the relationship between one's past personal spending and future spending. Including the retailer in the giving process should strengthen the relationship between past personal spending and future spending as well.

*H6: (a) Past gift-giving and (b) past gift-receiving will positively moderate the relationship between past personal spending future gift spending.*

*H7: (a) Past gift-giving and (b) past gift-receiving will positively moderate the relationship between past personal spending and future personal spending.*

### *Data*

We have a rich and unique individual level dataset that comes from a national retailer that sells a variety of products ranging from apparel for men, women, and children, housewares, camping gear, and luggage. Notably, it captures whether customers spent on themselves or on others. This dataset is unique in that the firm recorded all transactions that were purchased as gifts. This information was captured by asking the customer at the time of order whether the item purchased was a gift for someone else. If it was a gift for someone else, it was recorded as a “gift sent” for the customer in the database who purchased it. The same gift was also recorded as a “gift received” for the gift recipient to whom it was being sent. If the recipient was already a customer of the firm, this transaction was simply added to his or her transaction history even though he or she did not actually buy the item. We also know whether a customer bought a gift card for someone else or redeemed a gift card. Furthermore, the information was still recorded for the recipient even if he or she did not have any purchase history with the firm. It is also important to note that the gift recipient was always aware of where the item was purchased because this retailer exclusively sells its own branded products. Furthermore, this brand is

unavailable at other retailers. Also, because the transactions took place predominantly through catalogs or the website, the items were shipped to the gift recipients with the retailer's own packaging that exhibited the brand as well.

The dataset has been organized into a yearly cross-sectional structure. The primary reason we aggregated the data at the yearly level is because gift-giving is a year-round phenomenon with different holidays and occasions to buy gifts (e.g., birthdays, anniversaries). Also, since we theoretically support our arguments using theories related to the self and one's identity, we felt it was appropriate to see how a person spends over the course of a year as opposed to on an individual purchase occasion. This paper is less interested in how a customer will spend on his or her next purchase, and more on how he or she will spend with the retailer in general. The dataset spans from 1997 to 2004 and captures the transactions for 93,491 individual households. The dataset also includes all catalog marketing communications sent to these households.

It is important to note that since our study is focused on gift-giving, our objective is to study the behavior of gift givers. We used a sample of customers who purchased gifts in at least three different years. Our reasoning for this was two fold. First, from an empirical stand point we wanted at least three data points where the customers had spent on gifts to truly understand the relationship between spending on oneself and spending on others. Second, our objective was to understand the behaviors of customers who engaged in gift-giving. We wanted to capture the behavior of consumers who truly engaged in this behavior with the retailer and not the ones who by chance chose the retailer for a gift purchase. Our sample is comprised of 3774 households for a total of 26,418 observations.

## *Variables*

We use the same set of variables when modeling both future personal spending and future gift spending. This is so that we can compare the effect sizes of our hypothesized relationships. For example, how does gift receiving impact future gift spending versus future personal spending?  $\text{PersonalSpend}_{it-1}$  is the dollar amount spent on personal items in a year.  $\text{GiftSpend}_{it-1}$ , the dollar amount spent on gifts in a given year, captures a customer's gift-giving behavior with the firm.  $\text{GiftRcvd}_{it-1}$ , the dollar amount received in gifts in a given year, captures a customer's gift-receiving behavior with the firm. For example, if a customer received a sweater valued \$50, pants valued \$80, and a skirt valued \$40 that other customers purchased for him or her in a year,  $\text{GiftRcvd}_{it-1}$  would equal \$170 for him or her in that year. We also include the interactions between  $\text{PersonalSpend}_{it-1}$  and the gift variables  $\text{GiftSpend}_{it-1}$  and  $\text{GiftRcvd}_{it-1}$ .  $\text{Catalog}_{it}$  is the number of catalogs the firm sends to a customer in a given year and captures the firm's one-to-one marketing communications. We control for various transactional behaviors as well.  $\text{Returns}_{it-1}$ , the dollar amount of product returns made in a year, captures a customer's product returning behavior.  $\text{SalePurchase}_{it-1}$ , the number of transactions which included items on promotions, captures the extent to which a customer shopped for deals or discounted items. We also account for the number of holiday transactions a customer had in a given year ( $\text{HolidayPurchase}_{it-1}$ ), or the number of times a customer made purchases in the months of November and December—peak holiday shopping times in the United States. We also control for the number of purchases a customer made in a year where he or she buys both personal items and gift items at the same time,  $\text{Contemporaneous}_{it-1}$ . Finally we control for various demographics and customer characteristics. We include two dummy variables  $\text{MarriedKids}_i$  and  $\text{MarriedWKids}_i$  to account for households that are married with kids, and married without kids respectively. They are

