

On the effectiveness of gifts to initiate business relations in the circular economy



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Summary: In a natural field experiment, we examine whether business gifts are an effective tool to initiate new business relations in the circular economy. We sent letters to encourage restaurants to join the innovative deposit scheme for reusable takeaway tableware of a sustainable Swiss startup company. For treated restaurants, these letters contained a business gift. We implemented four gift treatments by manipulating along two dimensions. First, we varied whether gift-giving is unconditional or conditional on starting a business relation. Second, we alternated between chocolate and cash as a gift. We find no significant causal effect of business gifts on the acquisition of new restaurants. In addition, we find any differences neither between unconditional and conditional gifts nor between chocolate and cash gifts in terms of participation in the reusable system. Interestingly, however, the findings from an exploratory statistical analysis suggest that unconditional gifts attracted more attention and are better remembered than conditional gifts.

Keywords: sustainable business, business gifts, gift exchange, field experiment, social preferences, reciprocity

Über die Wirksamkeit von Geschenken zur Initiierung von Geschäftsbeziehungen in der Kreislaufwirtschaft

Zusammenfassung: In einem natürlichen Feldexperiment wird untersucht, ob Werbegeschenke ein wirksames Instrument zur Anbahnung neuer Geschäftsbeziehungen in der Kreislaufwirtschaft sind. Mit Hilfe von Postsendungen wurden Restaurants ermutigt sich einem innovativen Pfandsystem für wiederverwendbares Takeaway-Geschirr eines nachhaltigen Schweizer Start-Ups anzuschließen. Die Restaurants in den Experimentalgruppen erhielten mit der Postsendung ein Werbegeschenk. Insgesamt wurden vier Geschenk-Treatments, in denen über zwei Dimensionen manipuliert wurde, implementiert. Erstens wurde variiert, ob das Geschenk an die Teilnahme am Pfandsystem geknüpft war oder nicht. Zweitens wurde unterschieden, ob das Geschenk eine Schokolade oder ein Geldgeschenk war. Es wurde kein signifikanter Effekt von Geschenken auf die Partizipation neuer Restaurants am Mehrwegsystem identifiziert. Hinsichtlich der Teilnahme am Mehrwegsystem wurden zudem weder Unterschiede zwischen bedingungslosen und bedingten Geschenken noch zwischen Schokoladen- und Bargeldgeschenken gefunden. Interessanterweise deuten die Ergebnisse einer explorativen statistischen Analyse darauf hin, dass unbedingte Geschenke mehr Aufmerksamkeit erregen und besser in Erinnerung bleiben als bedingte Geschenke.

Stichworte: Nachhaltiges Unternehmertum, Werbegeschenke, Gift-Exchange, Feldexperiment, soziale Präferenzen, Reziprozität

1. Introduction

Plastic items from takeaway food and beverage dominate the garbage in the world's oceans (Morales-Caselles et al., 2021). In Switzerland, disposable tableware represents more than 50 % of littering (Dorn & Stöckli, 2018). In addition to its negative ecological consequences, public littering poses a major waste management problem costing Swiss communities around 200 million CHF a year (Berger & Sommerhalder, 2011). One viable solution for this ecological and economic problem is to replace disposable plastics with reusable tableware. In 2016, a Swiss sustainable startup company introduced an innovative deposit scheme for reusable takeaway boxes. Takeaway restaurants can participate by ordering a sample set and signing up for a chargeable subscription. Then, the participating restaurants can lend their customers reusable takeaway boxes. The provided service allows restaurants to save not only natural resources, but also money. Thus, besides environmental awareness, the main incentive for participation is the cost saving from avoiding single use packaging (Ferran, 2008). So far, various informational materials and persuasive calls have been used to encourage restaurants to join the network of the reusable boxes. However, despite high efforts and the obvious advantages, it remains challenging for the startup company to convince new restaurant to subscribe. In this paper, we examine whether business gifts are an effective tool to initiate new business relations between the sustainable startup and the takeaway restaurants.

Firms believe that gifts have the power to evoke positive responses, and theoretical and empirical research proves them right (e.g., Sherry, 1983; Beltramini, 2002; Friedman & Rahman, 2011; Haisley & Loewenstein, 2011; Marchand et al., 2017). Theory predicts (Malmendier et al., 2014), and laboratory experiments confirm (see Fehr & Gächter (2000) for an overview), that gifts elicit positive reciprocity, such that people respond benevolently to gifts perceived as favorable. These laboratory experiments mainly focus on the labor market setting. They show that gifts to employees, for example above-average wages or additional payments, increase effort (e.g., Fehr et al., 1993; Hannan et al., 2002; Charness, 2004). However, the field evidence from labor markets is less clear-cut. Although, for example, Bellemare and Shearer (2009), Cohn et al. (2015), Gilchrist et al. (2016), and Esteves-Sorenson (2018) find that monetary gifts raise productivity, other field studies fail to replicate the laboratory results (e.g., Gneezy & List, 2006; Hennig-Schmidt et al., 2010; Cohn et al., 2015). Turning to the persuasion context, the evidence is also ambiguous. Field research shows that business gifts to customers positively affect sales and revenues (Beltramini, 2002; Friedman & Rahman, 2011; Haisley & Loewenstein, 2011; Marchand et al., 2017). In contrast, recent experimental evidence in the business-to-business (B2B) context implies that small gifts are counterproductive in business negotiations, if there is not yet an established relationship (Maréchal & Thöni, 2019).

