“The power of monetary and nonmonetary business gifts: a regression discontinuity approach”

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Abstract:
In this paper non-monetary and monetary gift exchange in a business environment by means of regression discontinuity is studied. The data was accessed from a medium-size travel agency. The travel agency gets involved in a lot of promotional activities for its clients, differentiating between monetary and nonmonetary gifts. A recent development has been a special hardcover brochure for its most loyal clients as a token of appreciation. The reciprocity of the clients to the gift is measured by assessing the number of bookings following the gift and comparing with the groups which did not receive a gift. In addition, a difference between the effectiveness of the gift was assessed with respect to different gender. Finally, this nonmonetary gift was compared to the effectiveness of monetary discounts. The results indicate lack of reciprocity regarding non-monetary promotion; also no effect has been found for women. Monetary promotion, however, turned out to be effective even though the comparison groups for the regression discontinuity were very similar, hence the most reliable. Some of the results lack statistical significance; but might provide some insight into the process of gift exchange in a business environment.

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INTRODUCTION:

Business gift giving is an accepted practice in many organizations and industries (Beltramini, 1992). They serve as a medium of advertisement, sales promotion and marketing communication medium (Cooper, Madden, Hunt & Cornell, 1991). Verbal communication e.g. advertising is easily forgotten but gifts form a reminder of a certain company, which may convince a customer in favor of the business (Axtell, 1990).

Companies usually use business gifts in order to emphasize appreciation of a customer and to affect the behavior of buyers hoping for future business opportunities (Meredith and Fried, 1977). The conceptual foundation for evaluating the effectiveness of business gifts lays in the social exchange paradigm in psychology, or more specifically the concept of reciprocity (Beltramini, 2000). Cialdini (1985) noticed that giving of a benefaction could lead to thoughts of obligation towards a contributor, even though this obligation is not expected by the giver, which can be defined as reciprocity. Much research conducted on this topic investigates company's image and intention to repeat a contact with a particular business after getting a business gift. The aim of this investigation is to go beyond the behavioral intentions and image opinions and observe the real behavior of the clients, namely their re-purchase decision.

The presence of the concept of reciprocity will be evaluated in this research in a business environment, a travel agency and a business to consumer relationship. Every year, the company engages itself in various promotional activities for its clients in order to incentivize them to book. Also, in order to appreciate its loyal clients the company sends some form of a gift. The effectiveness of such a gift will be evaluated leading to the research question:

To what extent do consumers reciprocate in face of business gifts?

The effectiveness of business gifts is of high importance of every successful marketer. Annual expenditures on business gifts in the US have been estimated at $1.5 billion and their implementation is growing at the rate of 5% (Gibson, 1989). At the same time little empirical research has been conducted considering such commonly observed utilization of business gifts. This seems to be worrying seeing how many resources are devoted to this activity. A research conducted by Beltramini (1992) seems to confirm that business gifts improve customer perceptions towards key product attributes, though the reported likelihood of actually contacting the giver increased only slightly. The limitation of this study is lack of the assessment of the actual decision to rebuy or not in the future, which, in a sense, is core of every business. Hence, in the next study of Beltramini (2000), the author looks at the actual purchases of the clients and finds an increase in sales following receiving a gift from the firm.

The Mintel report (1997) identifies three categories of business gifts. The first category is giveaways, usually low value and high volume, less personal items, which are used mainly to promote a company's name. The second category is standard gifts with a higher perceived value than just a giveaway, they are also meant to be more personal. The third category is luxury gifts of high value and low volume, very individually oriented.

The gift analyzed in this research belongs to the second category. A hard cover of an annual brochure of the company is delivered to a selected number of loyal customers. Made more personal, it is delivered by post with a letter from the Director saying: “We are pleased to send you “a collector’s item”- our new hardcover brochure. For you as a regular customer as a token of appreciation for the trust you gave us for all those years.” The brochure has about 300 pages, printed in color includes impressive photos from many world destinations. The criteria for receiving such a gift were at least 5 tours booked with the company and at least once after 2010. The hardcover was sent to 2300 clients.

Another gift assigned to the customers also in the first week of December are also discount vouchers. In this case, the company differentiates between three values of discount vouchers; 100 Euro discount for the next booking for those clients who travelled 7 times or more, 50 Euro discount for those who travelled 4-6 times and 35 Euro for the clients travelling 2-3 times. Another requirement is at least one booking after 2006. The effectiveness of this gift will be evaluated too and its effectiveness will be compared with the above-mentioned hardcover gift. No other promotional activities were present that year and it will be assumed that promotional activities, which could have effected the clients a year before will not be taken into consideration.

The structure of my thesis is as follows. Firstly, I will discuss the relevant literature. Then data and methodology will be presented followed by the results of the effectiveness of a hardcover, impact of a hardcover on women and the effectiveness of the monetary discounts. Finally, the results and implications of this research will be discussed.

LITERATURE REVIEW

In spite of the numerous applications of business gifts, surprisingly little academic research has examined the effectiveness of gifts in influencing customer on their prospect behavior. The predicted reason for such outcomes could be the presence of reciprocity (Grohmann, 2005). Reciprocity means that in response to friendly actions, people are frequently much nicer and much more cooperative than predicted by the self-interest (Fehr, 2000). Reciprocation can take various forms (Rynning, 1989), such as change of attitude towards the giver, repaying the giver with a return benefit or compliance to a request, which is of relevance to our research, where business attempts to boost future sales by sending out a gift. “Reciprocity is a central rule governing any form of gift exchange” (Sherry, 1983) and therefore provides a theoretical background for the framework of this research.

Tesser, Gatewood, and Driver (1968) assessed reciprocity as being a function of the recipient’s perceptions of the benefactor, the cost of the benefactor in providing the benefit, and the value of this benefit. Regan (1971) argued that it is the feeling of obligation and normative pressure as opposed to liking which influences the reciprocity. So, those who have been helped have the feeling of the need to reciprocate, which does not necessarily have to go together with more favorable feeling towards the giver. As an extension DePaulo, Brittingham and Kaiser (1983) developed on the notion of as perceived "appropriate" versus "inappropriate" act of friendliness; a business gift in our case. Their findings indicate that in giving business gifts, it is imperative that the recipients perceive the gift as appropriate and intended for them (as possibly an especially valued long term customer), rather than distributed to a wide range of receivers. This is closely related to this research, which deals with a hard cover brochure, so a gift exclusive for a selected number of loyal customers. It has also been found that the gift should be perceived as a subtle surprise, however deliberately intended for the recipient.

