ECONSTOR
Make Your Publications Visible.

A Service of

ZBW Leibniz-Informationszentrum Wirtschaft
Leibniz Information Centre for Economics

Maréchal, Michel André; Thöni, Christian

Working Paper

Hidden persuaders: Do small gifts lubricate business negotiations?

Working Paper, No. 227

Provided in Cooperation with:
Department of Economics, University of Zurich

Suggested Citation: Maréchal, Michel André; Thöni, Christian (2016) : Hidden persuaders: Do small gifts lubricate business negotiations?, Working Paper, No. 227, University of Zurich, Department of Economics, Zurich, https://doi.org/10.5167/uzh-123956

This Version is available at:
https://hdl.handle.net/10419/162430

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

WWW.ECONSTOR.EU

Mitglied der Leibniz-Gemeinschaft

University of Zurich

Department of Economics

Working Paper Series

ISSN 1664-7041 (print)
ISSN 1664-705X (online)

Working Paper No. 227

Hidden Persuaders: Do Small Gifts Lubricate Business Negotiations?

Michel André Maréchal and Christian Thöni

April 2016

Hidden Persuaders: Do Small Gifts Lubricate Business Negotiations?*

Michel André Maréchal and Christian Thöni

April, 2016

Abstract

Gift-giving customs are ubiquitous in social, political, and business life. Legal regulation and industry guidelines for gifts are often based on the assumption that large gifts have the potential to influence behavior and create conflicts of interest, but small gifts do not. However, scientific evidence on the impact of small gifts on business relationships is scarce. We conducted a controlled field experiment in collaboration with sales agents of a multinational consumer products company to study the influence of small gifts on the outcome of business negotiations. We find that small gifts matter. On average, sales representatives generate more than twice as much revenue when they distribute a small gift at the onset of their negotiations. However, we also find that small gifts tend to be counterproductive when purchasing and sales agents meet for the first time, underlining that the nature of the business relationship crucially affects the profitability of gifts.

JEL classification: D63, C93

Keywords: reciprocity, gift exchange, field experiment, negotiations

*Maréchal: University of Zurich, Department of Economics, Bluemlisalpstrasse 10, CH-8006 Zurich, Switzerland, email: michel.marechal(at)econ.uzh.ch. Thöni: University of Lausanne, 1015 Lausanne-Dorigny, Switzerland, email: christian.thoeni(at)unil.ch. An earlier version of this paper circulated under the title "Do Managers Reciprocate? Field Experimental Evidence From a Competitive Market" and formed chapter four of Maréchal's PhD thesis. We thank the sales force manager and the five sales representatives who made this experiment possible. Matthias Fehlmann and Robert Niederberger provided excellent research assistance. We are grateful to Monika Bütler, Alain Cohn, Stefano Della-Vigna, Simon Evenett, Therese Faessler, Ernst Fehr, Markus Frölich, Simon Gächter, Sally Gschwend, Sebastian Kube, John List, Rupert Sausgruber, Alexander Sebald, and the seminar and conference participants in Nottingham, San Diego, Chicago, Bilbao, Verbania, Innsbruck, and Zurich for very helpful comments and discussions.

Trust not their presents

Virgil, *The Aeneid*

1 Introduction

Gifts are commonly used to cultivate social and economic relationships (Waldfogel 1993; Cialdini 1985; Mauss 1967). For example, the pharmaceutical industry spends billions of dollars every year on gifts for health care professionals (Gagnon and Lexchin 2008; Weintraub 2007; Wazana 2000). These gifts range from travel funding and free lunch to drug samples and penlights (Campbell et al. 2007). Similarly, public officials often receive unsolicited gifts or free food and beverages from lobbyists and special interest groups (Susman 2008). The ethical appropriateness of these practices and their potential to create conflicts of interest is intensively debated, as the lines between gifts and bribes are often not clear-cut (Fisher 2007; Katz et al. 2003; Fain 2002; Rose-Ackerman 1998; McCracken and Callahan 1996). Commonly implemented regulatory practices are so-called *de minimis* rules, which allow the acceptance of gifts up to a certain threshold value. For example, more than half of the US states have implemented a de minimis rule for legislators, with thresholds ranging from 10 US dollars per year in Arizona to 500 US dollars in Texas (see NCSL 2014).[1] The implicit assumption behind these policies and guidelines is that while expensive gifts potentially influence behavior, small gifts do not. However, scholars in anthropology and social psychology argue that gifts, irrespective of their value, can impose strong feelings of indebtedness and create an obligation to reciprocate with even larger favors (Cialdini 1985; Mauss 1967; Gouldner 1960). These concerns have led critics to urge organizations to adopt a zero gift policy rather than de minimis rules (Katz et al. 2003; Fain 2002). Despite its policy relevance, the impact of small gifts on business relationships remains largely unexplored.

[1]The industry guidelines of the American Medical Association restricts gifts worth more than 100 US dollar (see Grande 2010).

This paper presents a controlled field experiment that tests the impact of small gifts on the outcome of business negotiations. The experiment was conducted in collaboration with a group of sales representatives of a large multinational consumer products company located in Switzerland. The sales agents visited 220 drug stores and pharmacies to sell beauty and health care products and distributed a small gift to a random subset of potential buyers at the beginning of their sales negotiations. The gift consisted of a sample of six tubes of toothpaste costing less than 10 US dollars.

