

Using an Understanding of Gift Giving Motivation to Effectively Market Gift Cards

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Gift Card Overview

Gift cards have become one of the most popular gifts amongst consumers. The prepaid gift card market is a multi-billion dollar industry with 2008 sales projected at \$24.9 billion, according to the National Retail Federation. Gift cards are stored value, plastic cards that resemble credit cards and have replaced traditional paper gift certificates. Purchasers buy a gift card for a fixed amount and can redeem the card at the merchant that issued the gift card.

According to Gift Cards Purchase & Redemption, Pre-Holiday Outlook 2008, a report by The Hartman Group, Inc. and A National Research Network (NRN), nearly three-quarters of Americans have either purchased or received a gift card over the past year. Gift cards topped the wish lists of consumers polled by BIGResearch and the National Retail Foundation. The primary driver for the growth of gift cards is that they allow a recipient to choose the gift they really want. In addition, the major reasons purchasers like to give them include to avoid giving a disappointing gift, can't make up their mind about what to give, and don't have a lot of time to spend selecting a gift. Winter holidays and birthdays dominate the occasions for giving gift cards though they are considered appropriate gifts to give for all occasions.

The perception that gift cards are impersonal is the biggest impediment for consumers purchasing gift cards. The Gift Cards Purchase & Redemption, Pre-Holiday Outlook 2008 report states that people who do not like giving gift cards feel guilty doing so because they feel it looks like they didn't put a lot of thought and effort into buying a gift. The best way to overcome this hurdle and improve the overall experience of giving gift cards is to enable consumers to personalize gift cards. Furthermore, understanding the motivation associated with the gift giving process will enable marketers to most effectively position gift cards.

Motivation and the Gift Giving Process

Motivation is the driving force that impels an individual to action. Gift giving is a universal behavior that has intrigued consumer researchers to study the significance of this act. For example, Belk (1979) identifies four functions of gift giving: to mark important life events, to establish and maintain interpersonal relationships, to create a medium of economic exchange, and to socialize children into the customs of society; and Wooten (2000) theorizes the anxiety associated with the gift giving ritual. Several studies have focused on consumer motivation and the gift giving process.

John Sherry, Jr. (1983) writes that the motivation for gift giving may range from altruistic, where the giver attempts to maximize the pleasure of the recipient, to agonistic, where the giver attempts to maximize personal satisfaction. Typically, the motivation for gift giving falls between these two extremes on a motivation continuum. Goodwin et al (1990) concludes that the motivation of gift giving falls on a voluntary/obligatory continuum, distinguishing between gifts being given freely versus given due to a sense of obligation. Two specific forms of obligation are identified as reciprocity and ritual, and many obligatory giving has elements of both, such as exchanging Christmas gifts. The research indicates that obligatory gifts are most likely to be given for an occasion whereas voluntary gifts are more likely to be given "just because". Furthermore, both obligatory and voluntary givers use gifts to express the importance of their relationship with the recipient indicating that inter-personal relationships contribute to the motivation associated with gift giving.

Lastly, research developed by Wolfinbarger (1993) theorizes that three distinct motivations for gift giving exist – experiential, obligated, and practical. Following are Wolfinbarger's definitions of each motivation. "An experiential orientation toward giving is reflected in the fact that these gift givers (1) give a great deal of thought and effort to gift selection, (2) enjoy choosing gifts and (3) feel that gifts are a way of showing love and friendship to receivers. Giving because one feels obligated is behavior, which is motivated by

compliance with the social norm of giving. Obligated givers (1) experience guilt if they don't give, (2) give because of others' expectations and (3) feel they must reciprocate when they have received a gift. A practical gift giving motivation is reflected in the giver's perception that especially useful gifts that receivers need are the best kind to buy. The primary motivation for giving is to provide practical assistance to receivers". In addition, the research in this study finds that women are more likely to have an experiential motivation for gift giving, and men are slightly more likely than women to give practical gifts.

Gender and Gift Giving Motivation

Research has been conducted to evaluate the impact of gender on gift giving behavior and motivation. Rugimbana et al (2002) investigate the gift giving motivation of males on Valentine's Day. The findings are consistent with the conclusion by Goodwin et al (1990) that the nature of the relationship between giver and receiver impacts the motivation for gift giving. It also shows that motives for gift giving are not exclusive and many gift-giving occasions have a combination of motives. In this study, obligation is the strongest motive as 100% of participants felt it was necessary to give a gift for Valentine's Day when in a romantic relationship, mainly because their significant other would expect one. Additionally, many participants' motives had elements of self-interest as many felt that as a result of giving a gift they would get something in return; and altruism. Fischer and Arnold (1990) evaluate gender roles and Christmas shopping and conclude that women are more involved in and take more seriously the process than men. They find, on average, women start shopping earlier, give gifts to more recipients, and spend more time per recipient whereas men spend more money per recipient.

