WIRTSCHAFTS UNIVERSITÄT WIEN VIENNA UNIVERSITY OF ECONOMICS AND BUSINESS

Marketing Research Seminar Series | Department of Marketing | WU Vienna

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"Malleable Monopoly Money: Does how you pay for a gift card affect how you spend it?"

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Abstract: This research examines relatively new forms of "currencies" that consumers can shop with, such as gift cards, credit card points, and airline miles. We ask whether the subjective value of a payment type (such as a gift card) is not only determined by the payment type itself, but also by the subjective value of the currency used to obtain the payment type (e.g., cash, credit, miles or points). We propose a "second-order" monopoly effect (viz., Raghubir and Srivastava 2008), where a form of currency that is perceived to be "monopoly money" is perceived to be even more like "monopoly money" (rather than real money), when it is purchased using another subjective form of currency, like airline miles or credit card points. Focusing on gift cards, five studies show that the manner in which a gift card is paid for affects the manner in which it is spent. Study 1 (n = 100 mTurkers) shows that people think gift cards are more or less like money as a function of how they are purchased. Study 2a and 2b (n = 73 undergraduates and n = 1054 mTurkers) show that people spend more on a gift using a gift card purchased with a currency that is itself perceived to be less like money (like airline miles or credit card points), and value it less as compared to other forms of money. Study 3 (n = 537 mTurkers) shows that these effects replicate when people are shopping for a product for themselves. Finally, Study 4 goes on to demonstrate that these effects translate into actual purchase behavior in a field experiment. Implications for new forms of currencies such as Venmo, Apple Pay and Google Wallet are discussed as are implications for alternative currencies such as airline miles and credit card points. Theoretically, this paper adds to the growing body of evidence that money is not fungible: its form affects it subjective value.