The results show that even a small gift can have a substantial influence on the success of sales negotiations. The sales representatives generate, on average, more than twice as much revenue when they hand over the toothpaste at the beginning of their sales negotiation. The treatment effect is even larger for sales negotiations with store managers: In this case, gifts increase sales revenue by more than 300 percent. Overall, the sales boost is large enough to render gift-giving a profitable strategy for the firm. However, we also find that the impact of gift-giving crucially depends on the nature of the business relationship between trading partners: When the sales agents negotiate with a potential buyer they meet for the first time, the gift tends to hamper negotiations and reduces revenue.

Our field experiment makes several contributions to the literature. First, a substantial amount of evidence from laboratory experiments documents that reciprocal behavior is widespread: People respond to kind or hostile actions likewise, even if reciprocating is costly and yields no future benefits.[2] More recently, an active debate emerged, questioning the extent to which laboratory results are generalizable to naturally occurring market settings (see DellaVigna 2009; Falk and Heckmann 2009; and Levitt and List 2007). In our field experiment, the purchasing agents did not know they were participating in an experiment. Therefore, social desirability effects did not affect their behavior, which

[2]See Fehr and Gächter (2000) for an overview. A related emerging literature studies bribing and reciprocity in laboratory settings (e.g., Gneezy et al. 2015; Malmendier and Schmidt 2012; Abbink et al. 2002).

could overstate the importance of prosocial behavior in laboratory settings (Levitt and List 2007). Moreover, the study was integrated into the daily routine of the sales agents and therefore allowed them to behave naturally. In contrast to the usual student subject pool in lab experiments, we analyze the behavior of experienced market participants who are familiar with the commonly used persuasion tactics in the sales business.[3] We thus contribute to the growing literature on gift exchange in the field (e.g., DellaVigna et al. 2016; Esteves-Sorenson and Macera 2015; Cohn et al. 2014*a*,*b*; Kube et al. 2013, 2012; Bellemare and Shearer 2009; Gneezy and List 2006). Most studies focus on monetary gift exchange in the labor market and study whether workers reciprocate higher wages with more effort.[4] Falk (2007) analyzes gift-exchange in a non-market context and finds that enclosing gifts in solicitation letters increases charitable giving. In an audit study conducted in Chinese hospitals, Currie et al. (2013) demonstrate that gifts from patients to physicians reduce the prescription of unnecessary antibiotics and increase service quality, even for third parties associated with the gift giver. List (2006) conducted a field experiment at a sports cards fair and shows that customers who make higher prices offers receive cards of better quality in return. However, the results also indicate that this relationship holds only when third parties can verify quality. Kirchler and Palan (2015) study the effect of tipping and verbal compliments on service quality in Turkish fast food restaurants. In contrast to the previous literature, we study the impact of gift-giving in a business-to-business context.

Second, our results relate to the theoretical literature studying the origins and motives of gift-giving. The prevalence of in-kind gift-giving is puzzling from a standard economic point of view, as cash transfers are in general more efficient than non-monetary gifts, which might be of low or no value to the recipient (see Waldfogel 1993). Several theo-

[3]See Williams et al. (2004) for evidence that knowledge of persuasive intentions can reduce the susceptibility to persuasion.

[4]Kube et al. (2012) compare monetary and non-monetary gifts and find that non-monetary gifts results in stronger reciprocal reactions than a corresponding cash gift, suggesting that the nature of the gift matters.

ries propose that in-kind gifts can be used to signal one's intention to invest in future relationships (Sozou and Seymour 2005; Bolle 2001; Carmichael and MacLeod 1997; Camerer 1988).[5] According to these theories, gifts should be especially effective when used to initiate new business relations. Our results, however, do not support this conjecture. While gifts foster sales in established business relations, they do not generate more revenue in negotiations with prospective customers—if anything, they tend to be counterproductive.

Third, our paper also relates to the common marketing practice of distributing free samples (see e.g. Cialdini 1985). However, there is astonishingly little evidence on the impact of free product samples on sales (Bawa and Shoemaker 2004). Moreover, the existing literature has mainly focused on product familiarization and learning effects associated with trying product samples.[6] In our experiment, purchasing decisions are made on the spot, leaving the buyer no time to sample the gift. Therefore, our results cannot be explained by learning or product familiarization.

The remainder of this paper is structured as follows. In the next section, we describe the experimental setting and design. We report the experimental results in Section 3. In Section 4, we conclude with a discussion of the findings.

2 Experimental Setting and Design

Experimental Setting

We conducted the field experiment in collaboration with a Swiss subsidiary of a large multinational consumer goods company. More specifically, the experiment involved a

[5] See Ellingsen and Johannesson (2011), Kaplan and Ruffle (2009), and Prendergast and Stole (2001) for further theoretical accounts of non-monetary gift-giving.

[6] Lammers (1991), Steinberg and Yalch (1978), and Scott (1976) provide field evidence concerning the impact of free samples on purchasing behavior. In one of the rare field experiments focusing on reciprocity in the business to consumer context, Strohmetz et al. (2002) find that distributing a small piece of chocolate with the check significantly increased the tips given to the servers in a restaurant.

group of five sales representatives (three males and two females) who were responsible for beauty and health care products (e.g., shower gels, body lotions, deodorants, etc.). All of them have long work experience in the sales business. They work in different regions, covering the entire Swiss market. The representatives are paid a fixed wage, without any explicit performance incentives. Their main task is to visit and cultivate relationships with the firm's customers, who are purchasing agents or managers of retail shops, ranging from small independent stores to branches of large retail chains. The field experiment involved a subset of those retail shops, namely drug stores and pharmacies. We study only a subset of the firm's customers for two reasons: (i) it ensured a sufficiently large number of potential sales negotiations with a relatively homogenous set of stores and products, and (ii) the purchasing agents of these stores do not face any restrictions with respect to the receipt of free product samples. Customers are categorized into five different levels of sales potential, ranging from A (highest sales potential) to E (lowest potential). This ranking is based on the sales agents' subjective assessment, and it is updated regularly. The purpose of the ranking is to provide guidance for the sales agents on how much time and effort they should invest in the relationship with a specific customer. We use this ranking in our regression analysis to control for differences in previous buying propensities between stores.

