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Free Drink or Free Mug? Managing Service Experience with Experiential vs. Material Complimentary Gifts

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Abstract

In the marketplace, complimentary gifts can take the form of experiential elements (e.g., a meal) or material items (e.g., tangible objects such as a mug). We identify these free gifts as a meaningful service design choice that helps service providers innovate service. Specifically, we examine the circumstances under which experiential or material gifts are preferred and generate greater consumer satisfaction, enhancing the overall service experience. Across three experiments, we demonstrate that consumers are generally happier with experiential offerings, and they prefer (and are more satisfied with) experiential offerings on ordinary consumption occasions; experiential elements are believed to further enrich otherwise mundane experiences. However, this experiential advantage disappears for consumers on meaningful and special occasions because of a strong desire to obtain a memory cue that will help them recall the experience. Indeed, the preference for a material item holds only when the gift has the quality to serve as a salient memory marker, but not when it lacks this quality. This research provides insight for managers to take into account consumption occasions or type of consumers (e.g., special occasions, repeat customers) to effectively design service bundles with complimentary gifts and thus better manage overall service experience.

Keywords

service design, experience design, free gifts, consumer satisfaction, memory marker

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Free Drink or Free Mug?

Managing Service Experience with Experiential vs. Material Complimentary Gifts

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Abstract

In the marketplace, complimentary gifts can take the form of experiential elements (e.g., a meal) or material items (e.g., tangible objects such as a mug). We identify these free gifts as a meaningful service design choice that helps service providers innovate service. Specifically, we examine the circumstances under which experiential or material gifts are preferred and generate greater consumer satisfaction, enhancing the overall service experience. Across three experiments, we demonstrate that consumers are generally happier with experiential offerings, and they prefer (and are more satisfied with) experiential offerings on ordinary consumption occasions; experiential elements are believed to further enrich otherwise mundane experiences. However, this experiential advantage disappears for consumers on meaningful and special occasions because of a strong desire to obtain a memory cue that will help them recall the experience. Indeed, the preference for a material item holds only when the gift has the quality to serve as a salient memory marker, but not when it lacks this quality. This research provides insight for managers to take into account consumption occasions or type of consumers (e.g., special occasions, repeat customers) to effectively design service bundles with complimentary gifts and thus better manage overall service experience.

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Seamlessly crafting meaningful experiences is at the heart of service innovation. Effectively orchestrated and staged experiences evoke desired emotional responses during the service delivery process and engage consumers in meaningful and memorable ways (Pine and Gilmore 1999, Pullman and Gross 2004; Voss et al. 2008; Dasu and Chase 2010). A well-engineered service experience is also a source of value creation, competitive advantage/differentiation, and consumer loyalty (Voss et al. 2008). Given this importance, service management literature has identified various service elements affecting consumer experiences—particularly, physical and tangible elements such as servicescape (e.g., Bitner 1992), relational elements such as engaging encounters with customer-contact employees and other customers, and the provision of sensory-rich experiences in evoking desired emotional responses (e.g., Pullman and Gross 2004, Zomerdijk and Voss 2010).

In the present research, we focus on complimentary gifts as an important and meaningful service design choice that can generate the aforementioned desired outcomes sought by service providers. Notably, a free offering such as a snorkeling session at a resort may enhance consumers' emotional connections to the service provider and render the experience more memorable and meaningful. In orchestrating service experience, it is also suggested that service providers refresh experiences and devise simple, yet clever ways to surprise guests that will create a memorable experience (Pine and Gilmore 2000; Voss et al. 2008). That is, instead of setting routine expectations, changing or adding elements that keep the offering new and exciting is critical to innovating service experience (Pine and Gilmore 2000). Indeed, free offerings (i.e., zero price) are proven to create irrational and disproportionate excitement relative to low prices (Shampanier et al. 2007). In this regard, free gifts incorporated as part of service experience are a good vehicle through which positive excitement and a memorable experience can be delivered.

A closer look at complimentary gifts reveals that some are experiential in nature including intangible experiences such as spa sessions and meals, while other material offers include tangible goods such as bathrobes and mugs. Traditionally, free gifts examined in the literature are predominantly material in nature (e.g., free can openers, pens, pearls, etc.) and mostly in the retail context, which all point to the fact that research examining experiential free offers are lacking. In the marketplace, however, service providers offering free gifts are focusing more on creating experiential additions (such as free guided tour, snorkeling sessions, and cocktail reception) to further differentiate the quality and nature of the service experience. Coupled with this gap between academic work and practice, prior research has ignored consumers' preference for experiential vs. material gift types and the impact of these gifts on augmenting service experience. More broadly, prior research has not considered complimentary gifts (and their different types) as a useful and creative tool to differentiate services and to continually innovate and manage service experience.

In the present research, we propose that experiential and material gift types generate qualitatively different desired outcomes and more importantly, the preference for and the impact of these different types of free gifts depend on a consumer factor. That is, to best orchestrate a service design incorporating experiential and material free gifts, service providers need to take into account consumers' consumption occasions—whether the service experience is for a special or ordinary occasion. In particular, we find that the design strategy of offering experiential free gifts is generally preferred and induces greater satisfaction on ordinary consumption occasions. Experiential elements are believed to enrich otherwise mundane experiences. However, this experiential advantage disappears when consumers engage in a service experience for a special occasion because of the heightened desire for a tangible memory cue that will help them better

recall the experience later on. Hence, a free snorkeling session offered at a resort may delight guests and enrich the experience on an ordinary occasion, but a free branded wine accessory set upon departure is likely to be more appreciated for those who came for a special occasion.

The present research thus contributes to a deeper understanding of how both *tangible* and *intangible* experience elements can be carefully engineered in service experience design (Pullman and Gross 2004). Experiences are inherently personal and emotional. A carefully planned service design that optimally matches free gift types and consumption occasion would further innovate service, rendering the experience to be more personal and emotionally connected. Since intangible characteristics of services pose fundamental challenges to service marketers, the need for tangibilizing service components (or sometimes, concretizing the corporate image) has been considered pivotal in signaling the quality of the service or managing the evidence of service quality (e.g., Reddy et al. 1993; Buttle 1993; Levitt 1981). However, prior research has mainly focused on tangibilizing the intangibles through servicescape, physical contexts, employee uniforms, and communication materials to manage the evidence of service quality. Our research further focuses on how material free gifts, as a meaningful tangible cue, can contribute to service design and increase consumer satisfaction.

Our research also contributes to limited research on complimentary gifts. Although a number of research focuses on the effectiveness of promotional free gifts over price discounts (e.g., Palmeira and Srivastava 2013, Nunes and Park 2003), research that examines different types of free gifts is scarce. In this research, we delve into specific characteristics of free gifts—the extent to which free gifts are experiential or material in nature.

In the sections that follow, we review prior research, develop hypotheses regarding the joint effect of free gifts and consumption occasions on consumer preference and satisfaction, and

present our three studies. We then review the theoretical and managerial implications of our work and discuss avenues for future research.

Prior Research on Free Gifts

Complimentary gifts have been studied predominantly in the retail setting. Companies offer these free gifts in the hope that they draw interest, build relationships with customers, and enhance the overall service experience. Specifically, free gifts enable companies to not only attract potential consumers who normally would not buy their brands but to also increase the wallet share of existing consumers by promoting sales (Zeelenberg and Van Putten 2005, Liu et al. 2011). Free offerings are also proven to be more effective than cash discounts and increase value perception (e.g., Monroe 1973, Winer 1988, Palmeira and Srivastava 2013). Particularly, compared to cash discounts (expressed in monetary terms and thus perceived in relative terms), free gifts tend to be appreciated in their own right since they are presented in nonmonetary terms and are thus not comparable to a purchase cost (Nunes and Park 2003).

Despite the fact that consumers like freebies in general, a poorly matched free gift can do more harm than good. The primary purchase and the free gift equally affect the overall evaluation of the entire bundle (Anderson 1981) and bundling with a low-quality free gift further diminishes the perceived value of a high-quality primary purchase (Gaeth et al. 1991). Hence, promotion strategies offering a free gift is not a trivial managerial decision. Offering the right match of complimentary gifts (by understanding consumer preference and underlying motivations behind it) may further enhance service experience

and increase consumer satisfaction. In particular, we examine how different types of free gifts can be effectively utilized and matched to maximize consumer satisfaction, as discussed next.

Experiential vs. Material Gift Offers and Consumer Satisfaction

In service management literature, it is suggested that service providers should carefully design and manage customer journeys and touchpoints throughout a broader span of service experiences—ranging from the building of pre-experience anticipation to the post-experience savoring (e.g., Zomerdijk and Voss 2010; Carbone and Haeckel 1994). In this regard, experiential gifts can be viewed as a design element that complements the experience while service is being delivered, whereas tangible and material gifts can be largely considered as a design element that contributes to post-experience savoring that occurs after service encounters. The question is, then, which design element—experiential or material—would be better received and generate greater consumer satisfaction.