compared to single households. We control for the household income  $\text{Income}_i$ , or dollar amount of the household's income for a given year. We also control for whether the household had a credit card issued by the retailer, also a dummy variable (1 if the household owned the card, 0 otherwise),  $\text{RetailCardHolder}_i$ . Finally we control for the customer's tenure with the retailer, or the number of years he or she has been purchasing from the firm,  $\text{Tenure}_{it}$ . We provide the correlation matrix in Table 2.

[Insert Table 2 About Here]

### *Research Methodology*

We have two dependent variables of interest:  $\text{GiftSpend}_{it}$  which is the total dollars spent on gifts by customer  $i$  in time  $t$ , and  $\text{PersonalSpend}_{it}$  which is the total dollars spent on oneself by customer  $i$  in time  $t$ . Since our objective is to see how our focal variables impact gift spending and personal spending we have two basic regression models.

$$(1) \text{GiftSpend}_{it} = \mathbf{X}_{it}\beta + \varepsilon_{it}$$

$$(2) \text{PersonalSpend}_{it} = \mathbf{X}_{it}\beta + \varepsilon_{it}$$

Where:

$\text{GiftSpend}_{it}$  = total dollars spent on gifts by customer  $i$  in time  $t$

$\text{PersonalSpend}_{it}$  = total dollars spent on oneself by customer  $i$  in time  $t$

$\mathbf{X}_{it}$  = a vector of covariates affecting both the total gift spending and personal spending for customer  $i$  in time  $t$

However, it is important to note that both dependent variables are truncated at zero. They are sales variables and customers sales are greater than or equal to zero (customers do not spend negative dollars). To account for the truncated dependent variables we use a random effects panel Type I Tobit model. This also accounts for the panel structure of our dataset and enables us to observe gift behaviors over time.

$$(3) \text{GiftSpend}^*_{it} = X_{it}\beta + \varepsilon_{it}$$

$$(4) \text{PersonalSpend}^*_{it} = X_{it}\beta + \varepsilon_{it}$$

Where

$$\text{GiftSpend}_{it} = \text{GiftSpend}^*_{it} \text{ if } \text{GiftSpend}^*_{it} \geq 0 \text{ and } \text{GiftSpend}_{it} = 0 \text{ if } \text{GiftSpend}^*_{it} < 0$$

$$\text{PersonalSpend}_{it} = \text{PersonalSpend}^*_{it} \text{ if } \text{PersonalSpend}^*_{it} \geq 0 \text{ and } \text{PersonalSpend}_{it} = 0 \text{ if}$$

$$\text{PersonalSpend}^*_{it} < 0$$

$X_{it}$  = a vector of covariates affecting both the total gift spending and personal spending for customer  $i$  in time  $t$

It is important to note, that we estimate these two models independently because their covariates are the same and hence there are not any gains in efficiency by estimating them jointly. Because the covariates for each model include the lagged dependent variables there is a potential for dynamic panel bias. We rely on Arellano and Bover's (1995) approach whereby lagged differences in the dependent variable are used as instruments for the lagged dependent variable to correct for the dynamic panel bias and account for other unobserved time invariant effects.

$$(5) \text{GiftSpend}_{it-1} = \Delta \text{GiftSpend}_{it-2} + e_{it}$$

$$(6) \text{PersonalSpend}_{it-1} = \Delta \text{PersonalSpend}_{it-2} + v_{it}$$

Since the lagged dependent variables are interacted with other variables in both models we use the control function approach, which is advantageous for nonlinear models (Wooldridge 2007).

