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Gift Cards and Mental Accounting: Green-lighting Hedonic Spending

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ABSTRACT

In three studies, we examine the mental accounting rules that govern how gift cards are used. We predicted that their identity as *gift* cards would shift consumption from utilitarian to hedonic goods even in contexts where both types of goods are available and the consumer's needs are unchanged. In Study 1a, participants were asked to imagine that they had both a gift card and a specified amount of cash and needed to purchase both a hedonic item and a utilitarian item. When asked which currency they would use to buy which item, respondents were significantly more likely to say they would use the gift card to buy the hedonic item. Study 1b replicated this result and found that it was tied to participants' beliefs how different types of money should be used. In Study 2, we found that participants who were required to spend a certain amount of their compensation in a laboratory store spent more on hedonic goods if their payment was in the form of a gift card. In Study 3, we analyzed transactions at a campus bookstore and found that shoppers tended to spend disproportionately on hedonic goods when using their gift cards than when making credit card purchases. Taken together, these studies indicate that people tend to assign the monetary value of a gift card to a hedonic mental account and spend it accordingly. Copyright © 2014 John Wiley & Sons, Ltd.

KEY WORDS judgment and decision making; mental accounting; consumer behavior; framing

"Seven hundred pounds and possibilities is good gifts."
Shakespeare (1602/2004), *The Merry Wives of Windsor*

William Shakespeare was right about many things, perhaps most famously that people do crazy things when they are in love and that murdering one's uncle is unlikely to end well. That said, he was equally right about less weighty subjects, like the fact that people really enjoy receiving gifts. Whether it is seven hundred pounds or seven hundred possibilities, people welcome most gifts with open arms and awkward thanks. But what if the gift does not fall neatly within the pound or possibility dichotomy? What about gift cards, for example? They were the most requested gift item each year from 2006 to 2009 (NRF, 2009), and the amount spent on gift cards has grown dramatically in recent years (Offenberg, 2007).

Why are gift cards so popular with gift givers and recipients alike? Part of their appeal is surely the flexibility they offer: the recipient need not figure out what on earth to do with a hideous lamp, a mindless celebrity memoir, or a CD of Yanni's greatest hits. Instead, just the right gift can be selected from the wide range of items available from *Ikea*, *Barnes & Noble*, or *Amazon*. Money, of course, offers even greater flexibility, but money is often seen as excessively, well, monetary and hence crass and inappropriate (Webley, Lea & Portalska, 1983). Gift cards are thought by many to occupy a sweet spot in the space defined by concerns with flexibility, crassness, and thoughtfulness (and hence meaning). With respect to the latter, although gift cards grant the recipient great leeway to find a truly treasured gift, they contain enough constraint (and hence meaning) to signal the gift giver's connection to the recipient. If the recipient is a coffee lover, a $50 gift card to Peet's implies a different understanding on the part of the gift giver than either $50 in cash or a $50 gift card to Amazon—even though Amazon offers Peet's coffee.

Because gift cards can be used to buy Peet's or paperbacks or paper towels, they, like money, can be spent on necessities or luxuries. Whether to spend on one or the other, of course, is an enduring consumer dilemma. Spending money on necessities is easier to justify than spending money on luxury items (Prelec & Loewenstein, 1998), and yet luxury items are seductive—so seductive that many people develop special strategies to avoid excessive spending on luxury goods. This practicality/luxury trade-off is one of the reasons why gift givers enjoy giving gifts that recipients would not normally buy for themselves, and why they report less enjoyment when buying a gift that the recipient has already requested (Thaler, 1985; Belk, 1979).

Mental accounting is one means by which consumers maintain self-control and manage the practicality/luxury trade-off (Thaler & Shefrin, 1981; Thaler, 1999). When money is "deposited" or tagged to specific mental accounts, there is resistance to taking funds from one account to pay for expenses in another area, making it more likely that one will have sufficient funds for taking care of life's necessities. All individuals, from those with fat trust funds to those with thin wallets, appear to maintain a mental accounting system, treating money differently depending on how it was acquired and the category to which it is assigned (Thaler, 1985).

