Gifts-Upon-Entry and Appreciatory Comments:
Reciprocity Effects in Retailing

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Abstract

An experiment was conducted in a restaurant to determine the effects of a small gift upon entry and greeting customers with a thank you for their patronage. Two types of gifts were used: a cup of yogurt and an inexpensive key chain. The authors found that providing a gift upon entry into a store had an impact on how much was spent, on the performance rating, and on how strongly the establishment would be recommended. This study did not find any differences between gifts: a gift of a cup of yogurt had the same impact as a key chain. The difference in amount spent between the group that was not greeted or given a gift and the group that was greeted and given a cup of yogurt was 46.4%, a considerable amount. The authors conclude that retailers should greet customers who enter their stores and, if possible, provide a small gift.

Keywords: Reciprocity, Promotions, Gift upon entry, Customer satisfaction

1. Introduction

Marketers and retailers have used many types of promotions and inducements to influence the purchasing decisions of their customers. Periodic gift-giving has been shown to improve customer loyalty (Barnes, 2001). What especially works is an unexpected gift, one that is a surprise to the customer. Thus, for example, providing a gift every time a regular guest stays at a hotel will not be as effective as a surprise gift (Barnes, 2001). The theory of reciprocity is used by scholars to explain why gift-giving works.

The principle of reciprocity is based on the idea that people who receive a gift or benefit from someone have the need to give something back in return; there is actually a feeling of indebtedness on the part of the recipient (Cialdini, 1984). The expression "You scratch my back and I'll scratch yours" is a simple way of describing reciprocity. Schluntz (2009) observes that the Golden Rule, which is common to all religions, has its roots in the ethic of reciprocity. A gift need not be a physical gift, but a verbal appreciatory comment may improve consumer spending and satisfaction as well. After all, even a "thank you" will result in a "you're welcome" or the equivalent in almost every society. Cialdini (1984) describes several studies that demonstrate that doing subjects a small, unsolicited favor prior to making a larger request, greatly increases the probability that the request will be fulfilled. In one study, subjects given a bottle of Coca Cola were more likely to subsequently purchase raffle tickets than those people not given the free soft drink. Cialdini (1984) believes that providing supermarket shoppers with a free food sample increases the likelihood that the product will be purchased. Katz, Caplan, and Merz (2003) feel that the huge number gifts given by the pharmaceutical industry to doctors should be drastically curtailed because "considerable evidence from the social sciences suggests that gifts of negligible value can influence the behavior of the recipient in ways the recipient does not always realize" (p. 39).

Most of the research in the area of business gifts deals with gifts from salespeople and purchasing agents to business customers, i.e., business-to-business (B2B) gifts. Several studies have found that gifts from a business will have a positive effect on intent to purchase, perceived satisfaction, and sales. Beltramini (2000) asserts that these gifts should be subtle and not be an obvious attempt to manipulate customers into increasing their

purchases; they should also be consistent with an organization's code of ethics. They should also be unexpected, unostentatious, and not demonstrate "free-spending extravagance" (p. 77).

Beltramini (1992) found that business gifts (B2B) have a positive effect on customers' perceptions of the product. A later study by Beltramini (2000) extended his findings and found that a $40 gift resulted in an increase in sales both immediately after receipt of the gift and lasted for six months, the duration of the study (measures were taken 2, 4, and 6 months after receipt of the gift). By the end of the 6-month period, cumulative sales had increased by 615% over what they had been at the pre-gift level. Sales for the control group that had not received any gift only increased to 43% above the pre-gift level. Sales for a third group, which had received a $20 business gift, increased cumulatively to 49% above the pre-gift level.

There have been very few studies in the area of business-to-consumer gifts. Friedman and Herskovitz (1990) found that a small gift (a fifty-cent key chain) given to consumers upon entering a pharmacy resulted in a significant increase (16.8%) in their expenditures. A follow-up study by Friedman and Friedman (1996) found that a simple appreciatory comment given to consumers upon entering an electronics store resulted in an even more significant increase (69.6%) in the amount spent on purchases. Bodur and Grohmann (2005) investigated the effects of a business-to-consumer gift using a sample of 202 undergraduate students. Students were asked to imagine a scenario in which they received gift certificates of different values ($10 and $60) from an online book and CD retailer. They found that business gifts not connected to an explicit request for reciprocation were less effective than gifts connected to a more subtle implicit request. Clearly, people do not like to feel manipulated. Also, the value of the gift had no statistically significant impact on an intent-to reciprocate scale (consisting of items such as "In the future, I will contact the business more often" and "In the future, I will purchase a wider assortment of products from the business") (p. 452).

The purpose of the present study was to compare both physical and verbal "gifts" and their effects on consumer spending and satisfaction. The authors hypothesized that a tangible gift given in conjunction with an intangible, verbal "gift" would produce the best results in each of the tested measures of interest. These small gifts should place an implied obligation in the minds of the consumers to reciprocate by spending more money and by rating the establishment more favorably.

2. Method

The experiment was conducted in a small fast-food restaurant in an urban area during the hours of 12:00 to 4:00 PM, on various days, over a four-week period. The subjects were customers who entered the store. Arriving customers were randomly assigned to one of four conditions: Group one did not receive a greeting when they entered the store and were not given a gift for patronizing the store (NGRNGIF; No Greeting and No Gift). Group two was greeted, but did not receive any gift (YGRNGIF; Yes Greeting and No Gift). Group three received a greeting and a gift of yogurt (YGRYOG; Yes Greeting and Yogurt gift). Group four received a greeting and a gift of a key chain (YGRKEY; Yes Greeting and Key Chain gift). The authors were interested in seeing whether a gift of food in a fast food restaurant would have a different effect than a gift of a non-food item.