Given the lack of understanding about the implications of experiential vs. material free offers, a recent stream of research demonstrating an *experiential advantage* in consumer purchases (e.g., Van Boven and Gilovich 2003) offers an insightful starting point. The work by Van Boven and Gilovich (2003) and subsequent psychology and marketing research following this seminal piece demonstrate an experiential advantage whereby people find greater satisfaction with experiences (i.e., events that one lives through) such as concert tickets, restaurant meals, and vacations than with material purchases (i.e., tangible objects that are

possessions) such as cars, clothing, and laptops. Although the distinction between experiential and material purchases is not always clear-cut, arguably this distinction is meaningful, easily understood, and widely accepted by scholars and consumers alike (Gilovich et al. 2014). Consumers reliably indicate a purchase on a material-experiential continuum scale or classify it as either material or experiential (e.g., Carter and Gilovich 2014). Compared to material possessions, experiences are associated with greater satisfaction because they are more closely tied to one's identity (Carter and Gilovich 2012), are less prone to comparisons (Carter and Gilovich 2010), are less likely to cause buyers' remorse (Rosenzweig and Gilovich 2012), are likely to be slowly adapted over time (Nicolao, Irwin, and Goodman 2009), remain open to positive reinterpretation over time (Van Boven 2005), and have greater social value due to shared experience (Capraielleo and Reis 2013). Further, recent research extends this program of research to the gift giving domain and finds that experiential gifts create closer connections between gift giver and receiver than material gifts do (Chan and Mogilner 2013).

How would these findings centered on personal purchases or person-to-person gift giving behaviors apply to the complimentary gifts offered by companies? Some may argue that unlike aforementioned findings concerning consumers' own purchases (either acquiring a life experience or obtaining a material possession), complimentary gifts are fundamentally freebies that are perceived mainly as a "bonus." Since people associate free offerings with purely "a benefit without any cost" (Shampanier et al. 2007), this excitement may make the preference for material vs. experiential complimentary gifts not as clear or salient as when people pay for their own purchases. Others may argue that the experiential advantage demonstrated in these earlier works should still hold for free gifts given that the core nature of experiences vs. material possessions remains the same. While acknowledging the merits of both views, we reason that an

experiential advantage for complimentary gifts would hold for certain types of consumption occasions, but not for others, as discussed next.

Consumption Occasions Matter: Special vs. Ordinary

Consumption occasions could be rather ordinary (such as regular dinner outings or weekly spa sessions) or special (such as a wedding anniversary, birthday, or first family trip to Paris) (e.g., Zauberan et al. 2009, Wildschut et al. 2006). Special experiences typically involve “interactions with important others (e.g., friends, loved ones) or momentous events (e.g., graduation ceremonies, birth of a child)” that make people want to look back on (Wildschutt et al. 2006, p. 988, Zauberan et al. 2009). Further, while memories of ordinary experiences help with individuals’ daily journeys, what people remember from special experiences has significant consequences by shaping self-identity and influencing well-being (e.g., Van Boven and Gilovich 2003, Zauberan et al. 2009). We argue that whether the consumption occasion is ordinary or special has a differential impact on which free gift type will be better received and how the free offering, in turn, influences consumers’ overall happiness and satisfaction.

Orchestrating unique experiential elements transform otherwise ordinary experiences into richer ones (e.g., Pine and Gilmore 1998, Pullman and Gross 2004). For example, British Airways attempts to turn ordinary air travel into a pleasurable respite from the traveler’s usually hectic life by staging a distinctive en route experience and also catering to the individual preferences for onboard services (e.g., beverages, meals) (Pine and Gilmore 1998, Pine and Gilmore 2000). Thus, for ordinary occasions, experiential gifts are more likely to be preferred

since added experiential elements (or events people live through) could augment or heighten the experience, thereby enriching the overall experience as it unfolds.

On the other hand, this experiential advantage likely *no longer* exists and the preference for material gifts increases on special occasions when the desire to remember the experience is stronger. One of the main qualitative differences between experiential and material gifts lies in that experiential additions—no matter how enriching—are *fleeting*, whereas material gifts remain as tangible possessions and are long-lasting. Although heightening the actual experience with additional experiential elements could potentially make it more memorable, keeping a tangible memory marker that is believed to help them relive cherished memories should also be favored. Indeed, people obtain pleasure or enjoyment not only from savoring it beforehand (i.e., anticipation utility) and from the actual experience (i.e., experience utility) but also from reflecting on their past experience (i.e., memory utility) (Elster and Lowenstein 1992, Kahneman 1994). People place a high value on remembering the experience and obtain memorabilia to commemorate their experiences (Pine and Gilmore 1998). Belk (1991) also notes that people value special memory-laden objects such as family photographs, gifts, or souvenirs of enjoyable travel since they evoke particular memories of times, places, and people (what is referred to as “affective experiential knowledge,” p.29). In particular, looking back on special life events, as compared to reflecting on mundane ones, is shown to increase individual’s positive self-regard and enhance positive affect (Wildschut et al. 2006). Hence, the added pleasure from memory utility is likely to be heightened for special experiences.

Elster and Loewenstein (1992) also highlight the role of memory utility in consumer choices. When people are faced with a choice between spending money on a bottle of wine and on a movie, they may choose the movie option—regardless of the present utility—because they

anticipate that their memory of the movie is likely to be more pleasurable and longer lasting. As discussed earlier, since people place a greater value on special memories, this forward-looking tendency noted by Elster and Leowenstein (1992) is likely to be heightened for meaningful and special occasions. In sum, people may be motivated to engage in a forward-looking behavior on special occasions by preferring a material object over an experience as a free gift; they are willing to forego the heightened present value (i.e., enriched on-going experience) in order to acquire an insurance to enhance their ability to recall precious memories in the future. This tendency is likely to eliminate the experiential advantage that prior research has endorsed thus far. We thus propose the following hypotheses.

H1: On ordinary consumption occasions, experiential (vs. material) free gifts are preferred and make consumers more satisfied, but this experiential advantage disappears on special consumption occasions.

H2: Consumers' preference for material complimentary gifts (and greater satisfaction from them) is driven by the desire to acquire a memory marker as a reminder of the experience.

Prior research has also found that consumers discern cues that are specific to the special experience from those that are not specifically associated with the special experience (Zauberman et al. 2009). For example, after a meaningful and special vacation with friends in a resort in Cancun, Mexico, people prefer acquiring a specific souvenir that will activate the memory of the special vacation (e.g., a traditional Mayan wooden sculpture), not a generic souvenir that does not directly point to this special experience (e.g., a music CD by a favorite band). Likewise, in our present research, if a desire to acquire a memory marker indeed drives

the preference for a material gift, such preference would no longer exist when the material gift is *weak in signaling* as a prominent reminder of the experience; the preference for a material gift will be observed only when it has a quality to serve as a salient memory cue. We thus propose the following:

H3: Preference for material free gifts on special consumption occasions will hold only when the free offering serves as a salient memory marker.

We test these ideas with three experiments. Study 1 relies on consumers' recall of the experiential vs. material complimentary free gifts they received in the past and examines whether consumer happiness and satisfaction with the service provider indeed depends on whether the consumption occasion is special or rather ordinary. In order to replicate Study 1 findings while avoiding any potential confounds originating from consumers' recalled idiosyncratic experiences, Study 2 involves identical hypothetical situations and presents consumers with a choice task between experiential and material gift options. Delving further into the process mechanism that preference for material free gifts on special consumption occasions is driven by a desire for a memory marker, Study 3 tests whether greater satisfaction with a material gift only occurs when the gift has a quality to serve as a salient (vs. generic) memory cue.

Study 1: Consumer Recall of Material vs. Experiential Free Gifts

As a preliminary test of our proposed hypotheses, Study 1 relied on consumers' recall of their own experiences. We predict that when the recalled occasions are ordinary, experiential

gifts make consumers more satisfied, but as the consumption occasion becomes more special, material gifts are also valued (as a tangible reminder of the experience) and increase consumer satisfaction (H1).

Method

Two hundred and fifty six respondents from Amazon's Mechanical Turk participated in the study (mean age = 32 years, 49.8% female, 81.3% Caucasian). We randomly assigned participants to either the material or experiential gift condition and asked them to take a moment to think about a recent time when they received a free experiential (or material) complimentary gift when they purchased a service. They were then asked to describe their experience regarding their primary service experience and the accompanying experiential (or material) free gift they received. After reflecting on their experiences, they indicated how satisfied or dissatisfied they were with the service company/provider (1 = not at all satisfied, 9 = very satisfied; adapted from Crosby et al. 1990), whether the free gift made them happier (1 = not at all, 9 = very much) and how meaningful the free gift was to them (1 = not at all, 9 = very much; these two items were adapted from Bhattacharjee and Mogilner (2014) and combined to create a measure of happiness; $\alpha = .88$), and the extent to which the free gift enriched the service experience (1 = not at all, 9 = very much). Next, they rated the extent to which the free gift served as a reminder of their experience (1 = not at all, 9 = very much).

Next, respondents described the specific service occasion more in detail and indicated the specialness of the occasion ("If you were to rate on the extent to which this occasion was ordinary or special" and "How mundane or unique would you describe the occasion was?"; 1 = one of the ordinary (mundane) events, 9 = one of the special (unique) events; alpha = .92; adapted from Zauberan et al. 2009). A couple of control variables including how long ago they

purchased the service experience (1 = just within a few days, 2 = within a few weeks, 3 = within a few months, 4 = within six months, 5 = within a year, 6 = within a few years, 7 = more than a few years), perceived cost of the free gift, and demographic information were asked. Finally, as a manipulation check, they were asked “Regarding the complimentary free gift you mentioned receiving earlier in this study, would you say that the gift is more of a material good or more of an experience?” (1 = completely material, 4 = both, 7 = completely experiential; Nicolao, Irwin, and Goodman 2009).