Some income, for example, such as a person's salary or investment income, is treated with gravity and therefore is less likely to be spent on luxury items—or spent at all. Other income, such as poker winnings, a modest tax refund, or "windfalls" of all sorts, is seen as more frivolous and is more likely to be spent on luxury items (Thaler & Shefrin, 1981). People spend more with money they received unexpectedly than with money that was anticipated (Arkes et al., 1994), and they are especially likely to spend when their unexpected windfalls are modest in size: When individuals using an online grocery website were given a coupon for $10 off their order, they spent more money on items they do not normally buy (Milkman & Beshears, 2009). Previous research has also

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established that the mode of acquisition can shape spending. O'Curry and Strahilevitz (2001) had participants rank items in terms of preference, manipulating whether participants thought the items would be received as a prize or bought as a purchase. They found that when the items were framed as potential prizes, participants ranked the hedonic items (e.g., a gift certificate to a well-known restaurant) higher; when the same items were framed as future purchases, the participants ranked the utilitarian items (e.g., a pair of sneakers) higher. Existing research thus indicates that preferences for hedonic and utilitarian items can shift on the basis of how money is acquired, but it is unclear whether a similar shift occurs on the basis of the form of the money itself.

How the money people receive is framed also influences how readily and on what it is spent. When individuals are given a sum of money labeled as a "bonus," they spend more of it than when it is labeled as a "rebate" (Epley, Mak, & Idson, 2006). The source of the money also influences how it is framed and hence how it is spent. Tykocinski and Pittman (2013) found that when people receive money from an inheritance, the personality traits associated with the deceased (e.g., a frugal or thrill-seeking grandmother) influences how they are inclined to spend it (e.g., on a vacation or certificate of deposit). They also found that people's feelings toward the deceased influence their spending decisions, with individuals saying they would be less prudent with an inheritance that came from a disliked rather than a beloved family member. Money can thus have an identity, an identity shaped by how it was acquired, the way it is labeled, and from whom it was received.

What about gift cards? They are likely to have specific identities shaped in part by the machinations of the marketers and graphic designers who select the cards' colors, text, fonts, logos, and icons. But they are also likely to have a general identity consistent with their name—*gift* cards. They are given and are meant to be taken as gifts. They might therefore encourage recipients to purchase items they would not otherwise buy, shifting the balance of spending away from utilitarian goods and toward luxury items. A gift card to *Saks Fifth Avenue* would likely be spent disproportionately on luxury goods, of course, but what about a gift card to *Target*, *Amazon*, or a university bookstore, which all offer a good balance of utilitarian and luxury goods? We predicted that the identity of gift cards is such that they tend to shift consumption away from utilitarian and toward more hedonic items. Even when a gift card is nominally fungible (Thaler, 1990), in other words, it is not treated that way.

Existing work on how people use gift cards indicates that when money is presented in the form of a gift card, individuals report spending more than they had originally intended on hedonic purchases (White, 2006). Using a scenario methodology, White (2008) found that individuals report that they would spend more money with a gift card (as opposed to cash) and that gift cards (because of their nature as gifts) led to different interpretations of the same purchase. For example, individuals who were asked to imagine that they had made a purchase with a gift card were more likely to endorse the statement "I feel like I have basically received a free DVD set as a gift" as the correct interpretation of events than the more monetarily focused interpretation: "I feel like I just spent \$53.00 on a DVD set." When participants were asked to recall receiving either cash or a gift card, they recalled spending more when using the gift card, purchasing more hedonic items with the gift card, and gaining more hedonic value from items that they had purchased with the gift card (White, 2006).

