

**Giving Happiness: Consumers Should Give More Experiences but Choose Material Gifts
Instead**

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Working Paper

May 2015

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Contribution Statement

Multiple disciplines have explored the nuances of gift giving, but most of the vast literature has assumed (often indirectly) that gifts are material in nature. Despite recent research showing that experiences lead to more happiness than material goods when buying for the self, there is no evidence whether this experiential advantage holds in gift giving. In fact, we find consistent evidence that consumers predominately give material gifts, not experiences. Thus, is gift giving different from buying for the self, or do consumers mispredict the experiential advantage? In this research, we make significant theoretical contributions to the literature on gift giving and consumer happiness/well-being, with implications for how consumers spend and give to others. First, we explore this “experiential gift giving paradox,” challenging the assumption that gifts should be physical objects tied with a bow. The results show an experiential advantage in gift giving, suggesting that consumers should give more experiences; however, they also show that consumers do not predict this advantage both before and after giving gifts, creating an obstacle to giving more experience. Digging deeper, we find instances when consumers are more likely to give experiences, namely, when their recipients are socially close (vs. far). We show that this effect of social distance is due to greater knowledge of the recipients’ preferences, which allows consumers to give gifts that better reflect their recipients’ identities. Thus, in terms of giving experiences, the results show not only the advantage in giving them, but also their difficulty as well. Finally, in terms of happiness, the studies lend support to a multiply determined process for the experiential advantage, namely, adaptation and social relevance theories, and they provide support for the experiential advantage in contexts when consumers are not the decision maker (e.g., gift giving).

Abstract

Recent research suggests that consumers should be spending money on experiences, not material goods. Yet, when it comes to gift giving, intuition would suggest that consumers buy more material gifts than experiential gifts. The present research examines this potential experiential gift giving paradox: consumers’ tendency to give predominately material gifts, despite receivers deriving more happiness from experiential gifts. The authors propose and provide evidence that consumers tend to give material gifts and mispredict the experiential gift advantage because they require less knowledge of the recipient’s preferences—knowledge that is especially important when choosing experiential gifts, which tend to be more unique and less comparable to material gifts. Based on this theory, the authors demonstrate that consumers prefer to give experiential gifts when they feel socially close to recipients and when they have the appropriate knowledge about the recipient’s preferences. Thus, despite the advantage of giving experiences, consumers often give material gifts in order to avoid giving poorly matched gifts to socially distant recipients, leading to less happy consumers in the end.

People give gifts for many reasons, but at their core, people give gifts with the intention of increasing the happiness of their recipients (Belk and Coon 1993; Teigen, Olsen, and Solas 2005). Gifts increase consumer happiness more than self-consumption (Dunn, Aknin, and Norton 2008) and gift giving is a frequent social and consumer behavior in terms of both time and money (\$800+ billion industry). Gift giving has received enormous attention—not only from consumer researchers (e.g., Belk and Coon 1993; Otnes and Beltramini 1996), but also from sociologists, anthropologists, economists, and psychologists (e.g., Camerer 1988; Komter 1996; Robben and Verhallen 1994; Schwartz 1967). The vast literature on gift giving usually speaks of gifts in material terms: they are tangible, material objects that convey immaterial symbolic meaning (e.g., Belk 1996). In a pilot study, we asked 100 Mechanical Turk workers to list gifts that they recently received and to rate each gift as more material or more experiential. We found that a vast majority of gifts—81% of holiday gifts and 66% of birthday gifts—were rated as more material compared to experiential (i.e., below the midpoint of 4 on a continuous scale, where more material = 1, more experiential = 7).

Yet recent research might suggest that gift giving consumers have it all wrong because experiences are supposed to lead to more happiness compared to material purchases (Caprariello and Reis 2013; Carter and Gilovich 2012; Nicolao, Irwin, and Goodman 2009; Rosenzweig and Gilovich 2012; Van Boven and Gilovich 2003). So why do consumers give more material gifts and not give experiences? One explanation is simply that the experiential advantage does not hold for gift giving. In other words, perhaps material gifts (not experiences) lead to more happiness. Another explanation is that experiential gifts lead to more happiness, but consumers prefer to give material gifts nonetheless.

In this research, we propose the latter: Experiential gifts lead to more happiness than material gifts, yet gift givers prefer to give material gifts and are not particularly accurate at predicting an experiential gift advantage. Further, we examine why consumers prefer to give material gifts, arguing that consumers prefer to give material gifts due to the lack of knowledge about their recipients' preferences. When gift givers feel that they have sufficient knowledge about recipients, such as in a socially close (vs. distant) relationship, they are more willing to give an experiential gift.

Across six studies, we provide evidence for this experiential gift giving paradox and examine why it occurs. In the process, we examine three main questions: (a) do experiential gifts lead to more happiness, (b) do gift givers accurately predict an experiential advantage, and (c) when and why do consumers prefer to give experiential gifts. Our results show that experiential gifts lead to more retrospective happiness compared to material gifts for the recipient. However, gift givers estimate similar levels of happiness for both material and experiential gifts, which helps explain why consumers give mostly material gifts. Further, we examine this misprediction by exploring gift givers' preferences for more material gifts. We find that material gifts are advantageous because they require less knowledge of the recipient's preferences. In the process, we identify conditions under which consumers prefer to give experiential gifts, namely, when gift givers feel socially close to recipients and when they have the appropriate knowledge about the recipient's preferences—knowledge that is especially important when choosing experiential gifts, which tend to be more unique and less comparable to material gifts (Carter and Gilovich 2010). Thus, despite the advantage of giving experiences, consumers often give material gifts in order to avoid giving poorly matched gifts to socially distant recipients.

The remainder of this paper is organized as follows. First, we will discuss the experiential advantage—that experiential purchases tend to induce greater happiness compared to material purchases. Second, we will discuss the gift giving literature and evidence suggesting that the experiential advantage may not hold for gift giving. Third, we will present six studies to examine our hypotheses. Studies 1 and 2 will examine the experiential advantage in gift giving and whether gift givers predict an advantage, while studies 3A, 3B, 4A, and 4B will examine why consumers prefer material gifts. Finally, we will discuss the implications of these results and their contribution to the consumer happiness and gift giving literatures.