In the design stage of the field experiment, we surveyed the sales representatives about their sales strategies and routines. They regularly visit customers to present new offers and special promotions. The frequency of visits depends on the customer ranking, while the sequence of visits on a given day is determined by geographical proximity. The sales representatives usually drop in without prior notice and try to address the manager of the retail store. In case the manager is busy or absent, they speak to another staff member. In most cases, the manager also owns the store. The purchasing agents and sales agents often know each other personally, but sales agents occasionally visit prospective customers to enlarge their customer base. Every sales representative

is equipped with a folder containing product offers. The majority of the offers are new products or special promotions of existing products. In case a purchasing agent is interested in a product, the sales representatives take the orders instantaneously using a form from their sales folder. Sales negotiations typically last ten to fifteen minutes.

We were particularly interested in one aspect of sales strategies, namely their gift-giving practices. All sales representatives had previously used product samples as gifts in their business negotiations. However, these gifts were used rather infrequently and they were almost always handed over *after* a successful deal. A small independent survey which we conducted with employees and managers ($n = 32$) from different drug stores and pharmacies confirmed this. Except for two respondents, all have received gifts from sales agents in the past, and 90 percent of the respondents indicate that they typically received gifts *after* the sales meeting. The purchasing agents thus should not expect to receive any gift at the beginning of the negotiation.

Experimental Design

Two weeks before the experiment, the sales agents attended a briefing led by one of the authors. We explicitly told the sales agents that their data would not be used for individual performance comparisons and that all data would be anonymized.

After a short introduction, they received detailed instructions about the procedures of the experiment. Each sales rep received a folder containing numbered sheets of paper for upcoming sales negotiations. Each sheet contained a text box with the instructions for the corresponding negotiation. In particular, the instructions indicated the treatment condition for the next sales pitch: In the "Gift" treatment, sales agents had to hand over six tubes of toothpaste as a "free sample product from the firm" right at the beginning of their negotiations. The value of the gift was roughly 10 Swiss francs in total (or 7.7 US dollars at the time of the experiment). We chose a gift of similar value to

those the sales agents had previously used. In addition, we made sure that the gift is equally attractive to men and women. In the control treatment, the sales agents did not distribute any gift. The sequence of the treatments in each sales agent's folder was randomly determined in advance and they were instructed to work through the folder sheet by sheet without skipping a sheet or changing the order. During the field experiment, all sellers were equipped with the same sales folders containing five special offers.[7] Apart from the treatment manipulation, the sales agents were instructed to follow their usual negotiation routines. We purposely did not restrict their behavior and refrained from using a fixed protocol to keep the situation as natural as possible. The within sales agent randomization allows us to control for differences in negotiation style between the sales agents by controlling for agent fixed effects.

In addition to the instructions, the sheets also contained a short survey, which provides the data for our analysis. The first part of the survey was filled out before each sales negotiation and asked for (i) the customer category (A, B, C, D or E), and (ii) whether the customer was being visited for the first time. Immediately after the sales meeting the sales agents filled out the second part of the survey, containing (iii) the number of offers they were able to show to the purchasing agent (as a proxy for attention), (iv) the sales revenue they generated for each of the five offers, (v) the duration of the sales negotiation, and (vi) whether they negotiated with the store manager or with someone from the regular staff.

The last part of the briefing consisted of mock sales negotiations. In order to acquaint all of the sales agents with the experimental procedures, each of them went through a hypothetical sales negotiation and filled out the survey. Every sales agent was identified through a code, which preserved anonymity. The data collection spanned over two months. Customers were only visited once during the experiment. We were able to

[7]We used several sets of sales folders in order to test various modes of product presentation, which were primarily in the interest of the firm. Treatment Gift and the different forms of product presentation were orthogonal by design.

collect data from a total of 220 sales negotiations; 109 in the Gift treatment and 111 in the control treatment.

3 Experimental Results

Empirical strategy

We start our analysis by performing a randomization check. None of the background characteristics is significantly different between the two treatments—except for the dummy variables "Customer category E" ($p = 0.008$, χ^2 test) and "Noon" ($p = 0.085$, χ^2 test).[8] We control for time of the day and customer category fixed effects in all regressions. Table A1 in the Appendix provides descriptive statistics and the p-values for all background characteristics. We conclude that the randomization was successful and resulted in a well-balanced set of observations across treatments.