In the studies reported below, we sought to expand on this result, examining whether individuals are more inclined to purchase hedonic items rather than utilitarian items when using a gift card instead of other forms of money (i.e., cash and credit cards). Previous research has demonstrated that paying with a credit card reduces the "pain of payment," or the amount of guilt or regret that one experiences when purchasing luxury items (Prelec & Loewenstein, 1998). The authors suggest that this is due to two factors: (i) *prospective accounting*, or the tendency for prepaid items to be treated as though they were free, and (ii) *coupling*, or the tendency for a transaction to increase the accessibility of payment-related thoughts (and vice versa). Previous research focusing on tender types has demonstrated that individuals paying with credit and debit cards are more likely to engage in impulsive spending on vice-related goods. Thomas, Desai, and Seenivasan (2011) found that individuals paying with credit or debit cards were more likely to engage in impulsive purchasing compared with individuals who paid with cash—even thought debit purchases should be as influenced by coupling as those made with cash. The authors attribute this increase in impulsive and hedonic spending to decreased pain of payment associated with using credit and debit cards (as compared to paying with cash).

We hypothesize that although credit and debit cards tend to increase impulsive spending, gift cards are likely to do so even more. The monetary value of a gift card tends not to get assigned to "serious" mental accounts, making it easier for people to justify using it to purchase hedonic rather than utilitarian goods. We conducted four studies to investigate this idea. In Studies 1a and 1b, participants were presented with a scenario in which they had two types of currency, a gift card and cash, and wanted to purchase both a hedonic item and a utilitarian item. We were interested in whether they would prefer to use the gift card to buy the hedonic items and whether their preferences could be tied to their beliefs about the nature and purpose of different types of currency. Study 2 examined how tender type influenced purchasing decisions in a laboratory store. In Study 3, we analyzed purchase data from a large bookstore to determine how gift cards affect real-world purchasing decisions.

STUDY 1A

Many stores to which individuals receive gift cards sell items that can be categorized as relatively hedonic (luxuries meant to bring pleasure) or utilitarian (necessities meant to satisfy a pragmatic need). Mental accounting entails that individuals separate their money into different accounts, to be used to purchase different types of items. In our first study, we were interested in whether individuals would view gift cards and

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cash differently, and thus make different types of purchases with each. More specifically, we examined whether participants would be more inclined to make hedonic purchases with a gift card and utilitarian purchases with cash.

Method

One hundred US participants (61 women, $M_{age} = 34.4$) were recruited from Amazon's Mechanical Turk and paid 10 cents for their participation.

Participants were presented with the following scenario, which dealt with two hypothetical purchase decisions:

> Imagine that you are going into a bookstore and need to purchase two books: a new novel from your favorite author and a reference book that teaches you how to do your taxes at home. Both cost the same amount of money. You are planning to use a gift card to pay for one book, and to pay cash for the other.

They were then asked which tender type (cash or gift card) they would use to pay for each item (novel or tax book).

Results

Seven participants were excluded for selecting the same tender type (cash or gift card) for both books. As predicted, of the remaining 93 participants, a significant majority ($n = 66$) indicated that they would use the gift card to pay for the novel and cash to pay for the tax book ($z = -3.94$, $p < .0001$).

Discussion

As hypothesized, we found that participants indicated that they would spend cash and gift cards differentially, using the gift card to purchase the more hedonic item and cash to purchase the more utilitarian item. The reason for this effect, however, remains unclear. Accordingly, in our next study, we examine whether this effect is due to mental accounting: that is, do people feel that gift cards are meant for certain types of purchases (hedonic) and so spending them on necessities tends not to feel "right."

STUDY 1B

As demonstrated previously, individuals state that they would use a gift card to make a hedonic purchase and cash to make a utilitarian purchase. In this study, we aimed to replicate and expand on this result, focusing on why individuals have these preferences. In particular, we hypothesized that individuals who elect to use a gift card to make a hedonic purchase would be more likely to report that using a gift card for a utilitarian purpose would be a misuse of the card—a purchase that does not fit the purpose and identity of the card.

Method

One hundred and fifteen US participants (58 women, $M_{age} = 32.47$, $SD = 12.06$) were recruited from Amazon's Mechanical Turk and paid 20 cents for their participation. They were presented with the same scenario and asked to make the same choices as in Study 1a. After indicating how they would pay for the novel and the reference book (with cash or the gift card), they were asked to indicate how much they agreed with the following three statements: (i) "Using a gift card to pay for a tax book would feel like a waste of a perfectly good gift card"; (ii) "Whenever possible (that is, unless economic necessity dictates otherwise), it is more fitting and appropriate to use gift cards for 'fun' things and pay for 'necessities' with cash or credit/debit cards"; and (iii) "Money is money, and so gift cards, cash, and credit cards are really the same and it doesn't matter which one is used for which book." Participants reported how much they agreed with each of these statements on a scale from 1 (*strongly disagree*) to 7 (*strongly agree*).