Results

Out of 256 participants, 31 participants failed to recall any complimentary gift they received (N = 15 for experiential and N = 16 for material). Thus the final sample includes 225 participants. Top three categories of recalled service incidents (during which they received free gifts) involved predominantly hotel/resorts (44%), followed by restaurants (12%), and concerts/movies (8.9%) but other recalled services include diverse categories such as spa services, cruise, winery tour, sports game, casino, and hair service (see Table 1 for the percentage of service categories). Recalled free experiential gifts included a wide range of items such as breakfast or tickets to a magic show (from hotels), drinks (from a casino bar), movie tickets (from a restaurant), and a massage (from a spa). Recalled free material gifts also included diverse items including a mug with the hotel logo, a T-shirt with a picture of the city, a tote bag, or a bathrobe (all from hotels), a magnet or a wine glass (from tour companies), a bag of dental hygiene items (from a dental service), bobble head doll of team mascot (from a baseball game), and iPod touch (banking service).

Manipulation and confound checks. The manipulation check was successful. The recalled gift was considered to be more experiential in the experiential condition (M = 5.20) than in the

material condition ($M = 2.92$). There was no difference in how special the occasion was ($M_{\text{experiential}} = 5.55$ vs. $M_{\text{material}} = 5.57$) and how long ago they received a free gift (approximately within six months in both conditions; $M_{\text{experiential}} = 4.11$ vs. $M_{\text{material}} = 4.03$) between the two conditions. However, in general, experiential gifts recalled were estimated to be more expensive than material gifts recalled ($M_{\text{experiential}} = 58.16$ dollars vs. $M_{\text{material}} = 31.42$; $p < .05$).

Happiness and enriched experience. We regressed dependent variables on gift type (as a dichotomous variable: material = 1, experiential = 0), specialness of the consumption occasion (as a continuous variable), and interaction of the two variables. We found a main effect of gift type on the extent to which the free gift made them happy ($b = -1.52$, $t = -2.63$, $p = .009$) and enriched the experience ($b = -1.18$, $t = -1.19$, $p = .06$) (see Table 2). Thus, no matter how special the recalled experience was, those who recalled receiving an experiential (vs. material) gift reported that they were significantly happier with the free gift and that the gift enriched their service experience (see Figure 1A and 1B). The significance of the results remained unchanged when the perceived cost of the free gift was included as a covariate in the analysis, and the perceived cost of the free gift was also not a significant variable.

Experience reminder. The same regression analysis on the extent to which the gift served as a reminder of the experience revealed a main effect of gift type ($b = -1.53$, $t = -1.89$, $p = .06$) but this main effect was qualified by the interaction of gift type and specialness of the occasion ($b = .37$, $t = 2.82$, $p = .005$; see Figure 1C). A follow-up spotlight analysis showed that when a consumption occasion was ordinary, the memory marker function for a material gift did not differ from that for an experiential gift ($b = -.49$, $t = -.97$, $p > .33$). However, when an occasion was perceived as special, the material gift was rated significantly higher on its role as a memory marker ($b = 1.52$, $t = 3.03$, $p < .01$). The significance of the results remained unchanged when the

perceived cost of the free gift was included as a covariate in the analysis, and the perceived cost of the free gift was also not a significant variable ($p = .92$).

Satisfaction with the service provider. When it comes to satisfaction with the service provider, we found main effects of gift type ($b = -1.05$, $t = -2.29$, $p < .03$; more satisfied with an experiential gift) and a marginally significant interaction between gift type and specialness of the occasion ($b = .13$, $t = 1.73$, $p < .09$). A spotlight analysis revealed that on ordinary occasions, respondents were more satisfied with the service provider when they received an experiential gift ($b = -.69$, $t = -2.41$, $p < .02$), but the difference in satisfaction between the two gift types disappeared as occasions became more special ($b = .01$, $t = .04$, $p > .90$) in support of H1 (see Figure 1D). The significance of the results remained unchanged when the perceived cost of the gift was included as a covariate in the analysis, and the perceived cost of the free gift was again not a significant variable.

Mediational evidence. We further examined whether the observed effects of gift type and specialness of the consumption occasion on satisfaction is mediated by the belief that gifts serve as a memory marker (i.e., experience reminder). A moderated mediation test via Hayes' (2013) PROCESS model found support that this mediational role depends on specialness of the consumption occasion, as predicted in H2. On ordinary occasions (1 SD below the mean rating of occasion specialness), there was no significant conditional indirect effect (95% CI = $-.2964$, $.0803$), whereas on special occasions (1 SD above the mean rating of occasion specialness), a significant conditional indirect effect was observed (95% CI = $.0869$, $.5269$).

Thoughts coding. To gain additional insights, we further examined respondents' thoughts about their recalled experience of receiving a complimentary gift. In particular, we examined the strength of emotional words used in respondents' descriptions. Respondents in all four

conditions generated similarly positive statements about the experience (“good,” “positive,” “I’m glad,” “I like it”) (see Table 3). However, a difference emerged with respect to stronger emotional expressions (e.g., “I love it,” “great,” “excellent,” “awesome,” “amazing,” “cool,” “wonderful,” “perfect”). For ordinary occasions, respondents in the experiential gift condition (44%) made stronger emotional expressions than those in the material condition (25%). Likewise, for special occasions, those who recalled receiving an experiential gift (59%) generated stronger emotional expressions than those who recalled receiving a material gift (48%). Below are some quotes from the responses.

“Me and my wife booked a 7 day cruise to the Bahamas after we [had] just gotten married for our honeymoon. This would be our first trip together ever. We received a bottle of champagne and a free dinner for 2. I think the free gift was great and perfect for the occasion. It made me feel special and I would be likely to return one day.” (35-year-old male; experiential gift on a special occasion)

“I went to a Redskins game with some VIP tickets. They had a free lunch before the game catered by Famous Daves. It was perfect! We had pregamed in the parking lot with a bunch of friends, then got to head in early and fill up on some great BBQ before the game. The quality of food was excellent! I think eating brought my girlfriend and I back down to a reasonable buzz so it really helped out our entire experience.” (25-year-old male; experiential gift on a special occasion)

“I was in Las Vegas for a convention...The hotel offered all convention goers who had booked 3 days/nights and more with a complimentary visit to their on site spa facility. You could redeem the voucher for a massage or a facial. I chose the massage. It was a nice gift because my feet were really tired at the end of each day on the convention floor...I really enjoyed having my legs and feet rubbed!” (55-year-old female; experiential gift on an ordinary occasion)

In addition, among those who reported their occasion to be special, some respondents specifically commented on how the material gift has helped them remember the experience:

“I purchased a ticket to a sporting event. I received a free t-shirt that had the team logo on it. I think that it was a generous gift as it seemed like a high quality shirt. The ticket was not terribly expensive to begin with and it was a nice memento of the experience.” (20-year-old male; material gift on a special occasion)

“Went to a day spa for a couple of massage treatments. Received a bathrobe from the spa with the logo on it. It was a nice bathrobe - I still have it and use it from time to time. The spa experience was expensive, but I do recall it fondly.” (40-year-old male; material gift on a special occasion)

“It was an opening for a new bar. Got a keychain with the bar name on it and it was also a beer bottle opener. I liked it and still use it today. It makes me think of the bar every time I see it on my key chain.” (38-year-old male; material gift on a special occasion)

“I purchased a two dive boat dive trip for myself and a friend to go check out a reef and a shipwreck. We each received a free T-shirt with the dive company's logo on it. I did think it was really cool though that they let you choose the shirt color, they had like ten different colors. I enjoyed getting the free shirt because now whenever I wear it I think about that great dive trip with my friend.” (29-year-old female; material gift on a special occasion)

Discussion

Overall, Study 1 findings support both H1 and H2. Although consumers, in general, seem to be happier with a service bundle involving an experiential gift, this experiential advantage no longer exists in consumer satisfaction when consumption occasions are perceived to be special.

Consumer satisfaction with a material gift was further mediated by the belief that the gift serves as a memory marker.

It is noteworthy that in Study 1, we measured both satisfaction and happiness. Satisfaction taps into both cognitive and affective states (e.g., Oliver 1993). Oliver (1989) further proposes that pleasure, which he considers as a primary emotion of happiness, is one of the modes of satisfaction, highlighting the emotional aspects of satisfaction. In fact, some prior literature equates happiness to satisfaction and interchangeably use these two (Gilovich et al. 2014). Interestingly, however, our results show that an emotional experience of happiness and satisfaction with a service provider did not converge; consumers were happier with experiential gifts but their satisfaction with a service provider remained the same regardless of whether experiential and material gifts are offered on special occasions. It appears that emotional experience of happiness is clearly dependent on the nature of the gift, with a strong preference for experiential offerings. However, satisfaction, in this case, specifically references a service provider and is a more holistic construct that taps into a cognitive state (e.g., how one evaluates services) as well as an emotional state. The service literature recognizes the importance of creating satisfied consumers (e.g., Crosby and Stephens 1987) and satisfaction is more closely aligned with a consumer-service provider relationship; therefore, measuring satisfaction in response to complimentary gifts, apart from happiness, has its own merits.