CONCEPTUAL BACKGROUND

Gift Giving and Happiness

Gift giving is a frequent consumer activity receiving enormous attention from consumer researchers (e.g., Belk and Coon 1993; Belk 2005; Otnes and Beltramini 1996; Sherry 1983), sociologists, anthropologists, economists, and psychologists (e.g., Camerer 1988; Foa and Foa 1980; Komter 1996; Robben and Verhallen 1994; Schwartz 1967). Researchers have investigated the (in)efficiency of gift giving (Camerer 1998; Waldfogel 1993), re-gifting (Adams, Flynn, and Norton 2012), self-gifting (Mick and Faure 1998; Mick and DeMoss 1990), gift registries (Ward and Broniarczyk 2011), charitable giving (Fennis, Janssen, and Vohs 2009; Gneezy et al. 2010), gifts and dating (Belk and Coon 1993), gifts and construal (Baskin, Wakslak, Trope, and Novemsky 2014), inconsistencies between givers and receivers (Flynn and Adams 2009), overindividuation (Steffel and LeBoeuf 2014), and the role of emotions on gift giving and social

relationships (Belk 1996; Ruth, Otnes, and Brunel 1999). In the consumer research domain, some of the research has had a qualitative approach, based on content and interpretative analysis (Huang and Yu 2000), providing a wealth of insight. However, there is little empirical evidence as to what type of gift (material or experiential) creates the most happiness.

It is important to note that, in addition to happiness, gifts serve multiple functions. Gifts publicly announce relationships, and they signal information such as cooperation, self-attractiveness, love, devotion, social roles, wealth, and status (Belk 1996; Camerer 1988; Huang and Yu 2000; Teigen et al. 2005). Gifts also convey meaning by providing insurance, atoning for social deviations, strengthening social relationships, communicating attitudes, enforcing justice, and reducing anxiety (Camerer 1988; Schwartz 1967; Teigen et al. 2005). At their core, however, gifts are about positive emotions as they demonstrate agapic love (Belk and Coon 1993), and people give gifts with the intention of increasing the happiness and enjoyment of their recipients (Gino and Flynn 2011; Otnes, Lowry, and Kim 1993; Teigen et al. 2005).

So what is the best gift to increase the happiness of the recipient? According to Belk (1996), a perfect gift pleases the recipient (i.e., makes them happy), creates delight (i.e., the gift is desirable), is a sacrifice, is a luxury (or hedonic), is uniquely appropriate, and is surprising/unexpected. But there is no mention of experiences, and most gifts discussed in the literature are material—they are tangible, material objects that convey immaterial symbolic meaning (e.g., Belk 1996). Further, the prototypical gift is one that fits in a box and is tied with a bow (i.e., material), and nine out of ten Father's Day gifts suggested by a leading etiquette guru (www.emilypost.com) are material in nature (iPad, GPS, magazines, grill accessories, recipe books, ties, cufflinks, card cases, and picture frames). Therefore, we might expect that material

gifts should lead to more happiness because it appears that consumers prefer to give material gifts over experiential gifts.

The Experiential Advantage

Though gift givers prefer to give material gifts, consumer happiness research shows that when spending money on oneself, experiential purchases yield more happiness than material ones (Van Boven and Gilovich 2003), assuming they turn out positively (Nicolao et al. 2009). The material-experiential dichotomy is a continuum, and recent evidence even points to an advantage for hybrid purchases, or experiential material goods (Guevarra and Howell 2014). The “experiential advantage” is due to multiple processes. Experiential purchases, and their decision processes, are different from material purchases. Experiential decisions tend to be less comparable (Carter and Gilovich 2010) and lead to less regret (Rosenzweig and Gilovich 2012). Compared to material goods, experiential purchases are also more identity relevant (Carter and Gilovich 2012), lead to slower adaptation rates (Nicolao et al. 2009), and promote greater social connectedness (Caprariello and Reis 2013; Chan and Mogilner 2014).

The psychological processes that explain the experiential advantage are mixed as to whether the advantage should hold for gift giving. On the one hand, the theories suggest that when giving a gift there might not be an experiential advantage. A gift should be different from self-consumption because the choosing is done for the recipient and not the self; therefore, the purchase will not be susceptible to choice comparability, decision regret, or identity relevance. In fact, we often give gifts that are not relevant to our own identity, but relevant to the recipient’s instead (Ward and Broniarczyk 2011).

On the other hand, there are some reasons to believe that the experiential advantage will hold for gift giving, namely, the slower adaptation and greater social connectedness. If consumers adapt to experiences slower than material goods, then we would expect the same to hold for gift giving. Similarly, if experiences are more social—that is, they are more likely to be consumed with others—then we might also expect experiential gifts to promote more happiness. Further supporting a social advantage is the fact that experiential gifts have been shown to facilitate more social connections between recipients and givers (Chan and Mogilner 2014), which may lead to more happiness. Due to this added connectedness and the slower rates of adaptation from experiences, we propose that experiential gifts will lead to more recipient happiness than material gifts. More formally,

H1: Recipients will express greater retrospective happiness for experiential gifts than material gifts.

Given that we found most gifts are material in nature, and that we would expect givers to at least believe they are making the best decisions, we should not expect gift givers to express an experiential advantage on behalf of their recipients. There are good reasons to believe that gift givers may not be accurate at judging their recipients' happiness. First, gift givers are often inaccurate at predicting the best gift for receivers (Baskin et al. 2014; Gino and Flynn 2011). For example, they will chose too much variety (Steffel and LeBoeuf 2014) or be reluctant to choose what the recipient prefers (Ward and Broniarczyk 2011).

Second, based on self-perception theory, we should not expect gift givers to predict an experiential advantage. Self-perception theory (Bem 1967) says that people form their attitudes

based on their past behaviors (in this case, their past gift giving behaviors). When rating the happiness of their recipients, gift givers will interpret their behavior of giving material gifts (over experiential ones) as an endorsement for material gifts. If a gift giver chooses to give a material purchase (the behavior), their attitudes about how much happiness it brings their recipient are likely to be consistent and also favor material purchases. Thus, we would not expect people to prefer to give material gifts, and then admit that an experience would lead to more happiness than a material gift. More formally,

H2: Gift givers will not express greater retrospective happiness for experiential gifts than material gifts.

