

# Benefits and Costs of Restriction: A Comparison of Unrestricted, Restricted Gift Card Spending and Cash Spending

by

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## **AUTHOR'S DECLARATION**

I hereby declare that I am the sole author of this thesis. This is a true copy of the thesis, including any required final revisions, as accepted by my examiners.

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## **Abstract**

Archival data of unrestricted and restricted gift card transactions was compared with national level consumer spending data from both the U.S. and Canada to investigate the similarities and differences in purchase pattern. The objective for this comparison was to investigate the motivational power of unrestricted gift card compared to cash rewards, restricted gift card and other hedonic tangible incentive.

Through results interpretation, the data supported the hypotheses that people perceive and use unrestricted gift card as a cash carrying medium rather than a tangible reward. A restricted gift card that is hedonic by design constrains its recipients to hedonic purchase and removes the guilt and eliminates the justification process. The results also suggested that the elimination of justification seems to be associated to not only the hedonic dimension of goods/services but also transaction size.

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## **Dedication**

To my loving parents, who always supported the pursuit of knowledge and in turn the pursuit of happiness.

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## Chapter 1 Introduction

Cash rewards in the form of variable pay (performance based bonus) and non-cash tangible incentives (performance based company gift-giving) have been widely used by companies to motivate their employees. A survey of North American bonus program managers from a cross section of industries, which covered 2.5 million incentive plan participants, indicated that 79% of these companies use individual-based performance programs cash bonus programs, 48% use team-based performance programs, and 75% use spot (one-time) cash-based recognition programs (Scott, McMullen, Wallace & Morajda, 2004). In a separate industry survey, the results showed that 78% and 67% of companies used tangible incentives to reward their sales and non-sales oriented employees respectively. An incentive industry expert has estimated that almost \$1,000,000,000 USD was spent on tangible incentives in year 2004 in North America, with the figure expected to grow at 7% per year (Jeffrey & Shaffer, 2007).

Companies use extrinsic rewards in hope to increase productivity, improve organization culture, benchmark to competitors, and better manage compensation costs (Scott, McMullen, Wallace & Morajda, 2004). The availability of academic studies on the effectiveness of these extrinsic rewards measured against all or a subset of these objectives differs according to the type of rewards. The effects of cash incentives are relatively well studied in different cultural contexts and different transaction sizes as ratio to base pay (Nakamura & Hubler, 1996; Chiu, Luk & Tang, 2002; Ang, Chen & Lin, 2005; Han & Shen, 2006). Some exploratory researches on non-cash tangible incentives have found it to have different properties than cash incentives (Jeffrey & Shaffer, 2007; Jeffrey, 2009); however, a third type of extrinsic rewards, employee gift cards, has been less studied (White, 2006).

The goal of this paper is to take explorative steps in understanding the effectiveness of the use of different types of employee gift cards by investigating the purchase patterns and behaviours of the recipients of these cards. Rather than directly inquiring into the possible causal relationships between employee motivation indicators and the use of employee gift cards as incentives, this study focuses on the exploration of purchase patterns of different card type recipients and attempts at drawing conclusions from these patterns in conjunction with known theories in hedonicity, mental accounting, affective evaluation and self-gifting literatures.

This paper is divided into the following chapters: Literature Review and Theory Development, Methodology, Data Analysis, General Discussion, Conclusions and Future Work. In Chapter 2 Literature Review and Theory Development, existing theories in extrinsic rewards, motivation, hedonic and utilitarian purchase dimensions, mental accounting, affective evaluation, windfall gain and self-gifting are interspersed with hypothesis on recipients' perceptions of their gift card, and how these perceptions interact with their psychological processes, which predict their purchasing patterns. In Chapter 3 Methodology, a detailed description is given to four different data sets, two of which are archival data acquired from an incentive consulting firm, the remaining are purchased census and summary data from Statistics Canada Household Spending survey and U.S. Expenditure Survey Summary. These different data sets facilitate comparison of spending pattern from different income sources. In addition, the various steps taken to manipulate data into statistically sound comparable formats are described. In Chapter 4 Data Analysis, the results from exploratory and significance tests are shared. The results in Chapter 4 support the theory formulated in Chapter 2 and demonstrate insights into gift card recipients' perception of unrestricted gift card as cash. In Chapter 5 General Discussion, benefits and costs associated with unrestricted gift cards and gift cards with restrictions are compared and contrasted with other types of extrinsic rewards such as cash and gifts. In Chapter 6 Future Work, a validation experiment to eliminate demand effect and a survey study to investigate the relationships between gift cards and employees' perceived organizational support level, gift source attribution and perceived company discretion are proposed.

The main contribution of this paper is to establish the claim that giving an employee an unrestricted gift card (corporate sponsored debit card) is just like giving a cash bonus. This type of gift card will facilitate purchase behaviours similar to spending one's own discretionary income and thus will not yield the kind of motivational effects generated by non-cash tangible incentives. A restricted gift card, on the other hand, has the potential to be more intrinsically rewarding and effective as a motivational tool, but demand effects explained later prohibit this conclusion without further validation. The secondary contribution of this paper is to independently test the validity of a hedonic/utilitarian scale developed by Voss, Spangenberg and Grohmann (2003). The Factor Analysis in Chapter 4 of close to 500 purchase description entries demonstrate clear separation of two latent variables that represent hedonicity and utilitarianism with a small ten-question scale.

## **Chapter 2 Literature Review and Theory Development**

### **2.1 Gift Cards**

There are two types of gift cards within the scope of this study. One is called an unrestricted gift card and the other is called a restricted gift card. An unrestricted gift card is a gift card that behaves like a bank debit card. A certain amount of cash has been pre-deposited into these cards and their holders can use them like a debit card or credit card at any shopping venues of their choice. A card holder can even take cash out of the card at designated retail banking locations. A restricted gift card, as the name suggests have restrictions on where its holder can use this card to redeem for goods and services. Some restricted gift cards are limited to a single venue, such as a Starbucks gift card which can only be spent at participating Starbucks coffee shops. Other restricted gift cards have a few venues of spending such as the Swiss Chalet Group of Restaurants gift card, where the card holder can use it at a number of restaurants including Milestone's, Kelsey's, Montana's Cook House, Harvey's and of course Swiss Chalet. At the same time, some restricted cards designed by incentive consulting companies can be used at more than 100 different venues. For the discussion within this paper, we are concerned with multi-venue restricted gift cards of the last kind.

### **2.2 Reward and Motivation**

The notion of motivation, as claimed by Reinharth and Wahba (1975) stems from an ancient Greek principle of "hedonism", which predicts that individuals choose course of actions base on their anticipated maximization of pleasure and minimization of pain. Within the context of this paper, motivation is discussed in the classical framework developed by Vroom (1964)'s Expectancy Theory. Vroom's Expectancy Theory hypothesizes that an individual is motivated if and only if the three conditions that links effort, performance and outcome are fully satisfied. These three conditions are: expectancy, instrumentality and valence. Expectancy is the belief that increased amount of effort leads to increased level of performance. Instrumentality is the belief that good performance will be rewarded with a valued outcome. Valence is the subjective importance/value the individual places upon the expected outcome.

Rewards are known to effect motivation both positively (Harackiewicz, Manderlink and Sansone, 1984; Cameron, Banko and Pierce, 2001) and negatively (Deci, Koestern and Ryan, 1999; Cameron

and Pierce, 1994; Eisenberger and Cameron, 1996). Reward is a general term used to describe all types of financial return, and other types of tangible and non-tangible benefits a person receives in exchange for the tasks he/she does in an employment relationship within a work setting (Bratton and Gold, 1994). Porter and Lawler (1968) were among the first to divide rewards into extrinsic and intrinsic types. Extrinsic rewards are externally given benefits such as praise, money and gifts. Intrinsic rewards are internal psychological benefits such as satisfaction and a sense of accomplishment. Employee gift cards of all types are classified as extrinsic rewards.

There are many theories that predict the effects of extrinsic rewards on motivation. Social cognitive theory (Bandura, 1986, 1997; Harakiewicz and Sansone, 2000) argues that rewards given for high achievement increases self-efficacy. This belief in one's own ability to rise to the challenges of a task in turn increases interest in a task; this increased level of interest then would cause enhancement in performance. Cognitive evaluation theory (Deci, Cascio and Krusell, 1975; Deci & Ryan, 1985) argues that whether an extrinsic reward has positive or negative impact on intrinsic motivation depends on what kind of information is conveyed by this reward. If the reward is perceived to be a controlling mechanism that enforces a certain performance standard on people, then it diminishes intrinsic motivation, whereas if the reward is perceived to be an acknowledgement on a person's competence, a compliment of sort, then it would increase intrinsic motivation. Attribution theory (Lepper, Greene and Nisbett, 1973; Lepper, Keavney and Drake, 1996) explains that extrinsic rewards have negative impacts on motivation because the presence of rewards tend to shift a person's believe in the cause of their behaviour from internal sources to external sources. When a reward is given, a person starts to feel like that he/she is doing something just for this reward instead of deriving intrinsic satisfaction from the work itself, thus decreasing his/her intrinsic motivation.

Cognitive evaluation theory in conjunction with the valence component of Expectancy Theory of Motivation provides inspiration for the main investigation of this paper. CET suggests the impact of extrinsic rewards on intrinsic motivation depends on the information it conveys. The valence condition of Expectancy Theory places importance on individual's evaluation of their reward in exchange of outcome. Both theories indicate that different types of extrinsic rewards can have different impacts on intrinsic motivation due to their differences in conveyed meaning and perceived value. In particular, when the monetary value of a cash reward, an unrestricted gift card reward and a restricted gift card reward is identical, can they produce different impacts on employee

motivation? If so, can human resource practices reduce compensation cost and increase employee motivation simultaneously? The goal of this paper is to gradually answer these questions.

## **2.3 Hedonic and Utilitarian Purchase**

### **2.3.1 Definitions**

Consumer goods and services have two distinct dimensions, the hedonic dimension and the utilitarian dimension; the definitions of these dimensions are generally agreed among researchers. A product is considered to be hedonic, when its consumption evokes affective and sensory experiences of pleasure and fantasy. In contrast, the consumption of a utilitarian product is characterized by a cognitive and goal oriented fulfillment of function and requirement. Furthermore, western societies view hedonic consumption as frivolous or even decadent, while perceive utilitarian consumption to be practical and necessary (Dhar and Wertenbroch, 2000; O'Curry and Strahilevitz, 2001; Voss, Spangenberg and Grohmann, 2003; Jones, Reynolds and Arnold, 2006; Chitturi, Raghunathan and Mahajan, 2008).

Despite the fact that constructs of hedonicity and utilitarianism are well defined, a generally accepted scale of measurement for these constructs does not exist. While some researchers are content by using economic measurement for luxury such as income elasticity for hedonic and utilitarian products (Chitturi, Raghunathan and Mahajan, 2008), others have opted to develop their own scale (Batra & Ahtola, 1990; Voss, Spangenberg & Grohmann, 2003) by testing people's subjective association of various adjectives to these dimensions and performing systematic reduction of a list of adjectives using factor analysis.

A more detailed explanation for selection and usage of a hedonicity/utilitarianism scale will be presented in the methodology section. In the immediate following sections, I will argue that by using an unrestricted gift card, a restricted gift card or cash, an individual will make purchases of different levels of hedonicity and utilitarianism, and this difference in these dimensions will in turn influence individuals' valence (subjective importance) and memories of their purchases.

### **2.3.2 The Mental Accounting Perspective and the Power of Justification**

Mental accounting is a description of individual and household financial book-keeping, stored and extracted from their minds, as the name suggests. People use mental accounting for money tracking and controlled spending (Thaler, 1999). Within the mental accounting framework, money is

commonly labeled at three levels: expenditures (outgoing), wealth (storage), and income (incoming). People tend to match the seriousness of the expenditure accounts with that of income accounts (Thaler, 1999). For example, when a person receives a university scholarship, that income is matched with studious expenditures such as tuition, textbooks and dormitory fees. Whereas when a person receives birthday money, the cash recipient is more likely to spend it on fun things such as going to the movies or buying music CDs. These kinds of budgeting serves two purposes, the first facilitates comparison of spending alternatives that aims at maximizing utility and the second limits the amount of spending as a self-control device.