$$(7) \text{ GiftSpend}^*_{it} = X_{it}\beta + \varepsilon_{it} + e_{it}$$

$$(8) \text{ PersonalSpend}^*_{it} = X_{it}\beta + \varepsilon_{it} + v_{it}$$

While catalogs likely influence future purchases, whether gift or personal, customers are likely sent catalogs by the firm based on their purchase history. This results in an endogeneity issue. To correct for this we again use the control function approach after instrumenting the variable for number of catalogs at time t.

$$(9) \quad \text{Catalogs}_{it} = \Delta \text{Catalogs}_{it-1} + u_{it}$$

$$(10) \quad \text{GiftSpend}^*_{it} = X_{it}\beta + \varepsilon_{it} + e_{it} + u_{it}$$

$$(11) \quad \text{PersonalSpend}^*_{it} = X_{it}\beta + \varepsilon_{it} + v_{it} + u_{it}$$

Finally, it is important to note that gift behaviors are complex and are impacted by many factors that are simply unobservable to the firm (unless it was to in depth survey customers after each gift purchase which is highly unfeasible). While we do account for several demographic variables and transaction behaviors, we cannot account for things like the purpose of the gift and the closeness of the relationship with the recipient. Hence, we use a random effects panel Type I Tobit model to account for unobserved heterogeneity.

### *Results*

Our results confirm H1 and show that past personal spending is positively related to future gift spending ( $b = .012, p < .05$ ) offering support for the idea that customers with more personal experience with the firm spend more on gifts in the future. However, we do not find

support for the converse (H2): that past gift spending is positively related to future personal spending. In fact we find the opposite- past gift spending is negatively related to future personal spending ( $b = -.087, p < .05$ ). So we observe an asymmetric relationship between personal spending and gift spending -- while past personal spending is positively related to future gift spending, past gift spending is negatively related to future personal spending. Our results support H3 and show that past gift spending is positively related to future gift spending ( $b = 1.23, p < .01$ ). Past gift spending encourages future gift spending, so if customers develop a relationship with the retailer based on gift spending, they continue this relationship. We find support for H4 and find a positive relationship between past gift-receiving and future personal spending ( $b = .116, p < .05$ ). Surprisingly we do not find support for H5 and do not find a positive significant relationship between past gift receiving and future gift spending ( $b = -.044, p = .121$ ). Receiving gifts purchased from the retailer in the past is not significantly related to gift spending in the future. We do not find support for H6, we find that the interaction between past personal spending and past gift spending on future gift spending is negative and significant ( $b = -.000071, p < .01$ ) and past gift-receiving does not moderate the relationship between past personal spending and future gift spending. Gift spending in the past actually weakens the positive impact of past personal spending on future gift spending. We find partial support for H7 and find that past gift spending does not significantly moderate the impact of past personal spending on future personal spending. However past gift-receiving does positively moderate the relationship between past personal spending and future personal spending ( $b = .0001, p < .1$ ). In regards to the control variables we see that married households with children are likely to spend less on gifts than single households ( $b = -10.66, p < .05$ ) and customers who made gift purchases and personal purchases in the same transaction spent more on gifts in the future ( $b = 10.50, p < .01$ ).

The past number of catalogs received is positively related to future gift spending ( $b=1.26$ ,  $p<.01$ ) and personal spending ( $b=4.54$ ,  $p<.01$ ).

[Insert Table 3 About Here]

### *Discussion*

Our results bring to light some interesting findings related to the relationships between gift behaviors and personal spending. First, we see an asymmetric relationship between personal spending and gift spending. While personal spending is positively related to future gift spending, gift spending is negatively related to future personal spending. One explanation for this can be that customers do prefer to give gifts from a retailer they personally identify with and are familiar with. They likely want to give a brand they approve of and believe is an appropriate reflection of themselves in the gift exchange process. However, the more that customers give gifts from a given retailer, the less they spend on themselves in the future. One explanation for this could be that once customers start engaging in gift-giving from a particular firm they start associating it as a “gift” retailer to purchase for others. It may also be that they spend more on gifts in a product category than they would on purchases for personal use. This is consistent with the luxury nature of the perfect gift. Thus what might make an ideal gift could be seen as too extravagant a luxury when it comes to self purchase. They may not want to have all the same things as they are giving to their friends, family, and acquaintances. So while customers do want to give identity consistent gifts, the gift exchange itself does not further confirm the retailers association with the giver. Individuals may want to distinguish themselves from their recipients in the future and feel unique.