Why Material Gifts? Social Distance

Gift giving is a social exchange between two parties and one main goal of gift giving is to build and maintain social connections (Belk 1996; Chan and Mogilner 2014; Ruth et al. 1999). Relationships can be conceptualized as being more or less distant on a social closeness continuum, much like psychological distance (Baskin et al. 2014; Liviatan, Trope, and Liberman 2008). As social closeness increases between a giver and recipient, the giver will have more knowledge about their recipient. Previous research shows that experiences are more central to ones' identities (Carter and Gilovich 2012), suggesting that choosing experiential (vs. material) gifts would require a deeper understanding of recipients' personalities and preferences. For instance, you may know that your friend enjoys indie rock, but you might not be close enough to know his/her favorite musician and know exactly which concert ticket to buy for his/her birthday

(a rather personal gift). However, little social closeness is needed to simply buy him a new skinny tie or hipster t-shirt. Further, givers are concerned about giving unique gifts (Belk 1996; Steffel and LeBoeuf 2014), and experiences are more unique, less comparable, and less interchangeable (Carter and Gilovich 2012; Rosenzweig and Gilovich 2012). Givers will be better able to give these unique gifts when they are socially close and have the personal knowledge needed. Thus, we expect that givers will be more likely to give experiential gifts as social distance decreases.

H3: As social distance between givers and recipients decreases, consumers will be more likely to give experiential gifts compared to material gifts.

We propose that less social distance leads to more experiential gift giving, but there are many different aspects of social distance that could lead to a preference for experiential gifts (e.g., a difference in abstract vs. concrete construal). Based on our theorization, we propose that social distance affects choice for experiential gifts because as social distance decreases, consumers have more knowledge about their recipients' preferences to choose unique experiences. As this knowledge (perceived or real) increases, the more likely gift givers are to choose an experiential gift, which tends to be more unique and is likely to require more preference knowledge. Thus, we expect that preference knowledge is responsible for the increased preference for giving experiential gifts to close friends.

H4: As gift givers' preference knowledge about their recipients increases, consumers will be more likely to give experiential gifts compared to material gifts.

Study Summary

The first two studies examine the experiential gift advantage (hypothesis 1) and the gift givers' prediction on this advantage (hypothesis 2), and the last four studies test why consumers prefer to give material gifts (hypothesis 3-4). Study 1 finds that receivers indicate more happiness when recalling experiential gifts compared to those recalling material gifts, whereas gift givers do not believe that their experiential gifts lead to more happiness. Study 2 corroborates these findings using a different experimental design whereby each participant recalls three recent gifts from the holidays that they either gave or received.

Studies 3A and 3B manipulate social distance between givers and recipients, demonstrating that consumers are more likely to give experiential gifts to socially close friends compared to socially distant ones, and the effect is mediated by centrality of gifts to recipient's identity. Study 4A and 4B further test whether preference knowledge is the underlying mechanism to social distance by both manipulating (study 4A) and measuring (study 4B) preference knowledge. The results of both studies show that consumers are more likely to give experiences when they feel that they have more knowledge about a recipient.

STUDY 1: EXPERIENTIAL GIFT ADVANTAGE

The goal of study 1 was to examine whether experiential gifts lead to more happiness than material gifts and whether gift givers predict this difference. In this study, participants

recalled and evaluated either a material or an experiential gift that they recently gave or received. We also asked amount spent to rule out cost as an alternative explanation.

Method and Procedure

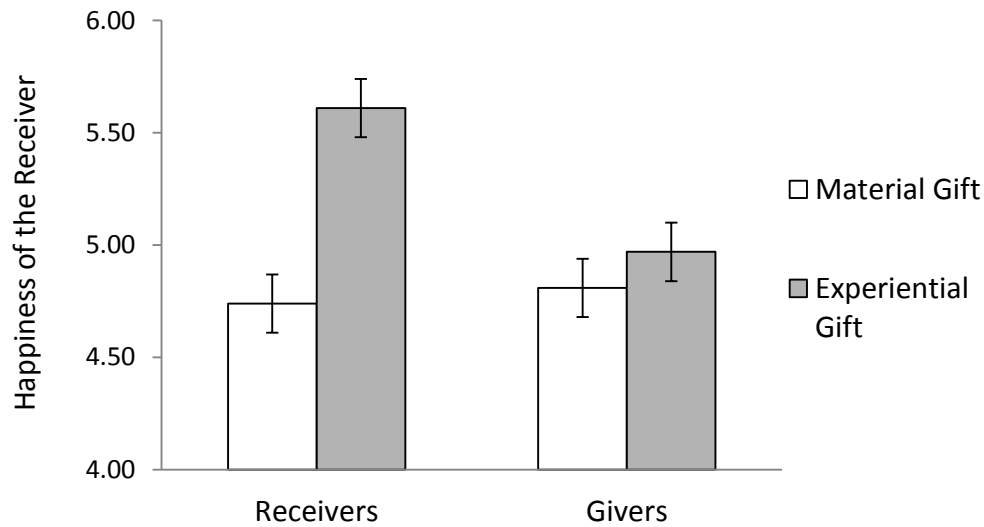
One hundred fifty-nine undergraduates participated in the study in exchange for credit in their introductory business course. The study was a 2(role: giver vs. receiver) x 2(gift type: material vs. experiential) between subjects design. The study took place shortly after the winter holidays. Participants were asked to recall a gift under \$50 that they either received or gifted for the holidays, depending on the condition. Gift type was manipulated by asking participants to recall either a material or an experiential gift. Consistent with previous studies (e.g., Nicolao et al. 2009; Van Boven and Gilovich 2003), participants were provided with the following definitions of material and experiential gifts: “Material means you can touch the gift with your hand and you can keep the object in your possession. Experiential means that you cannot hold the gift in your hand and you experience it over a finite period of time and then it is over.”