Results

Nine individuals picked the same tender type for both items (the tax book and the novel) and thus, not having followed instructions, they were excluded from the analysis. Of the remaining 106 participants, a significant majority ($n = 71$) indicated that they would use the gift card to pay for the novel and cash to pay for the tax book ($z = -3.50$, $p < .001$), replicating the finding from Study 1a.

Was this effect tied to participants' thoughts about what sorts of expenses "fit" their thoughts about gift cards? Consistent with this idea, participants who indicated that they would use the gift card to pay for the hedonic item were significantly more likely to agree with the statement that using the gift card for a utilitarian item would be a waste of the card ($M = 4.59$, $SD = 1.75$) than did those who had indicated that they would use cash to pay for the hedonic item ($M = 2.29$, $SD = 1.41$), $t(104) = -6.78$, $p < .0001$. In addition, participants who indicated that they would use a gift card to pay for the hedonic item were significantly more likely to agree with the statement that gift cards should be used for fun items instead of necessities ($M = 5.32$, $SD = 1.58$) than did those who indicated that they would use cash to pay for the hedonic item ($M = 2.97$, $SD = 1.72$), $t(104) = -7.01$, $p < .0001$. Finally, participants who indicated that they would use a gift card to pay for the hedonic item were significantly less likely to agree with the statement that all money is the same ($M = 2.49$, $SD = 1.52$) than did those who indicated that they would use cash to pay for the hedonic item ($M = 3.52$, $SD = 1.72$), $t(104) = -3.02$, $p = .003$.

To examine whether the observed tendency to use the gift card for the novel and cash for the tax book was due to participants' mental accounting tendencies, we averaged their responses to the three mental accounting questions (with their responses to the "Money is money…" question reverse scored) and then divided the participants into two groups on the basis of a median split. Consistent with our contention that mental accounting governs people's beliefs about how gift cards should be spent, the tendency reported previously for participants to prefer to use the gift card for

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the novel and cash for the tax book was significant for those above the median on the mental accounting composite (92% had this preference, $z = 6.11$, $p < .0001$) but not among those below the median (43%, $z < 1$).

Discussion

In this study, we replicated the main finding from Study 1a: a significant majority of participants indicated that they would use cash and gift cards differently, using the gift card to purchase the more hedonic item and cash to purchase the more utilitarian item. In addition, we found that this pattern is connected to people's beliefs about what different types of currency should be used for. Of course, predicted behavior can diverge substantially from what people actually do (Epley & Dunning, 2001), and so, in our next study, we examined whether this effect would emerge in participants' actual purchase decisions.

STUDY 2

As mentioned earlier, previous research has examined the tendency for people to use gift cards more for hedonic purchases. Raghubir and Srivastava (2008) gave individuals either $1 or a gift certificate for $1 and then had them make a binary choice between purchasing a piece of candy or keeping the dollar (or in the case of the gift certificate, exchanging it for a dollar). They found that individuals were more likely to purchase the candy if given a gift card than if given cash. We were interested in expanding upon this result to see if participants would purchase fundamentally different types of items with gifts cards versus cash, not whether they would choose to purchase a hedonic item (candy) or not. We were also interested in whether individuals given gift cards would be inclined to supplement their purchases with cash payments, thus spending more overall (White, 2008).

Method

Forty Cornell University students (28 women, $M_{age} = 20.6$) participated in exchange for $5. Participants were told that, in addition to their payment, they would have the opportunity to win extra money by answering a series of trivia questions. Participants were told that each question was worth between 5 and 25 cents and that they would be able to win up to $5 depending on their performance. The trivia questions were designed to assess general knowledge and had previously been used and shown to be appropriate for an undergraduate population (Nelson & Narens, 1980).