Most of the available literature on the concept of reciprocity to business gift has been conducted in an artificial environment and was measuring the image of the company and willingness to purchase. A controlled laboratory study of Malmendier and Schmidt (2012) where a decision maker has to buy one of two possible products and receives a gift from one producer shows that even without incentive or informational effects, small gifts strongly affect the recipient's behavior in favor of the gift giver. In another lab experiment Bodur and Grohmann (2005) investigated the effects of a business-to-consumer gift using a sample of undergraduate students. Students had to imagine a situation in which they received a gift voucher of different values ($10 and $60) from an online book and CD retailer. Consumers respond more positively to business gifts when they have a relatively tight relationship with the business. It was also found that connecting gifts to explicit requests or conditions was less effective in increasing store visit and purchases than not connecting the vouchers to a request for reciprocation.

Laboratory studies have often been criticized on the basis of its potential selection bias and experimenter scrutiny, even though they are rather easy to conduct. The fact that subjects usually know that they are participating in an experiment and realize that their actions are being observed might lead to potentially unreliable outcomes. Findings of Kessler (2010) on lab-field debate indicate that between a certain lab setting and a field setting, there will be many *strategic and informational differences* that may meaningfully contribute to the variation in treatment effects. On the other hand, an ability to control the experiment very well gives value to lab experiments.

Only a few studies have involved naturalistic context in assessing gift giving (Falk, 2005). One of them is a field experiment designed to examine reciprocal behavior (donation) towards a charitable organization after receiving a solicitation letter with a gift. The results verify the economic importance of gift-exchange. Compared to the no gift condition, the relative frequency of

donations increased by 17 percent if a small gift was included and by 75 percent for a large gift. In another field experiment, placed in a business environment this time, conducted by Dorsch and Kelley (1994) on customers' reactions to business gifts the findings indicate that the likelihood of business gifts being reciprocated depends on the type of vendor gifts received, the extent to which the buyer experiences a sense of indebtedness, and buyer perceptions on the level of manipulation associated with the gift. The results were gathered by means of a questionnaire meaning that even though the clients might have declared a higher likelihood to repurchase, their actual actions were not observed. The lack of the direct link between a business gift and actual marketplace behavior imposes a limitation to the study. My research aims at solving this problem.

Research conducted by Beltramini (1992) measured the behavioral repurchase intent effects of business gifts and observed increasing positive customer perceptions towards a product. A later study (Beltramini, 2000) extended his findings to check the actual behavior of the recipients of the gift and found that a $40 Euro gift resulted in sales immediately after receiving a gift and lasted for another six months. By the end of the 6-month period sales increased by cumulative 615% over 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. Rahman (2011) by means of field experiment found that a small gift (a key chain) given to consumers when entering a pharmacy resulted in a significant increase (16.8%) in their spending during the same visit.

Marketing literature widely distinguishes between monetary and nonmonetary sales promotions (Chandon et al., 2000). In case of this research, a hardcover classifies as a nonmonetary gift, whereas discount vouchers as a monetary promotion. Research of Campbell and Diamond (1990) found that

nonmonetary promotions are less prone to be compared with the price of the product than the monetary ones. Therefore, their effectiveness is higher. In most of the research monetary promotions had very short-term sale effects (Palazon and Delgado-Ballester, 2009), which was measured by means of two field experiments and no long-term sales effects (Raghubir and Corfman, 1999). On the other hand, it was observed that nonmonetary gifts have more positive long-term effect on the performance of a brand (Yi and Yoo, 2011). That study compared the effect of sales promotion on brand image over time. It appeared that non-monetary promotion seemed to be more effective in convincing customers about brand attitude. The evidence was gathered by means of a questionnaire.

While gender differences in business-to-customer gift-exchange literature have not been examined, some consumer-to-consumer gift-exchange implies that gender of the recipient can affect the response to gifts. Wallendorf and Arnould (1988) found that women judge gifts more positively and they are more meaningful to them. A research in a business environment proved no gender effect to be present when evaluating a business gift (Sprot and Grohmann, 2000). Grohmann (2005) also found that recipient gender does not have an impact on reciprocation likelihood. On the other hand, Dohmen et al. (2006) by means of survey found that women tend to be more reciprocal than men.

DATA AND METHODOLOGY:

In order to measure the power of business gifts, data from a medium-size travel company will be used. The company organizes various tours in different parts of the worlds and the average price of a tour is 2000 Euro. The main booking period for most of the clients is usually January with a departure date in the summer months. At the end of each calendar year the company sends their new brochures with all the tours offered to past clients and those who request a brochure online. 2013 was an exceptional year when it comes to the brochure as then for the first time a selected number of loyal clients who booked their tours minimum 5 times and at least once after 2010 were awarded with a hard cover brochure. It is important to note that such criteria were unique when deciding for criteria of another promotional activities. The brochure was sent to 2300 selected clients in the first week of December 2013 with a letter of appreciation as a loyal customer from the director of the company. Those clients who did not manage to fit into the criteria for a hard cover received an ordinary soft cover brochure, which can also be requested online by anyone.

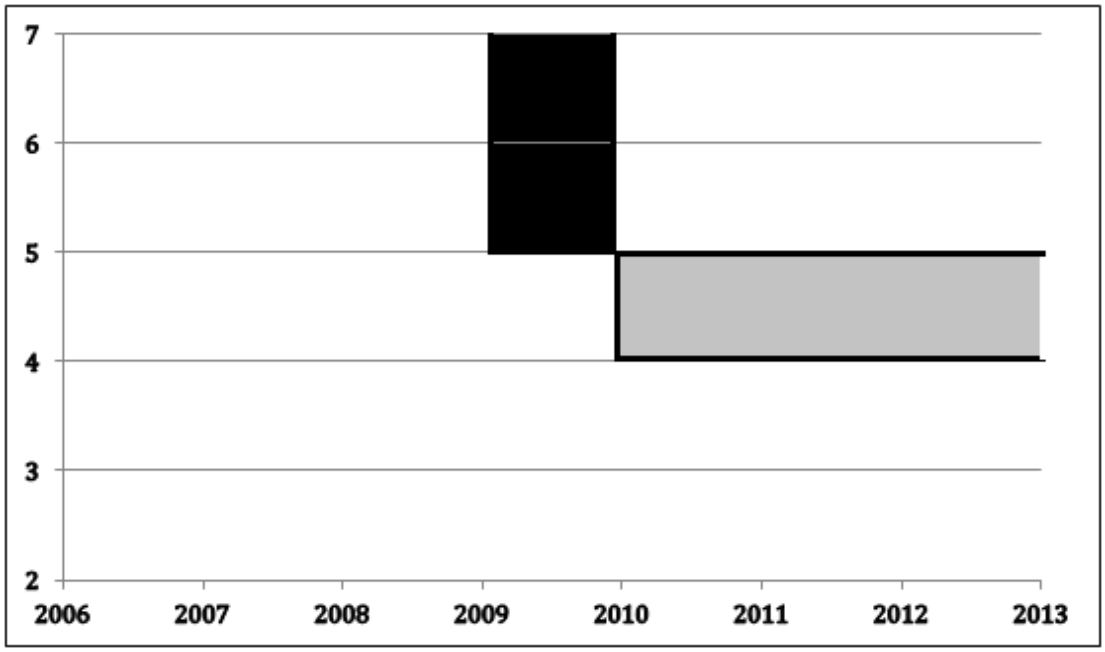
Comparing the booking behavior of all the people who received the hard cover with those who did not would include a huge selection bias since the hardcover receivers are much more loyal clients and, hence, more likely to rebook in the future. Therefore, the method chosen was regression discontinuity which intuition is as follows. Under the assumption that the clients have control over the number of tours they book – the assignment or forcing variable – the variation of the eligibility status for the hardcover will be as good as random. It is assumed that clients' observable and unobservable characteristics should have a similar distribution just below and just above the cutoff point. The cutoff point in our case is 5 bookings (and last booking after 2010). Therefore, several groups of clients who received a hardcover and were "close to" receiving a hardcover on either side of the selection cutoff point will be

compared by means of linear regression. Any difference in the number of tours booked post-hardcover observed between these two groups can be attributed to the availability of treatment –the hardcover.