After describing the gift, participants responded to three questions (adapted from previous research, Nicolao et al. 2009; Van Boven and Gilovich 2003) measuring how much this gift contributed to either their own happiness (receiver condition) or recipient’s happiness (giver condition): “When you think of this gift, how happy does it make you?” (1 = not happy, 4 = moderately happy, 7 = extremely happy), “How much did this gift contribute to this person’s happiness in life?” (1 = not at all, 4 = moderately, 7 = very much), and “To what extent do you think the money spent on this gift would have been better spent on something else – some other type of gift that would have made this person happier?” (reverse-coded, 1 = not at all, 4 =

moderately, 7 = very much). Participants then indicated the approximate cost of the gift, provided their age, and responded to a manipulation check where they rated their purchase on a material-experiential continuum (“Would you say [the gift] is more of a material good or more of an experience?” 1 = completely material, 4 = both, 7 = completely experiential). Finally, participants indicated whether they had ever completed a similar study about gifts in the past. Eleven participants were excluded because they indicated that they had participated in a similar study about gift giving and happiness, and twelve participants were excluded because they did not follow instructions (i.e., they provided an experiential gift in the material condition or a material gift in the experiential condition).

Results

The analyses revealed a significant role by gift type interaction ($F(1,132) = 4.04, p < .05$), such that that the experiential advantage depends on whether a person is giving or receiving the gift. Gift recipients expressed more happiness from experiential gifts ($M = 5.61$) compared to material gifts ($M = 4.74, F(1,132) = 11.67, p < .01$), supporting the experiential advantage. Gift givers, however, did not believe that their recipients were significantly happier with experiential gifts ($M = 4.97$) compared to material gifts ($M = 4.81, F < 1$). The effect of amount spent was not significant ($F < 1$) and controlling for it did not change the results, ruling out the possibility that participants were recalling more expensive gifts.

FIGURE 1**STUDY 1: TYPE OF GIFT ON HAPPINESS****Discussion**

The results confirm our hypothesis that consumers tend to express more happiness from receiving an experiential gift compared to a material gift (hypothesis 1), supporting an adaptation and social nature account of the experiential advantage. As we predicted, however, gift givers were not aware that experiential gifts lead to more happiness (hypothesis 2), which supports our pilot study suggesting that gift givers are biased towards giving material gifts. In the next study, we again tested whether material gifts are indeed more common gifts, and tried to replicate results of study 1 by using a different methodology.

STUDY 2: EXPERIENTIAL GIFT ADVANTAGE

Study 2 had three goals. First, we wanted to again measure whether material gifts are given more often than experiential gifts. Second, we wanted to examine whether the experiential advantage holds for gift giving (hypothesis 1), despite the fact that givers do not predict an experiential advantage (hypothesis 2). If consumers give more material gifts, then they should be unlikely to expect an experiential advantage.

Finally, we aimed to test these hypotheses using a different methodology to control for several alternative explanations, such as a memory or recall effect. In study 1, we asked participants to recall either a material or an experiential gift. One limitation of this task is that it might have been easier to recall one type of gift over another, which could have influenced evaluations (e.g., Fox 2006; Wänke, Bohner, and Jukowitsch 1997). Another alternative explanation is a priming effect. Given that previous research has shown that consumers have a negative perception of materialism, it is possible that thinking of material goods and materialism simply led consumers to rate purchase more negatively. Thus, in this study we asked participants to recall three gifts and provide happiness ratings on each gift. Only after these evaluations, we asked participants to rate each gift as more material or more experiential. This method could capture the more continuous nature of the material-experiential dimension.

Method and Procedure

Sixty-four undergraduate students from various colleges at a mid-sized private university participated in the study in exchange for credit in their introductory business courses.

Participants were asked to recall three different gifts that they either gave or received with the intention of advancing happiness or enjoyment in life and turned out well. After describing each

gift, participants responded to the same happiness dependent measures used in study 1 and provided the approximate cost of the gift and months since the gift exchange for each gift. The three happiness measures were averaged to create a happiness sum score. Then participants rated each gift as more of an experience or more of a material gift on the material-experiential continuum used in study 1.

Results

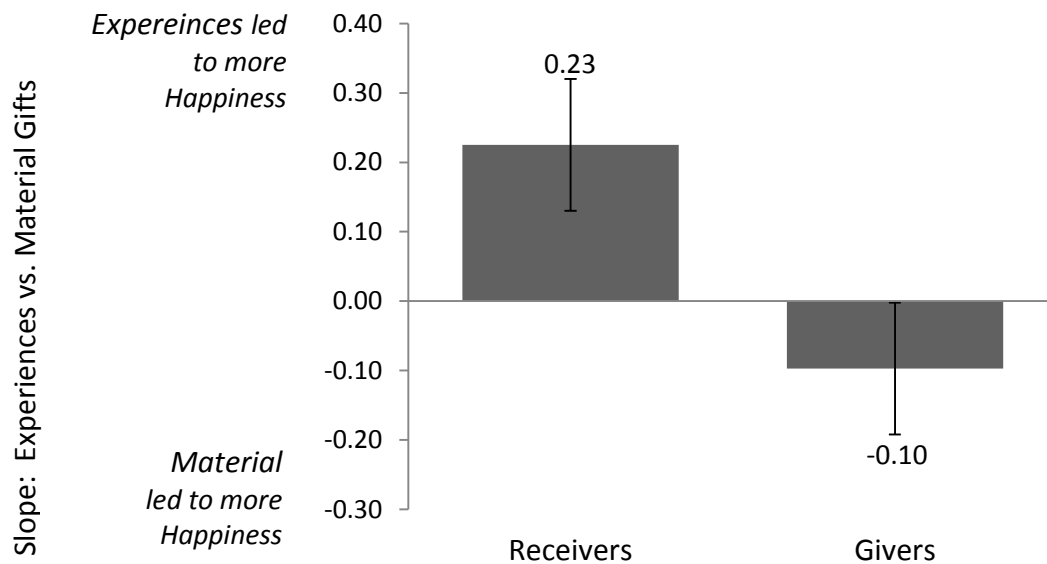
First, we examined whether consumers typically give more material or more experiential gifts. Consistent with our pilot study, most gifts were indeed more material: 81% of the gifts were rated below the midpoint of 4. The average gift rating was 2.83, significantly different than the midpoint ($t(63) = 16.20, p < .001$). Thus, normatively we would expect that material gifts would lead to more happiness, given that they are more frequently given.