In actuality, all participants received $5 regardless of how many questions they answered correctly. Half of the participants were given their extra $5 in cash, and the other half were given the extra $5 in the form of a "Cornell Lab Store" gift card. At this time, they were also given their participation payment ($5 in cash), for a total of $10. They were then told that they had to spend at least $5 of their money in the lab store and that they could supplement their gift card or extra $5 with their participation payment.

Following receipt of their payment, participants were led to a different room that contained the "Cornell Lab Store." The items in the store had been pretested with the Cornell undergraduate population for being seen as utilitarian (everyday items that one would buy regularly) or hedonic (indulgent items that individuals did not regularly purchase). The items had been evaluated on a seven-point scale from 1 (*everyday item*) to 7 (*luxury item*). There were six different items in each category (utilitarian and hedonic), so that 12 items were available for purchase.[1] The hedonic items ($M = 4.36$, $SD = .70$) were rated as significantly more luxurious than the utilitarian items ($M = 2.10$, $SD = .48$), $t(10) = -6.55$, $p < .0001$. The hedonic items were a bit more expensive ($M = 3.45$, $SD = 2.43$) than the utilitarian items ($M = 1.79$, $SD = .19$), but not significantly so, $t(10) = -1.71$, $p > .10$.

Participants were given as much time as they needed to decide what items they wanted to purchase. After making their selections, they brought the items and gift card (or cash) to the experimenter, who marked down the selected items. Participants were then given their items, the appropriate change (if any), and debriefed.

Results

Because of a restocking error in the lab store, two participants were not exposed to all of the possible store items and were thus excluded from analysis. There were no differences in the amount purchased by individuals using cash ($M_{amt} = 5.67$, $SD = 1.09$) and those using a gift card ($M_{amt} = 5.23$, $SD = .72$), $t(36) = -1.45$, $p > .05$, and 68.4% of the participants spent exactly $5 (63.2% of those with the extra $5 in cash, and 73.7% of those with the extra $5 in the form of a gift card). There were also no differences in the number of items purchased by individuals using cash ($M_{items} = 2.37$, $SD = .68$) and individuals using a gift card ($M_{items} = 2.42$, $SD = .69$), $t < 1$.

However, as predicted, individuals in the gift card condition spent a significantly higher proportion of their money on luxury items ($M = .76$, $SD = .29$) than did individuals using cash ($M = .47$, $SD = .38$), $t(36) = 2.53$, $p < .05$.

Discussion

Participants in both conditions of this experiment were in the very same position from a pure economic perspective: They had $10 more purchasing power than they had before the experiment began, and they were required to spend at least $5 of it in the laboratory store. Nevertheless, as hypothesized, those who received half of their compensation in the form of a gift card spent a significantly higher proportion of it on hedonic items than individuals who received the full amount in cash. To our surprise, individuals who received a

[1]The six items that had been rated as hedonic were (i) Cornell memorabilia, (ii) recycled notebooks, (iii) multicolored pens, (iv) cookies, (v) chips, and (vi) candy. The six items that had been rated as utilitarian were (i) toothpaste, (ii) ballpoint pens, (iii) paper towels, (iv) regular notebooks, (v) bottled water, and (vi) tissue boxes.

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gift card did not spend more money by supplementing the card amount with cash.

Perhaps the most notable facet of these results is that individuals who received a gift card spent more on hedonic items even though they had "earned" the amount in question. One might expect earned income to be treated with considerable gravity and thus be spent on more utilitarian items (Epley et al., 2006; Tykocinski & Pittman, 2013). Although surprising from that perspective, our results echo the purchasing patterns observed in frequency reward programs, where individuals can earn credits for being a member of a group (such as owning an American Express card), for frequenting a certain store, or purchasing a certain brand. Kivetz and Simonson (2002) found that the more effort a program required of the customer in order to receive rewards, the more likely those rewards would be spent on luxury items. Similarly, our results indicate that even though participants believed that they had earned the amount themselves, it did not diminish the likelihood that the money would be spent as though it were a gift.