A few challenges are present when deciding for a "bin width". If the bin width is too narrow, the plot will be noisy, the sample size becomes very small and the relationship between the outcome and the rating variable will be hard to observe. On the other hand, if the bins are too wide, the clients to be compared are quite different in their booking history. In order to look at different bin widths and resolve the conflict, 3 bin widths will be assessed. Firstly, the narrowest bin, the cohort of clients with 4 tours and no hardcover will be compared to the ones with 5 tours and a hardcover. Then, the cohort with 5 and 6 tours (received a hardcover) will be compared to the ones with 4 and 3 bookings and no hardcover. Lastly, the widest bin will be the customers who booked 5, 6 and 7 tours and got a hardcover compared to the customers who booked 2, 3 and 4 tours. All the clients compared have booked at least 1 tour after 2010 in order to match the criteria for receiving the hardcover.

Another way to assess the effectiveness of the hardcover is the construction of another comparison criteria (selection variable) for the regression discontinuity. So, while the first method looked at the number of tours booked, this time the dates of booking will be taken into consideration. To receive a hard cover a client had to book 5 tours and at least once after 2010. This time comparison groups will be created with those clients who booked in 2010 for the last time (and received a hardcover) with those who booked in 2009 for the last time (and did not receive a hardcover), both minimum 5 times.

The two ways of tackling the problem are depicted graphically below:



Graph 1: Two method of regression discontinuity design

The grey area indicates the first method where only people who booked at least once after 2010 are taken into consideration and the narrowest bin width – 4 bookings (no hardcover) and 5 bookings (hardcover). The black area depicts the second method where people with more than 5 bookings are compared on basis of their last booking, so either 2009 (no hardcover) or 2010 (hardcover).

These lead us to the first hypothesis in order to measure the effect of hardcover on further sales.

H1: A hardcover gift has a significant positive effect on a rebuy decision.

Also, in order to contribute to the limited research on gender differences in a gift- exchange environment, the effectiveness of a hardcover based on the gender of the clients will be evaluated. Measuring the difference in the effectiveness of a hardcover for women and for men will be conducted by using the narrowest bin (4 and 5 tours) adjusted for those who booked after

2010. This provides the most reliable analysis, as those clients are most comparable to each other based on the number of bookings.
Based on previous research findings that women are more likely to reciprocate, the second hypothesis is given:

H2: Women are more likely to rebook after receiving a hardcover than men.

Now, moving to the monetary promotions, a third hypothesis will be constructed. According to the Prospect Theory Value Function (Kahneman & Tyersky, 1979), people recognize a promotional activity relative to a certain reference point, in relative terms.
Following this, it would be realistic to assume that the discounts that the company offered would be seen as a reduction in the "loss" because they reduce the trip price, which the customers have to pay. So, the money they pay for a trip can be considered as a "loss" and the discounts only decrease this loss. Price of the trip is the reference point in this case. On the other hand, the hardcover brochure could be perceived as a "gain" as the customers do not really have an idea of the value of the present, which makes it more difficult to discount its value from the price of the tour. So, people segregate their evaluations of gains, but integrate in case of losses. According to this theory, nonmonetary promotions would have a stronger effect (Nunes and Park, 2003). The authors conducted an experiment among university students in which they presented different promotions in a different way and concluded that monetary promotions could be perceives as incremental gains and therefore decrease the value to the customers because of making their benefit seem small by comparison to the price of the tour.

Hence, the third hypothesis:

H3: Hardcover brochure exerts stronger effect on a rebuy decision than discount vouchers.

The third hypothesis will be verified by means of regression discontinuity. As mentioned before, the company differentiates between three values of discount vouchers; 100 Euro discount for the next booking for those clients who travelled 7 times or more, 50 Euro for those who travelled 4-6 times and 35 Euro for the clients travelling 2-3 times. Another requirement is at least one booking after 2006. After receiving the voucher in the first week of December, the clients had 7 weeks (until January the 20th) in order to book and use the voucher code. It will be assessed whether a booking was done within those 7 weeks, so whether customers utilized their discounts and whether higher discounts resulted in a stronger effect.

RESULTS:

Before starting a formal analysis, what is crucial to notice, a positive and significant relationship has been found between the number of tours booked by the clients and their chance to book again. An estimate of this relationship can be found when regressing the number of bookings before the hardcover on the number of bookings after the hardcover.

Table 1: Regression number of tours booked and a chance to rebook

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.016	.000		-97.495	.000
	Total Number of Bookings Pre-Hardcover	.020	.000	.208	198.126	.000

Dependent Variable: Number of Bookings Post Hardcover

When regressing the dummies for a particular number of bookings on the number of bookings after the hardcover, the coefficients become stronger indicating that higher proportion of clients re-book the more tours they already purchased.

Table 2: Regression number of bookings post hardcover with dummies number of bookings

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
2	(Constant)	.005	.000		41.193	.000
	TotalNrBookings_PreHC=2.0	.028	.001	.051	47.734	.000
	TotalNrBookings_PreHC=3.0	.047	.001	.055	51.716	.000
	TotalNrBookings_PreHC=4.0	.067	.001	.057	53.828	.000

	TotalNrBookings_PreHC=5.0	.082	.002	.053	50.234	.000
	TotalNrBookings_PreHC=6.0	.099	.002	.052	48.917	.000
	TotalNrBookings_PreHC=7.0	.129	.003	.054	50.985	.000
	TotalNrBookings_PreHC=8.0	.159	.003	.055	51.972	.000
	TotalNrBookings_PreHC=9.0	.131	.004	.040	37.258	.000
	TotalNrBookings_PreHC=10.0	.174	.004	.045	42.681	.000

Dependent Variable: Number of Bookings Post Hardcover

The only exception seems to be the clients who bought nine tours, then the proportion of those who re-booked decreases relative to the clients with eight tours. Nevertheless, the number of observations in this group is very small and not very representative.