Next, we attempted to examine whether there is an advantage for experiential gifts (hypothesis 1) and whether gift givers predict such an experiential advantage (hypothesis 2). To answer these questions, we conducted a hierarchical linear regression, where we first regressed the material-experiential ratings for each participant onto their happiness ratings for each purchase. Positive parameter estimates (i.e., slopes) translated into an experiential advantage and negative estimates a material advantage. After estimating a parameter for each participant, we then compared the slopes across the two conditions. The following results below report these parameter estimates.

Overall, we did not find an advantage for experiential gifts over material gifts ($b = .08$, $t(62) < 1$) because the experiential advantage depended on role (giver vs. receiver). Consistent with study 1, receivers indicated that experiences led to more happiness than material gifts ($b = .23$, $t(62) = 2.23$, $p < .05$). Givers, however, did not believe that their experiential gifts led to any more happiness than their material gifts ($b = -.10$, $t(62) = .95$, $p > .3$).

FIGURE 2

STUDY 2: EXPERIENTIAL ADVANTAGE FOR RECEIVERS COMPARED TO GIVERS



Discussion

Study 2 replicates the findings of study 1 by using a hierarchical linear analysis. Namely, study 2 revealed that recipients derived more happiness from experiential gifts compared to material gifts, whereas gift givers did not believe that their experiential gifts led to any additional

happiness. The results of study 2 also corroborate our previous finding that material gifts are the prototypical gift, as most consumers rated their gifts as more material compared to experiential. Thus, consumers choose to give material gifts despite the fact that experiential gifts would lead to more happiness.

STUDIES 3A AND 3B: THE ROLE OF SOCIAL DISTANCE IN GIFT PREFERENCE

The results of studies 1 and 2 provide convergent evidence supporting the experiential advantages: Recipients derive greater happiness from experiential gifts than material gifts. Gift givers, however, fail to predict this difference, offering one possible explanation for consumers' biased preferences for giving material gifts. Study 3 further investigated the givers' propensity for material gifts by examining the role of social distance. Experiences are more central to one's identity and more unique than material goods (Carter and Gilovich 2012; Rosenzweig and Gilovich 2012), suggesting that choosing experiential (vs. material) gifts would require a deeper understanding of recipients' preferences. In this vein, we propose that consumers are more willing to give experiences for socially close others compared to distant others (hypothesis 3), and this effect is due to the experiences being a better match to recipients' identities. We test this hypothesis by using two different manipulations: asking participants to think of a close or distant friends (study 3A) and manipulating perceived social distance rather than actual distance (study 3B).

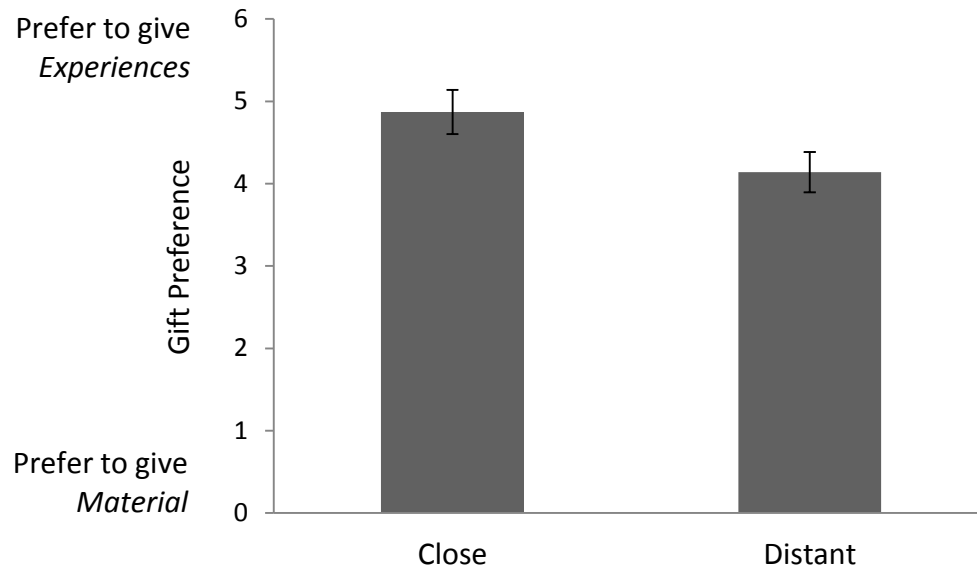
When givers have more knowledge of recipients, they are more willing to choose a gift closely matched to recipients' identities, resulting in greater preference for experiential gifts. Therefore, the effect of social distance on gift preferences would be mediated by the relevance of

gifts to the recipients' identities. Thus, we also examine whether centrality of gifts to recipients' identities mediates the effect of social distance (study 3B).

Study 3A

Method and Procedure. Two hundred seventy-six undergraduate students from various colleges at a mid-sized private university participated in this study in exchange for credit in their introductory business course. The two-cell design asked participants to think of either a close or distant friend, depending on a condition, whose birthday was coming up and type the initials of that friend. They then indicated a gift they would like to give and rated whether it was more material or experiential on a 9-point Likert scale (1 = more material, 5 = both, 9 = more experiential).

Results. Results revealed a significant effect of social distance on gift preferences ($t(274) = 2.01, p < .001$). Namely, preference for experiential gifts was greater when choosing a gift for close friends ($M = 4.36$) than for distant ones ($M = 3.08$). Moreover, the effect of social distance remained significant even when controlling for price of the gift (logged), age, and gender ($p < .001$).