Despite the findings supportive of our predictions, the types of experiences and free gifts recalled in Study 1 are idiosyncratic. One could further argue that ease of recalling one type of gift over the other might have impacted overall evaluations (e.g., Fox 2006). Thus, in Study 2, we adopted a different methodology by presenting participants with an identical choice task. Further, in Study 1, recall that participants estimated the price of the experiential gifts they

received to be higher than that of material gifts. Although the pattern of the observed findings still remained the same when controlling for this price estimate, Study 2 assigned the same price to choice options to control for any potential confounds associated with price.

Study 2: Consumer Choice between Experiential and Material Free Gifts

In Study 2, we again tested H1 and H2. This time, we manipulated (instead of measuring as in Study 1) whether the consumption occasion is ordinary or special and presented participants with both experiential and material gifts for them to make a choice.

Method

Two hundred sixty five undergraduate and graduate students (mean age = 22.7 years, 47.5% female, 41.5% Caucasian) participated in the study. The study utilized a 2 (consumption occasion type: special vs. ordinary) x 2 (choice set replicate) between-subjects design.

Participants in the ordinary (special) occasion condition were told that they were booking a hotel for a leisure trip, one of the ordinary trips they usually make for vacations (to celebrate a special event such as birthday, wedding, or anniversary). Participants in both conditions were then told that when booking a hotel, they saw an advertisement from the hotel that stated they could redeem one of two complimentary gifts. Subsequently, they were introduced to one of two sets involving an experiential gift and a material gift and were asked to choose one—a choice between a ‘travel bag’ and a ‘day tour’ or between a ‘wine set’ and a ‘day tour’ (at prices all ranging \$50-60; a total of 20 experiential and material gift items were pretested (N = 101) and these two sets were chosen based on the equivalent liking ratings ($M_{\text{travel bag}} = 6.15$, $M_{\text{wine_}}$

accessory_set = 6.04, and $M_{\text{day tour}} = 6.13$). They were further asked to indicate their underlying motivations for their choice: “I would want the free gift to be something that I can keep after the experience to serve as a memory keepsake” (1 = strongly disagree, 9 = strongly agree) and “I would want the accompanying free gift to be something that highlights or deepens the experience *during* the stay” (1 = strongly disagree, 9 = strongly agree). Control variables (e.g., number of leisure trips per year, frequency of hotel stays per year, and tendency to collect a souvenir) were also collected.

Results

Choice. First, the two choice sets were examined separately. For a travel bag and a day tour pair, 76.9% chose an experiential gift (23.1% chose a material gift) on ordinary consumption occasions. However, this pattern was reversed for special occasions; only 36.5% preferred an experiential gift (63.5% preferred a material gift) when the consumption occasion was perceived to be special ($Z = 4.62$, $p < .0001$; see Figure 2A). This pattern of results was replicated for a wine set and a day tour pair. On ordinary occasions, 72.7% preferred an experiential gift (27.3% preferred a material gift), whereas on special occasions, only 33.8% chose an experiential gift (66.2% chose a material gift; $Z = 4.56$, $p < .0001$; see Figure 2B). These results support H1.

Enriched experience vs. Experience reminder. A 2 (special vs. ordinary occasion) x 2 (choice set replicate) ANOVA on consumers’ desire to enrich the experience revealed only a main effect of consumption occasion type ($F(1, 261) = 5.90$, $p < .02$; see Table 4). As expected, participants in the ordinary (vs. special) occasion condition rated significantly higher on the desire to enrich the experience ($M_{\text{ordinary}} = 7.22$ vs. $M_{\text{special}} = 6.71$). The same ANOVA on consumers’ desire to acquire a memory marker also revealed only a main effect of occasion type

($F(1, 261) = 50.24, p < .0001$) such that participants in the special (vs. ordinary) occasion condition rated significantly higher on the desire to acquire a memory marker ($M_{\text{ordinary}} = 4.60$ vs. $M_{\text{special}} = 6.54$). Further, the significance found in these analyses remained unchanged when controlling for number of leisure trips per year, frequency of hotel stay per year, and individual tendency to collect a souvenir.

Mediational evidence. As seen, since the results did not differ depending on the choice set, we combined the results across the two choice set replicates. A mediation test via Hayes' (2013) PROCESS model found support for our underlying psychological mechanism; the effect of special (vs. ordinary) consumption occasion on the choice of a material (vs. experiential) gift was mediated by the desire for a gift to serve as a memory marker (95% CI = .3121, .9400), in support of H2.

Discussion

In line with H1, when a service provider offered experiential and material gifts as part of a service bundle, consumers' preference for an experiential offering was higher on ordinary occasions, whereas this experiential advantage disappeared on special occasions; notably, preference for a tangible free gift was higher than for an experiential free gift that could be perceived as more transient.

Study 3: Consumer Satisfaction with Material Free Gifts as a Salient Memory Marker

Studies 1 and 2 found converging evidence that when complimentary gifts are offered as part of a service bundle, the clear preference for an experiential offering disappears on special

(vs. ordinary) occasions, and this is explained by consumers' desire to obtain a memory marker. In Study 3, we further looked deeper into the role of a memory cue of a free gift by heightening its salience and test H3. Specifically, we directly manipulated whether the gift is representative of a distinct local identity in the context of tourism.

Method

Seven hundred and twenty three participants from Amazon's Mechanical Turk (mean age = 41.33 years, 46.2% female, 70.5% Caucasian) completed the study. The study adopted a 2 (consumption occasion: special vs. ordinary) x 2 (gift type: experiential vs. material) x 2 (localness: local vs. generic) between-subjects design with two additional control conditions (special vs. ordinary occasion) involving no free gift. We conducted a series of pretests to manipulate consumption occasion type and localness. For example, we developed scenarios describing Sam's 10th trip (ordinary occasion) vs. first trip to China (special occasion). Importantly, to manipulate localness while controlling for a product/experience category, we kept the bathrobe (as a material gift) and spa experience (as an experiential gift) constant across local and generic conditions. Specifically, "Fleece bathrobe" ("Chinese silk robe") was used as a material gift without (with) a local identity, and "Hotel spa" ("Chinese hot spring bath") as an experiential gift without (with) a local identity. Another pretest confirmed that Fleece bathrobe and Chinese silk robe are considered as equally material, whereas Hotel spa and Chinese hot spring bath are equally experiential.

This study involved a mental simulation task whereby respondents were asked to imagine themselves experiencing the situation described. Participants were randomly assigned to one of the corresponding ten conditions, with the pronouns in the scenario being tailored to the gender of the participant to increase involvement with the scenario. First, in order to manipulate whether

the consumption occasion was special or ordinary, Sam's trip to China was described either as his/her 10th trip (ordinary occasion) or first trip to China (special occasion; see Appendix A for scenarios). After reading the scenario, participants were asked to indicate how special/unique this trip of visiting China would be for Sam (1 = not at all, 11 = very much; alpha = .86) as a manipulation check for specialness of the occasion. They were then told that when Sam was booking a hotel room, s/he learned that the hotel is offering a free gift (valued at \$100)—the gift was described as one of the four items (fleece bathrobe, Chinese silk robe, hotel spa, or Chinese hot spring bath; see Appendix B for scenarios). Participants were encouraged to take a moment to think about the free gift Sam would receive for the trip.

Subsequently, they indicated whether it would help Sam remember the trip better after the trip is over and the extent to which the free gift would serve as a keepsake when looking back (1 = strongly disagree, 11 = strongly agree; alpha = .76). They also indicated the extent to which the gift would enrich (highlight) the experience during the trip (1 = strongly disagree, 11 = strongly agree). They also indicated the extent to which Sam would be satisfied (dissatisfied) with this hotel ("Regarding Sam's overall experience with this hotel, Sam would be" (1 = very dissatisfied (displeased), 11 = very satisfied (pleased); alpha = .95). As a manipulation check for localness of the free gift, they were also asked to indicate whether the gift is unique to the destination (1 = strongly disagree, 9 = strongly agree). Other control and demographic variables were also collected. Those in the two control conditions did not receive the second part of the scenario involving a free gift so they did not answer questions related to the gift.

Results

Manipulation checks. Manipulations of consumption occasion and localness of the free gift were successful. Specifically, a 2 (consumption occasion) x 2 (gift type) x 2 (localness)

ANOVA on the specialness of the occasion revealed only an expected main effect of the occasion type such that the experience was rated to be more special on special vs. ordinary occasion conditions ($M_{\text{special}} = 10.24$ vs. $M_{\text{ordinary}} = 6.71$). A 2 x 2 x 2 ANOVA on the localness of the free gift revealed only an expected main effect of localness such that those in the local gift condition perceived the gift to be more unique to the destination than those in the generic gift condition ($M_{\text{local}} = 7.14$ vs. $M_{\text{ordinary}} = 4.74$; see Table 5).

Satisfaction. A 2 x 2 x 2 between-subjects ANOVA on satisfaction with the service provider revealed the marginally significant main effects of gift type ($F(1, 573) = 3.50, p = .06$) and localness ($F(1, 573) = 2.88, p < .10$), such that experiential gifts ($M_{\text{experiential}} = 9.60$ vs. $M_{\text{material}} = 9.31$) and gifts with a local identity generate higher satisfaction ($M_{\text{local}} = 9.58$ vs. $M_{\text{generic}} = 9.32$). More importantly, a marginally significant three-way interaction was observed ($F(1, 573) = 2.72, p < .10$). To better understand this interaction, we analyzed the results separately by the localness type of the gift (see Figure 3).