We do see that past gift spending is associated with future gift spending. This further supports the notion that customers may begin associating the firm as a “gift” firm. It may be the case that as they start shopping at the retailer for others, there is an inertia effect and they continue to do so. On the other hand we do not find that receiving gifts encourages giving gifts purchased from the retailer. It is likely that customers who receive gifts purchased from the firm do not want to give the same brand back to those whom they received gifts from. In an effort to seem more thoughtful or creative, they may look to other retailers to find something new. However, we find that gift-receiving is positively related to future personal spending. It is likely that customers who receive gifts are a good fit for the firm and the interaction with retailer’s products actually encourages them to purchase for themselves in the future. We find that past gift spending weakens the relationship between past personal spending and future gift spending. This could be due to budgetary restrictions. We do see that past receiving strengthens the relationship between past personal spending and future personal spending. This confirms the idea that gifts may act as referrals or samples, encouraging future personal purchases.

### *Managerial Implications*

Our findings give rise to some interesting managerial implications. First the finding that the relationship between personal spending and gift spending is asymmetric is of value to managers. First, the fact that personal spending is positively related to future gift spending means that gifters do have personal experience with the firm. They typically personally identify with the firm and are familiar with its products. However, while gift spending is associated with future gift spending it has a negative relationship with future personal spending. What this means is that when managing customers who engage in gift-giving, it is important to continue encouraging their gift-giving behaviors. The retailer is part of their consideration set when they choose to

purchase for others and the retailer must communicate with them to remain there. Managers should make sure these customers are consistently reminded of the retailer's offerings at various times throughout the year (not just the holiday season) for gift purchases. Firms should also consider offering special "gift" merchandise during holidays that is considered "special" and priced slightly higher than the usual merchandise. The strategy of encouraging additional gift occasions is also in retailers' interest. However, the finding that gift spending is negatively related to future personal spending means that retailers should better understand why this is happening in spite of personal spending having a positive relationship with future gift spending implies two things. First, gift spending and personal spending are not independent behaviors. It is not the case that those who spend on gifts only spend on gifts and do not have a need to buy anything from the retailer for themselves. Second, this means managers should make an extra effort to encourage personal spending to gifters. They should make sure that customers do continue to associate the firm with their own self and not as a place to purchase for others. Distinct gift merchandise could also help in this regard. Customers may not want to have the same things they give to others and retailers should make sure they have an extensive enough product line so that customers have plenty of variety.

While receiving is unrelated to future gift spending it is positively related to future personal spending. What this means for managers is that gifters will spend the same amount on gifts from the retailer regardless of how much they are receiving from others (from the retailer). Receiving is not priming them to purchase additional gifts for others from the retailer. This can be an opportunity for managers to communicate with recipients to encourage future gift spending. For example, promotions in the gift box encouraging "paying it forward" or offering suggestions may help encourage additional gift spending with the retailer. The finding that

receiving is positively related with future personal spending is very interesting from a managerial perspective. It means that a non-purchase behavior may be driving a purchase behavior. So the act of receiving a gift purchased from the firm might actually encourage someone to buy for him or herself. The interaction with the product may drive this behavior. Retailers should promote personal spending by gift recipients, which is currently a neglected strategy. For example, they can offer incentives to customers for creating registries or wish lists. So while gift spending is negatively related to future personal spending, gift receiving is positively related to future spending. Retailers should encourage gift behaviors but communicate differently to customers based on whether they are giving or receiving.