This relationship can also be noticed graphically in Figure 1 (below) when looking at the proportion of clients who rebooked in the same period when hardcover was launched, but a year earlier (2012/2013) considering the number of tours they bought. A different characteristic of the clients with nine tours can indeed be noticed just as in the regression above.

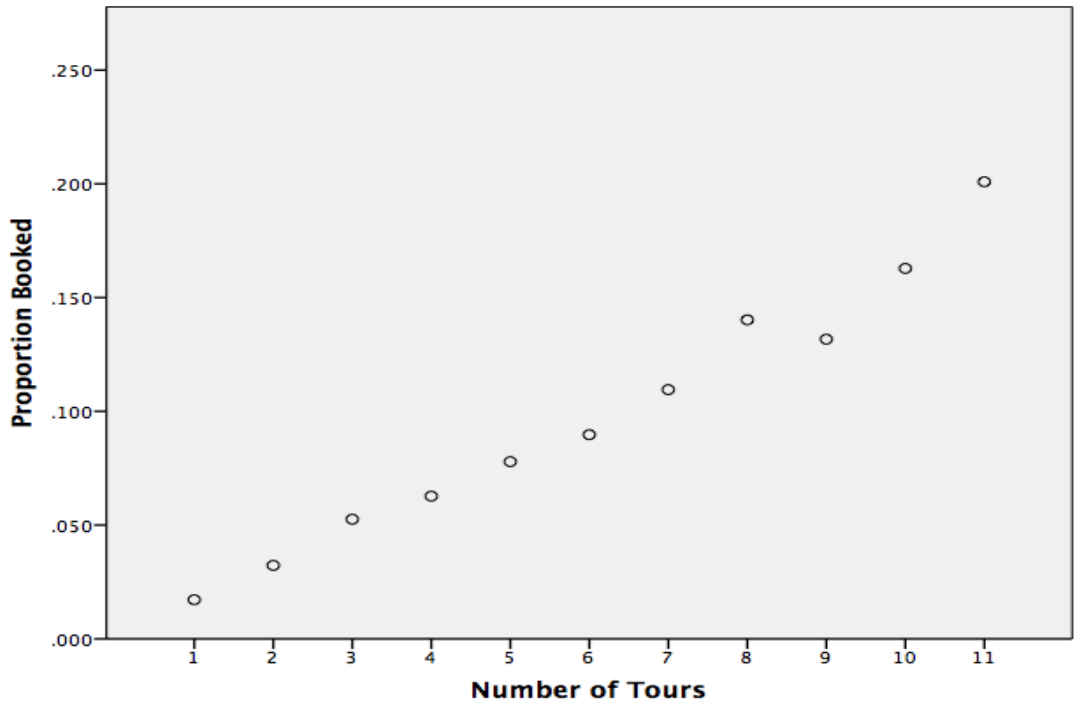


Figure 1: The proportion of clients who rebooked between 01.12.2012and 31.05.2013 based on the number of tours they booked before the hardcover and once after 2010

Result 1

Firstly, it could be beneficial to look at the pattern of the relationship between the number of tours and proportion of clients who rebooked the next tour, all clients adjusted for only those who also booked at least once after 2010 in order to be consistent with the criteria for a hardcover. If there is some effect of the hardcover one could expect there should be a discontinuity present between the fourth and the fifth tour.

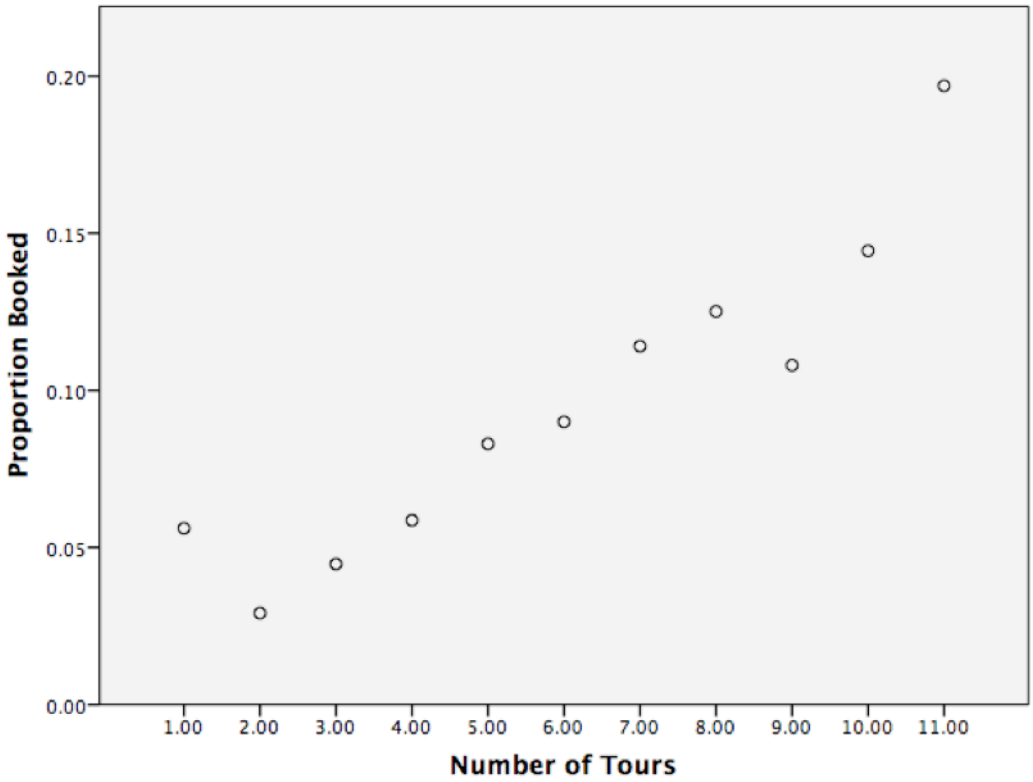


Figure 2: The proportion of clients who rebooked between 01.12.2013 and 31.05.2014 based on the number of tours they booked before the hardcover and once after 2010

Figure 2 depicts the booking patter in a year when the promotional activities of this research are being analyzed. Some evidence of a jump between 4th and 5th number as well as between 6th and 7th is distinguishable. Nevertheless, when looking, there seems to be no strong effect of the hardcover. Also one can notice a relatively high proportion of people with one tour who rebook when comparing to the year before (Figure 1).

Now a formal regression analysis will be conducted. Firstly, an effect of a hardcover will be assessed using the bin width of 4 and 5 tours and at least one booking after 2010. The number of observations in this regression is 1385. All members of this group received a 50 Euro discount; therefore it is not necessary to add a dummy of the discount to the regression.

Table 3: Regression (effect of a hardcover for 4 and 5 bookings)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
3	(Constant)	.095	.011		8.951	.000
	Dummy Hardcover	-.012	.018	-.019	-.705	.481

Dependent Variable: Number of Bookings Post Hardcover
Selecting only cases with Total Number of Bookings 4 and 5 and at least one booking after 2010

The outcome of the first regression shows a negative coefficient and is highly insignificant which means we can't rule out the possibility that the coefficient on hardcover in this case is actually 0. That would mean that there is no effect of a hardcover observed.