By conducting a randomized control trial in collaboration with a Swiss sustainable startup company, we examine the gift exchange effect in the B2B context in the circular economy.¹ To sell sample sets and subscriptions for the network for reusable takeaway boxes to restaurants, we sent informational letters. Depending on the treatment, the letters contained a particular business gift. We implemented a 2×2 design, and first varied whether the business gift was given *unconditionally* or *conditionally* on signing up for

1 The experimental details were pre-registered with the American Economic Association's registry for randomized controlled trials with the unique identifying number: AEARCTR-0002908.

a subscription. Second, we altered whether the gift was *chocolate* or *cash* (10 CHF). Irrespective of the treatment, the letters accommodated a small box. In the small box was either the unconditional gift (unconditional treatments) or a photo of the gift (conditional treatments). This way, we kept the treatments as similar as possible and induced appropriate expectations for the gifts in the conditional treatments. Moreover, we chose chocolate for 10 CHF such that the chocolate gift and the cash gift had the same monetary value. The price of 10 CHF was clearly announced on a banderole around the small box to avoid uncertainty about the chocolate's monetary value. In the control group, we sent letters without any business gifts. Thus, the field experiment allows us to draw causal conclusions about the effect of business gifts on starting new business relations in the green economy. Furthermore, we can compare the impact of unconditional and conditional gifts, as well as of in-kind and cash gifts in a natural environment.

We evaluate the effect of business gifts based on our main outcome variable which is the number of takeaway restaurants that ordered a sample set of the reusable takeaway box. This is usually the first step toward a subscription. The results show that adding a gift to the letters has no significant effect on the number of ordered sample sets. Moreover, we find no significant differences between unconditional and conditional gifts, nor between in-kind gifts and the cash gifts. In addition to the ordered sample sets, we have insights into the mode of operation of the different business gifts. Interestingly, unconditional business gifts significantly outperform conditional business gifts regarding whether the potential customers seemed to know the startup company, whether they received the letters, and whether they understood the concept of the deposit system. These results indicate that the unconditional gifts attracted more attention and were better remembered.

Our study extends field research on business gifts through several ways: First, we contribute to the literature by examining the gift exchange effect in B2B relations in the circular economy. Previous field research on the effect of business gifts was mainly conducted in cooperation with firms from conventional business sectors (e.g., Gneezy & List, 2006; Haisley & Loewenstein, 2011; Maréchal & Thöni, 2019). Second, we add to the behavioral literature on gift exchange for new business relations. By focusing on gift exchange without an established relationship and any personal interaction between the involved parties, we take up recent findings by Maréchal and Thöni (2019) and extend them by considering experienced market participants in the B2B context. Third, we also investigate whether granting a gift only when the demand for reciprocation is met adversely affects the reciprocity of the recipient. Fourth, we contribute to the debate about the prevalence of in-kind gifts and the social acceptance of cash gifts. Sending cash to potential customers is an innovative idea not yet studied in such a B2B context.

2. Literature and hypotheses

Eliciting reciprocity is a common motive for gift-giving in the professional realm (Bradler & Neckermann, 2019). According to the theory of reciprocity, people respond favorably to intentional actions perceived as positive, whereas they respond unfavorably to those perceived as negative (Fehr & Gächter, 2000; Charness et al., 2007). Thus, reciprocity denotes the behavioral phenomenon of people responding to (un)kind treatments likewise, even in the absence of reputation concerns (Falk & Fischbacher, 2006). Economic theories formalize reciprocal behavior by incorporating the distribution of outcomes (Fehr & Schmidt, 1999; Bolton & Ockenfels, 2000), the perceived kindness of intentions, or

simply emotional states as arguments in the individual utility function (see e.g., Rabin, 1993; Charness & Rabin, 2002; Dufwenberg & Kirchsteiger, 2004; Falk & Fischbacher, 2006; Cox et al., 2007). Regarding gift-giving, many people aim for balanced reciprocity (Sahlins, 2017), which means that they respond to receiving a gift by returning one (Banks, 1979).

Laboratory experiments reveal that gift-giving actually induces positive reciprocity in labor market settings. That is, gifts in terms of above market-clearing wages, or additional one-time payments enhance workers' effort (Fehr et al., 1993; Hannan et al., 2002; Charness, 2004). However, labor market field experiments fail to replicate this finding (Gneezy & List 2006; Cohn et al., 2015; DellaVigna et al., 2016). Leaving the labor market, Falk (2007) demonstrates that adding gifts to solicitation letters increases donations. Moreover, Currie et al. (2013) show that gift-giving from patients to physicians improves prescriptions and enhances service quality, and Kirchler and Palan (2018) conclude that food salespersons who receive an immaterial gift, namely, a compliment, reply with bigger servings.

In the business context, gifts are often used to maintain or increase sales to existing customers, to indicate appreciation for past purchases or to positively influence the purchasing probability of potential customers (Beltramini, 1992, 2000). Evidence from field experiments supports the idea that business gifts are an effective tool to strengthen customer relationships (e.g., Beltramini, 2002; Fiedman & Rahman, 2011; Haisley & Loewenstein, 2011; Marchand et al., 2017). In our setting, reciprocation of gifts manifests by starting a business relation with the sustainable startup company. That is, takeaway restaurants that receive a gift may develop intentions to return the investment. Consequently, they might order a sample set of the reusable boxes and/or sign up for a subscription to join the network for reusable takeaway boxes. Therefore, we expect that a letter with a business gift leads to more orders of sample sets and more subscriptions than a letter without a business gift.