FIGURE 3**STUDY 3A: GIFT PREFERENCE FOR A CLOSE VS. DISTANT FRIEND****Study 3B**

Method and Procedure. Two hundred twenty-two adults were recruited through Mechanical Turk (60% male, $M_{age} = 29.79$) to participate in this study. Participants were asked to think of a friend whose birthday was coming up and type the initials of that friend. Following a study by Baskin et al. (2014), social distance was manipulated by asking participants to write down how they are similar to the friend (near condition) or how they are different from the friend (far condition). They then indicated a gift they would like to give and rated whether it was more material or experiential as in study 3A. To test whether socially close friends actually received gifts that are more relevant to their identities, we asked participants to rate the “Centrality of gift

to the recipient's self" (1 = the gift is not close to my friend's true self, 5 = the gift is very close to my friend's true self). Participants also reported price of the gift, age, and gender.

Results. Results revealed a significant effect of social distance, consistent with study 3A. Participants were more likely to give experiential gifts in the near social distance condition ($M = 4.87$) than in the far social distance condition ($M = 4.14$; $t(220) = 2.01$, $p < .05$). Additional analysis showed that the effect of social distance remained significant even when controlling for price of the gift (logged), age, and gender ($p < .05$). We also found that when choosing a gift for a close friend, participants chose gifts that were more central to the recipient's self ($r = .42$, $p < .01$), which also led to a preference for more experiential gifts ($r = .33$, $p < .01$). Providing further support for our process, a mediation analysis (Preacher and Hayes 2008) showed a significant indirect effect of social distance on choosing experiential gifts via identity centrality (bias-corrected 95% CI = [.429,1.04]; 5,000 samples).

Discussion

The findings of studies 3A and 3B corroborate our hypothesis that consumers are more willing to give experiences when they perceive their recipients as socially close than as socially distant. This pattern was consistent across two studies using different manipulations, which suggests the robust effect of interpersonal closeness.

Although studies 3A and 3B showed that social closeness between givers and recipients can change givers' gift choices, the underlying mechanism to social closeness remains uncertain. We argue that the effect of social closeness is attributable to subjective knowledge about recipients' preferences, which are closely linked to one's identity. Given that experiences tend to

be more identity relevant and less interchangeable than material goods (Carter and Gilovich 2012; Rosenzweig and Gilovich 2012), choosing an appropriate experiential gift would require greater knowledge about recipients' preferences. Therefore, knowledge about recipients would increase givers' preferences for experiential (vs. material) gifts. In studies 4A and 4B, we thus examined the role of preference knowledge.

STUDY 4A AND 4B: PREFERENCE KNOWLEDGE

The purpose of study 4 was to test whether it is the knowledge component of social distance that leads to greater preferences for giving experiences (vs. material goods) when recipients are socially close. To this end, studies 4A and 4B examined the role of subjective knowledge by manipulating the perceived knowledge about recipients (study 4A) and by measuring the givers' actual knowledge (study 4B). We predicted that more knowledge about recipients would lead to greater preferences for experiential gifts (hypothesis 4). Additionally, study 4B further tested the association between preference knowledge and gift preferences by testing the mediating role of centrality of gift to the recipient's identity.

Study 4A

Method and Procedure. Two hundred twenty-five participants were recruited through Mechanical Turk to participate in this study. The procedure of study 4A paralleled that of study 3B except that givers' knowledge about recipients, rather than social distance, was manipulated. Participants were first asked to write down the initials of a specific friend whose birthday was

coming up. To manipulate the subjective knowledge, we asked participants to write down how well they know (high knowledge condition) or how well they do not know (low knowledge condition) what their friend likes and dislikes. Next, participants indicated a gift that they would like to give and rated to what extent the gift was material or experiential as in study 3B. Finally, participants completed a manipulation check by assessing how well they knew the recipients (1 = not very well, 9 = very well) and indicated price of the gift, age, and gender.

Results. The manipulation check confirmed that participants in the high knowledge condition perceived that they had greater knowledge of recipients than those in the low knowledge condition ($M_{\text{High}} = 7.78$ vs. $M_{\text{Low}} = 6.81$, $t(223) = 4.24$, $p < .01$).

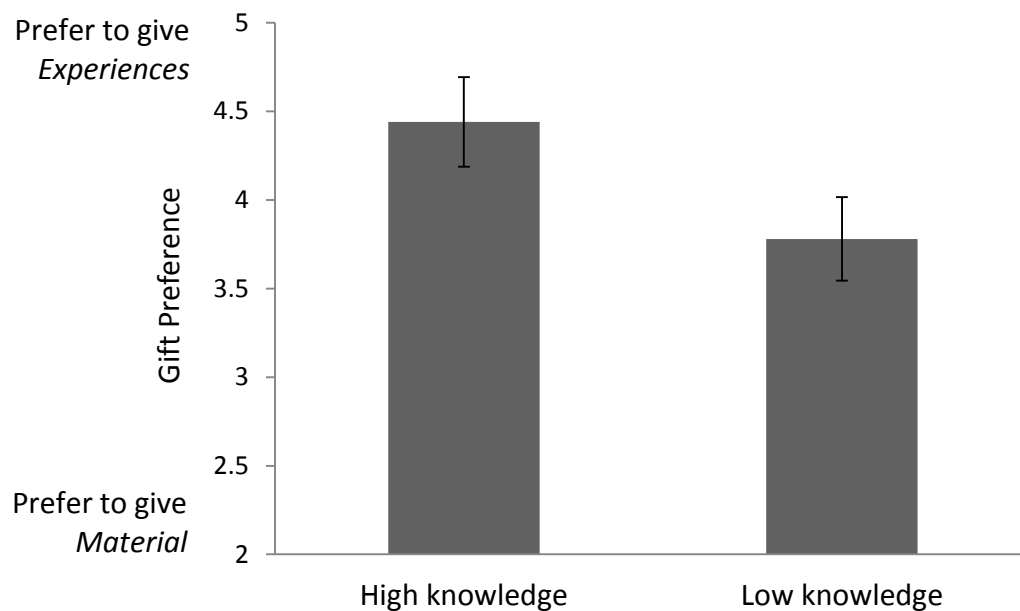
Next, we examined the effect of subjective knowledge on gift preferences. As predicted, participants were more likely to give experiences when they perceived greater knowledge about a recipient ($M_{\text{High}} = 4.44$ vs. $M_{\text{Low}} = 3.78$, $t(223) = 1.90$, $p = .06$). When controlling for price of the gift (logged), age, and gender, the effect of subjective knowledge became even more reliable ($F(1, 220) = 4.37$, $p < .05$). Additionally, we found a significant effect of age such that older participants were more likely to give experiences to their friends ($F(1, 220) = 4.36$, $p < .05$). Although this result was not predicted a priori, it is consistent with our theorization given that older people are more likely to have known their friends for a longer time and therefore they would have more knowledge about their friends.