It could be, indeed, that the coefficient is truly negative and a possible reason for that is the presence of different discounts the year before and this year for the clients in the bin, which could have affected the group with 4 bookings. The bookers with four tours selected in the regression could have booked their last tour in the booking season last year or a few years ago (the criteria for receiving a particular discount were the same) meaning that then they received a discount of value of 35 Euro based on their three tours back then. This year, however they received a discount of 50 Euro, whereas the group of clients with 5 tours selected in the regression could have done 4 tours last years, which did not change the amount of their discount. This increase in the amount of discount might have had a stimulating effect for those people

and make them rebook. Indeed, such theory seems to be plausible when looking at the regression from Result 3 (Table 15), which analyses the effect of the discount on rebooking behavior between clients with 3 bookings (35 Euro discount) and 4 bookings (50 Euro discount). The coefficient suggests a positive and significant relationship, which might be consistent with this theory. Those different amount of discounts last year for this group might pose a problem to this regression design, however as mentioned before it is assumed that the promotions taking place a year before do not affect the customers this year. Therefore, this regression will be considered as the most valid one, as having the smallest differences between the groups. Nevertheless it should be kept in mind that a different treatment of clients with 4 and 5 tours took place in the past in terms of the discounts. When assessing the post-hoc power calculations of this regression indicate only a 10% power of this test, which is very low. On the other hand, the groups in this bin are the most homogenous on basis of their booking and therefore should express the effect of the hardcover in the most reliable way.

Another bin width for comparison includes the clients from 3 (no hardcover) to 6 tours and again adjusted for at least one booking after 2010. Number of observations here is higher that last time and equals 3368.

Table 4: Regression (effect of a hardcover for 3 and 6 bookings)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
4	(Constant)	.080	.006		12.917	.000
	Dummy Hardcover	.017	.013	.023	1.361	.174

Dependent Variable: Number of Bookings Post Hardcover
Selecting only cases with Total Number of Bookings 3 to 6 and at least once after 2010

The outcome of this regression indicates a positive sign of the coefficient of the hardcover, though still insignificant. The reason for that might be a wider

selection of observations and the choice of less homogenous groups. It is worth noting that the group differs with respect to the amount of discount received. Clients with three tours received a 35 Euro discount, whereas the ones with four, five and six tours received a 50 Euro discount. Therefore, a 'Dummy discount 50' will be added this time.

Table 5: Regression (effect of a hardcover for 3 to 6 bookings controlled for a discount)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
5	(Constant)	.074	.007		10.527	.000
	Dummy Hardcover	.002	.015	.002	.122	.903
	Dummy discount 50	.025	.013	.039	1.899	.058

Dependent Variable: Number of Bookings Post Hardcover
Selecting only cases with Total Number of Bookings 3 to 6 and at least once after 2010

A dummy added for a discount of 50 Euro changes the coefficient of the hardcover meaning that the effect diminishes dramatically, which might suggest that the effect on the rebooking decision is driven by the discount rather than by the hardcover. Though, it is still insignificant. Dummy discount 50, however, turns out positive and statistically significant meaning that the number of bookings are more positively affected by the 50 Euro discount than the 35 Euro discount. The coefficient of Dummy 50 is not very likely to be reliable since the bins are not suitable to measure the effect of this discount. The bins for the discounts will be adjusted properly in Results 3 when assessing their effectiveness. Also, the effect of the discount is likely to be overestimated in this regression since the dependent variable this time includes bookings until the end of May whereas the discount promotion was valid only

until the 20th of January. Therefore, now the same regression will be ran including the number of bookings until the end of the duration of the discount promotion.

Table 6: Regression (effect of a hardcover for 3 to 6 bookings controlled for a discount and until discount period)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
6	(Constant)	.057	.006		9.602	.000
	Dummy Hardcover	-.013	.013	-.021	-1.040	.299
	Dummy discount 50	.022	.011	.040	1.977	.048

Dependent Variable: Number of Bookings between 01.12 and 20.01
Selecting only cases with Total Number of Bookings 3 to 6 and once after 2010

This time we see that the effect of the discount has slightly decreased as shorter period of booking time is taken into consideration. The decrease is not that significant as by far the most bookings took place in January. The histogram showing the number of bookings per month from December 2013 until April 2014 can be found in Appendix A. Standard error also became smaller which could explain higher significance of this coefficient. More importantly, the coefficient of the hardcover changes drastically and becomes even negative when shortening the booking period. The reason for that could be that the effectiveness of the hard cover is more present in the long term, rather than within the two months after the receipt, whereas the duration of the discount promotion is limited, therefore people eligible for the discount try to utilize it before it expires. Indeed, when running a regression in the bin-width 4-5 (so, the most reliable bin) with the number of bookings respectively in the first, second, third and fourth month after the distribution of the hardcover, the hardcover coefficient turns positive in the third and fourth month (Appendix

B). Another factor could be that, just as in the previous regression, this bin again includes people with 4 bookings for whom the amount of discount has increased through their last booking, which can again boost their bookings and cause negative coefficient in the regression above. Clients with number of bookings other than 4 in this bin did not experience that switch. The bin of 3-6 tours represents a potential problem regarding the selection bias and the fact that the customers are not very homogenous in this cohort. A comparison between the clients that booked three tours with those who booked 6 tours may pose a problem to the validity of this method. Power of the test increases to 27% when widening the bin to this width.

Lastly, a bin width of 2 and 7 with at least one booking after 2010 will be taken into consideration. Here the most (7227) observations are present.

Table 7: Regression (effect of a hardcover for 2 to 7 bookings)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
7	(Constant)	.069	.004		18.957	.000
	Dummy Hardcover	.033	.010	.040	3.400	.001

Dependent Variable: Number of Bookings Post Hardcover
Selecting only cases with Total Number of Bookings 2 to 7_2010 and once after 2010

The widest bin shows positive and significant results, but their reliability is very doubtful, as the treatment and control group are very different from each other. This bin width includes the most 'loyal customers' who are more inclined to rebook and much less loyal clients who are not as likely to rebook, which biases the sample. The extreme values of this bandwidth represent the clients who booked only 2 tours and hence are occasional clients and those who booked 7 times who seem very faithful to Djoser. The power of this test

increases thought to 57%.

What is important to note is that again clients within this group had three kinds of discounts: 35, 50 and 100 Euro. Therefore, a dummy 100 and 50 Euro will be added.