The subjects of the YGRNGIF group were told, "Thank you for choosing _____ (the name of the restaurant). We appreciate your business." Subjects of the YGRYOG and YGRKEY groups were told, "Thank you for choosing _____. Here is a token of our appreciation" before being presented with their gift. The key chain was a generic branded product that is not sold or advertised by the restaurant and retailed for about 40-50 cents each. The yogurt samples were the same Dannon "Light and Fit" yogurt cups advertised and sold by the restaurant, and retailed for about 50 cents. The subjects of the NGRNGIF group were neither greeted upon entry, nor were they given a gift. Each group consisted of 75 subjects, for a total sample size of 300 customers. Precautions were taken to ensure that no subject saw another subject.

At the point of sale, once the transaction was complete, each subject's expenditures were recorded. Those who had made purchases to go were asked to complete a brief questionnaire upon receiving their receipt; customers who chose to eat their meal in the store, were asked to complete the same questionnaire once the meal had been completed. The questionnaire asked subjects to rate their overall experience in the store and how likely they were to recommend it to someone else.

There were three measures of interest: (a) SPENT, i.e., how much each person spent in the store. The second measure was PERFORMANCE, i.e., performance rating of the store. This was a 7-point hedonic scale with 1 indicating "excellent," and 7 indicating "awful." The third measure was RECOMMEND. This was a 5-point scale ranging from 1 ("definitely recommend") to and 5 ("not recommend").

3. Results

Table 1 indicates the means for the four groups on the three measures. The F-test for each of the three one-way ANOVAs was significant (see Table 1). A Student-Newman-Keuls test was then used to perform a posteriori tests at the .05 level on the three measures.

For the **SPENT** measure, the mean amount spent by the YGRYOG group was the highest at $10.41. However, it was not statistically different from the YGRKEY group ($9.39). The YGRYOG group mean ($10.41) was statistically different from the NGRNGIF and YGRNGIF groups ($7.11 and $8.39 resp.). There was no statistically significant difference between the NGRNGIF group ($7.11) and the YGRNGIF group ($8.39). There was also no significant difference between the amount spent by the YGRNGIF ($8.39) and YGRKEY ($9.39) groups.

For the **PEFORMANCE** measure, the lowest performance ratings were achieved by the NGRNGIF group (2.29). The rating of 2.29 was statistically different and lower than for all the other groups. The next lowest rating was for the YGRNGIF group (1.91). The rating for this group was better than for the NGRNGIF group but lower than for either of the two gift groups. The mean ratings for the two gift groups, YGRKEY and YGRYOG were statistically equivalent (1.46 and 1.48 resp.) and better than for the other two groups.

For the **RECOMMEND** measure, the lowest performance ratings were achieved by the NGRNGIF group (2.19). The rating of 2.19 was statistically different and lower than for all the other groups. The next lowest rating was for the YGRNGIF group (1.88). The rating for this group was better than for the NGRNGIF group but lower than for either of the two gift groups. The mean ratings for the two gift groups, YGRKEY and YGRYOG were statistically equivalent (1.47 and 1.33 resp.) and better than for the other two groups.

4. Conclusion

This study demonstrates that there is value in greeting customers who enter a store. Customers who are not greeted will spend considerably less, will rate the store lower on performance, and will also be less likely to recommend the establishment. Providing a small gift upon entry into a store will have an impact on how much is spent, on the performance rating, and on how strongly the establishment will be recommended. This study did not find any differences between gifts. A gift of a small cup of yogurt had the same impact as the gift of a key chain. A gift of a food product in a fast food restaurant can have two different effects. It might assuage the customer's hunger so that s/he needs less food and spends less. It can also work to whet an appetite and demonstrate to customers the high quality of the food. In this study, however, it did not make a difference which appreciatory gift was given to the customer.

The main finding of this study is that retail establishments that do not greet customers upon entry can significantly hurt their sales. The difference between the NGRNGIF and YGRYOG groups was $3.30 ($10.41 - $7.11), a difference of 46.4%. This is a very substantial difference. An establishment that greets customers can become very successful. Customers will spend more, rate it better, and give it more positive recommendations. The type of gift given may not be an important consideration. The combination of a small gift with an appreciatory comment is what matters to customers.

The value of a satisfied customer to a business is immense. One study showed that customers who are totally satisfied contribute 17 times more sales to a firm than customers who are somewhat dissatisfied and 2.6 times as much sales as customers who are somewhat satisfied (Whalley and Headon, 2001). If all it takes to improve attitudes of customers is an appreciatory comment and an occasional gift, then organizations should use this approach as part of their marketing communications strategies.

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Table 1. Means for the Four Groups on the Three Measures

	SPENT	PERFORM	RECOMMEND
No Greeting/No Gift	$7.11 (75)	2.29 (68)	2.19 (68)
Yes Greeting/No Gift	$8.39 (75)	1.91 (74)	1.89 (74)
Yes Greeting/Yogurt	$10.41 (75)	1.48 (73)	1.33 (73)
Yes Greeting/Key Chain	$9.39 (75)	1.46 (72)	1.47 (72)

Note: Sample sizes are shown in parentheses

Table 2. One-Way ANOVA for the Three Measures

SPENT:					
Source	S.S.	d.f.	M.S.	F-Value	P-value
Among	447.11	3	149.04	5.70	.0008
Within	7738.45	296	26.14		
Total	8185.56	299			
PERFORMANCE:					
Source	S.S.	d.f.	M.S.	F-Value	P-value
Among	33.18	3	11.06	13.46	<.0000
Within	232.55	283	0.82		
Total	265.73	286			
RECOMMEND:					
Source	S.S.	d.f.	M.S.	F-Value	P-value
Among	32.52	3	10.84	14.58	<.0000
Within	210.47	283	0.74		
Total	242.99	286			