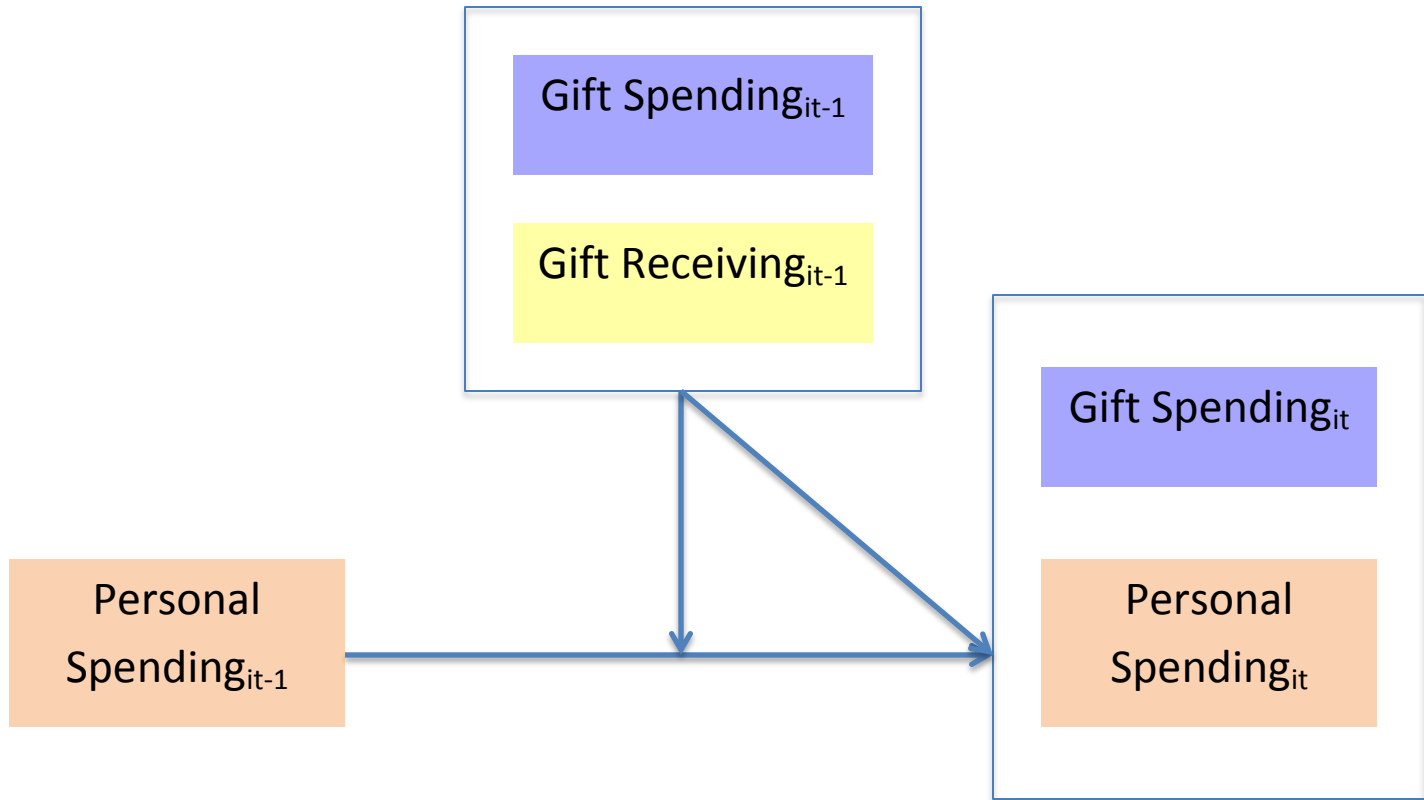
### *Theoretical Contributions*

As noted before, this study contributes to the gift, customer relationship management, and burgeoning customer engagement literatures. This to our knowledge is the first paper focused on contemporary gift-giving that studies the implications of gift behaviors to the firm as opposed to the consumer using customer transaction data over time. It is also the first paper to our knowledge, that uses individual level transaction data and econometric modeling techniques to actually observe consumers' behaviors that are usually studied via self reported surveys, interviews, and experiments. This paper also studies the implications of gift-receiving which has not received as much attention in the gift literature. Notably, this paper sheds more light on the differences between spending on oneself and spending on others, an area the customer relationship management literature has as of yet ignored. While customer relationship management has studied the impact of various behaviors (multichannel shopping, product returns) on customer spending, it has not studied gift behaviors which we argue are not only account for a large part of retailers' revenues, but are also engagement behaviors.