We estimate the following linear model using Ordinary Least Squares (OLS):

$$Y_{it} = \alpha_i + \beta Gift_{it} + \gamma X_{it} + \delta T_{it} + \epsilon_{it}, \tag{1}$$

where Y_{it} is either the total sales revenue or a dummy variable indicating positive sales revenue for sales agent i at time t. $Gift_{it}$ is a binary treatment variable. We include individual fixed effects α_i that capture differences in negotiation style between sales agents. The results are qualitatively robust if we estimate a Tobit model with bottom censoring at zero sales revenue instead. We also include customer category fixed effects (X_{it}) in order to control for differences in sales potential between stores. In addition, we control for time of the day and month fixed effects (T_{it}). Managers have potentially more authority to make acquisition decisions than the regular staff. Moreover, regular

[8] We report two-sided p-values throughout the text.

staff members might not have kept the gift for themselves and instead handed it over to their manager. To allow for different reactions to the gift between managers and regular staff, we extend the baseline model by including a dummy for negotiations with the store managers and the corresponding interaction term with the Gift treatment.

The influence of gift-giving on sales

Panel (a) of Figure 1 shows that the gift has a substantial positive influence on sales revenue. On average, sales agents more than double their sales revenue when they hand over the gift at the beginning of their negotiations. Panel (b) shows that the treatment effect is more pronounced when the sales agents negotiate with the store managers: sales revenue increase, on average, from 61 to 271 Swiss francs. In contrast, the gift has no impact when the recipients of the gift are regular employees: average sales revenue is 45.3 in treatment Gift and 46.4 Swiss Francs in the control condition (see panel c). The regression results reported in Table 1 underpin these findings statistically. Columns (1) and (2) illustrate that treatment Gift significantly increases sales revenue irrespective of whether or not we control for store categories, time of the day, and month fixed effects in addition to the sales agent fixed effects ($p = 0.023$, respectively $p = 0.033$).

Column (3) illustrates that the effect is mainly driven by the negotiations with the store managers. The coefficient estimate for treatment Gift is close to zero and statistically insignificant ($p = 0.945$), suggesting that the gift does not influence sales revenue when the sales agents negotiate with the regular staff. On the other hand, the interaction effect "Gift $\times$ manager" is large and significant ($p = 0.019$). Sales revenue increases by roughly 190 Swiss francs, on average, when the sales agents hand over the gift at the beginning of the negotiations with the store managers ($p = 0.015$, Wald test). A potential explanation for the different reactions of the managers and regular staff is that managers have much more leeway in their purchasing decisions than regular staff. Alternatively, it is also possible that the regular staff members are less likely to keep the

Figure 1: Small Gifts Lubricate Sales Negotiations

This figure shows the average sales revenue in treatment Gift and the control condition. Panel (a) is based on the full sample of negotiations ($N = 220$). In panel (b), the sample is restricted to negotiations with the store managers ($n = 77$), and panel (c) is based on the sub-sample of negotiations with the regular staff ($n = 143$). Error bars represent standard error (adjusted for clustering on the level of sales agents) of the mean.

gift for themselves and instead hand it over to their managers. Our independent survey also supports this view: While virtually all respondents in manager positions use gifts and samples for private purposes, only 38 percent of the regular staff indicate that they keep gifts for themselves.

Is the gift a profitable strategy from the perspective of the firm? On average, the gift increases revenue by 66 Swiss francs. Whether this renders the gift profitable or not depends on the firm's profit margin. A profit margin as low as 16 percent would suffice to make the gift of ten Swiss francs profitable on average. We do not have exact information about the profit margin, but according to personal communication with employees of the firm, we know that it clearly surpasses this threshold. When dealing with a manager, the coefficient estimates add up to roughly 190 Swiss francs. In this case, a profit margin as low as 5.3 percent would suffice for the firm to break even. Moreover, the lower bound

Table 1: Regression Results: Sales revenue

Dependent variable:	(1)	(2)	(3)	(4)	(5)
	Sales revenue in Swiss francs				
Gift	78.939**	66.292**	1.475	62.993**	-2.694
	(34.666)	(31.059)	(21.292)	(30.506)	(21.581)
Gift × manager			188.435**		183.794**
			(80.288)		(79.133)
Manager			17.574		30.350
			(28.918)		(30.620)
# Offers shown				11.006	18.764**
				(7.367)	(9.350)
Additional controls?					
Sale agent FE	yes	yes	yes	yes	yes
Customer category FE		yes	yes	yes	yes
Time of day FE		yes	yes	yes	yes
Month FE		yes	yes	yes	yes
Observations	220	220	220	220	220
χ^2	47.151	46.122	59.195	45.877	58.539
p	0.000	0.000	0.000	0.000	0.000

This table reports OLS coefficient estimates (bootstrapped standard errors using 1000 draws in parentheses). The dependent variable is the total sales revenue generated during the negotiation. "Gift" is a dummy variable for treatment Gift. "Manager" is a dummy indicating that the sales rep negotiated with the store manager. The interaction term "Gift × manager" allows the treatment effect to differ between negotiations with the store managers and regular staff. "# Offers shown" indicates how many of the five special offers could be shown to the purchasing agent during the negotiations. All regressions include sales agent fixed effects (FE). Regressions in column (2)-(5) include additional fixed effects for customer categories A to E (as a proxy for sales potential), time of the day, and month. Significance levels are denoted as follows: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

of the 95 percent confidence interval for "Gift× manager" is 31 Swiss Francs, which is still well above the cost of the gift. Taken together, the results strongly suggest that the gift increases the profitability of sales negotiations.