When a person receives a reward from his/her company in the form of cash, unrestricted gift card and restricted gift card, he/she places the first two types of incomes into the same income category, and the last type of income in a category of its own. This is because unrestricted gift card is a company issued debit card that has full liquidity and option value of cash. A person can purchase anything that he/she can purchase with cash with an unrestricted gift card; furthermore, a person can even withdraw cash directly from an unrestricted card at retail banking machines. A restricted gift card is different from cash. It can only be redeemed at company appointed shopping venues that are often predominantly hedonic. For a list of shopping designations of the Exclusively Yours brand of restricted gift card under study in this paper, please refer to Appendix A.

Facing a purchasing decision (acquisition choice), a person has known preference for goods and services that are more utilitarian than hedonic after the fulfillment of his/her basic needs for shelter and food (Dhar & Wertenbroch, 2000). A person often exhibits two conflicting purchasing personas, the “want-self” and the “should-self”. Both selves are looking at maximizing a person’s experienced utility, except the “want-self” considers only the immediate time-frame whereas the “should-self” cares about long-term benefits and costs. The two selves often wrestle with each other over big and small purchasing decisions alike; the “want” yearns for a new car while the “should” insists on retirement savings, the “want” craves for a coke while the “should” watches the waistline (Bazerman, Tenbrunsel & Wade-Benzoni, 1998). When presented with an acquisition choice, the relative salience of “should” based features will outweigh the “want” based features that requires spontaneous elaboration, which is not a natural part of the rational reason listing process when making a decision (Bazerman, Tenbrunsel & Wade-Benzoni, 1998). Additionally, the fulfillment of “needs” is seen as a morally superior obligation than “wants” (Chitturi, Raghunathan & Mahajan, 2008), resulting in hedonic choices being difficult to justify and more “expensive” to

pay when adding psychological cost to monetary cost (Khan and Urminsky, 2004). Thus, unrestricted gift card, being in the same income category as cash are subjected to an identical spending evaluation process and will be likely spent on utilitarian purchases. The only foreseeable difference between unrestricted gift card and regular cash income is that since the first is spot in nature and limited in amount, it probably will not be matched with expenses that are long term and regular such as mortgages, pension savings and various types of insurances. Hence, a cash reward or an unrestricted gift card reward will most likely be categorized together in the disposable income mental account.

**H1:** People treat unrestricted gift card as their own cash, hence spend unrestricted gift card on products with similar hedonic and utilitarian dimensions as they purchase with their own disposable income.

The spending of restricted gift card triggers a different mental process than spending one's own cash. Much like tangible non-cash incentives, by providing an employee with restricted gift card that can only be redeemed at predominantly hedonic venues, it eliminates utilitarian shopping venues. Thus makes it un-necessary for an employee to justify his/her purchasing decision, which minimized the experience of guilt (Jeffrey, 2009). With lessened need to justify, a person can relax his/her spending limitations and indulge in purchases that are larger in size.

**H2:** People spend more freely with restricted gift card; hence produce larger transaction sizes than unrestricted gift card.

### **2.3.3 Evaluation of Utilitarian and Hedonic Purchase**

The concept of valence, as introduced earlier in the paper is the subjective importance/value an individual places upon the expected reward after completing a set of tasks (Vroom, 1964). Similar to a physical force, valence has direction and strength (Higgins, 2006); from life experiences, people learn to direct their energy at course of actions that yield positively evaluated results and to avoid actions that would lead to negatively evaluated outcomes. The stronger peoples' attraction towards an outcome, the higher level of effort they would exert into completing the task. Hence, if people in general derive higher level of value from hedonic products than utilitarian ones, and simultaneously as Hypothesis 1 postulates that people tend to spend their own cash on utilitarian items, then a restricted gift card that promote hedonic spending is a superior motivation tool than an unrestricted gift card, because the latter is used just like cash.



People derive higher value from a hedonic purchase than a utilitarian purchase of equal monetary value because hedonic purchase has higher anticipation, acquisition, reference and shopping value. Anticipation value (Prelec & Loewenstein, 1998) describes a person's enjoyment gathered from thinking of the possibility of future consumption (O'Curry & Strahilevitz, 2001). Acquisition value is the difference between the value of receiving goods or services as a gift and the price paid by its purchaser (Thaler, 1999). Transaction value is the difference between price reference point of a product and the actual amount paid for the item (Thaler, 1999). Shopping value is the feeling of escapism, fun and excitement a person feels when he/she engages in purchasing activities (Jones et al, 2006).

Intuitively, people enjoy daydreaming about ownership and consumption of objects that bring pleasure and fun instead of fulfilling functions and requirements. It is easy to believe that a person can enjoy re-occurring thoughts of owning a beautiful evening gown, but it is difficult to think that anyone has vivid pleasurable thoughts about how effective his/her laundry detergent or pencil sharpener works. There is no surprise that research agrees with common sense and found that people experience higher anticipation value for hedonic goods and services than utilitarian ones (O'Curry and Strahilevitz, 2001).

Acquisition value is defined by Thaler (1999) as the difference between the value of receiving goods or services as a gift and the price paid by its purchaser. Holding purchasing price constant, the difference in acquisition utility would be caused by purchasers' perceived values of gifts. People value a hedonic gift more than a utilitarian gift, because hedonic items are more difficult to justify as a self-purchase (Bazerman et al, 1998; Thaler, 1999; O'Curry and Strahilevitz, 2001; Cheema and Soman, 2006; Jeffrey, 2007), thereby making its recipient as a gift guilt-free due to the elimination of "psychological cost" for breaking preset general and specific self-control rules (Cheema and Soman, 2006). An additional reason for people attributing higher value to hedonic gift than utilitarian ones is that it leads to feelings of delight, where the consumption of utilitarian products merely leads to feelings of satisfaction, which has a lower emotional and physical arousal level. Chitturi et al (2008) has an excellent example that illustrates this idea. When a person is driving a car that has air-bags, he/she is not going to appreciate the air-bags because they are perceived as utilitarian items. Not having the air-bags in a car is seen as a negative, but having air-bags in a car is not seen as a positive. When a person drives a car that features panorama roof, a

hedonic feature, he/she would really appreciate its benefits as being special, and view it as a positive.

People have a higher perceived reference price for hedonic good/services than utilitarian good/services when their basic living needs such as shelter and food have been fulfilled. Dhar and Wertenbroch (2000)'s survey of field data indicates that owners of vehicles with higher hedonic content tend to value them more than owners of vehicles with higher utilitarian content without knowing the actual market price for their vehicles. This makes transaction utility also higher for hedonic goods and services.

Prior research has indicated that the act of shopping itself can elicit feelings of escapism, fun and excitement (Jones et al, 2006). Since hedonic goods and services are both more pleasure to consume and to anticipate, it will leave affective traces in memory making past experiences more accessible and salient. While shopping, consumers hold these positive imageries within them, thus making shopping for hedonic goods and services more enjoyable than shopping for utilitarian items. In addition, when shopping for utilitarian goods and services, customers tend to be more pre-occupied with efficiently soliciting information about available alternatives and choosing an optimal product that would fulfill a preset criteria, making the shopping experience feel like a chore instead of a fun activity (Jones et al, 2006). Furthermore, a pleasurable shopping experience will motivate consumers to share their experiences with others through post event verbal sharing and thus re-enforces this positive experience within their memory. All of these reasons indicate shopping utility is higher for hedonic purchase than utilitarian ones.

### **2.3.4 Memory of Hedonic and Utilitarian Purchase**

As some cognitive theorists believe, memory is made of bits of information extracted from an individual's environment called traces that ranges from abstraction and simplification to surface level copies (Dougherty, Gronlund & Gettys, 2003). Memory and recall describes the processes of encoding the event of acquisition and the item(s) of acquisition into a gift card holder's memory and his/her subsequent retrieval(s) of this information.

There are two types of memories: voluntary and involuntary. Voluntary memories are information that people have made previous attempt at remembering, involuntary are information that people unconsciously absorbed that seems to just pop into consciousness (Berntsen and Rubin, 2002). One of the fundamental assumptions about the relation between thought and feeling is that

memories and mood affect each other (Gillihan, Kessler and Farah, 2007) in a way that positive memories are solicited when people are induced into positive mood. The first type of recall is facilitated by mood state exerting influence on memory by semantically priming content that is consistent with mood, which leads to the retrieval of mood-congruent information (Bower, 1981; Ellis, Seibert and Herbert, 1990; Natale and Hantas, 1982). The second type of recall is an “automatic and unconscious” mood-altering strategy (Parrott and Sabini, 1990, p. 333).

There is a natural tendency for people to allocate more attention and resources to those events that are exciting or important. As a result, these events are better encoded in memory. Superior encoding leads to relative ease of information retrieval (Dougherty, Gronlund & Gettys, 2003). If an employee clearly remembers the item(s) that he/she purchased by using his/her gift card, it implies that it is more likely that he/she felt that the act of purchasing or the purchased item itself was exciting and important. If the act of gift purchasing or the item itself was exciting and important, then it is likely that he/she derived higher value from this experience. Events associated with high positive emotional intensity have more clarity in memory encoding and more ease in memory retrieval. Since a hedonic purchase induces higher emotional intensity in a person than a utilitarian purchase, it will be better remembered.

## **2.4 Windfall Gains and Self-Gifting**

Throughout the literature review, windfall gains and self-gifting are two notable topics that are worth mentioning. Windfall gain is an important topic because both types of gift cards cannot be classified as windfall gains, thus the purchasing pattern associated with either type of gift cards must not be attributed to windfall like properties. Self gifting is a concept that’s related to the central hypothesis of this thesis, since gifts with higher hedonic dimensions make more meaningful self-gifts in an accomplishment context.

Windfall gain is defined as receiving unanticipated money (Arkes, Joyner, Pezzo, Nash, Siegel-Jacobs & Stone, 1994). An example of a windfall gain in a small amount would be money found on the streets and a bigger amount example would be winning a lottery. It is known that windfall gains are spent more readily and more likely to be spent on oneself, and there are three reasons for that. The first reason is that the subjective value of windfall dollars would be less than the subjective value of non-windfall dollars. When an individual makes a purchase decision, he/she is essentially exchanging a certain amount of money with a product. If an individual proceeds with this

transaction, then he/she is implicitly indicating that he/she values this good/service more than the money that he/she had to give up in exchange. From empirical studies, it was demonstrated that windfall dollars were more readily spent than non-windfall dollars; therefore, one may arrive at a conclusion that the subjective worth of windfall dollars are less than that of non-windfall dollars (Arkes et al, 1994). Therefore a product that cost one windfall dollar seems cheaper than a product that cost one regular dollar, which makes spending more attractive. The second reason is that since there's no pre-set category for windfall gains, they are placed in the current income mental account which is more readily spent than mental wealth accounts. The third reason is that people think that unanticipated money is not earned, in the same way that anticipated money is earned. People wouldn't perceive gift cards as windfall gain as it is both anticipated and earned. Employees who are receiving a gift card reward are often aware of its amount prior to receiving it. Since there is a strong association between performance and the reward, there is little chance that employees will feel that the gift card is unearned (i.e. windfall).

Mick and Demoss (1990) defined self gifts as “personally symbolic self-communication through special indulgences that tend to be premeditated and highly context-bound. Celebration and congratulations are among the most typical of these self-directed messages; each is invariably intertwined with self-concepts (how the consumer defines him or herself) or self-esteem (how the consumer feels about him or herself).” Self gifting is a behaviour that is completely different from impulse buying (Rook, D., 1987), which is a sudden and often powerful and persistent urge to buy something immediately with little regard for its consequences on one's financial health. When compared to impulse buying, self gifting is less frequent, inflicts little emotional conflict, is often pre-planned, and has positive psychological benefits. When it comes to self-gifting, not all products are made equal. The best kind of self-gifts tend to be mentally salient (Mick & Demoss, 1990), while the least satisfying self gifts are “low-involvement, routine purchases”. If Hypothesis 1 holds true; that is people spend unrestricted gift card like cash on predominantly utilitarian products, the psychological benefits of self-gifting may not be fully achieved. Whereas a restricted gift card with primarily hedonic venues would encourage gift card holders to acquire gifts that are fun, exciting, and memorable.