Using Gift Giving Motivation to Effectively Market Gift Cards

The three motivations described by Wolfinbarger (1993) provide the most insight to marketers. The practicality of gift cards will inherently appeal to practical givers. Gift cards are

practical gifts as they allow the recipients to use the cards to get what they need most.

Obligated givers will appreciate that gift cards don't require a lot of time and effort but may feel guilty about not giving a more personal gift, especially if their relationship with the recipient is close. Experiential givers will most likely feel guilty and may feel internal conflict over the ease of buying gift cards since they are accustomed and/or socialized to put a lot of energy into choosing gifts. The ability to personalize gift cards will combat these feelings, and will have the most positive impact on givers with experiential motives.

Generally speaking, the best strategy marketers can use to appeal to gift givers with any or all of these motivations is to provide gift card packaging. Gift card packaging encompasses anything that will hold a gift card and includes paper holders, envelopes, gift boxes, gift bags and novelty items, such as tin boxes and stuffed animals. Packaging provides marketers with the ability to change consumers' perceptions that gift cards are impersonal gifts. The benefits of packaging are that it allows a gift card giver to personalize the gift to appeal to the recipient, makes it appear to the recipient that the giver put time and thought into the act of purchasing the gift card, and makes the gift card resemble a traditional gift. The packaging enhances the gift card giving experience because it adds the elements of anticipation and surprise into the gift card giving process, as recipients will not readily know that their gift is a gift card. These benefits will cause the purchaser to feel good about giving a gift card as well. As a result, the purchaser will be more inclined to be a repeat purchaser of gift cards or to buy multiple gift cards for one occasion, such as Christmas, as the packaging will allow the same gift to be packaged to appeal to multiple recipients. Marketers can capitalize on this by communicating that buying gift cards is a way to maximize efforts and minimize the time spent shopping while still achieving the same gift giving results as when giving traditional gifts.

Research in Support of Gift Card Packaging

Research has been conducted to study consumers' opinions about gift card packaging and how packaging impacts gift card sales. Marketing Workshop, Inc, conducted the 2008 Gift Card Packaging Study. The study finds that 84% of consumers would purchase a gift card if it came with free packaging. In addition, 55% of consumers are more likely to purchase a gift card if additional packaging is available for purchase and 62% of consumers are more likely to purchase a gift card if multiple packaging options are available. The study concludes that an offer of free packaging provides a good opportunity for retailers to increase customers' likelihood of purchasing a gift card and to increase the dollar value of the gift card purchased. An example of an attractive offer is, "Free packaging with any gift card purchase of XX or more". Also, the majority of respondents said they are willing to spend \$5 more on a gift card if it comes with special packaging, which presents the opportunity to increase the dollar value to offset the cost of packaging. Furthermore, the study finds that consumers are willing to pay for packaging. According to the price sensitivity model outlined in the study, the recommended price range for various packaging options is: \$1.39-\$1.99 for a paper carrier or envelope, \$1.49-\$2.99 for a cardboard box, \$2.49-\$4.99 for a tin box, and \$3.49-\$4.99 for a stuffed animal. The acceptability of charging for gift card packaging give marketers the ability to use packaging as a profit stream by building profit margins into the prices charged.

Gender-Based Marketing for Gift Cards

According to a study by the National Research Network, more females (60%) than males (44%) reported buying gift cards in the last year while the NRF 2008 Holiday Consumer Intentions and Actions Survey found that men were the biggest gift card spenders, spending on average \$158.98. Marketers should position gift cards as practical gifts that don't require a lot of time to buy when targeting men. The marketing message should be, "Gift cards are a quick and easy way to fulfill your gift giving obligation while letting the recipient choose the gift they really want. The recipient will appreciate it and think positively towards you. Make the

recipient even more appreciative by personalizing the gift card with packaging.” Because women are more involved with gift giving and tend to have an experiential motivation for giving gifts, gift cards need to be positioned as thoughtful gifts. The marketing message should be, “It’s ok if you didn’t spend hours picking out this gift. The recipient will still know you care and will appreciate the fact they can pick the gift they really want. You can personalize the gift card by selecting the packaging that best reflects the recipient’s tastes.” The use of gender-based marketing messages is an effective strategy to increase gift card sales.

Conclusion

Gift cards have become popular gifts because they don’t require a lot of time and effort to purchase and they allow the recipients to choose what they want. However, gift cards can be perceived as impersonal gifts, which may cause consumers not to feel good about purchasing them or not to purchase them at all. By exploring the motivation associated with the gift giving process, marketers gain a better understanding of how to position gift cards to satisfy the motives of gift givers while enhancing the experience of giving gift cards as gifts. The marketing strategies outlined are designed to enable marketers to effectively market gift cards to maximize sales.

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