The gift could have boosted sales indirectly by attracting the purchasing agents' attention. We measure attention by counting how many of the five special offers from the sales booklet the sales agents were actually able to present to the purchasing agents in a given negotiation. The average number of offers shown is 3.79 in the control treatment and 4.16 in treatment Gift. To investigate the extent to which greater attention explains the effect of the gift on sales revenue, we include the number of offers shown in column (4) and (5) of Table 1. The coefficient of "# Offers shown" in column (4) is statistically insignificant ($p = 0.135$), but becomes significant in column 5, where we include the

interaction term between treatment Gift and meetings with store managers ($p = 0.045$). Nevertheless, the coefficient estimates of "Gift" in column (4) and "Gift × manager" in column (5) remain almost unchanged in magnitude and statistical significance. These results suggest that the gift influenced sales performance independent of attention effects.

We further investigate whether the observed increase in sales revenue is due a higher sales likelihood or whether customers who receive a gift also placed larger orders—i.e., we compare the influence of the gift at the extensive and intensive margin. For this purpose, we estimate a linear probability model according to equation (1) using a dummy variable which indicates positive sales revenue as dependent variable. Column 1 in Table 2 suggests that overall the gift did not significantly influence the probability of making a deal ($p = 0.631$). However, column (2) illustrates that the gift has a

Table 2: Regression Results: Extensive and intensive margin

	(1)	(2)	(3)
Dependent variable:	Sale = 1		Sales revenue
Gift	0.028	-0.055	169.904**
	(0.058)	(0.068)	(83.172)
Gift × manager		0.241**	
		(0.119)	
Manager		0.016	
Additional controls?			
Sale agent FE	yes	yes	yes
Customer category FE	yes	yes	yes
Time of day FE	yes	yes	yes
Month FE	yes	yes	yes
Observations	220	220	73
χ^2	223.337	232.947	59.675
p	0.000	0.000	0.000

This table reports OLS coefficient estimates (bootstrapped standard errors using 1000 draws in parentheses). The dependent variable in columns (1) and (2) is a dummy variable indicating positive sales revenue. In column (3), the dependent variable is the total sales revenue generated during the negotiation. "Gift" is a dummy variable for treatment Gift. "Manager" is a dummy indicating that the sales rep negotiated with the store manager. The interaction term "Gift × manager" allows the treatment effect to differ between negotiations with the store managers and regular staff. All regressions include fixed effects for sales agent, customer categories A to E (as a proxy for sales potential), time of the day, and month. In column (3), the sample is restricted to observations with a positive revenue. Significance levels are denoted as follows: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

significantly stronger impact on the negotiations with the store managers ($p = 0.043$). On average, the gift increases sales probability in negotiations with store managers by 18.6 percentage points ($p = 0.066$, Wald test). In Column (3), we measure the impact of the gift on the intensive margin. For this purpose, we restrict the sample to observations positive sales revenue. The results show that treatment Gift has a sizable impact on the intensive margin. Conditional on a sale, the gift increases revenue by approximately 170 Swiss francs ($p = 0.041$).

The role of relationships

The sales agents often know their customers personally from previous visits. However, they occasionally negotiate with purchasing agents they have never met before. This allows us to investigate whether the effect of the gift depends on the nature of the relationship between the sales agents and purchasing agents. Interestingly, the gift tends to be counterproductive when customers and sellers meet for the first time ($N = 82$): while the average sales revenue in the control treatment is 23.5 Swiss francs, it is only half the size in treatment Gift (11.1 Swiss francs). The regression results in columns (1) and (2) of Table 3 provide statistical support for this finding: the coefficient of the "Gift $\times$ first visit" interaction term is significantly negative, irrespective whether we additionally control for customer categories, time of the day and month fixed effects ($p = 0.005$). Adding up the coefficient estimates for "Gift" and "Gift $\times$ first visit" yields a negative net treatment effect for negotiations with prospective customers, but the effect does not reach statistical significance (χ^2 test: $p = 0.364$ and $p = 0.294$, respectively).[9] Hence, our results suggest that the influence of gifts is restricted to negotiations where there is some degree of familiarity between the sales and purchasing agent.

[9]One of the sales agents was newly hired during the period of the experiment and therefore did not know any of the buyers personally. This seller's revenue is on average lower in treatment Gift than in the control condition. The opposite holds true for all other sales representatives. The results are robust if we exclude observations from this newly hired employee.

Table 3: Regression Results: First visits

Dependent variable:	(1) Sales revenue in Swiss francs	(2)
Gift	130.912***	123.072**
	(50.791)	(48.183)
Gift × first visit	-146.373***	-144.456***
	(51.821)	(51.852)
First visit	-24.784	26.094
	(31.425)	(32.689)
Additional controls?		
Sale rep FE	yes	yes
Customer category FE		yes
Time of day FE		yes
Month FE		yes
Observations	220	220
χ^2	54.231	48.565
p	0.000	0.000

This table reports OLS coefficient estimates (bootstrapped standard errors using 1000 draws in parentheses). The dependent variable is the total sales revenue generated during the negotiation. "Gift" is a dummy variable for treatment Gift. "First visit" is a dummy indicating that the sales rep visited the purchasing agent for the first time. The interaction term "Gift × first visit" allows the treatment effect to differ between negotiations where the sales rep and purchasing agent met for the first time or where they know each other. All regressions include sales agent fixed effects (FE). The regression in column (2) includes additional fixed effects for customer categories A to E (as a proxy for sales potential), time of the day, and month. Significance levels are denoted as follows: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

4 Discussion and Concluding Remarks

We conducted a natural field experiment to test whether small gifts lubricate business negotiations. Sales representatives of a multinational consumer products company randomly distributed a small gift to their trading partners at the onset of their negotiations. The small gift substantially increases sales revenue, especially when the gift is handed over to the store manager. Our study focuses on the immediate effects of a one-time gift. An interesting next step would be to look at the long term effects and repeated gift-giving. For example, it is conceivable that the gift has positive carryover effects on future sales. Once a new product has made it into the product shelf, the store manager might keep it there and place follow up orders. On the other hand, the gift might also

have negative carryover effects: If the purchasing agents in the Gift treatment decrease their expenditures in subsequent sales negotiations without gifts, the long term effect of the gift might be smaller. Although our data does not allow to test for carryover effects, previous gift-exchange studies suggest that intertemporal substitution is of second order importance (see Kirchler and Palan 2015; Bellemare and Shearer 2009; Falk 2007).