There is, however, a bittersweet dimension to self gifting (Sherry, McGrath and Levy, 1995); it is the feeling that buying for self brings about happiness but not nearly as much as if someone else had given it out of discretion. This means that it is good if company gives out restricted gift card to

facilitate hedonic purchase which makes better self gifts, but it is even better if the employees can attribute the person to the company instead of to themselves. The idea of source attribution will be discussed in Future Works section and will not be included in the scope of study.

## Chapter 3 Methodology

### 3.1 Data Samples

To study the difference in spending pattern with unrestricted gift card, restricted gift card and cash, four groups of data sets were obtained. The data sets on unrestricted and restricted gift card spending were archival data from Maritz Inc., a global sales and services marketing company. There were two cash spending data sets. The first set of cash spending data was purchased from Statistics Canada. The second set of cash spending data was downloaded from United States Department of Labor official website.

Post ethics approval, two MS Excel files were sent from Maritz Inc. via email. As part of their incentive program evaluation process, Maritz Inc. has kept a detailed gift card transactions log. The two MS Excel files contained summary information of gift card transactions log on an unrestricted gift card product offered by Maritz Inc. called “Open Spend” and a restricted gift card product called “Exclusively Yours”. For the unrestricted card transaction log there were five columns of data. In the first column, either a name of a store or a type of a spending category was listed. In the second column, Maritz Inc. has categorized all spending into the following large categories: ATM, Department Store/Apparel & Accessories, Disposable Retail, Disposable Services, Education, Entertainment/Recreation, Gas, Grocery, Home Improvement, Restaurants, Specialty Retail, and Travel. In the third column, number of transactions occurred at each store or spending category, for example, cosmetic stores were listed. In the fourth column, the total dollar amount spent at each store of spending category is listed. In the fifth column, an average transaction size for each store of spending category was calculated by dividing the total amount for each row by the total number of transactions. For the unrestricted gift card log summary, a total of 104,115 transactions worth of \$8,293,228.00 USD were presented. These transactions were recorded in October 2005. For the restricted card transaction log summary, there were six columns of data. In the first column, Maritz ranked the popularity of merchants based on total dollar amount spent at each merchant. In the second column, it listed the name of the merchant. In the third, fourth, fifth and sixth column, it listed the dollar amount spent, the percentage of total amount spent, the number of transactions, and the average transaction size at each of these stores respectively. These restricted spending transactions were recorded between the first quarter of 2007 and 2008. The difference in timing

between the unrestricted gift card transactions and restricted gift card transactions are of no importance to the results presented in this paper. This is due to the fact that the particular year and month in which these cards were spent would not have a large influence on the type of goods and services purchased by a person. One can argue that an individual's personal circumstances would influence the use of a gift card. For example, a person might have just bought a new house in 2005; therefore it was more likely that he/she would use his/her card on home renovation. If the card were issued two years later, when his/her children were of school age, then the card will be more likely to be spent on school supplies. With this line of thinking, the year and month in which a gift card was received would have a large impact on his/her purchasing decisions. However, for a large population of transactions, as we have here, for every one incident where someone may have swapped house renovation for school supplies, the occurrence of a swap in an opposite direction is just as likely. Over the entire population, this effect would be neutralized, making the difference in transaction timing a non-issue.

A detailed table of Canadian household spending from the Statistics Canada's Survey of Household Spending in 2007 was purchased for cash spending comparison purposes. This detailed table is a tabbed MS Excel file that tracked detailed Canadian household spending on a national, provincial and municipal level. Only the national level spending numbers were of interest to this study. For the Survey of Household Spending in 2007, 21,407 eligible Canadian households were contacted and 65.1% of these households produced useful data (response rate). The Survey of Household Spending used a stratified multi-stage sample by first selecting small geographic areas from the Labour Force Survey sampling frame and then selecting specific dwellings within these areas. The true value of this survey's estimates lies within a range of +/- 1 standard error of the estimate for 68% of all samples, and +/- 2 standard errors for 95% of all samples (User Guide for the Survey of Household Spending, 2007). There are eight columns of national level data. In the first two columns, household spending descriptions were written in both English and French. Examples of household spending would be "Food purchased from restaurants" and "Purchase of telephones and equipment". Since these spending categories were extracted from the content of all respondent's spending diaries, the category break-downs were exhaustive. The third column contained the dollar amount of average expenditure per household for each spending category. The fourth column contains the percentage of the households that reported each types of spending. For example, 100% of the households reported the purchase of food, not surprisingly. The fifth column contained the dollar amount of average expenditure per household for each spending category for

only the households that reported that type of spending. The sixth column contained the percentage of each spending type of total expenditure. The seventh column contained the dollar amount of median expenditure per household for each spending category. The eighth column contained the dollar amount of median expenditure per household for only the households that reported that spending category.

A summary table on U.S. based consumer expenditure was downloaded from United States Department of Labor's Bureau of Labor Statistics website. This summary table extracted relevant categorical spending percentages from Consumer Expenditure Survey 2007. For the 2007 Consumer Expenditure Survey, approximately 3,200 households were visited in the annual Diary survey and approximately 15,000 households were visited in the quarter. The Consumer Expenditure Survey uses a three step sample selection process. In the first stage, all U.S. counties are divided into small groups of counties called "primary sampling units", and a representative sample of these PSUs is selected. In the second stage, the number of households to be visited in each PSUs is determined by budget constraint and allocated to each PSUs according to the PSUs characteristics such as the number and types of households that it has. In the final stage of sample selection, a list of households was sorted by variables that correlated in the past with their expenditures. A random number is used to pick the first household from the list, and each subsequent household was selected by taking every  $k^{\text{th}}$  household on the list after the first one (King & Johnson-Herring, 2008). There are different response rates for the Interview Survey and the Diary Survey. The response rate for Interview Survey is 76.0% for 2004 and 74.5% for 2005. The response rate for Diary Survey is 68.9% for 2004 and 71.0% for 2005 (Johnson-Herring & Kreiger, 2008). There are no response rates available for the Consumer Expenditure Survey in 2007, but the figure is expected to be similar to the 2004 and 2005 numbers. There are eleven columns in this summary table. Only the first and the second columns were used for the purpose of this study. The first column contained description of purchase type. The second column contained average percentage of spending on each purchase type by a consumer unit. Each consumer unit contained an average of 2.5 people. Instead of all consumer units, the not used columns contained average percentage of spending on consumer units with different level of income.



### 3.2 Measures

To measure the difference in hedonicity and utilitarianism of the items purchased by unrestricted gift card and cash purchases, a HED/UT scale is required for purchase categories. The unrestricted gift card category was removed from this comparison due to the fact that it was hedonic by design. The majority of the shopping venues included in the restricted card were apparels, travel agencies, and specialty retailers. A well known HED/UT scale developed by Batra and Ahtola (1990) was not chosen, due to its known problem with predictive validity (Crowley, Spangenberg, & Hughes, 1992), and discriminant validity (Mano & Oliver, 1993). Instead, a relatively new HED/UT scale developed by Voss, Spangenberg and Grohmann (2003) was chosen. This scale was designed by its developers to address the shortcomings of the Batra et al. scale, such as not using the same sample for the hedonic and the utilitarian portions of the same and using slightly different descriptors interchangeably in their questions. The Voss et al. HED/UT scale had been tested successfully for unidimensionality, reliability and validity. The Voss et al. HED/UT scale is suitable for both characterizing consumer attitudes toward product categories and also brands within the same product categories.

The Voss et al. HED/UT scale is a generalizable scale with five items for the hedonic dimension and five other items for the utilitarian dimension. To develop this scale, Voss et al. (2003) first gathered a list of adjectives from surveying student population and exploring theoretical concepts such as level of involvement, sensation seeking and need for recognition from existing literatures. Then they systematically reduced the list of adjectives with Factor Analysis until the factor loading for each remaining adjective was high enough to describe each dimension. The five adjectives used to measure the hedonic dimension were: fun, exciting, delightful, thrilling and enjoyable. The five adjectives used to measure the utilitarian dimension were: effective, helpful, functional, necessary and practical. A five-point polarity scale was used for both hedonic and utilitarian dimensions with the scoring from 1 to 5 reversed for the hedonic dimension. For example, “effective”, “somewhat effective”, “marginally effective”, “somewhat ineffective”, and “ineffective” corresponds with numerical score of “1”, “2”, “3”, “4” and “5” respectively; “fun”, “somewhat fun”, “marginally fun”, “somewhat not fun”, “not fun” corresponds with numerical score of “5”, “4”, “3”, “2”, and “1”, the exact opposite of the utilitarian scoring.

### 3.3 Procedure

Unlike a survey or experimental study, the procedure in deriving insights from archival data was often iterative. There were four main tasks performed in the data processing procedure: recognition, re-categorization, evaluation and calculation.

It is important to clarify that the transaction log summaries for both unrestricted gift cards and restricted gift cards only listed store names and purchase category. Sometimes it is easy to imagine what was bought at a store, for example, if a person buys something at ALDO, it is most likely that the person bought shoes. Other times, it is difficult to know what products or services were actually bought, if a person makes a purchase at a department store or a home renovation store. In some situations, particularly for unrestricted gift cards, where there were essentially unlimited number of store destinations, the merchant name was often unrecognizable to the author of the paper. In those cases, online searches were conducted to guess what kind of products and services were sold at these stores. This recognition task was also performed by student evaluators independently when they had trouble recognizing store names.

There were many purchase categories for unrestricted gift card log summaries. With constraints on time and research funding it wasn't possible to ask student evaluators to look at all the available spending categories. Therefore these transactions were re-categorized to reduce the number of spending categories to be evaluated. There were three ways in which the re-categorization occurred. First, similar purchases transactions from different locations of the same merchant were combined. An example of this would be all Starbucks purchases from different Starbucks cafes were put together. Secondly, products and services of different brands but of similar quality were grouped together. For example, "Wynn Las Vegas" and "Ritz-Carlton" were grouped together as "5 Star Hotels". Lastly, products and services that are perceived to have similar hedonicity and utilitarian scores by the author of the paper were grouped together. An example would be putting "auditing services", "management consulting services", "advertising services" all into a "professional services" category. With re-categorization, the number of purchase categories from unrestricted gift card was reduced from 355 to 121.

Three male University of Waterloo undergraduate students blind to the study hypotheses were hired as evaluators. They were each emailed a soft copy of HED/UT scale with short instructions, see example in Appendix B. At the same time, they were also emailed a list of purchase categories. Not all purchase categories were emailed at the same time due to limitations in availability. The

categories from unrestricted gift card and U.S. Consumer Expenditure survey were emailed first, followed by the restricted gift card and the Canadian Household Spending survey categories. Students were asked to put their answers into a pre-formatted Excel spreadsheet provided to them by the author.

Once the student evaluators completed their scoring process the answers were sent back via email. The author of this paper then conducted an Intra-class Correlation test (ICC) to make sure that the student answers at least moderately correlate with each other; the results are included in the following section. After that the average student score for each of the 10 questions were put into SPSS for Factor Analysis to ensure that the ten factors load correctly into the hedonic and utilitarian dimension; the results are included in the following section. After that, the averages from the five hedonic questions were averaged again to produce a hedonic score; the averages from the five utilitarian questions were averaged again to produce a utilitarian score. Note that it was possible for a purchase category to receive a high hedonic and high utilitarian score. Similarly, it was also possible for a category to receive a lower hedonic and utilitarian score. These scores are used for comparison purposes in the Analysis section of this paper.

## Chapter 4 Data Analysis

### 4.1 Hedonic and Utilitarian Purchase Comparison

#### 4.1.1 Intra-class Correlation

In data analysis, the first task is to ensure that the HED/UT scale was able to elicit the same responses from different evaluators. Therefore a reliability test was carried out. An Intra-class Correlation (ICC) is a measure of the proportion that is attributable to objects of measurement (McGraw & Wong, 1996). Within the context of this study, the objects are purchase categories such as “Books, Newspapers and Periodicals” and “Cleaning Services”. The measurements are the student evaluators’ hedonic and utilitarian scores in response to the questionnaire in Appendix B. In order to perform ICC, three sets of answers were grouped by questions. Ten ICC calculations were performed. ICC is not a statistical significance test but rather a test of correlation. Cronbach’s Alpha is a numerical coefficient of reliability within the ICC test. Cronbach’s Alpha ranges from 0 to 1, and a higher number indicates higher internal reliability of the scale. A Cronbach’s Alpha of between .60 and .70 is considered generally acceptable by most social sciences studies. Within this study, except for Question 1, all answers achieved that range or were extremely close to it. Table 1 shows the Cronbach’s Alpha summary.