Table 8: Regression (effect of a hardcover for 2 to 7 bookings controlled for discounts)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
8	(Constant)	.066	.004		17.214	.000
	Dummy Hardcover	.004	.013	.005	.343	.732
	Dummy discount 100	.052	.024	.030	2.172	.030
	Dummy discount 50	.032	.011	.044	2.945	.003

Dependent Variable: Number of Bookings after Hardcover
Selecting only cases with Total Number of Bookings 2 to 7 and once after 2010

The coefficient of the hardcover becomes again much smaller and not significant; meaning that that there is no effect of a hardcover or it is very small as a big part of the effect on the number of bookings has been taken away by the discounts. Both dummies 100 and 50 Euro discount are positive and significant. Though, one should notice that there is a perfect correlation between people who got a 100 Euro discount and those who got a hardcover. All of the clients who received a 100 Euro discount also received a hardcover. Therefore, the coefficient is not likely to be very reliable, nevertheless it is important to not a change in the coefficient of the hardcover. Just as in the previous time, the dependent variable is constructed so that it includes more months (until end of May) for booking than the duration of the monetary discounts. Now, the dependent variable will be constructed to include the

number of bookings only until the end of the discount promotion period (20th of January).

Table 9: Regression (effect of a hardcover for 2 to 7 bookings controlled for discounts and until the discount period)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
9	(Constant)	.044	.003		14.164	.000
	Dummy Hardcover	-.010	.011	-.014	-.900	.368
	Dummy discount 100	.056	.020	.036	2.611	.009
	Dummy discount 50	.034	.009	.056	3.769	.000

Dependent Variable: Number of Bookings between 01.12 and 20.01
Selecting only cases with Total Number of Bookings 2 to 7 and once after 2010

In this case, the coefficient of the hardcover becomes negative and is still not significant. The reason for its negative sign might be again that bookings, which took place after January, are not included anymore in this regression making the effect even smaller. Again, the coefficient of the dummy 100 Euro discount decreases, but the decrease is very small and as the previous time, the reason could be the above average number of bookings in January (Appendix A).

Now the second method and another comparison criteria will be used, namely those clients who received a hard cover and booked in 2010 for the last time and those who did not receive a hardcover and booked in 2009 for the last time. Both of them booked at least 5 times. This way another cohort of clients is taken into account, which extends the first results. This sample is very restrictive and therefore very small; only 845 observations are present.

Table 10: Regression (effect of a hardcover for people who booked for the last time 2009 and 2010)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
10	(Constant)	.165	.020		8.369	.000
	Dummy Hardcover	-.017	.032	-.018	-.522	.602

Dependent Variable: Number of Bookings Post Hardcover
Selecting only cases with minimum 5 bookings and last booking 2009 and 2010

The hardcover effect has a negative coefficient and is not significant. The results very much resemble the outcomes from the most restrictive regression discontinuity (4.5) from the first method showing consistency of the results. However, in this case clients in the selection vary regarding to the discounts they received as some of them received a discount of 50 Euro and some 100 Euro, therefore a dummy 100 Euro will be added.

Table 11: Regression (effect of a hardcover for people who booked for the last time 2009 and 2010 controlled for the discount)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
11	(Constant)	.162	.020		7.973	.000
	Dummy Hardcover	-.027	.035	-.029	-.758	.448
	Dummy discount 100	.026	.038	.026	.672	.502

Dependent Variable: Number of Bookings Post Hardcover
Selecting only cases with at least 5 bookings and last booking 2009 and 2010

Here the coefficient of the dummy hardcover becomes even more negative as the effect is partly taken by the discount, which is positive in this case, though

insignificant. Nevertheless, the comparison groups regarding the discounts are by no means perfect here to draw a conclusion. Clients with 4, 5 and 6 bookings received a 50 Euro discount, whereas clients with 7 bookings or more received a 100 Euro discount. So again what is analyzed is the impact of a discounts for a group of very loyal clients and also loyal, but not a regular clients that is not really comparable. Much more restrictive comparison regarding monetary discounts will be given when analyzing hypothesis 3. Again when adjusting the dependent variable just for the duration of the monetary discount, the effect of a hardcover becomes more negative and much more significant, which might suggest its lack of effect.

Table 12: Regression (effect of a hardcover for people who booked last time 2009 and 2010 controlled for the discount and until the discount period)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
12	(Constant)	.063	.016		4.053	.000
	Dummy Hardcover	-.042	.022	-.069	-1.892	.059
	Dummy discount 100	.056	.022	.095	2.599	.010

Dependent Variable: Number of Bookings between 01.12 and 20.01
Selecting only cases with last booking 2009 and 2010 and at least 5 times

Also, the coefficient of the dummy 100 Euro discount is stronger than when it appeared when analyzing the bin width 2-7. The reason is that is that last time the effect of the 100 Euro discount was analyzed by comparing the clients with 4, 5 and 6 tours (so 50 Euro discounts) with those who booked 7 times and received a 100 discount. This time the comparison groups start from those who booked 5 times. So, the effects of a 100 Euro discount means comparing booking behavior of clients with a 50 Euro discount (5 and 6 tours) with all those clients who booked more than 7 tours. None of those bins can give a

reliable estimation of the effect of the discount, but can help understand the change of the hardcover coefficient under their influence.

On the whole, in can be concluded that the hardcover does not exert any significantly positive effect on a rebuy decision, which leads to the reject of the first hypothesis.

Result 2:

Based on previous literature, it is predicted that women are more likely to be affected by a gift and rebook after receiving it. A dummy 'woman' was coded as '1' in case of female and '0' in case of male. An interaction term between 'woman' and a hardcover will be added to the regression. The most reliable and the smallest bin – 4 and 5 tours and minimum one booking after 2010 will be taken into consideration. Both treatment and control group received a 50 Euro discount.

Table 13: Regression (effect of a hardcover on women)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
13	(Constant)	.106	.015		7.127	.000
	Dummy Hardcover	-.026	.025	-.040	-1.078	.281
	Woman	-.022	.021	-.034	-1.014	.311
	Woman*Dummy Hardcover	.029	.035	.035	.817	.414

Dependent Variable: Number of Bookings Post Hardcover
Selecting only cases with total number of bookings Total Number of Bookings 4 and 5 and once after 2010

The coefficient of the interaction term is positive and statistically insignificant. For a hardcover received, we will see a decrease in total number of bookings over and above any effect observable for men. In this case, a hardcover leads to 0.029 + (-0.026) = 0.03 more bookings when being a woman. However, the

coefficients are highly insignificant, which makes it difficult to draw a conclusion and the most plausible way to explain such small and insignificant effect would be by claiming that there is no effect. This enables us to reject the second hypothesis. From the company data, it seems that the average number of persons travelling with this travel company is two and includes spouses and couples. A client number under the database indicates one person from the family and does not necessarily have to indicate a person who purely alone chooses to rebook the holidays. Also, even though the brochure and the personal letter are addressed to a particular person in the family, it might be the spouse who opens the letter and sees the hardcover. Therefore, this check is not fully reliable. Furthermore, Putnam and Davidson (1987) found that the participation of family members in purchase decision vary with the type of product bought. In their research, the purchase of holidays falls into the category of joint decision-making in the family, which seems to have a high level of importance to the family members (Sheth, 1974). That would again mean that even though a particular client, either male or female, has his own ID number, the decision to book holidays is not completely his own.