Our results also indicate that the influence of gifts on sales negotiations crucially depends on the relationship between business partners. When the sales agents and the customer meet for the first time and therefore do not know each other, gifts do not increase sales on average. On the contrary, they even tend to hinder sales agents' performance. One potential explanation for this phenomenon is that the nature of the relationship determines how recipients perceive gifts and the underlying intentions. When sales agents and purchasing agents know each other, a gift can be seen as a gesture of friendship or a thank you for the good relationship in the past. On the other hand, prospective customers may become suspicious and consider the gift as a persuasive attempt to push sales or even as a bribe. Trawick et al. (1989) conducted a survey among purchasing agents and found that gifts are considered to be less ethical and to negatively affect supplier choice if they are distributed to prospective instead of existing customers. Another possible explanation for the absence of reciprocal behavior relates to the concept of social distance (e.g. Hoffman et al. 1996;Charness et al. 2007). Buyers might perceive the social distance to be greater when dealing with an unknown customer and therefore feel less indebted to reciprocate.[10]

Our results are consistent with lab experimental evidence of gift-exchange and reciprocity in one-shot situations. However, it is also conceivable that the purchasing agents interpret the situation as a repeated game, and therefore respond to the gift strategically, i.e., they spend more in order to receive additional gifts in the future. In fact, our results

[10]Interestingly, Bellemare and Shearer (2009) find that reciprocal behavior is more pronounced in their labor market field experiment, as the workers' tenure increases. It therefore seems that the interaction between the giver-responder relationship and reciprocal motivation is not restricted to the specific setting of this study.

that the regular staff and prospective customers—who might be less likely to perceive the situation as a repeated game—do not respond to the gift, appear to be consistent with a strategic form of reciprocity. On the other hand, given the marginal value of the gift in relation to the costs of shelf and storage space, we think it is unlikely that strategic considerations alone would produce such a strong increase in sales revenue.[11]

To conclude, our findings underscore that even small gifts can distort the outcome of sales negotiations. The effect of the gift is surprisingly sizeable given that our setting involves experienced market professionals who themselves use persuasive marketing techniques in their daily business. Furthermore, the managers in our experiment are typically the owner of the business and bear the full consequences of their buying decisions. The effect of the gift could be even larger in more typical bribing situations where the decision maker receives the gift but the consequences of his actions are borne by third parties.[12] Therefore, the definition of gifts as bribes and their potential role in shaping conflicts of interest should not be based on the value of gifts alone.

References

Abbink, Klaus, Bernd Irlenbusch, and Elke Renner (2002): An experimental bribery game, *Journal of Law, Economics, and Organization*, Vol. 18, No. 2, pp. 428–454.

Bawa, Kapil and Robert Shoemaker (2004): The Effects of Free Sample Promotions on Incremental Brand Sales', *Marketing Science*, Vol. 23, No. 3, pp. 345–363.

Bellemare, C. and B. Shearer (2009): Gift Giving and Worker Productivity: Evidence From a Firm-Level Experiment, *Games and Economic Behavior*, Vol. 67, pp. 233–244.

Bolle, Friedel (2001): Why to Buy Your Darling Flowers - On Cooperation and Exploitation, *Theory and Decision*, Vol. 50, No. 1, pp. 1–28.

Camerer, Colin (1988): Gifts as Economic Signals and Social Symbols, *American Journal of Sociology*, Vol. 94 (Supplement), pp. S180–S214.

[11] In addition, if purchasing agents respond to the standard practice of gift-giving (handing over gifts *after* a good deal), we should expect a treatment effect opposite to what we observe. In the control treatment, they might be tempted to inflate their orders in expectation of a gift, while there is no immediate reason to do so in the Gift treatment (assuming that they do not expect to get a second gift).

[12] Malmendier and Schmidt (2012) provide laboratory evidence that gifts have a stronger effect on behavior if a third party rather than the recipient has to bear the costs.

Campbell, Eric G., Russell L. Gruen, James Mountford, Lawrence G. Miller, Paul D. Cleary, and David Blumenthal (2007): A national survey of physician–industry relationships, *New England Journal of Medicine*, Vol. 356, No. 17, pp. 1742–1750.

Carmichael, H. Lorne and W. Bentley MacLeod (1997): Gift giving and the evolution of cooperation, *International Economic Review*, Vol. 38, No. 3, pp. 485–509.

Charness, Gary., Haruvy Ernan, and Doron Sonsino (2007): Social Distance and Reciprocity: An Internet Experiment, *Journal of Economic Behavior and Organization*, Vol. 63, No. 1, pp. 88–103.

Cialdini, Robert B. (1985): *Influence: Science and Practice*, Boston: Scott, Foresman and Company.

Cohn, Alain, Ernst Fehr, and Lorenz Goette (2014*a*): Fair Wages and Effort Provision: Combining Evidence from a Choice Experiment and a Field Experiment, *Management Science*, Vol. 61, No. 8, pp. 1777–1794.