**Table 1: Internal Reliability Measures of HED/UT Scale**

	<b>Cronbach's Alpha</b>
<b>Q1 Effectiveness</b>	0.549
<b>Q2 Helpful</b>	0.596
<b>Q3 Functional</b>	0.638
<b>Q4 Necessary</b>	0.676
<b>Q5 Practical</b>	0.694
<b>Q6 Fun</b>	0.685
<b>Q7 Exciting</b>	0.634
<b>Q8 Delightful</b>	0.630
<b>Q9 Thrilling</b>	0.635
<b>Q10 Enjoyable</b>	0.649

The author of this paper predicts that there would be several ways to increase the reliability measure. First, identification and elimination of evaluators with abnormal interests would increase correlation. For example, in post questionnaire interviews, one evaluator confessed to the fact that he loves home renovation and considers it to be a hobby. It was no wonder that upon later review, he had given higher hedonicity scores than the other evaluators for all home renovation related entries. Second, a different numbering scheme may improve data entry accuracy. Note that in earlier sections, it was explained that the hedonic questions were reverse scored with the utilitarian scores coded normally. This caused confusion in some evaluators. An alternative approach is to have uniform scoring and just process the hedonic scores by simply replacing “5” with “1” and so on for the scores.

#### **4.1.2 Factor Analysis**

In order to ensure that we can produce a hedonic score by averaging the student response average on Question 6 to Question 10 and a utilitarian score by averaging the student response average on Question 1 to Question 5, the author had to find out if the ten questions in the HED/UT scale can be referenced to the underlying hedonic and utilitarian dimension. I chose to use a statistical technique called Factor Analysis to do this.

There are two types of Factor Analysis: exploratory and confirmatory. Exploratory Factor Analysis is used to determine the number of factors required to adequately explain for the majority the correlations among observed variables. Confirmatory Factor Analysis lets its user form hypothesis on the number of factors in the data. In this study, Exploratory Factor Analysis was used. There are three stages to Factor Analysis, formation of matrix of correlation coefficients, factors extraction and factor rotation (Kinnear & Gray, 2009). SPSS performs these stages automatically. There are two notable outputs from Factor Analysis: Communalities and Component Matrix. Communalities describe the proportion of the variance of the test that has been accounted for by the factors extracted. For example in Table 2, we can say 78% of the variance of the scores on Helpfulness is accounted by the common factors extracted by the analysis.

**Table 2: Communalities**

	<b>Initial</b>	<b>Extraction</b>
<b>Q1 Effectiveness</b>	1	0.681
<b>Q2 Helpful</b>	1	0.778
<b>Q3 Functional</b>	1	0.839
<b>Q4 Necessary</b>	1	0.798
<b>Q5 Practical</b>	1	0.804
<b>Q6 Fun</b>	1	0.852
<b>Q7 Exciting</b>	1	0.811
<b>Q8 Delightful</b>	1	0.828
<b>Q9 Thrilling</b>	1	0.801
<b>Q10 Enjoyable</b>	1	0.789

The most important output from Factor Analysis is the Component Matrix. The Component Matrix shows the loadings of the ten tests on the two factors extracted. A Rotated Component Matrix, as shown in Table 3 represents the numbers representing a graphical rotation in the Component Matrix that allows the two factors to represent two orthogonal axes. Fundamentally, a Rotated Component Matrix compared to a Component Matrix is for ease of interpretation. Conceptually, they are the same. Since the two extracted factors are uncorrelated, each test should only have a high loading on one of the two factors. It is easy to see from Table 3 that factor 1 represents the hedonic dimension and factor 2 represents the utilitarian dimension. This means the HED/UT scale was very effective in measuring the two underlying dimensions and to obtain a hedonic and a utilitarian score for a purchase category, we can simply average the answers to scale questions.

**Table 3: Rotated Component Matrix**

	<b>Factor 1</b>	<b>Factor 2</b>
<b>Q6 Fun</b>	<b>0.909</b>	-0.16
<b>Q7 Exciting</b>	<b>0.897</b>	-0.083
<b>Q9 Thrilling</b>	<b>0.886</b>	-0.126
<b>Q8 Delightful</b>	<b>0.88</b>	-0.234
<b>Q10 Enjoyable</b>	<b>0.827</b>	-0.325
<b>Q3 Functional</b>	-0.201	<b>0.894</b>
<b>Q5 Practical</b>	-0.092	<b>0.892</b>
<b>Q4 Necessary</b>	-0.062	<b>0.891</b>
<b>Q2 Helpful</b>	-0.302	<b>0.829</b>
<b>Q1 Effectiveness</b>	-0.248	<b>0.787</b>

### **4.1.3 Comparison of Difference**

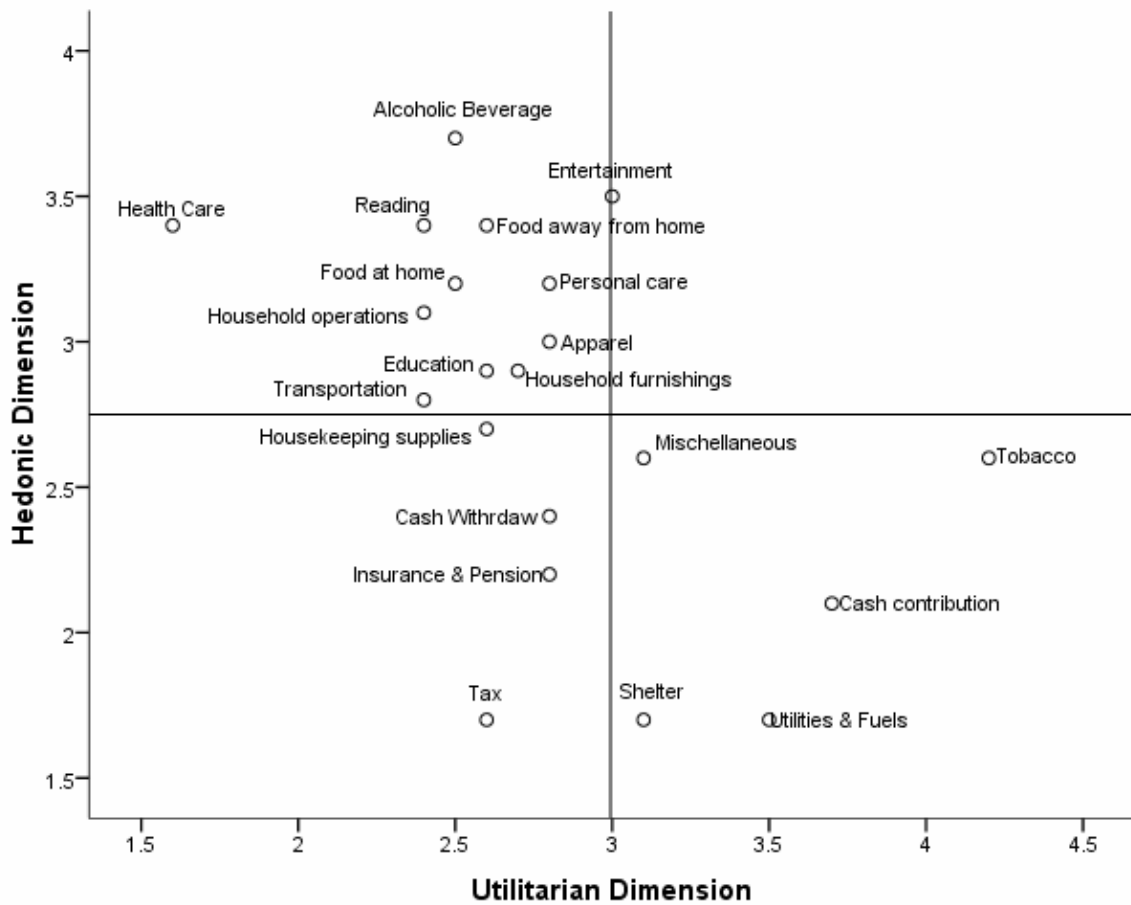
After the process of recognition, re-categorization, evaluation and calculation described in the methodology section, we were able to construct a comparison table for U.S. Consumer Expenditure results (CE), Canadian Household Spending (HS) results, unrestricted gift card spending and restricted gift card spending. Initially, we used the twenty existing CE categories plus the addition to the category of “Cash Withdraw and Transfer” from the unrestricted transaction log. Table 4 contains these initial findings.

There are two interesting findings from Table 4. First, we found that 33.2% of unrestricted gift card were spent on “Cash Withdraw and Transfers”. This means one third of the reward were literally taken out and used as cash by its recipients. This is a clear indication that people treat their unrestricted gift card just like cash. Secondly, it was interesting to see that the hedonic and the utilitarian dimensions are not orthogonal. A high score in one dimension doesn’t produce a low score in the other. In that sense it is difficult to label a service or a product as hedonic or utilitarian. Thirdly, some categories such as shelter, pension and taxes are long term fixed living costs. Hence, it is not meaningful to compare spending in these categories because both types of gift cards would not be used in these categories. In later analysis, these categories are systematically removed from the list. Lastly, some categories such as transportation need to be further divided to facilitate comparison. Within the transportation category there are spending on new vehicle purchases and then there are spending on repair and maintenance. With the \$500 to \$1000 USD cash limit on both types of gift cards, it is unlikely that their holders can use them to purchase vehicles. Therefore, the identification of and removal of vehicle purchase from transportation category should narrow the percentage gap between cash and gift card spending.

**Table 4: Spending Pattern Comparison across CE, HS, Unrestricted and Restricted Gift Card**

<b>Meta Purchase Categories</b>	<b>UT</b>	<b>HED</b>	<b>US Cash</b>	<b>CAD Cash</b>	<b>Unrestricted</b>	<b>Restricted</b>
Cash Withdraw and Transfers	2.8	2.4	0.00%	0%	33.20%	0.00%
Food at home	2.5	3.2	7.00%	10.00%	6.19%	0.25%
Food away from home	2.6	3.4	5.40%	3.38%	7.97%	0.28%
Alcoholic Beverages	2.5	3.7	0.90%	1.63%	0.85%	0.05%
Shelter (mortgage, property tax, maintenance, repair, insurance, rent)	3.1	1.7	20.20%	19%	0.51%	0.00%
Utilities, fuels, and public services (natural gas, electricity, fuel, telephone, water)	3.5	1.7	7.00%	4.13%	0.16%	0.00%
Household operations (personal services, household expenses)	2.4	3.1	2.00%	4.63%	2.12%	0.00%
Housekeeping supplies (laundry, cleaning supplies, postage and stationery, other household products)	2.6	2.7	1.30%	1.38%	0.57%	0.84%
Household furnishings and equipment (household textiles, furniture, floor coverings, major and small appliances, houseware, equipments)	2.7	2.9	3.60%	3.25%	9.21%	28.78%
Apparel and services (clothes, footwear, other apparel products and services)	2.8	3.0	3.80%	5.00%	8.97%	41.88%
Transportation (vehicle purchase, gas, maintenance and repairs, rental, vehicle insurance, public transportation)	2.4	2.8	17.60%	16.88%	10.88%	2.37%
Health Care (health insurance, medical services, drugs, medical supplies)	1.6	3.4	5.70%	3.50%	2.20%	0.00%
Entertainment (fees, admissions, audio and visual equipment, pets, toys, hobbies, and playground equipment)	3.0	3.5	5.40%	9.00%	7.28%	19.25%
Personal care products and services	2.8	3.2	1.20%	2.13%	0.51%	3.00%
Reading	2.4	3.4	0.20%	0.50%	0.25%	1.50%
Education	2.6	2.9	1.90%	1.88%	0.30%	0.10%
Tobacco products and smoking supplies	4.2	2.6	0.70%	2.75%	0.08%	0.00%
Miscellaneous	3.1	2.6	1.60%	1.75%	5.79%	1.22%
Cash contributions	3.7	2.1	3.70%	3.75%	2.42%	0.00%
Personal Insurance and Pensions	2.8	2.2	10.80%	7.13%	0.38%	0.00%
Taxes	2.6	1.7	0.00%	0.00%	0.15%	0.00%





**Figure 1: Hedonic and Utilitarian Dimensions of CE Categorization**

Figure 1 shows a plot of these purchase categories, with utilitarian dimension as the x-axis and hedonic dimension as the y-axis. Note that the horizontal and vertical reference lines at 2.75 and 3 respectively are not mean scores; they are just the middle point on the x and y axis that help to divide the graph into quadrants pictorially. As Figure 1 demonstrates, some categories are dominated by one dimension where as other categories are more difficult to classify. Alcoholic Beverage, Entertainment, Reading, Food, Health Care are seen as pre-dominantly hedonic. Tobacco, Cash contribution, Utilities & Fuels are Shelter are perceived to be pre-dominantly utilitarian. Other categories are either relatively high on both dimensions or relatively low on both dimensions and difficult to classify. It appears that there is much more variance in the hedonic scale than the utilitarian scale, this is anticipated because the hedonic dimension would naturally vary more from person to person. In other words, if something is exciting and pleasurable to one person, that very product may not have the same level of effects on another individual due to personal taste

and preference. For more functional and pragmatic evaluations, as in the utilitarian scale, individuals from the same society and culture tend to provide similar evaluations.