Discussion. Study 4A showed that subjective knowledge of recipients leads to greater preferences for giving experiences (vs. material goods). As the knowledge of recipients increased, consumers were more likely to give experiences. These findings support our theory of why consumers often give material gifts rather than experiences: Consumers prefer not to give an experiential gift without sufficient knowledge of a recipient's tastes because they would be

susceptible to selecting an experience that poorly matches their recipients' identities. In the next study, we will further examine these gift preferences by testing whether the identity-relevance of experiences mediates the effect of subjective knowledge on gift preferences.

FIGURE 4

STUDY 4A: GIFT PREFERENCE IN THE HIGH AND LOW PREFERENCE KNOWLEDGE CONDITION



Study 4B

Study 4B had two primary purposes. First, study 4B attempted to replicate the results of study 4A by measuring the subjective knowledge about recipients rather than manipulating it. Second, we aimed to examine the mechanism underlying the effect of subjective knowledge on gift preferences, as we did in study 3B. When givers have more knowledge of recipients, they

should be more willing to choose a gift that closely matches recipients' identities, resulting in greater preference for experiential gifts. Therefore, the effect of subjective knowledge on gift preferences should be mediated by relevance of gifts to recipients' identity.

Method and Procedure. Two hundred sixty-one adults were recruited through Mechanical Turk to participate in this study. As in the previous studies, participants indicated the gift they would like to give a friend whose birthday was coming up. Then, participants rated to what extent the gift was material or experiential (1 = more material, 5 = both, 9 = more experiential) as well as how much the gift feels like a part of the friend's true and essential self (1 = the gift is not close to my friend's true self, 5 = the gift is very close to my friend's true self). Then, participants rated their knowledge of recipients' preferences ("Compared to other people, I would say my knowledge of the friend's preference is high.") on a 100-point scale (0 = completely disagree, 50 = neither agree nor disagree, 100 = completely agree). Participants also reported price of the gift and demographic information.

Results. Corroborating study 4A, subjective knowledge of recipients was positively associated with preferences for giving experiences ($b = .12, t(259) = 1.99, p < .05$). In addition, more experiential gifts were perceived as more central to the recipients' identities ($b = .27, t(259) = 4.45, p < .01$). When both subjective knowledge and gifts' relevance to recipients' identities were simultaneously regressed on gift preferences, the effect of identity remained significant ($b = .26, t(258) = 3.98, p < .001$), whereas the effect of subjective knowledge became non-significant ($b = .03, p > .6$). Additionally, a bootstrapping mediation test (Preacher and Hayes 2008) showed a significant indirect effect (bias-corrected 95% CI = [.004, 0.152]; 5,000 samples) such that the centrality of gifts mediates the relationship between subjective knowledge and gift preferences. Namely, the more knowledge givers had about recipients, the more likely

they were to choose a gift that matches to the recipients' personalities, resulting in increased preferences for experiential gifts. Taken together, these results support our theory on subjective knowledge and gift preferences.

Discussion. Study 4B replicates the results of study 4A, showing that knowledge of recipients leads to greater preferences to give experiential gifts by measuring preference knowledge. These results support our proposition that subjective knowledge about recipients is the underlying mechanism to social closeness. Furthermore, study 4B highlights the identity relevance of experiences as a mediator of the preference knowledge effect. Knowledge about recipients' preferences enables consumers to choose a more relevant gift to recipients' identity, which consequently increases the preference for experiential gifts. Together, these results delineate how subjective knowledge about recipients shapes givers' choice of experiential (vs. material) gifts.

GENERAL DISCUSSION

This research examines whether experiential gifts promote greater happiness compared to material gifts, what we call an experiential gift advantage, and why consumers choose to give material gifts instead. We propose and provide evidence across six studies that there is an experiential advantage for gifts: Experiential gifts do in fact lead to more happiness than material gifts. Despite this experiential gift advantage, however, consumers tend to give more material gifts compared to experiential ones and also believe that material gifts will lead to just as much happiness as experiential gifts. Further, our studies demonstrate that consumers tend to give material gifts because they do not have the necessary preference knowledge of socially distant

recipients to find appropriate experiential gifts, which tend to be more unique and more identity relevant than material gifts. It is these components—uniqueness and the greater need for preference knowledge—that contribute to the experiential advantage, but also what contribute to its downfall. Without the necessary preference knowledge, consumers shy away from giving experiential gifts.

We provide evidence for our proposed theory in six studies. The first two studies showed that recipients felt more happiness from experiential gifts than material gifts, but gift givers did not believe there was a happiness advantage for experiential gifts. Study 1 used a between subject design manipulating purchase type (experience vs. material gift), whereas Study 2 measured purchase type rather than manipulate it.

The remaining studies (3A, 3B, 4A, & 4B) examined which types of gift (material vs. experiential goods) consumers tend to purchase for gift giving and whether the uniqueness of experiential purchases contributes to gift givers' preference for more material gifts. The results showed that givers do indeed prefer material gifts, as the conventional wisdom would suggest, but more importantly, when givers feel socially close to their recipients (study 3A & 3B) or perceive to be knowledgeable about their recipients' preferences (study 4A & 4B), they are more likely to give experiential gifts. These results suggest that consumers are willing to give experiences, but only when givers feel they have the knowledge to choose appropriate experiential gifts. The results also support the theory that the experiential advantage is in part due to the unique nature of experiences, and at least some consumers seem to be aware of this notion.