When the gift is rather generic and does not represent a local identity (such as the fleece bathrobe or hotel spa), we observed only main effects of the gift type ($F(1, 289) = 3.89, p = .05$) such that consumers were more satisfied with the service provider when they received an experiential ($M_{\text{experiential}} = 9.54$) vs. material gift ($M_{\text{material}} = 9.11$). However, when a gift takes on a local flavor (such as Chinese silk robe or Chinese hot spring bath) that can serve as a salient memory marker, we observed a marginally significant main effect of special vs. ordinary occasion type ($F(1, 284) = 3.41, p < .07$), and importantly, this effect was qualified by a marginally significant interaction between occasion type and gift type ($F(1, 284) = 3.08, p = .08$). Consumers were more satisfied with the service provider when they received an experiential gift on ordinary occasions ($M_{\text{experiential}} = 9.64$ vs. $M_{\text{material}} = 9.14$), but this experiential advantage did

not hold for special occasions ($M_{\text{experiential}} = 9.66$ vs. $M_{\text{material}} = 9.89$). Interestingly, on special occasions, satisfaction with a material gift was directionally higher than that with an experiential gift although the difference did not reach significance (likely due to a ceiling effect).

Satisfaction Compared to the Control Conditions. Next, we examined whether offering an experiential or a material free gift increased satisfaction compared to the control conditions where no free gift was offered. A one-tailed test revealed that for special occasions, all three free gift conditions except for the generic material gift ($M_{\text{generic_material}} = 9.09$; $p = .26$) reported higher satisfaction than when no free gift was offered ($M_{\text{special_control}} = 8.85$). Thus, on special occasions, there is no added benefit of offering a *generic* material gift, but both experiential gifts of any type and a material gift with a unique local identity (that can work as a salient memory marker) generate greater satisfaction compared to when no gift is offered.

However, for ordinary occasions, the conditions that performed better than the control condition ($M_{\text{ordinary_control}} = 8.95$) involved experiential gifts regardless of whether they have a local flavor ($M_{\text{local_experiential}} = 9.64$; $p < 0.01$) or not ($M_{\text{generic_experiential}} = 9.43$; $p < .07$). This finding indicates that on ordinary occasions, companies are better off offering experiential free gifts in inducing greater consumer satisfaction since there is no added benefit of offering material gifts compared to when no gift is offered. Broadly, these insights are in line with our predictions and the findings reported earlier.

Enriched experience vs. experience reminder. Replicating the Study 2 finding, consumers believed that experiential gifts would enrich the experience during the trip more than material gifts ($M_{\text{experiential}} = 8.23$ vs. $M_{\text{material}} = 7.60$). They also believed that the gifts offered on special occasions ($M_{\text{special}} = 8.14$ vs. $M_{\text{ordinary}} = 7.68$) and those with a local identity ($M_{\text{local}} = 8.61$ vs. $M_{\text{generic}} = 7.23$) would further enrich the experience.

When it comes to the belief that free gifts will serve as a memory marker (i.e., reminder of the experience), consumers believed that material gifts ($M_{\text{material}} = 8.52$ vs. $M_{\text{experiential}} = 6.83$), gifts offered on special occasions ($M_{\text{special}} = 7.88$ vs. $M_{\text{ordinary}} = 7.47$), and gifts with a local identity ($M_{\text{local}} = 8.28$ vs. $M_{\text{generic}} = 7.08$) would help them remember the trip better. Besides these main effects, the interaction of gift type and consumption occasion type was also significant; the belief that a material gift would serve as a memory marker was stronger on special vs. ordinary occasions ($M_{\text{special}} = 8.96$ vs. $M_{\text{ordinary}} = 8.09$) but no difference was observed for an experiential gift ($M_{\text{special}} = 6.81$ vs. $M_{\text{ordinary}} = 6.85$).

Mediation analysis. We tested whether consumers' belief that the free gift serves as a memory marker mediates the effects of experiential vs. material gift type and special vs. ordinary occasions on satisfaction when the free gift has a local identity, but not when the gift lacks this quality. Thus, we conducted separate mediation tests via Hayes' (2013) PROCESS model by local vs. generic gift types. When the free gift had a local identity, the effects of consumption occasions and material vs. experiential gift type on satisfaction was, as predicted, mediated by the belief that the gift serves as a memory marker (i.e., the indirect effect of highest order product: 95% CI = .1037, 1.0473). The regression also shows that when controlling for this belief, the interaction of consumption occasions and gift type disappeared ($b = .2131$, $t = .59$, $p > .55$) while the belief variable remained significant ($b = 6.64$, $t = 19.57$, $p < .0001$).

Also as predicted, however, when the complimentary gift was rather generic and without a local flavor, the effects of material vs. experiential gift type and consumption occasions on satisfaction was not mediated by the belief that the gift serves as a memory marker (i.e., the indirect effect of highest order product: 95% CI = -.1979, .6113). The regression model further

confirmed that controlling for this belief did not render the main effect of experiential vs. material gift type weakened (instead, it strengthened the main effect; $b = -.67$, $t = -2.39$, $p < .02$).

Discussion

In line with the predictions in H2 and also in support of H3, the results of Study 3 indicate that consumers value material gifts because of their belief that tangible objects help them better remember their cherished, special experience, and this preference no longer exists when the offering is not thought to be an effective or memorable cue for the special experience.

It is noteworthy that Study 3 was a conservative test of special vs. ordinary occasions given that traveling to a different country itself is not one of the typical ordinary experiences. Indeed the mean rating of the specialness of the occasion in the ordinary condition ($M_{\text{ordinary}} = 6.79$) was above the mid-point of the scale (6) (1 = not at all special/unique, 11 = very much), indicating that the consumption occasion participants in the ordinary condition imagined was not truly ordinary or mundane. This may partly explain the presence of a ceiling effect; satisfaction ratings across all experimental conditions ranged between 9 and 10 (and the mean ratings of both control conditions were also close to 9). Given this ceiling effect, the differences observed in the study—even in a small range—are believed to be meaningful and indicative of a larger effect.

General Discussion

We approach experiential and material free gifts as a meaningful design choice for service innovation. We show that these two types of free gifts generate qualitatively different

desired outcomes, and importantly, the effectiveness of these free gifts relies on consumption occasions—whether the service experience was for a special or ordinary occasion. Across three experiments utilizing consumer recall (Study 1), choice (Study 2), and satisfaction with an imagined service experience (Study 3), we found converging evidence that while experiential free gifts are preferred for ordinary occasions, this experiential advantage disappears for special experiences. Notably, a substantially greater number of consumers chose material (vs. experiential) gifts on special occasions in Study 2. Experiential gift elements in service design generally make people happier and are believed to enrich the experience *as it unfolds*, whereas tangible material gifts are believed to serve as a reminder of the experience *in retrospect*. Therefore, the preference for a material gift is more pronounced when the gift serves as a salient memory marker and enhances the ability to recall the experience (such as a gift representing a unique and irreplaceable local identity).

Theoretical Contributions

The present research makes a number of theoretical contributions to the literature. First, we contribute to service management literature that encourages “innovative design thinking” that seeks to carefully orchestrate service experience to engage consumers in meaningful and memorable ways (Pine and Gilmore 1999, Pullman and Gross 2004; Voss, Roth, and Chase 2008; Dasu and Chase 2010). Beyond physical and relational elements identified as antecedents to influence consumer experiences (e.g., Pullman and Gross 2004, Zomerdijk and Voss 2010), we further identify that the strategic use of experiential and material free gifts as a meaningful service design element helps service providers deliver memorable experiences and enhance consumer satisfaction. We also advance the knowledge in service management literature by proposing that an effective service design involving experiential and material gifts should

incorporate a consumer factor—specifically, underlying motivations shaped by consumption occasions (e.g., special or ordinary occasions).

The present research also contributes to literature that directly compares the hedonic benefits of experiences with those of material possessions primarily in the context of consumers' own purchases (e.g., Van Boven and Gilovich 2003, Gilovich et al. 2014). We extended this framework to complimentary gifts offered by service providers. Our context is different from personal purchases of services or material possessions in that both experiential and material gifts are free of charge (i.e., without involving own discretionary resources) and are supposed to *complement* the focal service experience—despite the fact that the former adds to the experience as it unfolds while the latter tends to have more value later on. Importantly, while a plethora of studies predominantly endorse an experiential advantage, we identify conditions that qualify this phenomenon. We thus add to scant research examining the purchase characteristics that moderate hedonic benefits of experiences (Nicolao et al. 2009, Caprariello and Reis 2013).

By highlighting the prolonged benefit of material gifts for special consumption occasions, our findings also echo research on the significance and meaning gleaned from tangible possessions. Consumers indeed acquire objects that trigger fond memories of the past—be they photographs of memorable moments, mementos from past romantic relationships, or souvenirs from a honeymoon trip—all these connect people closely to the past self (Belk 1988). Certain material possessions can also carry sentimental values such as wedding rings or a handed-down painting from one's grandmother. All these meaningful possessions can serve a different purpose and have distinctive, lasting benefits. As Gilovich et al. (2014, p.4) put, ironically, “it is the experience that lives on and the possession that fades away.” However, meaningful material

possessions, instead of fading away, keep the experience alive and repeatedly bring back to people fond memories and stories to tell.