There are some drawbacks to this first attempt at a comparison table. Even though there are some overlaps between the U.S. Consumer Expenditure, Canadian Household Spending, unrestricted and restricted spending, there are categories that should be included in the comparison. First of all, the restricted gift card is hedonic by design. Most of the stores available in Appendix A are clothing stores, entertainment venues and home furnishing stores. Therefore a high percentage of spending in these categories is hedonic by design. To compare these “forced” percentages with people’s “spontaneous” spending pattern in the rest of resource types is not meaningful. Further the U.S. Consumer Expenditure categorization may not be the most ideal categorization to facilitate comparison. Some categories such as Shelter, Utilities, Pension & Insurances and Taxes are long-term financial obligations and thus highly unlikely to be spending targets for additional disposable income. Furthermore, the gift cards under investigation have spending limits of under a thousand dollars, thus prohibits the purchase of real big-ticket items such as automobiles. The percentage information from U.S. Consumer Expenditure is not detailed enough to identify these differences. As a result, some re-categorization was performed on Canadian Household Spending and unrestricted data only. Table 5 shows the new comparison table.

**Table 5: Spending Pattern Comparison between HS and Unrestricted Gift Card**

<b>Meta Purchase Categories</b>	<b>UT</b>	<b>HED</b>	<b>CAD Cash</b>	<b>Unrestricted</b>
Food (at home and away from home)	2.5	3.3	19%	22%
Transportation (gas, maintenance and repairs, rental, vehicle insurance, public transportation)	2.4	2.8	21%	17%
Transportation (vehicle purchase)	1.6	4.5	4.3%	0.0%
Household operations (personal services, household expenses)	2.4	3.1	6.53%	3.22%
Housekeeping supplies (laundry, cleaning supplies, postage and stationery, other household products)	2.6	2.7	1.87%	0.87%
Household furnishings and equipment (household textiles, furniture, floor coverings, major and small appliances, houseware, equipments)	2.7	2.9	4.56%	14.01%
Entertainment (admission fees, audio and visual equipment, pets, toys, hobbies, and playground equipment)	3.0	3.5	13%	11%
Apparel and Services (clothes, footwear, jewelleries, watches)	2.8	3.0	7%	10%
Department Stores	2.8	2.9	0.0%	3.4%
Health Care (medical services, drugs, medical supplies)	1.6	3.4	2.0%	3.35%
Alcoholic Beverages	2.5	3.7	2.2%	1.3%
Personal care products and services	2.8	3.2	2.95%	0.77%
Reading	2.4	3.4	0.62%	0.38%
Education	2.6	2.9	2.59%	0.46%
Tobacco products and smoking supplies	4.2	2.6	3.84%	0.13%
Cash contributions	3.7	2.1	5.28%	3.68%
Miscellaneous	3.1	2.6	2.41%	8.80%
<b>Overall CAD Cash Score</b>	<b>2.6</b>	<b>3.1</b>		
<b>Overall Unrestricted Score</b>	<b>2.7</b>	<b>3.0</b>		

This new comparison table offers some insights to the spending behaviour similarities for disposable income and an unrestricted gift card. In some of the largest spending categories by percentage, such as Food, Transportation (other than vehicle purchase) and Entertainment the percentages between the two different financial resources are similar. The fact that people using unrestricted card actually spent less on Entertainment than people using their disposable income is suggestive that when people are using their unrestricted gift card, they are keeping their mental account budgeting in place. Consequently, they are not spending things on overtly hedonic items that can't pass the justification process. Other than the purchase of a vehicle, Reading and Alcoholic Beverages are the two categories with the highest hedonic scores; in both categories the

percentage of spending is actually higher than unrestricted gift card. This suggests that people are not using their unrestricted card on many frivolous things.

Another way to compare the spending pattern cash and unrestricted gift card is to calculate the overall utilitarian and hedonic scores of a whole baskets of purchases. To calculate a score, a utilitarian or hedonic score is multiplied by its category spending percentage and all of these products are summed across categories. The overall utilitarian score for cash spending is 2.6 compared to the restricted gift card's 2.7. The overall hedonic score for cash spending is 3.1 compared to the restricted gift card's 3.0. Considering the type of data processing described in methodology section, it would be unlikely to produce this kind of similarity by chance. This supports Hypothesis 1, which predicts that people treat unrestricted gift card as their own cash, hence spend unrestricted gift card on products with similar hedonicity and utilitarianism as with their own disposable income.

### 4.2 Transaction Size Comparison

In contrast to hedonic and utilitarian goods/services purchase comparison, the comparison of average transaction size between restricted gift cards and unrestricted gift cards was relatively simple. In the Maritz Inc. transaction summary log for both unrestricted gift cards and restricted gift cards it documented the total number of transactions and total dollar amount spent. To compare the overall average transaction size, only a simple division is required. The overall average transaction size for an unrestricted gift card is \$79.65 and the overall average transaction size for a restricted gift card is \$107.93. Since these figures are both population averages, we can directly compare these two numbers. These figures suggest that Hypothesis 2 is correct, people within the Maritz Inc. logs have definitely spent more freely with their restricted gift card, producing a transaction size that is 35.5% larger than that of an unrestricted gift card. Although, without a statistic test on a sample that represents North America working population, this statement cannot be generalized.

In order to glean more insights from these data, we have also examined average transaction size by categories. These categories are used by Maritz Inc., and they are: Education, Department Store/Apparel & Accessories, Home Improvement, Disposable Retail, Specialty Retail, Entertainment/Recreation, Travel, Grocery, Restaurant and Disposable Service. The findings are summarized in Table 6.

**Table 6: Unrestricted and Restricted Transaction Size Comparison**

<b>Purchase Category</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>% Difference</b>
<b>Education</b>	\$185.14	\$90.16	-51.30%
<b>Department Store/Apparel &amp; Accessories</b>	\$112.97	\$78.43	-30.58%
<b>Home Improvement</b>	\$138.69	\$115.57	-16.67%
<b>Disposable Retail</b>	\$79.15	\$68.64	-13.28%
<b>Specialty Retail</b>	\$192.63	\$174.11	-9.61%
<b>Entertainment/Recreation</b>	\$61.27	\$88.26	44.04%
<b>Travel</b>	\$221.75	\$379.15	70.98%
<b>Grocery</b>	\$41.41	\$106.60	157.39%
<b>Restaurant</b>	\$27.31	\$91.07	233.42%
<b>Disposable Service</b>	\$104.02	\$457.40	339.71%

The findings summarized in Table 6 seem to suggest that for purchases that are consumed in a relatively short time frame (Entertainment/Recreation, Travel, Grocery, Restaurant and Disposable Service), the average transaction size is higher for the restricted card than for the unrestricted card. Whereas for purchase that are higher in durability and has a foreseeable impact on the future such as Education, Apparel, Home Improvement, Disposable Retail and Specialty Retail, people with unrestricted gift card tend to have a higher average transaction size. This indicates that people spend more freely with a restricted gift card on things that have a higher hedonic dimension, due to the removal of justification process and its consequent enforcement of spending discipline.

## Chapter 5 Discussion

Through comparison of cash spending and gift card spending, it was evident from individual category comparison and overall hedonic and utilitarian score comparison that people treat unrestricted gift card as their own cash and thus spend it on products with similar hedonic and utilitarian dimensions as with their disposable income. This finding indicates that if companies reward an unrestricted gift card to their top performing employee, then it is just like giving him or her a cash reward.

In previous studies, it was demonstrated that hedonic non-cash incentives has higher motivational power than an equivalent amount of cash (Jeffrey, 2007). Despite the economic option value of cash (equivalent amount of cash can purchase hedonic non-cash item and other products and services at the recipient's discretion), the value of cash appeals to the people's reason based cognitive system, whereas the value of a hedonic non-cash reward appeals to the affective system. In experimental settings, Jeffrey (2007) demonstrated that the subjective affective evaluation of an incentive drives effort. In his experiment, Jeffrey (2007) asked participants to engage in a mentally challenging word puzzle game. While the introduction of a cash reward had improved performance by 17.6 points, the introduction of a hedonic non-cash incentive had improved performance by 47.2 points. Therefore, if a company's intention is to maximize motivational power of its incentive program, then it shouldn't give out unrestricted gift card and expect that it will be treated like a tangible reward. People will perceive it as cash and spend it like cash. An unrestricted gift card is just a different carrying medium for cash. There is no difference in handing an employee an unrestricted gift card or a just a cheque.

Being spent just like cash, unrestricted gift cards also lack the motivational properties of tangible incentives, such as social reinforcement, justifiability and separability (Jeffrey & Shaffer, 2007). Social reinforcement is the concept that people not only derive value from the actual consumption of a reward, but also derives value from the acknowledgement and recognition by people in their social circle, which includes colleagues, managers, family and friends.

A tangible incentive has high level of visibility that facilitates recognition and acknowledgement. One can imagine that it is much more socially acceptable for someone to make a remark on a trip, a golf club or a new purse than on a \$500 dollar cash reward. Justifiability is the notion that people find it psychologically costly to purchase goods and services that are pre-dominantly hedonic due to

the fact they are more difficult to justify with a reason-based system. A tangible reward that is rich in the hedonic dimension eliminates the requirement for justification since its recipient is constrained to accept the award. Separability is related to mental accounting. A cash reward is easily aggregated into the current income mental account and thus is not mentally salient as a separate entity. Within mental accounting literature, it is stated that the value function is not linear to monetary quantity but rather referential to a base point (Thaler, 1999), a cash reward, being difficult to separate from current income mental account, induces comparison with a person's base salary and thus produces diminished marginal value.

A restricted gift card is a better motivational tool than an unrestricted gift card. A restricted gift card that is hedonic by design conveys prestige and exclusivity since it can only be spent at upscale department stores, exotic travel destinations and specialty stores. An unrestricted gift card does not carry this information. An unrestricted gift card is perceived by employees as just having more cash. The information carried by a restricted gift card makes employees feel that their companies value their contributions and is reciprocating their efforts with meaningful gifts. The lack of information carried by an unrestricted gift card makes employees feel that their companies are lazy and uninterested in offering a gift that's truly rewarding.

A restricted gift card that is hedonic by design channels people's "want" self and help them make hedonic purchases without psychologically costly justification processes. An unrestricted gift card burdens people's purchasing decision due to its cash like properties. Since people value hedonic rewards more highly than utilitarian ones, they will strive harder to achieve organizational goals in pursuit of a restricted gift card instead of just getting more cash.

Even though it was not possible to directly compare the spending behaviours of restricted and unrestricted gift card; we know that a restricted gift card is hedonic by design. This means the restricted gift card recipients are constrained to purchase a hedonic item for themselves. As previously discussed, a hedonic tangible reward has higher motivational value than cash of equal monetary value. This means, a restricted gift card that is hedonic by design has a higher motivational value than an unrestricted gift card, which is essentially a cash debit card.