So why do consumers give material gifts? First, it is clear that consumers mispredict the added happiness that experiential gifts will bring their recipients, as they continue to give mostly material gifts. Nevertheless, we also found that people mispredict their recipients' retrospective

happiness too. We asked people to estimate their recipients' happiness after giving their gifts, and we still found the discrepancy. Thus, consumers are not updating their estimates of happiness after they have given gifts, contributing to the cycle of material gift giving. Second, our research also provides evidence that social distance plays a role in giving material gifts. Consumers would not feel they are close enough to many recipients to have the knowledge to give a proper experiential gift. Thus, when we made gift givers feel socially closer to the recipients, or perceive themselves as more knowledgeable, they were more likely to give experiential gifts.

It is noteworthy that in addition to social distance, there might be other reasons consumers give material gifts. We examined social distance because it is a key component to the social exchange of gift giving and experiences are defined as being more unique and identity relevant than material goods. For consumers to choose unique and identity relevant gifts, they must have knowledge about their relationship and the recipient, which made social distance a natural variable. Nonetheless, it is possible that material gifts also have an advantage. For instance, givers may believe that material gifts are better at fulfilling traditional social norms (which aligns with social distance), or givers may view material gifts as more memorable, less risky, more appreciated, easier to choose, or requiring less effort.

To test these explanations, we asked 404 Mechanical Turk workers to list either a material or experiential gift (between subjects) that they recently purchased for around \$50 and gave to someone as a gift. They then rated the gift on the following dimensions: enjoyable/happiness, giver effort, receiver effort, decision difficulty, traditional/social norms, memorable, negative outcome, and appreciation. Three conclusions emerged. First, consistent with studies 1 and 2, givers did not predict that experiential gifts ($M = 5.63$) would be more

enjoyable by recipients than material gifts ($M = 5.58, t(401) < 1$). Second, experiences were perceived as being less traditional ($M = 3.56$) than material gifts ($M = 3.92, t(403) = 2.21, p < .05$), and requiring more receiver effort ($M = 2.89$) than material gifts ($M = 2.06, t(401) = 5.58, p < .001$). Thus, givers do not view material gifts as less risky, less likely to turn out negative, more appreciative, more memorable, or requiring more giver effort. However, they do view material gifts as more consistent with social norms, and requiring the receiver to put forth more effort. These results also underscore the social aspect of giving experiences.

TABLE 1
CHARICTERISTICS OF EXPERIENTIAL AND MATERIAL GIFTS

Gift Characteristic	Material Gifts	Experiential Gifts	<i>t</i>	<i>p</i>
Traditional/Social Norms	3.92	3.56	2.27	< .05
Memorable	4.81	5.03	1.49	0.14
Enjoyable	5.58	5.63	0.42	0.68
Risk	2.22	2.42	1.34	0.18
Appreciate	5.84	5.89	0.48	0.63
Decision Difficulty	2.88	2.92	0.25	0.80
Giver Effort	3.29	3.41	0.68	0.50
Receiver Effort	2.06	2.89	5.58	<.001

Contributions

This research has important contributions to both the gift giving and happiness literatures. First, in terms of happiness, the findings shed light on the value of giving experiences over material gifts. Given that money spent on others leads to more happiness than money spent on oneself (Dunn et al. 2008), it seems that the optimal strategy would be to not only spend money on others, but to also buy them experiences.

Second, the results not only show an experiential advantage in gift giving, but also provide support for the experiential advantage when consumers are not choosing between different types of purchase (but instead receiving gifts). This distinction is important because some of the advantage to experiential consumption comes from the choice process (i.e., experiences are less comparable to other choices, creating less regret), which does not apply in gift giving and gift receiving.

The studies also lend support for the adaptation (Nicolao et al. 2009) and social relevance theories to the experiential advantage (Caprariello and Reis 2013). We found evidence that social closeness increases the rate in which consumers give experiential gifts, supporting the idea that experiences have an important social component (Caprariello and Reis 2013; Chan and Mogilner 2014). The results also showed that gift givers' perceived knowledge of a recipient increases experiential giving, which also supports the importance of uniqueness and identity relevance when consuming experiences (Carter and Gilovich 2012). Thus, the results suggest that the experiential advantage is multiply determined.

Third, in terms of gift giving, we show the importance of giving experiential gifts in terms of consumer happiness, and the results suggest that experiences are an important aspect to giving the "perfect gift." There are many factors that make a perfect gift (Belk 1996), and the experiential nature of gifts is one factor that can be added to the list, especially when a giver and recipient are socially close and the giver has sufficient knowledge about the recipient's preference. There is a vast literature exploring the nuances of gift giving, but most of that literature has assumed (perhaps indirectly) that gifts are material in nature—that is, they are physically given in a box wrapped neatly with a bow. This research challenges this assumption and suggests that in many cases experiential gifts are preferred by the recipient, and in some

cases preferred by the giver. The findings are consistent with recent research showing that experiences can increase social connectedness between givers and receivers (Chan and Mogilner 2014), and suggest that further research is needed to explore other consequences to experiential gift giving and consumption.

Implications

There are many important implications from this research, but one seems to be clear: Consumers would be better off giving more experiential gifts than material gifts. People spend a great deal of time and money on gift giving, which some argue is inefficient exchange of resources (Camerer 1988; Waldfogel 1993). Whether gift giving is a net loss or a net gain, consumers still have a desire to maximize the utility of their recipients, and spending on experiences will be better at achieving this goal than an equivalent material gift.

The problem with this recommendation is that it might not feel right to many gift givers because they miscalculate their recipients' happiness, both before and after gift giving, and do not believe the experiential advantage. Even if givers overcome their miscalculations about experiences, the extra happiness associated with experiential gifts may come at a cost. Gift givers must know what their recipients like and dislike, and that may require a large social investment. If the giver does not have such information, he/she may try to avoid social risks in giving the wrong or inappropriate experiential gift.

The results also suggest that there is an opportunity for firms to provide more experiential gifts. Websites that facilitate giving experiences (such as Excitations and Cloud9 Living) seem to already know the value of experiential giving, as Cloud9's tagline is "Create a memory, give an

experience.” Further, they seem to be aware that experiences are still not the norm, as Excitations tagline is “Give the unexpected.”

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