Relatedly, this research extends consumers' strategic memory protection behaviors documented in Zauberman et al. (2009). They demonstrate consumers' tendency to protect their special memories by obtaining memory pointers and by not repeating experiences that were favorable in the past (in order not to interfere with initially favorable, special memories). Our research augments this research by examining the relative strength in the preference for experiential offers and tangible items. Despite the fact that consumers appreciate the enhanced present utility (i.e., enriched experience) created by added experiential elements, they are willing to forego this benefit in order to acquire an insurance to enhance their ability to recall in the future (as in the choice task in Study 2).

Managerial Contributions

These findings also have significant managerial implications for designing and managing customer experience. Companies already make substantial investment in offering complimentary gifts but may not be reaping maximum returns due to ineffective bundling or a lack of innovative design thinking. This research provides practical insights for managers to look into consumption occasions or type of consumers (e.g., special occasions, first-time vs. repeat customers) in order to effectively design service bundles with complimentary gifts and thus innovate the service experience. With today's heavy focus on customer relationship management, service companies have a wealth of knowledge on their customers. For example, hotels have comprehensive customer profiles of existing customers as part of loyalty programs (e.g., birthdays, anniversaries). A first-time visitor can also be easily identifiable. By differentiating their customers, companies can better tailor the types of complimentary gifts they offer and hopefully

get a higher return on these service design elements. Offering branded-material gifts to those who are either first-timers or those who came for special occasions could also be a great branding opportunity. Alternatively, since consumers like to have some control over service process (Chase and Dasu 2001), companies may provide a range of complimentary gifts (including both material and experiential items) for consumers to choose from.

The dilemma is that especially for special experiences, consumers would want to enrich their experience as it unfolds, but at the same time they look for building or acquiring a memory cue that will help reinforce a pleasant memory. This tendency is likely to be pronounced especially for those who believe that the experience is fleeting. How can companies then enhance the memorability of experiential additions? For instance, a restaurant may enrich the couple's anniversary dinner by offering free cocktail drinks and taking a photo of a couple over dinner. By sending the couple the photo in a branded frame upon departure or mailing it to them later, the restaurant can transfer the enriched, yet fleeting experience into a tangible reminder. Certainly, by being more guided and deliberate, companies can develop other creative strategies to transform the experiential nature of free gifts into something tangible.

In addition, the converging finding that experiential gifts make people happier also has implications for companies. As seen, consumers value experiential offerings more than material gifts for most of the ordinary service encounters. Even on special occasions, they are more satisfied with an experiential element if a material offering is not perceived to help enhance the ability to recall the experience. Given these findings, it is important for service firms to design meaningful experiential elements that will truly transform the mundane nature of ordinary experiences into something delightful and shape the entire experience more positively. Deliberately engineering sensory-rich experiential offerings that involve the five senses (sight,

sound, smell, taste, and touch) may further transform the experience to be more meaningful and memorable (e.g., Pine and Gilmore 1998; Zomerdijk and Voss 2010). At the same time, these findings tell companies offering material free gifts that the material gift better be something truly memorable and that readily connects people to the experience itself (consider a hotel offering a customized Formula 1 race car key chain during the F1 race weekend, a hotel in Thailand offering a tourist a statue of an elephant, or a luxury hotel offering a customized stationery with engraved customers' names). Further, meaningful material gift items can certainly serve as an effective brand building tool with one's logo prominently displayed.

Service management literature also recommends that service providers pay close attention to the *sequence* of events that consists of the service (e.g., Dasu and Chase 2010). Since ending experience on a high note makes the entire experience more favorable (e.g., Loewenstein and Prelec 1993; Ariely and Carmon 2000), cruise lines may devise a service design that passes out keepsakes (material type) or bottles of wine (experiential type) upon reaching home port (Chase and Dasu 2001). Furthermore, service providers may mix and match both experiential and material free gifts in choreographing a range of service encounters and activities over a duration of time. For example, one of the authors' interview with the owner of *Experience! The Finger Lakes*, a tour company based in Upstate New York, revealed that they carefully design a sequence of experiences that involve various free gift elements throughout the journey in order to closely engage consumers. For example, to enrich the tour experience, they arrange a free ice cream at a local creamery and a dessert coupon at a restaurant during the tour. They also have a photo (taken earlier during the tour) framed while guests are gone for a tasting session at a local winery and place the framed photo on guests' seats on the tour bus; guests then return to their seats to find this surprise. Along with this carefully arranged memento, they also give away a

branded-bumper sticker and a magnet at the end of the tour to further aid favorable recall of the trip. As such, a creative mix of experiential and material free gifts can be devised in orchestrating the sequence of a service experience.

Directions for Future Research

In this research, we did not want the perceived price of the free gift to confound the comparison between experiential and material offerings, so the (identical) price information about the free gifts was provided in both Studies 2 and 3. Although Nunes and Park (2003) demonstrate that the effectiveness of a free gift (vs. cash discounts) in boosting sales does not rely on the size of the discount relative to the focal product, Palmeira and Srivastava (2013) and Raghurir (2004) argue that the perceived value of a free offer is influenced by the price of the focal purchase; that is, the expensive focal product in a bundle enhances the perceived value of the free product, increasing the willingness to pay for the free product when the promotion is retracted. Future research may examine whether the price of a focal service and/or perceived price of a free gift moderate the effect observed in our research.

Future research may further examine other interesting boundary conditions for the findings we observed. How does consumers' prior experience with the service provider influence the effect of complimentary gifts when repeated service interactions are involved? If the prior experience was positive, a free offering may further increase emotional connections to the service provider and enhance service experience (e.g., a free pint glass from one of one's favorite breweries). However, when the prior experience was negative (or even when the current service received was mediocre), would a free offering backfire or amend a prior unfavorable experience? There could also be potential negative effects of offering free gifts if consumers start expecting a

free gift on every service transaction or if they perceive the quality of a free offering to be inferior to the one they received previously.

Finally, companies may ponder upon the strategic timing decision of whether they should offer a free gift as a surprise or should inform consumers in advance to give them an opportunity to pleurably anticipate the offering. A recent finding that looking forward to experiences generate greater excitement than material purchases (Kumar et al. 2014) may suggest that companies may consider promoting free-of-charge experiential additions in advance so that the pleasurable anticipation of enriched experiences could be evoked before arrival. Interestingly, it is also plausible that waiting for a unique material gift that is tied into the fabric of the special experience may boost consumers' anticipation of the upcoming service experience. These are fruitful avenues for further research.

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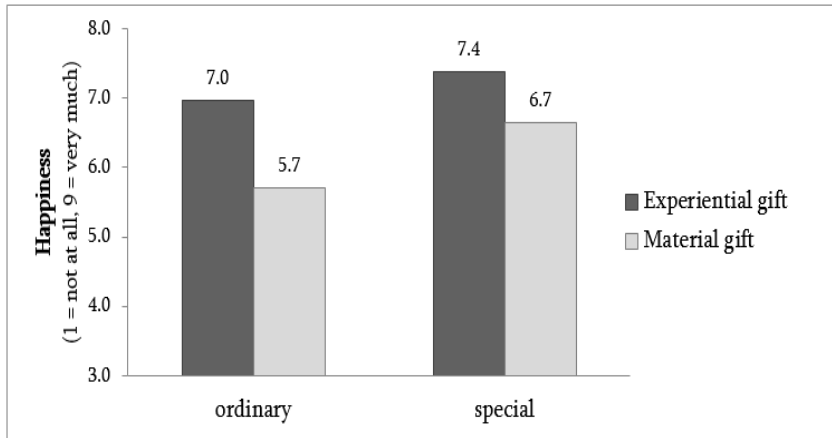
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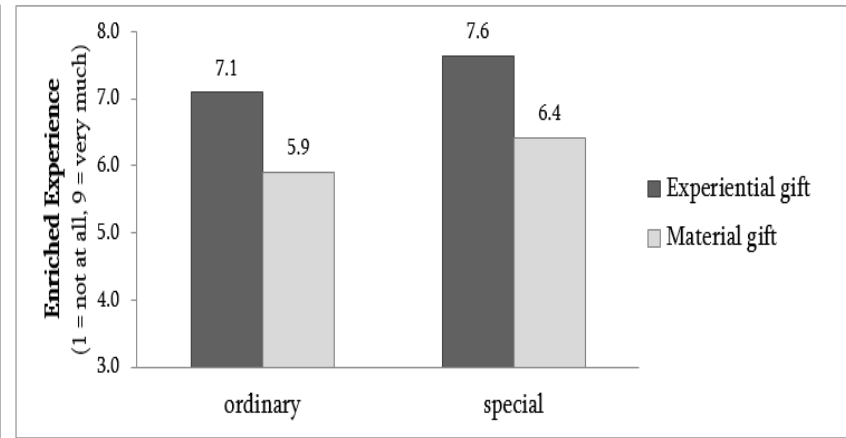
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Figure 1. Evaluations of the Free Gift as a Function of Experiential vs. Material Gift Type and Special vs. Ordinary Consumption Occasion (Study 1)