Building on the theory of reciprocity, the kindness of an action is evaluated not only by its consequences but also by the underlying intentions (Falk & Fischbacher, 2006). These perceived intentions potentially differ depending on whether a gift is tied to a condition or not. In the field experiment, we differentiate between unconditional and conditional gifts. Unconditional gifts do not require any action, whereas conditional gifts are granted only if the recipient, in our case the restaurant, signs up for a subscription. Thus, the underlying intention remains vague in the unconditional gift treatments, but is explicitly stated in the conditional gift treatments. Following reciprocity considerations, unconditional gifts should elicit a stronger feeling of obligation to return a favor. In line with this reasoning, Bodur and Grohmann (2005) conclude that gifts that are not linked to an unequivocal request for reciprocation ultimately induce significantly more of it. Furthermore, unconditional gifts come as a surprise, and researchers claim that surprise gifts are more likely to trigger a positive response (Beltramini, 2000; Fournier, 2002). Therefore, we propose that a letter containing an unconditional business gift leads to more orders of sample sets and more subscriptions than a letter containing a conditional business gift.

Business gifts can take many different forms. Among others, they can be purely monetary, in-kind, or mixed. Based on a standard economic point of view, cash gifts are generally more efficient than equally expensive in-kind gifts, because the latter might not meet the recipient's needs or preferences (Prendergast & Stole, 2001). However, in-kind

gift-giving is prevailing. Theoretical approaches for solving this puzzle emphasize that in-kind gifts signal intentions to invest in future relationships (Camerer, 1988; Bolle, 2001). It is also argued that cash gifts are less appreciated due to a lack of effort that was put into the decision-making and purchase procedure (Prendergast & Stole, 2001; Teigen et al., 2005). In a labor market field experiment, Kube et al. (2012) find that employees exert more effort in response to a nicely wrapped thermos bottle compared to a cash gift of the same monetary value. However, they also show that folding the cash gift as origami makes the difference disappear, implying that employees value the effort put into the embellished cash gift. Closely related, Bradler and Neckermann (2019) find that employees work harder if a cash gift has a personal touch that involves an investment of time and effort. In contrast, Chao (2018) experimentally shows that cash gifts without any personal touch elicit even more positive reciprocity, measured as giving in the dictator game, than an in-kind gift. To sum up, regarding the type of gift, the prediction is not straightforward. On the one hand, field experiments in the labor market suggest that people actually prefer in-kind gifts in particular when matching the recipients' preferences. On the other hand, standard economic theory predicts that cash gifts are superior to in-kind gifts and experimental evidence shows that cash gifts are well-appreciated, also in the field if they have a personal touch. In our field experiment, we choose chocolate as an in-kind gift, because chocolate is a customary gift that many people like and the chocolate gift and the cash gift do not differ concerning their relatedness to the startup company. In addition, we give the cash gift a personal touch, which might increase its appreciation. The gift is wrapped in a small box with a branded banderole around it such that the recipient can easily infer that putting the cash into the small box entails effort.² Thus, ex ante, the effect of in-kind and cash gifts used in our setting is ambiguous and warrants an in-depth empirical analysis.

3. Field experiment

3.1 Field setting

We conducted the field experiment in cooperation with a Swiss sustainable startup company that runs a deposit system for reusable takeaway boxes. The startup company's idea is to reduce plastic waste by replacing disposable tableware with reusable tableware. The deposit system works as follows: Takeaway restaurants offer reusable takeaway boxes to their customers for a deposit of 10 CHF. Then, the takeaway boxes can be refilled or returned in exchange for the deposit at any participating restaurant. Takeaway restaurants can become part of the network for reusable tableware by signing up for a subscription. Ordering a sample set is usually the first step toward a subscription. A sample set includes two types of boxes (with and without compartments) and a cup. The subscription includes a membership fee for building, maintaining, and developing the deposit system, as well as the opportunity to buy boxes and exchange old ones at a fixed price. Before the experiment, about 140, mainly local, takeaway restaurants participated in the deposit system, and the startup company aimed at expanding the network. They targeted restaurants in the German-speaking region of Switzerland that sell at least 20 takeaway items per day.

² Photos of the business gifts, the flyers, and the slogan are available in Figure B1, Figure B2, and Figure B3 in Appendix B.

3.2 Experimental design and procedure

We evaluate the causal effect of business gifts on the success of the customer acquisition campaign by analyzing how many takeaway restaurants ordered a sample set, which is usually the first step toward a subscription.³ We used a 2 (gift condition: *unconditional* vs. *conditional*) \times 2 (gift type: *chocolate* vs. *cash*) between-subject design, with four experimental treatments and one control group and altered the business gift along two dimensions. First, the business gift was either directly included in the letters (*unconditional*) or given only under the condition that a subscription had been paid for (*conditional*). Second, the business gift was either *chocolate* or 10 CHF in *cash*. Importantly, the chocolate's price of 10 CHF matches the monetary value of the cash gift. To ensure comparability, the letters always included a small box irrespective of the treatment. In the unconditional gift treatments, the small box contained either chocolate or a 10 CHF bank note. In the two conditional gift treatments, the small box did not contain a business gift, but a flyer showing the respective business gift (*chocolate* or *cash*), which is given conditional on subscribing. Thus, we induced clear expectations for the conditional gifts. In the control group, the small box contained only the information leaflet, which was sent with all letters. The sender of the letters was the startup company such that no relation to the University of Bern was apparent.

When choosing the gift, we considered that the value of a gift affects the amount of gratitude that the gift recipient feels and, in turn, his or her likelihood of reciprocation (Gouldner, 1960; Tesser et al., 1968). Gifts of greater value usually cause a stronger obligation to return a favor (Organ, 1974; Beltramini, 2000), but the effect reverses if the recipient believes that the underlying intention was calling in a favor (Tesser et al., 1968; Organ 1974). Although the intentions were clear in our setting, a gift value of 10 CHF seemed reasonable: in the information leaflet, the startup company draws attention to various potential savings of CHF 10 by abolishing disposable tableware (e.g., saving potential of CHF 10 per month/week/day if the takeaway restaurant uses 3/10/60 boxes per day instead of disposable dishes; also see Appendix B Figure B3). The calculation is based on an average partnership fee and a price of 0.20 CHF per piece of disposable tableware. Thus, a 10 CHF gift appeared natural as part of the overall customer acquisition campaign.