The study of transaction size comparison of unrestricted gift card and restricted gift card yielded the results that show a larger average transaction size for restricted gift cards. This seems to suggest that a restricted gift card offers psychological ease in purchase. In other words, it is less mentally costly to make a purchase with a restricted gift card than with unrestricted gift card or cash. This



may be related to the concept of justification. Perhaps the process of justification not only limits the hedonicity and utilitarianism of one's purchase but also the size of his/her purchase. This study also offered some insights into what is considered to be hedonic by people. In light of the high hedonic scores of Reading Materials (3.4/5) and Health Care (3.4/5), companies may consider adding more book stores, periodical subscriptions and nutrition centres to their restricted store list. The difference in transaction size can also be attributed to a statistical artifact due to fewer spending venues; however, the number of spending venues is well over 100, this means if a \$1000 gift card is evenly distributed among all stores, then the average transaction size is only \$10. This statistical explanation would be much more suitable for a restricted gift card with a single or a few spending options.

We know that a restricted gift card has higher motivational power than an unrestricted gift card. But does a restricted gift card have equivalent or higher motivational power than a hedonic tangible reward? This question is not investigated within the context of this paper and thus we don't have an answer for that within the scope of our study. But we can point out that a restricted gift card shares some of the motivational properties of a hedonic tangible reward such as justifiability and separability.

## Chapter 6 Conclusion

The main contribution of this study was the identification of unrestricted gift card as a cash carrying medium instead of a tangible non-cash incentive. This means that unrestricted gift card cannot be expected to provide the motivational benefits of a hedonic non-cash reward. Both the perception of unrestricted gift card as cash, and the actual spending behaviour of unrestricted gift card as disposable income prohibit the maximization of motivational effects, in comparison to non-cash tangible rewards and to restricted gift cards.

The results of the study, though offering interpretive explanation instead of statistical ones, show that giving an employee an unrestricted gift card is cognitively and behaviorally similar to giving a cash bonus. A restricted gift card, if designed to be spent at destinations with pre-dominantly hedonic goods and services is a better motivational tool than an unrestricted gift card, because it constraint people to making hedonic purchases that are otherwise difficult to justify. These hedonic purchases, though identical in value to utilitarian purchases, are more subjectively valuable to people, since humans tend to have upward bias in evaluating things that appeal to the affective instead of the cognitive psychological system.

The finding that giving employees an unrestricted gift card is just like giving them more cash has practical implications for both companies that are trying to motivate their workforce and consultancies that are packaging incentive products. For companies that want to maximize workforce motivation and minimize the costs associated with these awards, unrestricted gift card is a poor choice for incentives. Implementing an unrestricted gift card program takes valuable company resources and offers no extra benefits than just giving employees cash bonuses. Instead, they should look at implementing a restricted gift card program for above stated reasons. For consulting companies that are packaging incentive products, they can use the finding from this study to better design their incentive programs. First, they should shift the focus from unrestricted gift card to restricted gift card. Second, they should look closely to the shopping venues that are featured on their gift card. The higher the overall hedonic dimension of the shopping destinations, the more effective the gift card program. What does this mean practically? This means change the three star hotels to the five star resorts; swap the family friendly casual dining places for nationally ranked fine dining restaurants; replace the department store chains with high-end department stores such as Saks Fifth Avenue or Neiman Marcus. The goal is to make the restricted gift card a truly

coveted prize that employees feel worthwhile to win. The desire to acquire this gift card would make employees more dedicated to their work and more committed to their organizations.

There are also several methodological contributions from this study. Within the context of this study, the new ten point HED/UT developed by Voss, Spangenberg and Grohmann (2003), was successfully tested for construct validity that reflects the dual dimensionality of consumer products and brands (store names). Further, the examination and comparison of overall hedonicity and utilitarian scores of two groups of purchases is a novel approach in looking at consumer behaviours.

There are several limitations that should be addressed. First, the HED/UT evaluation of purchase categories is done by a group of three male undergraduate students of the same age. Though their answers correlated well with each other, their perceptions may differ from the general public. A mixed group that represents general population demographics should be selected as evaluators for future studies. Second, this study has two generalizability issues. The more significant one is the fact that the findings were interpretive instead of statistical, which makes generalization to a broader population (North America work force) difficult. Two alternative approaches that use archival study and experiment were proposed in Future Studies section. A minor issue is that the unrestricted gift cards were spent by people that resided in U.S.A., whereas the detailed consumer spending data were collected from people resided in Canada. This is considered to be minor, because both countries are in North America, and share similar cultures, which encompasses attitudes toward work, money and consumption.

## Chapter 7 Future Work

### 7.1 Further Archival Study

In the analysis that compared the spending pattern of disposable income and an unrestricted gift card, no statistical tests of significance were used. This means the findings are at best suggestive, and the hypothesis cannot be supported or falsified by a test of difference in proportions. The main reason that a statistical test of difference cannot be performed on different data sets is due to the fact that the percentages from unrestricted gift card represent true percentages calculated from a population, whereas consumer spending information are sample means with calculated and unknown variances. Some may argue that the restricted gift card spending data set is a random sample from all restricted gift card spending log and is quiet representative of the overall transactions population. In fact, the author of this paper held this belief for quiet some time, until she realized, with the help of University of Waterloo's Statistical Consulting services that there is no true replication in the restricted gift card data set. This point is best illustrated with a pictorial example. In Figure 1, fictitious numbers and simplified categories are shown to demonstrate how percentages are calculated as presented in the analysis section.

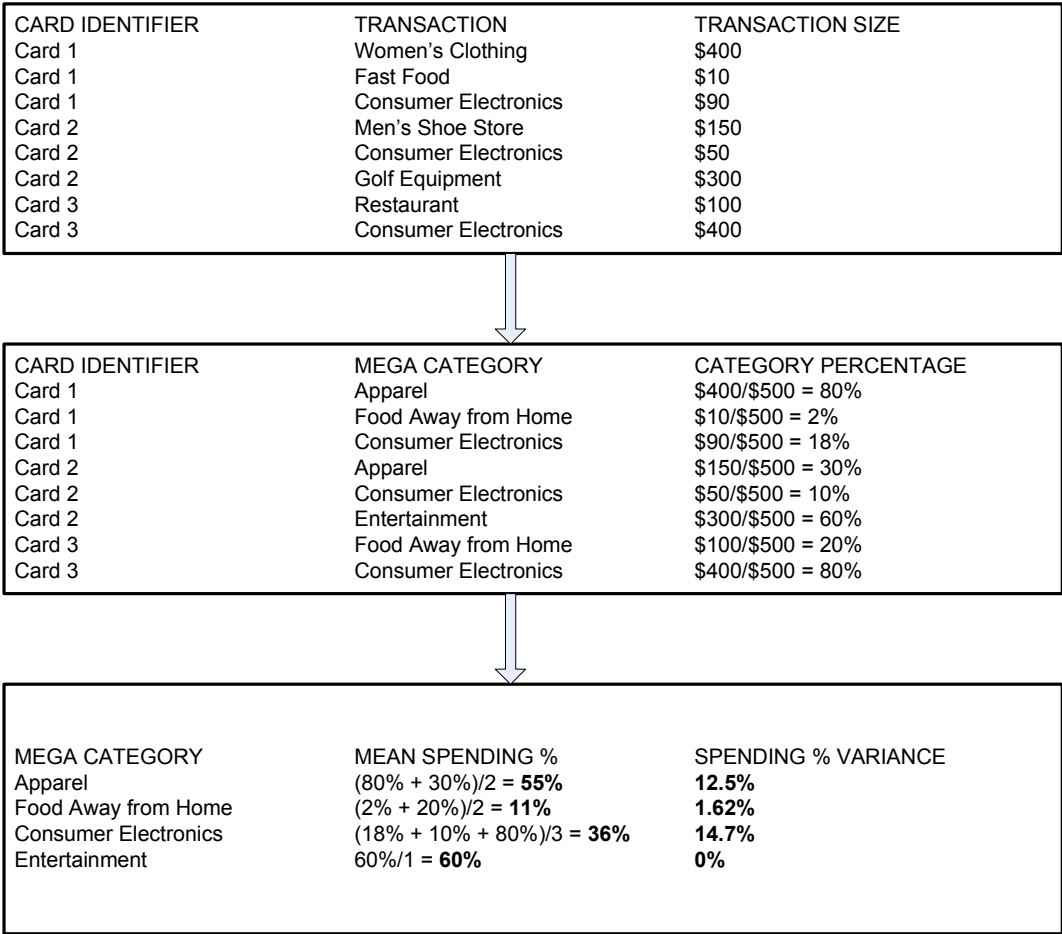
PURCHASE CATEGORY	AMOUNT OF MONEY SPENT
Women's Clothes	\$4000
Men's Clothes	\$2000
Car Dealership	\$10000
Vehicle Repair	\$5000
Parking Lot	\$1000
<b>TOTAL</b>	<b>\$22000</b>

↓

MEGA CATEGORY	% OF TOTAL MONEY SPENT
Apparel	$(\$4000 + \$2000)/\$22000 = 27.3\%$
Transportation	$(\$10000 + \$5000 + \$1000)/\$22000 = 72.7\%$
<b>TOTAL %</b>	<b>100.0%</b>

**Figure 2: Percentage Calculation for Restricted Gift Card Data Set**

It is clear from Figure 2, that these calculated percentages are true values. They aren't sample averages with certain variances. Does this mean that there's no point to further archival data study? The answer is that it depends on what type of archival data is still available. It is known through our contact with Martiz Inc. that they have detailed transaction log that identifies the exact gift card that is used in a transaction. This means that if granted access to a portion of these transaction data, we can treat each card as a replication and then calculate sample category percentages. This calculation is depicted in Figure 3.



**Figure 3: Use Card as Replication Percentage Calculation**

In this new proposed percentage calculation, assuming that each gift card has a spending limit of \$500.00 and we have access to transaction level detailed spending record, we can calculate the percentage of spending for each mega category for each gift card. Since every employee has only one gift card, we can treat each card as a unique subject. Subsequently, we can find the mean (average) spending percentage for all mega categories across all subjects (cards), and as well the

variance in their spending percentages in each mega category which illustrates the variation in spending pattern. These mean spending percentages can be used in a statistical comparison test with public consumer spending data and can either be used to support or falsify Hypothesis 1, which predicts that people spend unrestricted gift card like it is their own disposable income.

There are two potential drawbacks to this proposed archival study. The first drawback is that there is no certainty that Maritz Inc. would supply such detailed data, and without transaction level detail that links each transaction to a unique gift card identifier, this calculation can't be done. The second drawback is the quantity of data that the researcher has to deal with. The current unrestricted gift card data set is a summary of more than 140,000 transactions. Sorting transaction by card identifier will be a relatively routine programming task, but attributing each transaction without human involvement to a mega category can be a potentially difficult task. This may require the use of fuzzy logic algorithms that recognizes portions of the transaction description and can relatively accurately place the transaction in the correct category.

## **7.2 Experimental Study**

It is not difficult to notice that in the analysis section the author of this paper has refrained from direct comparison of unrestricted and restricted gift card spending differences in terms of percentage spending in each category. The reason for that is demand effect of a restricted gift card. This demand effect works in the following ways. First when an employee receives a restricted gift card, he/she will also be given a list of approved spending venues, such as the one listed in Appendix A. These stores then become mentally salient to these card holders. With an unrestricted gift card, there is no such priming. Furthermore, with an unrestricted gift card there is a limited number of spending options. One divided by infinity, mathematically speaking, is a very small percentage. This percentage is much smaller than the default percentage of one divides by the number of stores allowed for the restricted gift card. An experimental study could overcome the demand effect, and investigate the hypothesis that unrestricted card spending behaviour is like cash spending behaviour and both are different from restricted card spending behaviour. In addition, an experimental study would also allow more accurate rating of hedonic and utilitarian purchases. This is because with archival study we are only given the name or category of stores that the person has made his/her purchase, whereas with experimental study we can actually record the actual item of purchase.