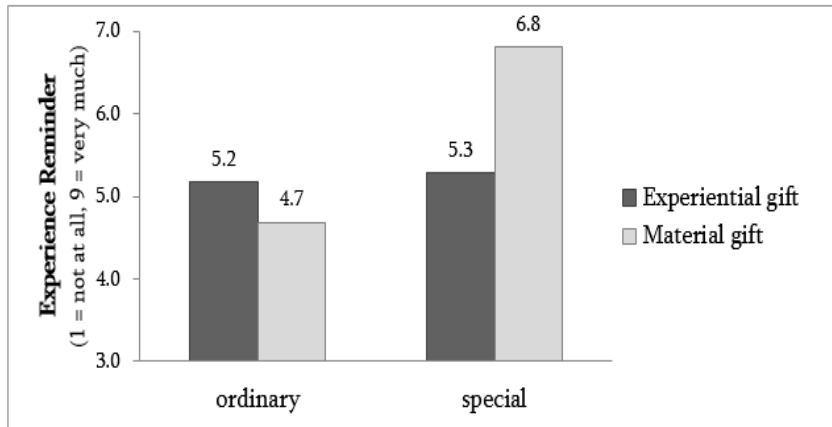
(A) Happiness



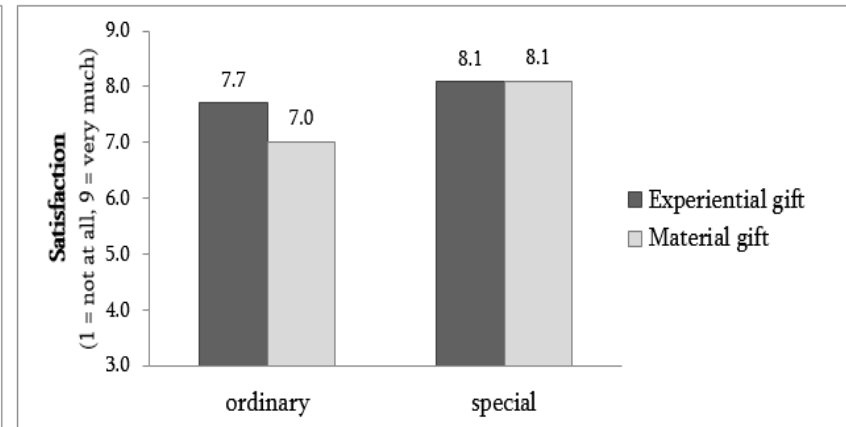
(B) Enriched Experience



(C) Experience Reminder



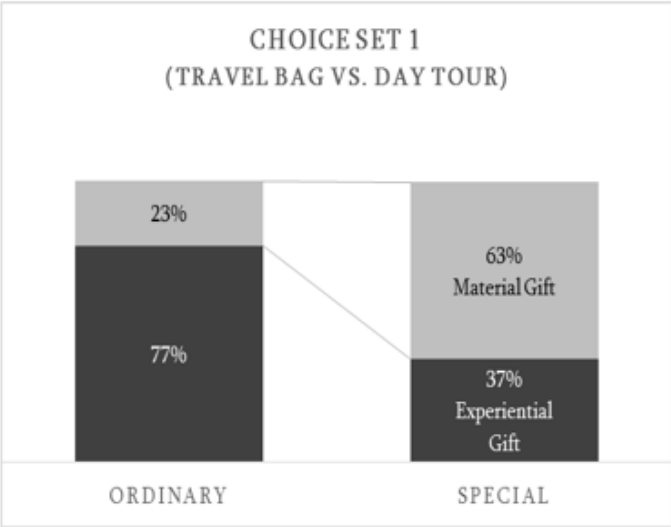
(D) Satisfaction with the Service Provider



Notes: The means were computed at one standard deviation below (for ordinary occasions) and above (for special occasions) the mean value of the specialness of the occasion.

Figure 2. Choice of an Experiential vs. Material Free Gift as a Function of Special vs. Ordinary Consumption Occasion (Study 2)

A.



B.

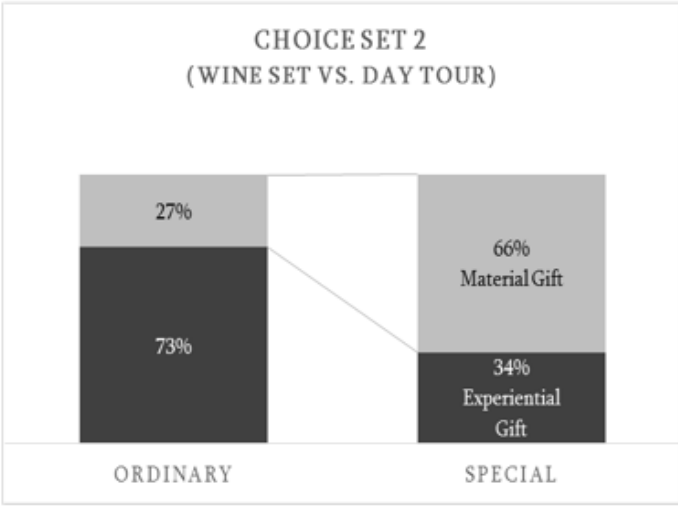
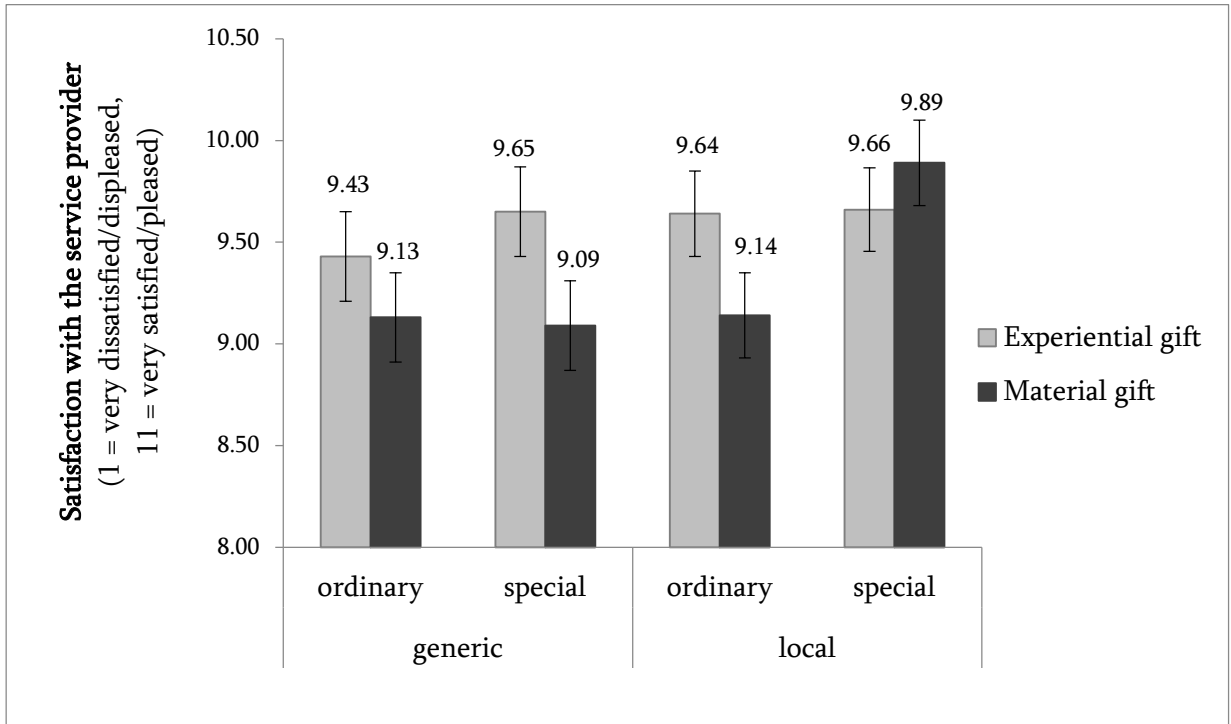


Figure 3. Effects of Experiential vs. Material Gift Type, Special vs. Ordinary Consumption Occasion, and Local vs. Generic Gift Type on Satisfaction with the Service Provider (Study 3)



Note: Means and standard errors are noted on the graph.

Table 1. Percentage of Service Categories Recalled by Experiential and Material Gift Conditions (Study 1)

Service Category	Gift Type		Total <i>N</i> = 225
	Experiential <i>N</i> = 107	Material <i>N</i> = 118	
hotel/resorts	56% (60)	33.1% (39)	44% (99)
restaurants	13% (14)	11% (13)	12% (27)
concert/play/comedy club/museum/movie	3.7% (4)	13.6% (16)	8.9% (20)
spa/facial/nail service	8.4% (9)	2.5% (3)	5.3% (12)
shopping (retail, online)	1.9% (2)	8.5% (10)	5.3% (12)
travel-cruise/winery	5.6% (6)	3.4% (4)	4.4% (10)
expo/festival/fair/amusement park	2.8% (3)	5.9% (7)	4.4% (10)
banking/credit service	-	5.9% (7)	3.1% (7)
sports game/running race/golf club	1.9% (2)	4.2% (5)	3.1% (7)
medical/dental service	.9% (1)	1.7% (2)	1.3% (3)
hair service	1.9% (2)	-	.9% (2)
gym	.9% (1)	2.5% (3)	1.8% (4)
car service	1.9% (2)	1.7% (2)	1.8% (4)
home-related	.9% (1)	2.5% (3)	1.8% (4)
education/scout	-	2.5% (3)	1.3% (3)
other	-	.8% (1)	.4% (1)

Note: A dash indicates there was no purchase description in that category.