STUDY 3

Although the results of the first two studies support the idea that gift cards are financial assets that are assigned to a mental account that encourages the purchase of hedonic items, they either involved hypothetical purchases or were obtained in a relatively sterile laboratory setting where the gift card was redeemed immediately after it was received. In everyday life, gift cards need not be spent as soon as they are received and may log considerable time in the forgotten corners of one's dresser, wallet, or backpack, and only redeemed when they are about to expire or the individual becomes aware of a need for something from that specific vendor.

Indeed, previous research (Raghubir & Srivastava, 2008) has found that when individuals place gift cards in their wallets, they lose some of their distinctive identity and are less likely to be spent on hedonic items. Therefore, in the next study, we examined whether actual gift cards (those tied to a specific real-world retailer) would be disproportionately used to buy hedonic items. We did so by examining purchases made at the Cornell Campus store, with a database that allowed us to perform a within-subjects analysis of whether individual consumers were more likely to buy hedonic items when using their gift cards than when using their credit cards.

Method

Campus store data

Six years of transactional data were collected from the Cornell Campus store from the fall semester of 2006 to the spring semester of 2012. These data included purchases from 14,021 customers who used a credit card, a gift card, or both tender types during this period. The bookstore did not keep records of individuals who paid with cash. The dataset included all of the individuals who had used gift cards during this period and a randomly selected (by computer algorithm) subset of those who had made credit card purchases. All of the data were de-individuated by the campus store before being given to us, with the only demographic information available being the person's university status (e.g., faculty member, full-time student). The campus store assigned each customer a unique ID so that purchases made by the same individual on different occasions or at different registers could be tracked. We were interested in how payment type influences the purchase decisions of individuals (rather than larger entities such as academic departments), and we restricted our analyses to individuals who fell within the following categories: full-time students (54.2%), faculty (1.6%), staff (5.8%), alumni (14.5%), and other (23.9%). Individuals who belonged to these categories were separated into three types: (i) those who exclusively used a credit card (16.5%); (ii) those who exclusively used a gift card (80.9%); and (iii) those who used both a gift card and a credit card (2.6%). These restrictions left us with 13,883 unique customers. For these individuals, we obtained data on the departments in which they had purchased items, how much they spent in each department, how many items they purchased in each department, and whether they paid with a gift card or a credit card.

Hedonic survey

The campus store was not able to track the precise items purchased when customers paid with credit cards or gift cards, only the departments in which the items were purchased. To examine whether the nature of customers' purchases was related to their method of payment, we therefore examined whether items from relatively hedonic versus utilitarian departments were more likely to be purchased with gift cards. To categorize each department in the campus store along the hedonic/utilitarian dimension, we had a sample of Cornell students ($n = 23$) rate the store's 14 departments from 1 = *extremely utilitarian* to 7 = *extremely hedonic*. Seven departments were rated above the scale midpoint and were categorized as hedonic ($M = 5.54$, $SD = .66$), and

Table 1. Descriptive statistics (Study 3)

Variable	Mean value	Median value
Average amount spent	413.18	75.00
Average number of items purchased	25.97	5.00
Proportion of transactions paid exclusively with gift cards (%)	80.4	
Proportion of transactions paid exclusively with credit cards (%)	17.1	
Proportion of transactions paid with both tenders (%)	2.5	
Average amount spent per customer, gift card purchases	92.39	52.48
Average amount spent per customer, credit card purchases	1772.00	1542.68
Average number of items per customer, gift card	5.74	3.00
Average number of items per customer, credit card	111.71	71.00

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seven were rated below the midpoint and categorized as utilitarian ($M = 2.45$, $SD = .75$).[2]

Results

Across the three groups (gift card users, non-gift card users, and individuals who used both tender types), we removed 518 individuals who did not spend money in the departments of interest and 191 individuals whose total expenditures fell three standard deviations from the mean amount spent. This left us with 13,174 unique customers—332 individuals who had used both tender types (2.5%), 10,595 individuals had only used a gift card (80.4%), and 2247 individuals who had only used a credit card (17.1%). See Table 1 for a summary of relevant statistics.