### *Potential Limitations and Avenues for Future Research*

One limitation of this study is that we do not observe the customer's emotions and mindset so we cannot observe the sentiments and energy expended in the gift selection process. We also cannot observe whether customers purchased gifts but did not inform the firm they were gifts, and gave them to the recipient privately. We are also unable to distinguish personal purchases from self-gifts. Finally, we cannot link the givers and recipients in our data set. However this research proposed future research questions. We believe it will be interesting to study customers who were acquired by receiving a gift purchased from the firm, and compare them to customers acquired through typical marketing efforts. This would help answer how customer acquisition impacts future customer behavior, as well as examining another customer management strategy that utilized gift behaviors. Future studies may also look at gift purchasing from a cross cultural perspective.

**Figure 1**



**Table 1**

Behavior	Gifters	Non-Gifters
Spending	\$1296	\$457
Tenure	4345 Days	3144 Days
Cross-Buying	4 Departments	2 Departments

**Table 2**

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13
1. GiftSpend <sub>it</sub>	63.64	130.4	1												
2. PersonalSpend <sub>it</sub>	287.87	450.9	.17	1											
3. GiftSpend <sub>it-1</sub>	68.35	133.5	.27	.11	1										
4. PersonalSpend <sub>it-1</sub>	302.34	463.15	.12	.59	.16	1									
5. GiftRcvd <sub>it-1</sub>	19.41	73.2	.10	.09	.37	.09	1								
6. Catalog <sub>it</sub>	35.3	25.1	.18	.51	.19	.51	.14	1							
7. Sale <sub>it-1</sub>	1.34	3.7	.07	.36	.11	.51	.08	.37	1						
8. Holiday <sub>it-1</sub>	3.04	4.6	.12	.37	.26	.53	.11	.43	.38	1					
9. MarriedKids <sub>i</sub>	.11	.32	-.03	.01	-.03	.01	-.002	.03	.03	.0066	1				
10. MarriedNoKids <sub>i</sub>	.20	.39	.01	.007	.01	.008	-.006	.023	-.006	.02	-.18	1			
11. Income <sub>i</sub>	109515	39753.2	.008	.09	.005	.088	.023	.11	.016	.03	.14	.06	1		
12. RetailCard <sub>i</sub>	.44	.49	-.01	.003	-.01	0.00	-.005	.014	-.004	.02	.18	.23	.07	1	
13. Tenure <sub>i</sub>	13.18	7.2	.04	.099	.06	.126	.054	.25	.067	.13	-.03	.09	.09	.03	1

**Table 3**

	Future Gift Spend			Future Personal Spend		
	Parameter Est.	Standard Error		Parameter Est.	Standard Error	
Past Personal Spending	.012	.0056	**	.32	.049	***
Past Gift Spending	1.23	.131	***	-.087	.034	**
Past Gift Receiving	-.044	.028		.116	.059	**
Catalogs	1.26	.17	***	4.54	.32	***
Past Gift Spending * Past Personal Spending	-.0000071	.000016	***	.0000056	.000033	
Past Gift Receiving * Past Personal Spending	.000040	.000029		.0001	.000061	*
Past Sale Purchases	-.92	1.21		13.33	2.62	***
Past Holiday Purchases	2.91	1.49	**	13.93	3.04	***
Past Returns	.0021	.012		.131	.02	***
Past Contemporaneous	10.50	3.93	**	10.81	7.95	
Married With Children	-10.66	4.98	**	7.04	13.14	
Married Without Children	3.41	4.07		-7.48	10.85	
Income	-.0000096	.0000437	**	.00068	.00011	***
Retail Card Holder	-.12	3.48		-.581	9.27	
Tenure	-1.81	.251	***	-1.15	.654	*
Catalog_Residual	.14	.18		4.93	.355	***
Lag Gift Spending Residual	-.86	.13				
Lag Personal Spending Residual				-.11	.047	**



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