For comparability across all treatments, we decided on chocolate and against a free takeaway box as the in-kind gift. Giving a takeaway box could distort the results. For example, knowing the quality and the size of the takeaway box probably affects the purchasing decision independent of the gift itself. Moreover, a bigger postal item might have caught more attention and was more expensive to send.⁴ At the same time, chocolate as a gift offered several advantages. First, the price of the chocolate (10 CHF), which was prominently revealed on a banderole around the small box, matched the cash gift. The exact wording on the banderole was: "Enjoy 10 Swiss Francs." Therefore, the chocolate and the cash gift were of equal value, and the recipients definitely knew this. Thus, we

3 We were also interested in the number of subscriptions that were sold. However, because the number of subscriptions sold is not sufficient for statistical analyses, we focus on the number of sample sets ordered as the main outcome measure hereafter.

4 However, from a practical point of view, a free takeaway box as an in-kind gift could be a promising intervention. Therefore, it would be interesting to study the effectiveness of a sample takeaway box as in-kind gift in a further study.

obviated inadequate beliefs about the monetary value of the chocolate gift. Second, the recipient could keep the chocolate or share it among employees. This rendered the chocolate a personal gift to the recipient or a corporate gift, depending on the usage. Importantly, the same applied to the cash gift: The recipient could either keep the 10 CHF or distribute it to employees, for example, as a tip or in the coffee cash. Keeping this design feature constant for both types of gifts was crucial, because personal and corporate gifts differ regarding the reciprocation intentions they elicit (Dorsch & Kelley, 1994). Third, we could send the chocolate gift and the cash gift in the same small box with a slogan and the logo of the company on a gift banderole around it. Fourth, most people like chocolate, and we expected that in particular, gastronomes value high-quality chocolate. Overall, the in-kind chocolate gift and the cash gift were equal or comparable in terms of price, usability as a personal or corporate gift, and appearance, and probably matched the recipients' preferences.

For organizational reasons, we sent the letters in nine waves. This was necessary, because the field partner's employees followed up on the letters with personal calls.⁵ According to the working hours that they could devote to these calls, we sent between 27 and 94 letters per week and roughly the same number of letters in all treatment groups. Importantly, we randomly assigned the employees of the startup company to the takeaway restaurants, which the employees called. They did neither know whether they contacted a restaurant that received a gift or if applicable, which kind of gift. Moreover, they followed strict conversation guidelines (see Appendix B). The calls were primarily aimed at persuading the potential customer to order a sample set and/or to buy a subscription. They kept records of the number of sample sets ordered and subscriptions sold. In addition, the employees noted whether the potential customers indicated they knew the startup company, whether they said that they had received the letter, and whether they seemed to understand the concept of the deposit system and the subscription.

3.3 Sample characteristics

We identified potential customers, that is, takeaway restaurants in the German-speaking part of Switzerland that sell a minimum of 20 takeaway items per day, based on internet research and follow-up phone calls. To find takeaway restaurants in the target areas, we mainly used Google Maps and the websites of delivery services. Then, we called these takeaway restaurants to find out their daily sales volume, and if not yet known, the name of the restaurant owner or manager.⁶ We distinctly announced the University of Bern as the calling party, because any previous contact between the startup company and the takeaway restaurants would have made it difficult to draw causal conclusions. We called 1213 restaurants. 220 could not be reached. Of the remaining 993, 181 did not provide the relevant information, and another 145 did not meet the minimum of 20 takeaway items per day. Thus, we arrived at 667 potential customers.

Before the experiment, we ran a power analysis to determine the required sample size. Based on the field partner's experience, we assumed that about 8 % of the potential customers in the control group would order a sample set, and that roughly 20 % in the

⁵ The employees were paid a fixed wage that was not tied to their performance.

⁶ We asked for the name of the restaurant owner or restaurant manager to personalize the address on the letters.

treatment groups would do so (Cohen's $w=0,42$). Notably, the startup company never had conducted a postal campaign. Thus, they built on experience with phone calls, covering cold calls and announced calls. Expecting a medium-sized effect (Cohen's $w=0,42$), an alpha of 0.05, and a power of 0.80, the power analysis suggested collecting a total of 655 observations, that is, 131 observations per treatment. However, we prematurely terminated the postal campaign, because our field partner questioned its success. We ended up with 552 letters sent. Further, of these 552 potential customers, only 375 (68 %) were reached by phone afterward (see Table 1). Explanations for the 32 % attrition rate are, for example, that potential customers did not pick up the phone, the responsible person could not be reached although the phone was answered, the telephone number was no longer active, or the takeaway restaurant had closed. According to a chi-square test, the attrition rates do not differ significantly between the five groups ($p=0,633$).⁷

	Letters sent	Reached by follow-up calls
Unconditional chocolate	107	73 (68 %)
Unconditional cash	123	77 (63 %)
Conditional chocolate	109	76 (70 %)
Conditional cash	107	77 (72 %)
Control	106	72 (68 %)
Total	552	375 (68 %)

Notes: The table shows the number of letters sent and the number (percentages) of customers that could be reached by follow-up calls.

Table 1: Descriptive statistics: Treatments and attrition

Stratified sampling ensured that takeaway restaurants with similar characteristics were equally distributed across the four treatment groups and the control group. We stratified the sample according to the location of the takeaway restaurant (countryside vs. city) and the ex-ante potential (low vs. medium vs. high) that the startup company saw in the respective takeaway restaurant for becoming a customer.⁸ An overview of the sample characteristics and randomization checks is available in Table A1 in Appendix A.