Cohn, Alain, Ernst Fehr, Benedikt Herrmann, and Frédéric Schneider (2014*b*): Social Comparison and Effort Provision: Evidence from a Field Experiment, *Journal of the European Economic Association*, Vol. 12, No. 4, pp. 877–898.

Currie, Janet, Wanchuan Lin, and Juanjuan Meng (2013): Social networks and externalities from gift exchange: Evidence from a field experiment, *Journal of Public Economics*, Vol. 107, No. C, pp. 19–30.

DellaVigna, Stefano (2009): Psychology and Economics: Evidence from the Field, *Journal of Economic Literature*, Vol. 47, No. 2, pp. 315–372.

DellaVigna, Stefano, John A List, Ulrike Malmendier, and Gautam Rao (2016): Estimating Social Preferences and Gift Exchange at Work, Working paper.

Ellingsen, Tore and Magnus Johannesson (2011): Conspicuous Generosity, *Journal of Public Economics*, Vol. 95, No. 9, pp. 1131–1143.

Esteves-Sorenson, Constança and Rosario Macera (2015): Gift Exchange in the Workplace: Addressing the Conflicting Evidence with a Careful Test, Working paper.

Fain, Herbert (2002): The case for a zero gift policy, *Public Integrity*, Vol. 4, No. 1, pp. 61–74.

Falk, Armin (2007): Gift-Exchange in the Field, *Econometrica*, Vol. 75, No. 5, pp. 1501–1511.

Falk, Armin and Jim J. Heckmann (2009): Lab Experiments Are a Major Source of Knowledge in the Social Sciences, *Science*, Vol. 326, pp. 535–538.

Fehr, Ernst and Simon Gächter (2000): Fairness and Retaliation: The Economics of Reciprocity, *Journal of Economic Perspectives*, Vol. 14, No. 3, pp. 159–181.

Fisher, Josie (2007): Business marketing and the ethics of gift giving, *Industrial Marketing Management*, Vol. 36, No. 1, pp. 99–108.

Gagnon, Marc-André and Joel Lexchin (2008): The cost of pushing pills: a new estimate of pharmaceutical promotion expenditures in the United States, *PLoS Medicine*, Vol. 5, No. 1, pp. e1–e1.

Gneezy, Uri and John A. List (2006): Putting Behavioral Economics to Work: Testing for Gift Exchange in Labor Markets Using Field Experiments, *Econometrica*, Vol. 74, No. 5, pp. 1365–1384.

Gneezy, Uri, Silvia Saccardo, and Roel van Veldhuizen (2015): Bribery: Greed versus Reciprocity, Working paper.

Gouldner, A.W. (1960): The Norm of Reciprocity: A Preliminary Statement, *American Sociological Review*, Vol. 25, pp. 161 –178.

Grande, David (2010): Limiting the influence of pharmaceutical industry gifts on physicians: self-regulation or government intervention?, *Journal of General Internal Medicine*, Vol. 25, No. 1, pp. 79–83.

Hoffman, Elizabeth, Kevin Mccabe, and Vernon L. Smith (1996): Social Distance and Other-Regarding Behavior in Dictator Games, *The American Economic Review*, Vol. 86, No. 3, pp. 653–660.

Kaplan, Todd R. and Bradley J. Ruffle (2009): In Search of Welfare-Improving Gifts, *European Economic Review*, Vol. 53, No. 4, pp. 445–460.

Katz, Dana, Arthur L. Caplan, and Jon F. Merz (2003): All Gifts Large and Small: Toward an Understanding of the Ethics of Pharmaceutical Industry Gift-Giving', *American Journal of Bioethics*, Vol. 3, pp. 39–46.

Kirchler, Michael and Stefan Palan (2015): Friendliness pays off! Respect and Monetary Gifts in the Service Industry, Working paper University of Innsbruck.

Kube, Sebastian, Michel A. Maréchal, and Clemens Puppe (2012): The Currency of Reciprocity - Gift-Exchange in the Workplace, *American Economic Review*, Vol. 102, No. 4, pp. 1644–1662.

Kube, Sebastian, Michel A. Maréchal, and Clemens Puppe (2013): Do Wage Cuts Damage Work Morale? Evidence From a Natural Field Experiment, *Journal of the European Economic Association*, Vol. 11, No. 4, pp. 853–870.

Lammers, Bruce H. (1991): The Effect of Free Samples on the Immediate Consumer Purchase, *Journal of Consumer Marketing*, Vol. 8, No. 2, pp. 31–37.

Levitt, Steven D. and John A. List (2007): What do Laboratory Experiments Measuring Social Preferences tell us about the Real World, *Journal of Economic Perspectives*, Vol. 21, No. 2, pp. 153–174.

List, John A. (2006): The Behavioralist Meets the Market: Measuring Social Preferences and Reputation Effects in Actual Transactions, *Journal of Political Economy*, Vol. 114, No. 1, pp. 1–37.

Malmendier, Ulrike and Klaus Schmidt (2012): You owe me, NBER working paper No. 18543.

Mauss, Marcel (1967): *The Gift: Forms and Functions of Exchange in Archaic Societies*, New York: W. W. Norton.

McCracken, Gail K. and Thomas J. Callahan (1996): Is there such a thing as a free lunch?, *International Journal of Purchasing and Materials Management*, Vol. 32, No. 4, pp. 44–50.