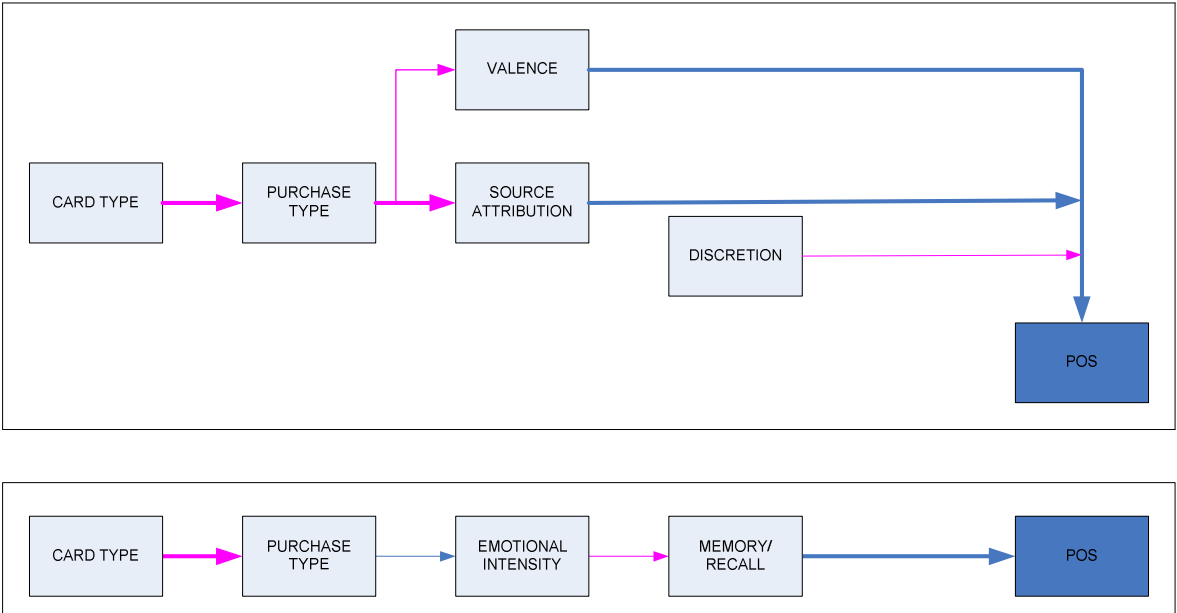
In the first stage of the experimental study, a sample of part-time graduate students would be drawn from University of Waterloo's registrar list. Part-time graduate students would be used instead of full-time undergraduate students because they are usually fully-employed and their life styles and spending habits are more similar to labour force averages than undergraduate students. These students would be contacted and informed that they have won an award for excellence in research/coursework. They will be asked to contact the "award administrator" to claim their reward. The anticipated participation rate is high due to the context of this experiment. The respondents would then be divided into three groups. One group will be given cash, one given a restricted gift card and another given an unrestricted gift card. These rewards will be relatively sizable and equal in monetary value. When these rewards are given out, a pamphlet will be given to the restricted group on the names of stores that they are limited to shop at. Both the cash and the unrestricted group would be given a similar pamphlet mentioning the kind of stores that they can shop at (the same stores as the restricted group). This will equalize the mental salience of stores in all groups. At the same time, each respondent is asked to keep a shopping journal on their reward. In the journal, all purchases will be divided into 20 to 30 mega categories. The researcher can set an artificial "expiration date" for gift cards at 2 to 3 months and then look at the recorded shopping journals.

There are many benefits to this experiment study. It controls variables that are difficult to manipulate in field studies and provides information that is otherwise unknown in archival studies. With this experimental study we can identify the exact items of purchase instead of store names. Further, mega categories are not artificial divisions but pre-defined categories across all three groups. All respondents will be subjected to the same purchase time frame and experience similar priming by being exposed to the same list of stores as restricted gift card holders. There are two main drawbacks to an experiment study. The first is the use of deceit in this experiment. All respondents are being deceived to believe that they have been given an award, they may tell their friends, family and even their employer of their reward. After journal collection, these respondents will be informed of the premise of the experiment. There may be adverse emotional effects such as humiliation if these people have already told people in their personal lives about this award. The second drawback of an experiment design is cost. If each respondent is given a \$50.00 CAD reward and a sample of 150 is used (hardly a large sample), then \$7500.00 CAD will be used for one experiment. This is very expensive and can't be executed without application for a sizable research grant. Alternatively, it is possible to pitch this experimental study to an incentive company and to do a field experiment. The most significant step that the incentive company has to do to

counter demand effect is to expose the unrestricted gift card recipients to the same roster of stores that the restricted gift card recipients are constrained to, even though they are not required to shop at these stores.

### 7.3 Survey Study

This thesis was originally designed as a two part study. In the first part, the archival study was conducted to study the relationship between the type of reward (unrestricted gift card, restricted gift card, and cash) and spending pattern. In the second part, a survey study would be conducted to investigate the impact of these purchasing differences. Due to time limitation, this thesis was re-scoped to only include the first part. Figure 3 shows the complete theoretical framework.



**Figure 4: Complete Theoretical Framework**

As shown in Figure 3, our interest in the subject is not limited to the type of purchase made by people with different types of reward, but also the difference in source attribution, discretion, and memory/recall of their purchases. Most importantly, we are interested in how these constructs affect the level of Perceived Organizational Support (POS) (Eisenberg et al, 1986) felt employees as they spent different types of reward. The ultimate question here is would the difference in nature of reward actually produce different levels of POS mediated by source attribution, discretion and recall?



### 7.3.1 Constructs

There are two dominant theories in explaining employer-employee relationships, they are: Psychological Contract Theory (PCT) and Organizational Support Theory (OST). These two theories are related but distinct concepts both rooted in Social Exchange Theory and norm of reciprocity (Eisenberger, Armeli, Rexwinkel, Lynch & Rhoades, 2001; Aselage & Eisenberger, 2003; Dabos & Rousseau, 2004; Coyle-Shapiro & Conway, 2005; Loi, Ngo & Foley, 2006).

A psychological contract is a system of beliefs held by an employee of the terms and conditions of an exchange relationship with his or her employer (Coyle-Shapiro & Conway, 2005); these beliefs are shaped by the employee's personal characteristics (e.g. personality, value system, level of motivation), current and past employment experiences and social norms in his/her broader society (Dabos & Rousseau, 2004). Psychological Contract Theory proposes that employee's job performance and emotional satisfaction is determined by his/her evaluation of the extent of fulfillment of the mutual obligations between employee and employer (Coyle-Shapiro & Conway, 2005), and the perceived failure to deliver the resources promised from employer to employee is a key determinant of employee's reduction of his/her performance as a form of retaliation (Aselage & Eisenberger, 2003).

Perceived Organizational Support (POS) is an employee's perception of an organization's emotional and intellectual bond to him/her (Eisenberger, Huntington, Hutchison & Sowa, 1986). POS is influenced by an employee's experienced past treatments, interpreted employer intentions and results in a calibrated level of expectations of future treatments from an employer (Eisenberg et al., 1986). More specifically, POS represents an employee's "global beliefs concerning the extent to which the organization values their contributions and cares about their well beings" (Rhodes & Eisenberger, 2002, p. 698); how supportive the firm is at promoting life and work balance, how readily a firm rewards high performance, how a firm appropriately distributes necessary productive resources among its employees etc. Organizational Support Theory predicts that a high level of POS will yield a range of desirable outcomes for employers such as enhanced job performance (Eisenberger et al., 2001; Randall, Cropanzano, Bormann & Birjulin, 1999), increase in organizational citizenship behaviour (Moorman, Blakely & Niehoff, 1998), increase in job involvement (O'Driscoll & Randall, 1999), increase in loyalty, and less withdrawal behaviours (Rhodes & Eisenberger, 2002). A high level of POS is also beneficial to employees themselves in that it will induce positive mood and lower job-related stress level (Rhodes & Eisenberger, 2002).

The direction of beliefs and evaluations makes PCT and OST conceptually distinct. PCT emphasizes mutual obligations between employer and employees, whereas OST focuses on employee's beliefs regarding the level of organization's commitment to them. PCT is bi-directional and OST is one-directional. From the PCT perspective, an employee evaluates his or her employer's treatment according to a mental contract, and reciprocates based on discrepancies between what's implicitly promised and what's actually delivered. OST, on the other hand, describes employee's reactions from perception of the level of employer treatment, regardless of what has been previously promised (Coyle-Shapiro & Conway, 2005). A visual analogy of these differences is that with PCT theory, an employee behaves according to the results of his or her mental checklist, whereas with OST, an employee behaves according to level turned up and down on his or her employer behaviour dial. These major differences make POS a much easier measurement to predict employee behaviours within this study context, since it would eliminate the necessity to probe the content of psychological contract from each test subject. There are three major known antecedents of POS, which include organizational rewards and working conditions, support received from supervisors and procedural justice (Rhodes & Eisenberger, 2002; Aselage & Eisenberger, 2003). Therefore, one can conclude that an extrinsic reward such as an employee gift card will cause an increase in the level of POS.

Source attribution and discretion are two mediators between extrinsic reward and POS. Recall is a moderator between extrinsic reward and POS. In order for an employee to have increased POS towards his/her employer, he or she has to attribute the purchased item from gift card to their employer instead of themselves. This employee has to make the connection that his or her contribution has been acknowledged by the firm in the act of gift giving. If he or she sources the purchase from his/her own financial resources, he/she won't feel the need to reciprocate his/her employer's positive action. Without need for reciprocation, POS process cannot be initiated (Rhodes & Eisenberger, 2002).

The act of gift giving alone will not initiate the increase in POS. An employee has to favourably interpret the gift giving firm's intentions in providing the gift card. An employee will only reciprocate if he or she believes that the action of gift card giving is truly an act of kindness and recognition from the employer (Rhodes & Eisenberger, 2002) without any hidden agenda or ulterior motives. An anecdote described by Mr. Bill Thatham (personal communication, September 19<sup>th</sup>,

2008), the chairman and CEO of NexJ Systems illustrates the importance of discretion. More than a decade ago, when Mr. Thatham was a middle manager for a prestigious global management consulting firm, he and his colleagues received a \$50 gift card from their firm that can only be redeemed at luxury retailer Holt Renfrew. Instead of perceiving the card giving as an act of kindness, Mr. Thatham and his associates were disappointed in this gift, since even back then \$50 can hardly purchase anything at that venue. Furthermore, Mr. Thatham and his associates suspected that the primary reason for the distribution of this gift card was actually to benefit Holt Renfrew's gift card program, which their firm has just helped finished designing. Clearly, Mr. Thatham has no difficulty in recalling this "gift" from his employer from years ago, but since he had negatively interpreted his employer's intention from the onset, he didn't and never will feel an increase in POS from this particular event. Without discretion, initial and subsequent recall cannot increase the level of perceived organizational support.

Recalls of purchase is important to employee's level of perceived organizational support. Initially, as outlined in previous sections, employee's level of valence towards a purchase determines his/her needs for reciprocation, which then leads to increase of POS level. As time goes by, if an employee forgets about the gift purchase from employer then the need for reciprocation evaporates. As an employee remembers about his/her purchase in future time points, these recalls recharge the link between valence and POS, as an employee relives the positive experience brought on by his/her employer's gift card and renews his/her need for reciprocation.

### **7.3.2 Brief Method Outline**

Three hundred Maritz client companies' employees would be selected for this study. Half of these employees would have used restricted company gift card, and the other half would have used unrestricted ones. A stratified sampling is used by dividing the study population into restricted card users and unrestricted card users and selecting equal number of people from each group within this population. This sampling method is used instead of a simple random sampling to ensure an even design (equal sample size for restriction parameter). A simple random sampling wouldn't be useful, since the study population is restricted by availability to begin with (Jeffrey, Nummelin & Silbert, 2007).

A relatively large sample size would be chosen to account for anticipated response rate and attrition rate. Given the fact that the eldest archival data was from year 2006, many employees are

likely to have changed companies, the initial contact would likely yield a low anticipated response rate. In addition, given the longitudinal nature of this study, a percentage of survey participants will not finish two designed surveys that are separate by one month in between.