4. Results

4.1 The effect of business gifts on customer acquisition

Based on the final sample of 375 potential customers, we examine the effect of business gifts on building new business relations in the circular economy, and compare unconditional and conditional gifts, as well as chocolate and cash. We focus on the number of potential customers who ordered a sample set as the main outcome measure. Table 2 reports the percentages and absolute numbers of ordered sample sets for each of the four treatment groups and the control group. Overall, 20 % (75) of the potential customers ordered a sample set. The average over the four treatment groups is 19 %, and in the con-

⁷ All statistical tests are two-sided.

⁸ The reusable takeaway boxes are not equally suitable for all kinds of takeaway items. For example, they are more convenient for ladle dishes like Thai food than for pizza. Thus, restaurants selling food that is more suitable for serving in takeaway boxes have higher potential than restaurants selling less suitable food.

trol group, it is 25 %. This difference is not statistically significant ($p=0,238$, chi-square test).

	Unconditional gift (n=150)	Conditional gift (n=153)	Total (n=303)	Control (n=72)
Chocolate (n=149)	22 % (16)	18 % (14)	20 % (30)	25 % (18)
Cash (n=154)	16 % (12)	19 % (15)	18 % (27)	
Total (n=303)	19 % (28)	19 % (29)	19 % (57)	

Notes: The table shows the percentages (absolute numbers) of potential customers who ordered a sample set.

Table 2: Descriptive statistics: Sample sets

Focusing on the comparison between unconditional and conditional gifts, Table 2 reveals that 19 % of the potential customers ordered a sample set, irrespective of whether this was tied to a condition. Table 2 also shows the behavioral responses to chocolate (20 %) and cash (18 %), which do not differ statistically significantly ($p=0,562$, chi-square test). Going into more detail by comparing the four distinct treatments, Table 2 displays that between 16 % (unconditional cash) and 22 % (unconditional chocolate) of the potential customers ordered a sample set. Again, chi-square tests reveal that there are no statistically significant differences between any two treatments.

Table 3 presents the estimated coefficients of the corresponding probit regressions with ordering a sample set as a binary dependent variable (1 indicates that a sample set was ordered) and the four treatments as independent dummy variables (model 1). The control group serves as the baseline category. In line with the descriptive statistics, the probit regression confirms that there is no statistically significant effect of any of the four gifts compared to the control group. Furthermore, there are no statistically significant differences between any two treatments. Taking into account whether the takeaway restaurant is located in the city or the countryside (model 2), and the ex-ante potential that the startup company assigned the takeaway restaurant (model 3), does not alter the results. Table A2 in Appendix A shows the results of the probit regressions when we control for the employee who conducted the follow-up sales call, and the week when the advertisement was sent, and confirms the robustness of the results.

Optimally, ordering a sample set is followed by signing up for a subscription. Only when a subscription is signed does the startup company generate revenue. However, due to the low number of observations ($n=14$) we cannot run any meaningful statistical analysis on this outcome measure. In the unconditional cash treatment, 1 subscription was signed and in the unconditional chocolate treatment, 2 were signed. In both conditional gift treatments, 3 subscriptions each were signed and 5 in the control group (Table A3 in Appendix A gives a summary).

	Sample set (1)	Sample set (2)	Sample set (3)
Unconditional chocolate	-0,100 (0,230)	-0,101 (0,230)	-0,099 (0,230)
Unconditional cash	-0,337 (0,236)	-0,341 (0,235)	-0,332 (0,236)
Conditional chocolate	-0,225 (0,232)	-0,227 (0,231)	-0,219 (0,232)
Conditional cash	-0,186 (0,230)	-0,183 (0,230)	-0,195 (0,231)
City		0,058 (0,166)	0,026 (0,172)
Medium potential			0,257 (0,243)
High potential			0,438* (0,254)
Constant	-0,674*** (0,161)	-0,690*** (0,170)	-0,965*** (0,259)
Observations	375	375	375
Pseudo-R ²	0,006	0,007	0,015

Notes: The table presents results of a probit regression with robust standard errors in parentheses. The dependent variable is whether a sample set was ordered (=1) or not (=0). City indicates whether the takeaway restaurant is located in a city (=1) or in the countryside (=0). Medium potential and high potential indicate the ex-ante appraisal of the startup company about the probability of a takeaway restaurant to sign a subscription compared to a low potential takeaway restaurant. The control treatment serves as baseline category. *, **, and *** document significance at the 10-, 5-, and 1-percent level, respectively.

Table 3: Effect of business gifts on the probability to order a sample set

4.2 Further effects of business gifts

In an exploratory statistical analysis, we examine information that hints at the mode of operation of the different business gifts. This data was recorded by the startup company's employees during follow-up sales calls. In particular, the employees noted whether the potential customers seemed to know the startup company, whether they received the letters, and whether they understood the concept of network of reusable takeaway tableware.

	Unconditional gift (n=144)	Conditional gift (n=153)	Total (n=297)	Control (n=69)
Chocolate (n=146)	31 % (22)	21 % (16)	26 % (38)	38 % (26)
Cash (n=151)	36 % (27)	26 % (20)	31 % (47)	
Total (n=297)	34 % (49)	24 % (36)	29 % (85)	

Notes: The table shows the percentages (absolute numbers) of potential customers who indicated to know the startup company.

Table 4: Descriptive statistics: Know the startup company

	Unconditional gift (n=144)	Conditional gift (n=151)	Total (n=295)	Control (n=70)
Chocolate (n=144)	33 % (23)	30 % (22)	31 % (45)	43 % (30)
Cash (n=151)	46 % (34)	29 % (22)	37 % (56)	
Total (n=295)	40 % (57)	29 % (44)	34 % (101)	

Notes: The table shows the percentages (absolute numbers) of potential customers who indicated that they received the advertising letter.