Individuals who had used both tender types

Our primary analysis focused on individuals who used both a credit card and a gift card. To determine whether tender type is related to the type of item purchased, we calculated, for each of these participants, (i) the proportion of that participant's total gift card expenditures that were made in hedonic departments and (ii) the proportion of that participant's total credit card expenditures that were in hedonic departments. A difference score between these two proportions was then calculated for each participant, with positive numbers indicating that a larger proportion of total gift card expenditures were made in hedonic departments and negative numbers indicating that a larger proportion of credit card expenditures were made in hedonic departments. For example, if an individual spent $10 with a gift card, $8 of which was spent in hedonic departments, his or her gift card hedonic proportion would be .80. If the same individual spent $100 with a credit card, $20 of which was spent in hedonic departments, his or her credit card hedonic proportion would be .20. The hedonic difference score would thus be calculated by subtracting the credit card proportion from the gift card proportion (in this example, .60). We analyzed these difference scores using a one-sample *t*-test, and, as predicted, a significantly higher proportion of the total amount spent with gift cards were in hedonic departments ($M = .52$, $SD = .43$) compared with credit cards ($M = .21$, $SD = .17$), $t(331) = 12.597$, $p < .0001$.

Although the designation of departments as hedonic and utilitarian was empirically based on the ratings of Cornell students who were familiar with the campus store, some readers may question whether the bulk of the items bought in the hedonic departments were truly hedonic and the bulk of the items bought in the utilitarian departments were truly utilitarian. To address this concern, we conducted a follow-up analysis involving purchases in the three most hedonic departments (non-insignia gifts, emblematic gifts, and CDs/DVDs) and the three most utilitarian departments (custom publishing, calculators, and textbooks). A customer would be hard pressed to find a hedonic item in the latter three departments. Because not all individuals made purchases in these six departments, the follow-up analysis was based on the purchases made by 194 participants. We again calculated a hedonic difference score using the same method described earlier and analyzed these difference scores with a one-sample *t*-test. As with the earlier analysis, a significantly higher proportion of the total amount spent with gift cards was in hedonic departments ($M = .47$, $SD = .49$) compared with credit cards ($M = .08$, $SD = .15$), $t(193) = 10.828$, $p < .0001$.

Individuals who had used either a gift card or a credit card

To determine whether tender type is related to the type of item purchased for individuals who used either a credit card or a gift card only, we first calculated, for each participant, the proportion of the total amount spent in hedonic departments. As predicted, individuals who had exclusively used a gift card spent a significantly higher proportion of their total amount in hedonic departments ($M = .54$, $SD = .44$), compared with individuals who had exclusively used a credit card ($M = .30$, $SD = .28$), $t(12{,}840) = 33.361$, $p < .0001$.

We performed this analysis as well using only purchases made in the three most hedonic and the three most utilitarian departments. Because not all individuals in our sample made a purchase in one of these six departments, this analysis was based on the purchases made by 7655 participants (5540 of whom exclusively used gift cards and 2115 of whom exclusively used credit cards). As predicted, individuals who had exclusively used a gift card spent a significantly higher proportion of their total amount in hedonic departments ($M = .51$, $SD = .48$) compared with individuals who had exclusively used a credit card ($M = .18$, $SD = .31$), $t(7653) = 36.117$, $p < .0001$.

Discussion

As hypothesized, shoppers at the Cornell Campus store were more likely to use their gift cards to make hedonic purchases and more likely to use their credit cards to make utilitarian purchases. Among those individuals who used both a gift card and a credit card, a significantly higher proportion of their gift card expenditures were in hedonic departments, compared with the purchases they made with their credit cards. In addition, among individuals who had used a gift card only, a significantly higher proportion of their total expenditures were in hedonic departments, compared with individuals who had used a credit card exclusively. Our results thus indicate that using a gift card leads to even more hedonic spending than using a credit card.

GENERAL DISCUSSION

On the popular NBC television show "Parks and Recreation," two of the characters annually take a day off from work to

[2]The seven departments categorized as hedonic were (i) tradebooks, (ii) campus living, (iii) non-insignia gifts, (iv) CDs and DVDs, (v) the munch market (a convenience store), (vi) emblematic gifts, and (vii) clothing. The seven departments categorized as utilitarian were (i) technical reference books, (ii) custom publishing, (iii) school/office supplies, (iv) art and engineering, (v) calculators, (vi) textbooks, and (vii) computers/computer paraphernalia.