Two web-based surveys will be administered. The main reasons for separation of survey questions are concerns over unit homogeneity and priming. Unit homogeneity refers to the consistency of using a purchase transaction or a gift card as a unit within a sample in a survey. In the first survey, questions would be asked about discretion and purchased items. In the second survey, questions would be asked about valence (employee's subjective evaluation of the value of their purchase), recall frequency and source attribution.

There should be a separation between discussion of gift card, and the items purchase from the gift card. Essentially, all the questions asked in the first survey would be directly related to the card, whereas the second survey would focus on the items of purchase; therefore, achieving unit homogeneity in both surveys. One variable that is particularly important to make this distinction is Source Attribution. We are interested in whether or not employees feel that items that were purchased by the gift cards were given by their employers, not whether they think the gift card is from their employer. The answer to the second question is an obvious yes, and is not of interest to this study. Thus, we need to ensure that there is clarity in the participants' minds that separates the gift and the purchases.

There certainly should also be a separation between inquiries of gift card purchases and attitude with respect to employer organization. If these questions were to be presented side by side, then respondents are likely to make associations between these two concepts and provide a more favourable rating for POS, LMX and Justice because they have just been reminded of an organizational reward. The objective of this study is not just to detect if there is an increase in POS, LMX and Justice immediately after the recipient of their organizational rewards, but rather if these positive effects would last in time with natural and frequent recall of their rewards.

Efficiency, cost reduction, and ease for association are the main reasons for conducting a web-based survey. Compared to traditional mail-in and telephone surveys, web-based online surveys require much less man power. The results of a web-based survey is immediate and well organized, there will be no additional effort required to transcribe participants' answers into a workable

database. Further, with a web-based survey no additional cost would be associated with printing survey materials and purchasing envelopes and mailing, which are both costly considering the sample size and the number of surveys. In addition, it is easy to link responses by the same participant from different surveys in a web-based survey. Each survey participant will be given a participant a unique ID that will be used in lieu of their names for all three surveys. With a web-based survey, their responses can easily be grouped together based on their ID number, where as with a more traditional paper-based format, a research or an assistant has to manually go through all the survey responses and staple surveys from the same respondents; a process that is likely time consuming and error-prone. Appendix C shows an example of the types of questions that can be asked in these surveys.

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## Appendix A Exclusively Yours Restricted Gift Card

Exclusively Yours restricted gift card can be used in the following shopping venues presented in Table 7.

**Table 7: Exclusively Yours Shop List**

Exclusively yours rewards	Polaris	Furniture Rewards	TownePlace Suites
1-800-FLOWERS.com	Pulsar	Gap/Gap Kids	Vail Resorts
1-800-PetSupplies	Samsung	Golsmith	Walt Disney World Resort
A Pea in the Pod	Seiko	Harry and David	Wynn Las Vegas
Austad's Golf	Skil/Bosch	HomeGoods	Sephora
Banana Republic	SonyAwards	Illuminations	Shutterfly
Bandolino	Telescope Casual Furniture	J. Jill	Suncoast
Bass Pro Shops	TREK Bicycles	Johnston & Murphy	Sunglass Hut
Bath & Body Works	Troy-Bilt / McCulloch	Jos. A. Bank	T.J. Maxx
Bed Bath & Beyond	Tumi Luggage	L. L. Bean	Talbots
Borders	Victory Motorcycles	Lands' End Home	The Children's Place
Brooks Brothers	Adventures by Disney	Lands' End	The Container Store
Brookstone	Avis	Lane Braynt	The Home Depot
Brown Derby	Beaches	LensCrafters	The White Barn
Cabela's	Budget Rent A Car	Lids/Hat World	Candle Co.
Catherines	Carnival Cruise Lines	Lord & Taylor	TicketsNow
CB2	Celebrity Cruises	Macy's	Tourneau Watches
Crate and Barrel	Celtic Tours	Marshalls	Waldenbooks
Cyberflowers	Classic Custom Vacations	Motherhood	West Elm
Destination	Copper Mountain Resort	Mrs. Beasley's	Williams-Sonoma
Dillard's	Courtyard by Marriott	Neiman Marcus	Zppos.com
Easy Spirit	Delta Hotels	Nine West	
Eddie Bauer	Disney Cruise Line	Old Navy	
Express	Disneyland Resort	Omaha Steaks	
F.Y.E.	Elite Island Reosrts	PBteen	
Bose Catalog, Showcase & Outlets	Equinox Resort & Spa	Pier 1 Imports	
Canon	Fairfield Inn by Marriott	Piperlime	
Computer Direct	Fairmont Hotels & Resorts	Pottery Barn/Pottery Barn Kis	
Echo Power Tools	Gold Canada's West	Pro Am Golf Center	
GE Major Appliances	Hard Rock Café	Restoration	
Hitachi	JW Marriott Hotels & Resorts	Sally Beauty	
Hoover	Marriott Vacation Club Villas	Sam Goody	
JVC	Marriott Hotels & Resorts	Residence Inn by Marriott	
KitchenAid/Whirlpool	Miraval Resort	Riz-Carlton Hotel Company	
LG Electronics/Zenith	Norwegian Cruise Line	Royal Carribean International	
Manui Jim Sunglasses	Pleasant Holidays	Sandals Resorts	
Milwaukee Power Tools	QRT Travel Agency	Smith & Wollensky Restaurants	
Montague USA Bicycles	Renaissance Hotels and Resorts	Spa Finder	

Oreck	FranklinCovey	SpringHill Swuites by Marriott	
Pioneer	Frontgate	SuperClubs Reorts	

## Appendix B: HED/UT Scale for Evaluation

Short Description: Please answer the following questions for all the items presented in the Excel file. There are 141 items in total. Enter numbers 1 to 5 for each question in the appropriate cell within the Excel file and remember to check to ensure that all numbers are entered into the correct space. This exercise should take 5 to 10 hours. Thank you!

1. This item of purchase is:
  - 1 effective
  - 2 somewhat effective
  - 3 marginally effective
  - 4 somewhat ineffective
  - 5 ineffective
  
2. This item of purchase is:
  - 1 helpful
  - 2 somewhat helpful
  - 3 marginally helpful
  - 4 somewhat unhelpful
  - 5 unhelpful
  
3. This item of purchase is:
  - 1 functional
  - 2 somewhat functional
  - 3 marginally functional
  - 4 somewhat not functional
  - 5 not functional
  
4. This item of purchase is:
  - 1 necessary
  - 2 somewhat necessary
  - 3 marginally necessary
  - 4 somewhat unnecessary
  - 5 unnecessary
  
5. This item of purchase is:
  - 1 practical
  - 2 somewhat practical
  - 3 marginally practical
  - 4 somewhat impractical
  - 5 impractical

6. This item of purchase is:
- 1 not fun
  - 2 somewhat not fun
  - 3 marginally fun
  - 4 somewhat fun
  - 5 fun
7. This item of purchase is:
- 1 dull
  - 2 somewhat dull
  - 3 marginally exciting
  - 4 somewhat exciting
  - 5 exciting
8. This item of purchase is:
- 1 not delightful
  - 2 somewhat not delightful
  - 3 marginally delightful
  - 4 somewhat delightful
  - 5 delightful
9. This item of purchase is:
- 1 not thrilling
  - 2 somewhat not thrilling
  - 3 marginally thrilling
  - 4 somewhat thrilling
  - 5 thrilling
10. This item of purchase is:
- 1 unenjoyable
  - 2 somewhat unenjoyable
  - 3 marginally enjoyable
  - 4 somewhat enjoyable
  - 5 enjoyable

## Appendix C: Discretion, Valence, Recall and Source Attribution Questionnaire

### I Discretion

1. How much discretion did the company have in its choice of incentive?
  - a) a lot
  - b) more than average
  - c) not so much nor so little
  - d) less than average
  - e) very little
  
2. In my opinion, my company gave this gift card to me because it:
  - a) strongly wanted to
  - b) wanted to
  - c) neither wanted to nor had to
  - d) had to
  - e) strongly had to
  
3. My company gave me this gift card out of obligation.
  - a) strongly agree
  - b) agree
  - c) neither agree nor disagree
  - d) disagree
  - e) strongly disagree
  
4. My company gave me this gift card because it is easy to implement compared to other incentives.
  - a) strongly agree
  - b) agree
  - c) neither agree nor disagree
  - d) disagree
  - e) strongly disagree
  
5. My company took into considerations of my preferences when they gave me this gift card.
  - a) strongly agree
  - b) agree
  - c) neither agree nor disagree
  - d) disagree
  - e) strongly disagree
  
6. Giving this gift card is more thoughtful than giving cash.
  - a) strongly agree
  - b) agree

- c) neither agree nor disagree
- d) disagree
- e) strongly disagree

**II Recall**

7. Please list some of the purchases that you've made with your gift card, including the stores you bought them from.

Brief Item Description	Store Name
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

8. How often do you think about an item which you plan to buy in the future with this gift card?
- a) daily
  - b) a few times a week
  - c) weekly
  - d) a few times a month
  - e) rarely
9. How often do you think about an item which you already bought with this gift card?
- a) daily
  - b) a few times a week
  - c) weekly
  - d) a few times a month
  - e) rarely
10. Have you told anyone about some of your purchases with this gift card?
- a) yes, everyone I know
  - b) yes, colleagues, friends and family
  - c) yes, but only to people very close to me
  - d) no, but I thought of telling someone in the future
  - e) no, I don't think I will tell anyone

**III Valence**



11. I think the item that I have purchased with my gift card is very special. May not get enough variance.
- a) strongly agree
  - b) agree
  - c) neither agree nor disagree
  - d) disagree
  - e) strongly disagree
12. I spent considerable time deciding what I would use this card to purchase
- a) strongly agree
  - b) agree
  - c) neither agree nor disagree
  - d) disagree
  - e) strongly disagree
13. The item I purchased is something I would have liked to receive as a gift
- a) strongly agree
  - b) agree
  - c) neither agree nor disagree
  - d) disagree
  - e) strongly disagree
14. This item of purchase brings me feelings of excitement
- a) strongly agree
  - b) agree
  - c) neither agree nor disagree
  - d) disagree
  - e) strongly disagree
15. After purchasing this item, I felt regretful of my purchase
- a) strongly agree
  - b) agree
  - c) neither agree nor disagree
  - d) disagree
  - e) strongly disagree

#### **IV Source Attribution**

16. The items that you've purchased with your gift card remind you of:  
(Choose more than one if applicable.)
- a) your past accomplishments
  - b) your goals for the future
  - c) your company, in a positive way
  - d) your company, in a negative way
  - e) nothing in particular

17. When you use the gift card to purchase things, to what extent does it feel like spending your own money?
- a) to a large extent
  - b) to somewhat large extent
  - c) to some extent
  - d) to a little extent
  - e) not at all
18. If you didn't have this gift card, would you have bought those things anyways?
- a) definitely would
  - b) most likely would
  - c) unsure
  - d) most likely wouldn't
  - e) definitely wouldn't
19. If you had to use your own debit card, would you have shopped at those stores?
- a) yes, that's where I regularly shop
  - b) most likely yes, that's where I buy things to treat myself
  - c) unsure
  - d) most likely no, there are other more affordable shops
  - e) no, I can't justify wasting money at those luxury stores
20. Buying from this gift card feels like buying with:
- a) my money
  - b) mostly my money with a little company help
  - c) half of my money with half company help
  - d) mostly company help with a little of my money
  - e) company spending account
21. If you were to tell your family who paid for the items that were redeemed by the gift card, you would say:
- a) I paid it myself
  - b) I mostly paid it myself, but my company chipped in a little
  - c) I paid for half of it, and my company paid for half of it
  - d) My company paid for most of it, but I chipped in a little
  - e) My company paid for it
22. If you were to tell your colleagues who paid for the items that were redeemed by the gift card, you would say:
- a) I paid it myself
  - b) I mostly paid it myself, but my company chipped in a little
  - c) I paid for half of it, and my company paid for half of it
  - d) My company paid for most of it, but I chipped in a little
  - e) My company paid for it

23. Paying for goods and services with this gift card feels like:
- a) Buying a gift for yourself
  - b) Mostly buying a gift for yourself, but your company provided some financial assistance
  - c) Your company and yourself made equal contribution to make obtaining this gift possible
  - d) Mostly receiving a gift from your company, but you had to self deliver
  - e) Receiving a gift from your company