Table 5: Descriptive statistics: Received advertisement

	Unconditional gift (n=140)	Conditional gift (n=146)	Total (n=286)	Control (n=68)
Chocolate (n=139)	44 % (30)	32 % (23)	38 % (53)	40 % (27)
Cash (n=147)	46 % (33)	29 % (22)	37 % (55)	
Total (n=286)	45 % (63)	31 % (45)	38 % (108)	

Notes: The table shows the percentages (absolute numbers) of potential customers who indicated to understand the concept of the startup company.

Table 6: Descriptive statistics: Understand concept

Table 4 displays the percentages and absolute numbers of potential customers who seemed to know the startup company. Overall, the popularity appears to be low among the

contacted takeaway restaurants (30 %). Moreover, there is no statistically significant difference between the treatment groups (29 %) and the control group (38 %) ($p=0,140$, chi-square test).⁹ In the unconditional gift treatments significantly more takeaway restaurants know the startup company (34 %) than in the conditional gift treatments (24 %) ($p=0,045$, chi-square test). Surprisingly, in particular in the control group without a business gift, the degree of popularity (38 %) is relatively high. Similarly, Table 5 shows that in the control group 43 % of the takeaway restaurants indicated they had received the advertisement, which is more than the average over the treatment groups (34 %), although not statistically significant ($p=0,176$, chi-square test). Comparing the effect of unconditional and conditional gifts, we again find that the former (40 %) surpasses the latter (29 %) ($p=0,059$, chi-square test). Finally, less than half (38 %) of all potential customers seemed to understand the startup company's concept. Table 6 further indicates that takeaway restaurants that were directly sent a gift seemed to understand the concept more frequently than those receiving the gift conditional on signing up for a subscription ($p=0,013$, chi-square test). Summing up, unconditional business gifts outperform conditional business gifts significantly regarding all three further outcomes. All other results, and in particular, those comparing the effect of letters with and without business gifts, and between the chocolate gift and the cash gift, are mixed.

5. Discussion and conclusion

In this paper, we examine whether business gifts are an effective tool to initiate new business relations in the circular economy. To encourage restaurants to subscribe for our field partner's deposit scheme for reusable takeaway boxes, we sent letters and exogenously varied whether and which particular business gift the letters contained. With a 2 (*unconditional* vs. *conditional*) \times 2 (*chocolate* vs. *cash*) between-subject design, we tested four gift types. The results show that business gifts have no significant effect on the acquisition of new takeaways measured by the restaurants' propensity to order a sample set of reusable tableware. Our results focusing on gift exchange between strangers and without any personal encounter hint into the same direction as those of Maréchal and Thöni (2019) who demonstrate that meeting for the first time adversely affects the positive response to the gift. In addition, the present results are also in line with empirical evidence by Bodur and Grohmann (2005) who show in the business-to-consumer context that receivers evaluate gifts more favorably the stronger the relationships with the gift giver is. Thus, we further add to existing empirical evidence supporting the theoretical notion that the strength of the relationship between the gift giver and the recipient affects the reciprocation of gifts (Sherry, 1983; Dorsch & Kelley, 1994).

Going into more detail concerning the different types of gifts, we do not find a statistically significant difference in the number of ordered sample sets between unconditional business gifts and conditional ones as suggested by reciprocity considerations (Rabin, 1993; Levine, 1998; Malmendier et al., 2014). Still, potential customers implied more frequently that they knew the startup company after they had received an unconditional gift compared to a conditional gift and more frequently that they had received the advertisement. These findings from an explorative analysis indicate that the unconditional gifts attracted more attention and are better remembered. However, because they do

⁹ An overview of the results of the chi-square tests is available in Table A4 in Appendix A.

not increase the number of ordered sample sets, our results contradict the finding that gifts without an explicit request for reciprocation are more effective than those tied to a concrete demand (Bodur & Grohmann, 2005).

Further, our results suggest that the effect of business gifts on customer acquisition is independent of whether the gift is chocolate or cash. Tracing the reasons, the investment of time and effort in the cash gift seems to give the personal touch required to make cash well-appreciated irrespective of opposing cultural conventions (Bradler et al., 2016). Alternatively, even if the cash gift has a negative connotation, the chocolate gift might just not surpass it. One rationale for the dominance of in-kind gifts is that they allow donors to demonstrate their knowledge of the recipient's preferences (Prendergast & Stole, 2001). Because we chose chocolate as the in-kind gift due to its popularity among most people, it probably matches the recipient's preferences, but at the same time no longer reveals any particular knowledge about preferences. Therefore, one common advantage of in-kind gifts is not realized in our setting. Similarly, a misfit between the chocolate gift and the startup company's core sustainable characteristics might counteract the cultural non-appropriateness of cash as a gift.

There are other limitations inherent to our setting. One shortcoming is that a substantial fraction of potential customers lacks German language skills. Therefore, the link between a 10 CHF business gift and the promoted opportunity to easily save 10 CHF by participating in the network for reusable tableware might have been unclear. Due to limited language skills, it is also possible that the potential customers did not understand that they receive a gift in the conditional treatments. Independent of any language limitations, only 38 % of the potential customers seemed to understand the startup company's concept during the follow-up sales calls. Furthermore, we lack control over whether the letters and the gifts reached the person authorized to decide about signing up for a subscription. We identified the decision-maker during the pre-screening calls and addressed the advertising letters personally. However, another employee possibly opened the advertising letter without forwarding it. The data shows that only 36 % of the called subjects indicated that they had received the advertisement.¹⁰ As randomization renders these limitations mainly irrelevant for comparisons between treatments, they qualify the generalizability of the finding that business gifts do not help to initiate business relations.