Numbers in parentheses indicate the frequency of purchase categories mentioned

Table 2. Manipulation and Confound Checks and Evaluations of the Free Gift as a Function of Experiential vs. Material Gift Type and Special vs. Ordinary Consumption Occasion (Study 1)

	Experiential	Material	Ordinary Occasion		Special Occasion		Main effects		Interaction
			Experiential	Material	Experiential	Material	Gift Type	Occasion Type	Gift x Occasion
Manipulation Check									
Material (1)-Experiential (7)	5.20 (1.94)	2.92 (1.97)					$F(1, 223) = 75.22^{***}$	ns	ns
Confound Checks									
Specialness of the Occasion	5.55 (2.71)	5.57 (2.77)					ns	ns	ns
How Long Ago	4.11 (1.63)	4.03 (1.65)					ns	ns	ns
Perceived Price of the Gift	\$58.16 (119.45)	\$31.42 (72.04)					$F(1, 221) = 4.19^*$	ns	ns
Dependent Variables									
Happiness			6.97	5.71	7.38	6.65	$t = -2.63^{**}$		
Enriched Experience			7.09	5.90	7.63	6.42	$t = -1.19^m$		
Experience Reminder			5.17	4.68	5.27	6.80	$t = -1.89^m$		$t = 2.82^{**}$
Satisfaction with the Service Provider			7.70	7.01	8.09	8.10	$t = -2.29^*$		$t = 1.73^m$

^m $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$

Note. The standard deviations are in parentheses. The means for the dependent variables were computed at one standard deviation below (ordinary occasions) and above (special occasions) the mean value of the specialness of the occasion scale.

Table 3. Thoughts Coding as a Function of Experiential vs. Material Gift Type and Special vs. Ordinary Consumption Occasion (Study 1)

	Ordinary Occasion		Special Occasion	
	Experiential	Material	Experiential	Material
positive evaluations	41%	38%	39%	37%
strong positive emotional descriptors	44%	25%	59%	48%

Table 4. Choice of an Experiential vs. Material Free Gift and Evaluations of the Gift as a Function of Special vs. Ordinary Consumption Occasion (Study 2)

	Choice Set 1 (Travel Bag vs. Day Tour)		Choice Set 2 (Wine Set vs. Day Tour)		Main effects		Interaction
	Ordinary	Special	Ordinary	Special	Occasion Type	Choice Set	Occasion x Choice Set
Choice (% of Experiential Gift)	76.9%	36.5%	72.7%	33.8%			
Enriched Experience	7.45 (1.80)	6.65 (1.68)	7.00 (1.53)	6.76 (1.89)	$F(1, 261) = 5.90^*$	ns	ns
Experience Reminder	4.34 (2.44)	6.40 (2.04)	4.86 (2.31)	6.66 (2.04)	$F(1, 261) = 50.24^{***}$	ns	ns

* $p < .05$, ** $p < .01$, *** $p < .001$

Note. The standard deviations are in parentheses.

Table 5. Manipulation Checks and Evaluations of the Free Gift as a Function of Experiential vs. Material Gift Type, Special vs. Ordinary Consumption Occasion, and Localness of the Gift (Study 3)

			Non-Localness of Gift				Localness of Gift			
	Ordinary	Special	Ordinary Occasion		Special Occasion		Ordinary Occasion		Special Occasion	
	Control	Control	Experiential	Material	Experiential	Material	Experiential	Material	Experiential	Material
Manipulation Checks										
Specialness of the Occasion	6.39 (2.55)	10.32 (1.05)	6.69 (3.10)	6.56 (2.81)	10.44 (1.10)	10.03 (1.66)	6.94 (2.71)	6.97 (2.57)	10.27 (1.16)	10.17 (1.38)
Localness of the Gift			4.82 (2.83)	4.69 (2.74)	4.71 (2.69)	4.75 (2.64)	7.08 (1.93)	6.82 (2.21)	7.13 (1.84)	7.53 (1.86)
Dependent Variables										
Satisfaction with the Service Provider	8.95 (1.85)	8.85 (2.20)	9.43 (2.02)	9.13 (1.90)	9.65 (1.51)	9.09 (2.03)	9.64 (1.48)	9.14 (2.06)	9.66 (1.95)	9.89 (1.52)
Enriched Experience			7.47 (3.03)	6.71 (2.85)	7.61 (2.87)	7.13 (2.97)	8.65 (2.38)	7.93 (2.37)	9.17 (2.24)	8.67 (2.28)
Experience Reminder			6.27 (2.93)	7.48 (2.72)	6.33 (2.81)	8.18 (2.45)	7.45 (2.65)	8.69 (2.23)	7.26 (2.56)	9.80 (1.71)

Note: The standard deviations are in parentheses.

	Main effects			2-way interactions			3-way interaction
	Gift Type	Occasion Type	Localness	Gift x Occasion	Gift x Localness	Occasion x Localness	Gift x Occasion x Localness
Manipulation Checks							
Specialness of the Occasion	ns	$F(1, 713) = 471.06^{***}$	ns	ns	ns	ns	ns
Localness of the Gift	ns	ns	$F(1, 573) = 147.53^{***}$	ns	ns	ns	ns
Dependent Variables							
Satisfaction with the Service Provider	$F(1, 573) = 3.50^m$	ns	$F(1, 573) = 2.88^m$	ns	ns	ns	$F(1, 573) = 2.72^m$
Enriched Experience	$F(1, 573) = 7.83^{**}$	$F(1, 573) = 4.34^*$	$F(1, 573) = 39.33^{***}$	ns	ns	ns	ns
Experience Reminder	$F(1, 573) = 65.89^{***}$	$F(1, 573) = 3.95^*$	$F(1, 573) = 34.45^{***}$	$F(1, 573) = 5.29^*$	ns	ns	ns

^m $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$

Appendix. Scenarios Used in a Mental Simulation Task in Study 3

(A) Manipulation of Consumption Occasions: Special vs. Ordinary

*The pronouns in the scenario were tailored to the gender of each participant to increase involvement with the scenario.

Special Occasion

Please put yourself in Sam's Shoes.

Sam's First Trip to China

It is Sam's dream to visit China. Growing up, she had read about Chinese history and literature but has never had the opportunity to visit the country. At last, she has saved up enough money to go on her very first trip to China. She is excitedly preparing for her first trip to China as she is planning to climb the Great Wall of China. Also, she is checking out places to visit and eat on the internet.

Please take a moment to think about Sam's trip to China and answer the following questions.

Ordinary Occasion

Please put yourself in Sam's Shoes.

Sam's 10th Trip to China

Whenever Sam has time, she visits China. Growing up, she had read about Chinese history and culture, and China has been one of her regular travel destinations. She will be going on her *10th* trip to China this summer. Sam is making plans to revisit the Great Wall of China among other usual and ordinary things she does whenever she is back in China.

Please take a moment to think about Sam's trip to China and answer the following questions.

(B) Manipulations of Experiential vs. Material and Local vs. Generic Gift Types

Experiential and Local: “Chinese Hot Spring Bath”

Finally, Sam found time for a trip to China and made her hotel reservations. When booking a room, she learned that the hotel is offering her a **Chinese Hot Spring Bath as a complimentary gift** (valued at \$100 USD). The Chinese Hot Spring Bath will be an outdoor hot spring bath with scenic views of the mountains and greenery of China. Sam was told that she will receive this complimentary gift when she arrives at the hotel.

Please take a moment to think about the complimentary gift (Chinese Hot Spring Bath) Sam would receive.

Experiential and Generic: “Hotel Spa”

Finally, Sam found time for a trip to China and made her hotel reservations. When booking a room, she learned that the hotel is offering her a **Hotel Spa Service as a complimentary gift** (valued at \$100 USD). The Hotel Spa will be an indoor spa service operated by the international hotel chain. Sam was told that she will receive this complimentary gift when she arrives at the hotel.

Please take a moment to think about the complimentary gift (Hotel Spa Service provided by the international hotel chain) Sam would receive.

Material and Local: “Chinese Silk Robe”

Finally, Sam found time for a trip to China and made her hotel reservations. When booking a room, she learned that the hotel is offering her a **Chinese Silk Robe as a complimentary gift** (valued at \$100 USD). The Chinese Silk Robe, featuring Chinese motifs and designs, is made of 100% silk. It offers a soft and comfortable fit. Sam was told that she will receive this complimentary gift when she arrives at the hotel.

Please take a moment to think about the complimentary gift (Chinese Silk Robe) Sam would receive.

Material and Generic: “Fleece Bathrobe”

Finally, Sam found time for a trip to China and made her hotel reservations. When booking a room, she learned that the hotel is offering her a **Fleece Bathrobe as a complimentary gift** (valued at \$100 USD). The Fleece Bathrobe, available in solid color, is made of 100% fleece fabric. It offers a soft and comfortable fit. Sam was told that she will receive this complimentary gift when she arrives at the hotel.

Please take a moment to think about the complimentary gift (Fleece Bathrobe) Sam would receive.