Result 3:

Finally, an effect of a monetary promotional activity on a rebook decision of clients within the promotional period was taken in consideration. Three types of discounts were analyzed – 35 Euros, 50 Euros and 100 Euros. Research design of regression discontinuity was used again, but this time much more relevant to the monetary discounts. Clients close to the cutoff point, so with similar booking patterns, but with different amounts of discount were compared on the basis on their rebooking behavior in order to assess the effectiveness of the discounts.

Firstly, a group of clients with 35 Euro discount and 2 tours was compared with those who did not receive a discount and booked 1 tour before.

Table 14: Regression (effect of a 35 Euro discount)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
14	(Constant)	.007	.000		21.014	.000
	Dummy Discount 35	.006	.001	.029	9.851	.000

Dependent Variable: Number of Bookings between 01.12 and 20.01
Selecting only cases with Number of Bookings 1 and 2 and once after 2006

A 35 Euro discount exerts very small positive and significant effect on the rebooking decision of the clients within the promotional period. None of those clients receive any other kind of promotion that year, therefore no control variables will be added. Nevertheless, the outcome of this regression seems to be contradictory to the Figure 2, which represents the proportion of clients who rebook based on the number of bookings they had from December until May. The figure shows very high rebooking behavior of the clients with one booking relative to the ones with two bookings. A possible explanation for dissimilar outcomes could be the fact that monetary discount lasted until the end of January and people with two tours (and 35 Euro discount) tried to get them and 'rushed' in order to book before the end of the discount period. People with one booking did not have the time pressure and could have booked after the 20th of January. It might have therefore been the case that the discount led to a substitution between early and late bookings. This indeed seems to be the case when looking at the data. Out of all the people with one booking (and no discount) who booked between 01.12.13 and 31.05.14, 42% of the clients booked in the discount period and 58% after then, but until the end of May. Out of all who had two bookings before December 2013 (and a discount) and booked between 01.12.13 until 31.05.14, 75% booked during the discount period. Only 25% booked after the discount period (but before the end of May). Therefore, it could be concluded that discounts induce people to book early.

This way they can ensure to manage before the end of the discount period.

In order to assess the effect of a 50 Euro discount, a group of clients with a 50 Euro discount and 4 tours was compared with those clients who booked 3 tours and, hence received a 35 Euro discount. Those clients resemble each other as closely as possible based on the number of bookings they made. Similarly, no other promotional activity was present for those clients during that year.

Table 15: Regression (effect of a 50 Euro discount)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
15	(Constant)	.022	.001		14.889	.000
	Dummy Discount 50	.011	.003	.030	4.184	.000

Dependent Variable: Number of Bookings between 01.12 and 20.01
Selecting only cases for which Number of Bookings 3 and once after 2006

The effect is again positive, significant and stronger than for a 35 Euro discount, which means that the higher discount is more effective.

Finally, in order to assess the effectiveness of a 100 Euro discount, a group of clients with 7 tours and a 100 discount was compared to those who booked 6 tours and received a 50 Euro discount.

Table 16: Regression (effect of a 100 Euro discount)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
16	(Constant)	.064	.012		5.191	.000
	Dummy Discount 100	.001	.021	.002	.062	.950

Dependent Variable: Number of Bookings between 01.12 and 20.01
Selecting only cases with 6 and 7 bookings and once after 2006

The coefficient of 100 Euro discount is very small and not significant, which can be interpreted as no effect. However, when running a regression with a discount as our independent variable, the problem appears since it might seem that all members of this group received a hardcover (since the groups analyzed have 6 and 7 bookings), however this is not the case. The requirement for receiving a hardcover was at least five bookings and minimum one booking after 2010. Such 'last booking date' requirement was in case of the discounts relating to the last booking after 2006 which creates a problem in making the control and treatment group more similar to each other. Some clients within both groups would have received a hardcover and some not. In order to avoid that problem a new selection variable will be created, namely the clients with 6 and 7 bookings pre-discount and at least one booking after 2010. This way only the clients with a hardcover will be analyzed, which should solve the problem of heterogeneity of the groups.

Table 17: Regression (effect of a 100 Euro discount adjusted for at least one booking after 2010)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
17	(Constant)	.047	.005		9.998	.000
	Dummy Discount 100	.013	.007	.026	1.690	.091

Dependent Variable: Number of Bookings between 01.12 and 20.01
Selecting only cases with 6 and7 Bookings and once after 2010

In this case the effect is much more positive, also its significance increases meaning that the discount has a positive and significant effect. On the other hand, it might overestimate the effect of this discount because the sample includes more "loyal" clients who booked at least once within the last four years.

On the whole, price discounts seem to be more effective than the hardcover promotion, which enables us to reject the third hypothesis. When analyzing monetary promotion, the bins for the regression were very narrow, yet a positive coefficient for the discounts is present in all three cases.

What is also important to note, is the implied price elasticity in order to check the effect of the discount on the revenue of the company and make the results more economically significant. In the calculations an average price of a tour – 2000 Euro was take into consideration implying that a 35 Euro discount was a 1,75% decrease in price, a 50 Euro discount was a 2,5% reduction in the price of the tour and a 1000 Euro discount was a 5% decrease in price. This was the adjusted for the difference in the discounts between two groups in a bin (so difference of a discount between clients with 1 and 2 tours, 3 and 4 tours and 6 and 7 tours).

Table 18: Price elasticity of demand

Number of Tours Pre-discount	Price elasticity
2 bookings (35 Euro discount)	1,00
4 bookings (50 Euro discount)	1,08
7 bookings (100 Euro discount)	1,13

One can see that all the groups show a relatively high price elasticity of demand, which might imply that clients are sensitive to the price reductions and the revenue of the company should increase after lowering the price. One can also see that the results are consistent with the regression performed in Result 3, which implied that the highest discounts have the strongest effect. This might imply that the more bookings in past, the more sensitive people are to change in price. On the other hand, the results might be slightly biased, as it is known that the higher number of tours results in a higher chance to rebook, which might not necessarily be caused by higher discounts but by more loyalty towards the company. The fact that the most of clients are so price elastic might be caused by high competition in the travel industry, which results in lower prices of tours as a whole.

Robustness of Results

The assumptions of discontinuity regression require the unique feature of the assignment strategy to the treatment and control groups, which is known in advance and exclusively based on that score variable. In our case, that assumption is satisfied and the people having more than 5 tours and once after 2010 were distinguished by means of company's software and the hardcover was sent to them. This paper assumes that the promotional activities taking place a year before did not affect the clients, which could be a big assumption.