To sum up, we consider the field experiment a very conservative test of the effect of business gifts on customer acquisition. In particular, not only is there no established relationship but also no personal interaction between the gift giver and the recipient. Nevertheless, the results make us doubt the effectiveness of business gifts for initiating new business relations in the circular economy. Note that despite the sample is smaller than suggested by power analysis, we do not consider it as a shortcoming. Because the effect is very small (Cohen's $w=0.15$), and in the opposite direction of what we expected, sufficient power would not alter the implication that business gifts are not a profitable marketing tool in this setting. Although we should be careful with generalizing these results to other business-to-business settings, we can draw the following conclusion: Business gifts are not a panacea, and firms can benefit by thoroughly assessing the advantages and disadvantages of gifts in the particular context instead of using them as an omnivorous tool.

10 We cannot exclude that people untruthfully reported not having received the letter on the phone. Perhaps they did not want to be caught in an advertising conversation, they felt guilty about receiving a gift or just forgot about it.

Appendix A: Additional analyses

	Sample (n=375)	Control (n=72)	Un- conditional chocolate (n=73)	Un- conditional cash (n=77)	Conditional chocolate (n=76)	Conditional cash (n=77)	p-value
Countryside	0,73	0,72	0,73	0,71	0,72	0,78	0,900
City	0,27	0,28	0,27	0,29	0,28	0,22	0,900
Low potential	0,14	0,17	0,12	0,16	0,16	0,12	0,877
Medium potential	0,55	0,51	0,60	0,55	0,55	0,56	0,877
High potential	0,30	0,32	0,27	0,30	0,29	0,32	0,961
Caller 1	0,10	0,14	0,12	0,03	0,12	0,08	0,190
Caller 2	0,11	0,08	0,11	0,13	0,11	0,12	0,927
Caller 3	0,04	0,01	0,03	0,06	0,04	0,04	0,616
Caller 4	0,15	0,17	0,25	0,16	0,11	0,10	0,116
Caller 5	0,14	0,14	0,15	0,13	0,13	0,16	0,988
Caller 6	0,03	0,04	0,03	0,03	0,04	0,04	0,975
Caller 7	0,15	0,19	0,12	0,17	0,13	0,13	0,706
Caller 8	0,14	0,11	0,08	0,14	0,18	0,17	0,383
Caller 9	0,14	0,11	0,11	0,16	0,14	0,17	0,781
Week 1	0,07	0,07	0,05	0,08	0,09	0,06	0,928
Week 2	0,09	0,08	0,08	0,08	0,09	0,09	0,998
Week 3	0,09	0,1	0,11	0,09	0,07	0,09	0,923
Week 4	0,1	0,11	0,1	0,09	0,11	0,09	0,992
Week 5	0,13	0,13	0,12	0,13	0,14	0,1	0,964
Week 6	0,12	0,15	0,07	0,16	0,09	0,12	0,41
Week 7	0,09	0,08	0,1	0,05	0,14	0,06	0,327
Week 8	0,16	0,15	0,18	0,08	0,16	0,23	0,149
Week 9	0,16	0,13	0,19	0,25	0,11	0,14	0,136

Notes: The table presents percentage frequencies for the full sample, for the control group, and for each treatment group. The last column presents the p-values of Chi²-Tests (two-sided).

Table A1: Sample characteristics and randomization checks

	Sample set (1)	Sample set (2)
Unconditional chocolate	-0,174 (0,237)	-0,132 (0,23)
Unconditional cash	-0,324 (0,244)	-0,368 (0,238)
Conditional chocolate	-0,16 (0,236)	-0,224 (0,236)
Conditional cash	-0,095 (0,233)	-0,207 (0,233)
Caller 2	-0,35 (0,344)	
Caller 3	0,053 (0,452)	
Caller 4	0,630** (0,291)	
Caller 5	-0,42 (0,326)	
Caller 6	0,035 (0,444)	
Caller 7	-0,132 (0,308)	
Caller 8	-0,071 (0,311)	
Caller 9	-0,507 (0,332)	
Week 2		-0,579 (0,372)
Week 3		-0,125 (0,341)
Week 4		-0,573 (0,354)
Week 5		-0,728** (0,34)
Week 6		-0,676* (0,348)
Week 7		-0,620* (0,365)
Week 8		-0,325 (0,31)
Week 9		-0,303 (0,307)
Constant	-0,648** (0,271)	-0,236 (0,291)
Observations	375	375
Pseudo-R2	0,072	0,031

Notes: The table presents results of a probit regression with robust standard errors in parentheses. The dependent variable is whether a sample set was ordered (=1) or not (=0). Caller specifies the startup company's employee who called the potential customer. Week indicates in which week of the intervention period the advertisement was sent. The control treatment serves as baseline category. *, **, and *** document significance at the 10-, 5-, and 1-percent level, respectively.

Table A2: Effect of business gifts on probability to order a sample set

	Unconditional gift (n=150)	Conditional gift (n=153)	Total (n=303)	Control (n=72)
Chocolate (n=149)	3 % (2)	4 % (3)	3 % (5)	7 %
Cash (n=154)	1 % (1)	4 % (3)	3 % (4)	(5)
Total (n=303)	2 % (3)	4 % (6)	3 % (9)	

Notes: The table shows the percentages (absolute numbers) of potential customers who signed a subscription.