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"treat themselves." They spend the day engaging in all sorts of luxurious activities, from massages to mimosas. Although this may take the idea of self-indulgence to an economically irresponsible extreme, most people have an urge to buy hedonic goods and look for justifications to do so. Our data show that when individuals are given money in the form of a gift card—even one that they earned themselves—they have the justification they need. We found that participants were more likely to purchase hedonic items with their gift cards than with other forms of payment. This behavior echoes the findings from research in self-gifting, wherein individuals purchase items for themselves that they would not usually buy (Mick & DeMoss, 1990). Our results indicate that the form that money takes can have a large impact on indulgent purchasing.

In Studies 1a and 1b, we found that participants preferred to use a gift card to purchase a hedonic item and cash to purchase a utilitarian item and that this behavior reflected their feelings about how different tender types should be spent. In Study 2, we found that participants who earned extra money in the form of a gift card spent a higher proportion of it on hedonic items than participants who earned the same amount in cash. In Study 3, we analyzed purchase data from a campus bookstore and found that a higher percentage of gift card purchases than credit card purchases are made in hedonic departments. Taken together, these studies indicate that gift cards are treated differently than other tender types. Although credit cards have been linked to relatively impulsive spending in other research, we found, in Study 3, that they are less likely than gift cards to be spent on hedonic goods.

Although mental accounting is often seen as a means of maintaining fiscal self-control, research has also shown that individuals sometimes use mental accounting in order to behave indulgently—to make a "pre-commitment" to indulge a desire to purchase inessential hedonic items (Kivetz & Simonson, 2002). Gift cards, our research indicates, are well-suited to advance this sort of pre-commitment. Research on why individuals are reluctant to give money as gifts indicates that beyond feeling that a certain degree of time and effort should go into selecting a present, they fear that the recipient might spend the money on mundane items (Webley et al., 1983). Gift cards go a long way toward allaying the latter concern, as individuals tend to use them to buy hedonic goods.

There is a tendency to think of hedonic goods as purely self-indulgent and to worry that yielding to the urge to purchase hedonic goods can lead to financial trouble. But there may nevertheless be a silver (or plastic) lining to the tendencies we have observed here. Previous research has shown that making many small purchases tends to make people happier than making fewer large ones (Dunn, Gilbert, & Wilson, 2011). Gift cards may encourage this very pattern of spending: They give the card bearer the opportunity to indulge, but typically with enough fiscal constraint to limit the indulgence to smaller purchases.

Having established that people are more inclined to buy hedonic goods with gift cards than with other tender types, a host of additional questions remain. For example, does the identity of the gift giver and the nature of the relationship between the gift giver and recipient affect purchasing decisions? A gift card from one's grandmother may come with specific associations and may be spent differently than one from one's college roommate (Tykocinski & Pittman, 2013). In addition, research indicates that experiential purchases make people happier than material purchases (Van Boven & Gilovich, 2003). Do individuals who have the opportunity to purchase an experience with a gift card tend to opt for more luxurious or extreme experiences—spa treatments, scuba diving, or higher-end meals, rather than movies, green fees, or the usual dinner fare? More generally, does the meaning a person attaches to the gift card in question influence how it is spent? If someone thinks of Barnes & Noble as (primarily) a bookstore that (incidentally) sells music, will that person be more likely to buy a book with a gift card (because that is what the store and hence the card are "about") and pay cash for a CD? Or will that person do just the opposite (because the CD is likely to be seen as the more tangential and hence more indulgent item)?

Summary

The studies presented here indicate that the precise form of people's monetary assets influences the precise ways in which they are spent. In a hypothetical scenario, in the laboratory, and in real-world purchasing situations, we found that people are more likely to purchase hedonic goods with gift cards than with cash or credit cards. Thus, although it is certainly always a joy to receive seven hundred pounds or seven hundred possibilities, how the pounds are presented can have a profound influence on the possibilities they engender.

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