The third assumption of the discontinuity regression indicates that there is no other factor that causes discontinuity at the cutoff so that any discontinuity at the cutoff can be attributed to the treatment. This is satisfied in our research, since there were no other promotional activities used with the same cutoff point as in case of the hardcover brochure. Nevertheless, there are other promotional activities namely discounts which affect the clients with and without a hardcover. The most important limitation of this research is the fact that by decreasing the width of the bins and making the groups more comparable, the number of observations decreased making it difficult to estimate possible treatment effects in a precise way. Nevertheless, the results could be of economic significance.

CONCLUSION

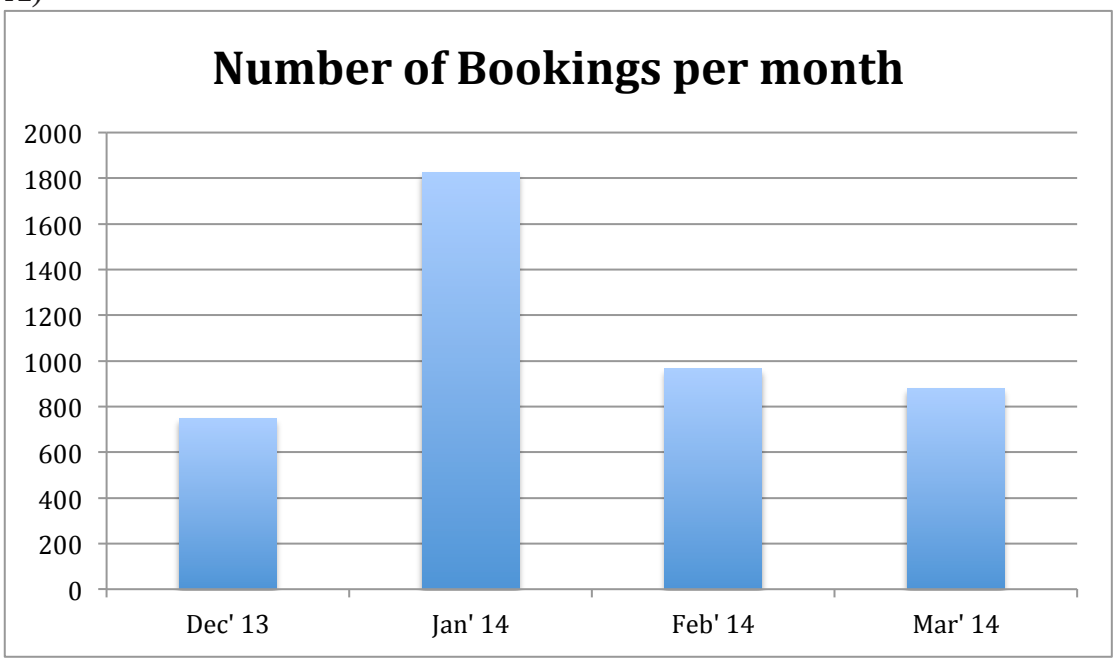
The question investigated in the study was 'To what extent do consumer reciprocate in face of nonmonetary gifts?' A medium sized travel agency provided the data on its yearly promotional actions and their effects were measured in this research. After performing regression discontinuity on three different bin widths to assess the effectiveness of the nonmonetary gift – a hardcover brochure, it can be concluded that hard cover did not bring any positive short-term effects. The only bin width, which indicated a positive and significant effect, was the widest one (with clients having from 2 to 7 tours), which became much smaller and not significant when including a control variable of discounts of 100 and 50 Euro. The reliability of such wide bin is also very questionable and, indeed, the most valid bin consists of clients with 4 (no hardcover) and 5 bookings. That one, however, indicated a negative and not significant effect, which could have been caused by its small number of observations. Furthermore, whenever adding a dummy for a particular discount, the coefficient of the hardcover became less positive. A possible reason for the ineffectiveness of the hardcover brochure is that some clients did not really perceive it as a gift. Regular clients are used to receiving the brochure with all the tours every year and the only difference this time was that it was in a hardcover. The cost of the hardcover was 2,50 Euro for the travel agency and possibly the clients did not perceive it as a high-value gift. Therefore, it would be beneficial to assess nonmonetary gifts of a different nature which could enable to clearly distinguish between loyal and less loyal clients so that to measure the effectiveness of 'receiving' versus 'not receiving' rather than 'receiving' versus 'receiving a worse version', as could be perceived in this case. Also, in this research the effect of the hardcover brochure was assessed by looking at the decisions to rebook within the six months after receiving it. It could be the case, though, that the hardcover brochure has more long-term effects for example by enhancing the image of the company.

When looking for a different effect for women and men, the coefficient proved to be extremely small. That means that the reaction of women on the gift was not much different to that of men. This can be explained by the fact that the holiday destination is often a joint decision of spouses and a booking done by a woman does not necessarily mean that she was the one who decided to purchase holidays.

A surprising outcome is that, opposed to the recent view in the literature, monetary gifts seemed to have a positive effect on the rebuy decision of the clients. All the regressions showed positive and significant effect, even though the bins were very narrow and therefore very reliable. This suggests that the monetary incentives are much more effective and customers are much more likely to reciprocate and buy another tour. It could be though that the monetary incentives induce clients to rebook, whether the hardcover brochure increases brand image. A suggestion for further research could be therefore to measure a change in the image of the company and the relationship between brand image and rebook decision. On the other hand, clients with more bookings are more prone to re-book which can potentially bias those results. Another problem potentially present in this reasoning is the lack of link between consumer's response to a discount and reciprocity. A standard economic theory sees increased sales as a standard economic response to a price change and it might have nothing to do with the concept of reciprocity.

APPENDIX

A)



Graph 1: Number of bookings per month December 2013 - March 2014

B)

Table 18: Regression (effect of a hardcover first month after its launch)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
18	(Constant)	.052	.008		6.894	.000
	Dummy Hardcover	-.019	.013	-.040	-1.488	.137

Dependent Variable: Number of Booking First Month Post Hardcover
Selecting only cases with Total Number of Bookings 4 to 5 and once after 2010

Table 19: Regression (effect of a hardcover second month after its launch)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
19	(Constant)	.036	.006		5.837	.000
	Dummy Hardcover	-.003	.010	-.007	-.268	.788

Dependent Variable: Number of Booking Second Month Post Hardcover
Selecting only cases with Total Number of Bookings 4 to 5 and once after 2010

Table 20: Regression (effect of a hardcover third month after its launch)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
20	(Constant)	.003	.002		1.426	.154
	Dummy Hardcover	.004	.004	.031	1.137	.256

Dependent Variable: Number of Booking Third Month Post Hardcover
Selecting only cases with Total Number of Bookings 4 to 5 and once after 2010

Table 21: Regression (effect of a hardcover fourth month after its launch)

Regression		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
21	(Constant)	.003	.002		1.540	.124
	Dummy Hardcover	.003	.004	.018	.688	.492

Dependent Variable: Number of Booking Fourth Month Post Hardcover
Selecting only cases with Total Number of Bookings 4 to 5 and once after 2010

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