NCSL, National Conference of State Legislators (2014): Legislator Gift Restrictions Overview, `http://tinyurl.com/mhvqvcr`.

Prendergast, Canice and Lars Stole (2001): The Non-Monetary Nature of Gifts, *European Economic Review*, Vol. 45, No. 10, pp. 1793–1810.

Rose-Ackerman, Susan (1998): Bribes and Gifts, in: Avner Ben-Ner and Louis Putterman (Eds.), Economics, Values and Organization, pp. 296–328, Cambridge: Cambridge University Press.

Scott, Carol A. (1976): The Effects of Trial Incentives on Repeat Purchase Behavior, *Journal of Marketing Research*, Vol. 13, pp. 263–269.

Sozou, Peter D. and Robert M. Seymour (2005): Costly but worthless gifts facilitate courtship, *Proceedings of the Royal Society: B Biological Sciences*, Vol. 272, No. 1575, pp. 1877–1884.

Steinberg, Sandon A. and Richard F. Yalch (1978): When Eating Begets Buying: The Effects of Food Samples on Obese and Nonobese Shoppers, *Journal of Consumer Research*, Vol. 4, No. 4, pp. 243–246.

Strohmetz, David B., Bruce Rind, Reed Fisher, and Michael Lynn (2002): Sweetening the Till: The Use of Candy to Increase Restaurant Tipping, *Journal of Applied Social Psychology*, Vol. 32, No. 2, pp. 300–3009.

Susman, Thomas M (2008): Private Ethics, Public Conduct: An Essay on Ethical Lobbying, Campaign Contributions, Reciprocity, and the Public Good, *Stanford Law & Policy Review*, Vol. 19, pp. 10–22.

Trawick, I Fredrick, John E Swan, and David Rink (1989): Industrial buyer evaluation of the ethics of salesperson gift giving; value of the gift and customer vs. prospect status, *Journal of Personal Selling & Sales Management*, Vol. 9, No. 2, pp. 31–38.

Waldfogel, Joel (1993): The Deadweight Loss of Christmas, *American Economic Review*, Vol. 83, pp. 1328–1336.

Wazana, Ashley (2000): Physicians and the pharmaceutical industry: is a gift ever just a gift?, *Journal of the american Medical Association*, Vol. 283, No. 3, pp. 373–380.

Weintraub, Arlene (2007): Will Pharma Finally Have To Fess Up?, Bloomberg Business, `http://tinyurl.com/zxtgq3y`.

Williams, Patti, Gavan J. Fitzsimons, and Lauren G. Block (2004): When Consumers Do Not Recognize 'Benign' Intention Questions as Persuasion Attempts, *Journal of Consumer Research*, Vol. 31, pp. 540–551.

Appendix

Table A1: Descriptive statistics and randomization check

	Total sample $N = 220$		**Gift** $n = 109$		**Control** $n = 111$		
Variable	**mean**	**sd**	**mean**	**sd**	**mean**	**sd**	p**-value**
Male	0.255	0.437	0.284	0.453	0.225	0.420	0.314
Manager	0.350	0.478	0.358	0.482	0.342	0.477	0.810
First visit	0.373	0.485	0.367	0.484	0.378	0.487	0.861
# Visits	1.973	2.532	2.220	2.773	1.730	2.256	0.243
Customer category A	0.055	0.228	0.064	0.246	0.045	0.208	0.531
Customer category B	0.205	0.404	0.229	0.422	0.180	0.386	0.366
Customer category C	0.409	0.493	0.450	0.500	0.369	0.485	0.227
Customer category D	0.059	0.236	0.064	0.246	0.054	0.227	0.749
Customer category E	0.273	0.446	0.193	0.396	0.351	0.480	0.008
Store in shopping mall	0.286	0.453	0.294	0.458	0.279	0.451	0.815
Morning (8am-12pm)	0.550	0.499	0.550	0.500	0.550	0.500	0.989
Noon (12pm-2pm)	0.118	0.324	0.156	0.364	0.081	0.274	0.085
Afternoon (2pm-7pm)	0.332	0.472	0.294	0.458	0.369	0.485	0.233
January	0.495	0.501	0.505	0.502	0.486	0.502	0.788
Sales agent 1	0.059	0.236	0.064	0.246	0.054	0.227	0.749
Sales agent 2	0.227	0.420	0.229	0.422	0.225	0.420	0.942
Sales agent 3	0.405	0.492	0.376	0.487	0.432	0.498	0.395
Sales agent 4	0.264	0.442	0.284	0.453	0.243	0.431	0.488
Sales agent 5	0.045	0.209	0.046	0.210	0.045	0.208	0.977

This table reports means and standard deviations (in parentheses) in the total sample and in treatment Gift and Control. The last column displays p-values for the null hypothesis of perfect randomization (χ^2 tests in case of binary variables and Mann-Whitney tests in case of interval variables). "Male" is a gender dummy. "Manager" is a dummy indicating that the sales rep negotiated with the store manager. "First visit" is a dummy indicating that the sales rep visited the purchasing agent for the first time. "# Visits" is the number of times the store has been visited since the first of January 2005. "Customer category" A to E are dummy variables indicating in which category a store falls. Where "A" customers are the most important and "E" customers the least important customers. This ranking is subjective and is based on the sales potential. "Morning", "Noon", and "Afternoon" are dummy variables indicating the time of the day. "January" is a dummy for sales negotiations in January. "Sales agent" 1 to 5 are dummies identifying the different sales agents.