Table A3: Descriptive statistics: Subscriptions

Comparison	Know startup (1)	Received advertisement (2)	Understand concept (3)
Gift vs. control	0,140	0,176	0,767
Unconditional gift vs. control	0,601	0,647	0,470
Conditional gift vs. control	0,030	0,044	0,200
Chocolate vs. control	0,081	0,095	0,827
Cash vs. control	0,338	0,413	0,748
Unconditional chocolate vs. control	0,438	0,223	0,602
Unconditional cash vs. control	0,882	0,709	0,464
Conditional chocolate vs. control	0,027	0,101	0,369
Conditional cash vs. control	0,128	0,070	0,192
Unconditional gift vs. conditional gift	0,045	0,059	0,013
Chocolate vs. cash	0,331	0,291	0,901
Unconditional chocolate vs. unconditional cash	0,522	0,108	0,838
Unconditional chocolate vs. conditional chocolate	0,153	0,686	0,155
Unconditional chocolate vs. conditional cash	0,465	0,573	0,066
Unconditional cash vs. conditional cash	0,163	0,027	0,039
Unconditional cash vs. conditional chocolate	0,037	0,042	0,100
Conditional chocolate vs. conditional cash	0,473	0,876	0,689

Notes: The table shows the p-values of Chi²-Tests (two-sided). In column (1), the outcome variable is whether the potential customer indicated to know the startup company (=1) or not (=0). In column (2), the outcome variable is whether the potential customer indicated to have received the advertising letter (=1) or not (=0). In column (3), the outcome variable is whether the potential customer indicated to understand the concept of the startup company (=1) or not (=0).

Table A4: Overview of p-values of Chi²-Test results

Appendix B: Supplementary material



(a) Chocolate as unconditional gift



(b) Cash as unconditional gift

Figure B1: The two types of business gifts

**reFILL. reTURN.
reCIRCLE.**

Bei Anmeldung schenkt Ihnen reCIRCLE Schokolade
im Wert von 10 Franken!



reCIRCLE.ch



(a) Chocolate as a conditional gift

**reFILL. reTURN.
reCIRCLE.**

Bei Anmeldung schenkt Ihnen reCIRCLE 10 Franken!



reCIRCLE.ch






(b) Cash as a conditional gift

Figure B2: The flyers inside the small boxes in the conditional gift treatment

reFILL. reTURN. reCIRCLE.

Mit einer Teilnahme am Mehrwegsystem reCIRCLE können Sie schnell 10 Franken sparen:

-  **10 Franken pro Monat** wenn Sie **3 reBOXen pro Tag** statt Einweggeschirr nutzen
-  **10 Franken pro Woche** wenn Sie **10 reBOXen pro Tag** statt Einweggeschirr nutzen
-  **10 Franken pro Tag** wenn Sie **60 reBOXen pro Tag** statt Einweggeschirr nutzen

Werden Sie Teil vom reCIRCLE Netzwerk! Testen Sie uns unverbindlich mit dem **STARTER ANGEBOT** für 150 Franken.

Sie erhalten für 3 Monate 20 reBOXen oder reCUPS im Wert von 200 Franken sowie Info- und Werbematerial für Ihre Kunden und Mitarbeiter.

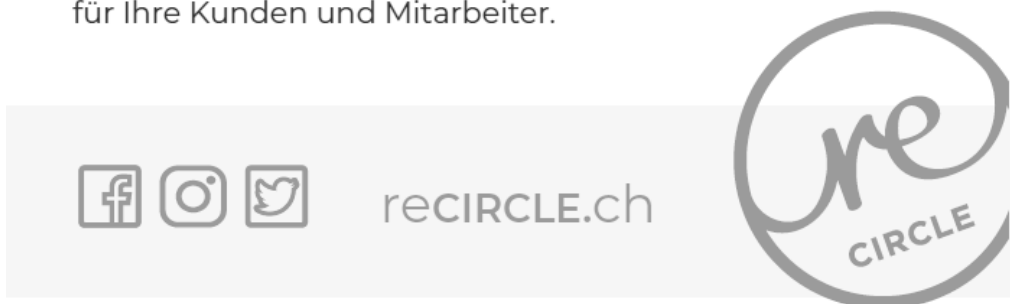


Figure B3: The advertising slogans of the startup company

Guide for telephone calls
(Original guide was in German)

Important questions to ask during the interview:

- **Do you know reCIRCLE? No/Yes, by postal mail / Yes, not by postal mail.**
Do you know reCIRCLE?
- **Postal mail received? Yes/No**
Do you remember the postal mail from reCIRCLE which you have received a few days ago? (ATTENTION: Do not ask for a gift – not every potential customer received a gift)
- **Concept understood? 1 = not understood at all / 2 = understood a little / 3 = basically understood (still some open questions) / 4 = completely understood**
Do you understand the concept of reCIRCLE?
- **STARTER-subscription concluded? Yes/No**
If there is no interest, note reasons.
- **Other subscription sold? Yes/No**
Register whether a subscription different from the STARTER- subscription has been sold.
- **If another subscription was sold, which one? Name of the subscription**
Please indicate the name of the subscription sold.
- **If subscription is concluded – number of ordered reBOXes**
If a subscription has been sold, note how many reBOXes have been ordered.
- **When subscription is concluded – number of ordered reCUPs**
If a subscription has been sold, note how many reCUPs have been ordered.
- **If no subscription is concluded → Ask: Sample set? Yes/No**
Note whether a sample set has been requested.
- **If no subscription is concluded → Ask: Interested in further information/conversations? Yes/No**
Indicate whether any other interest has been requested.
- **Ask: If there is no interest, why? Text**
If there is no interest, note reasons.

Tracking further important information
(not actively asked during the conversation)

- **Date of call attempt: Day/Month/Year**
Track each call attempt in a separate column. Track every call, even if, for example, no one answers, the contact person is not available or the contact person asks to be called back at a later point in time.
- **DO NOT ASK: Does the potential client mention the gift? Yes/No**
Enter if the potential customer mentions having received a gift
- **Is there a problem of language? Yes/No**
Note whether the potential client has difficulty understanding the content of the conversation
- **Comments: Text** Other comments

Other notes

- **Do not ask** if the potential client has received a gift
- Please conduct **the sales talk with the contact person**. Sales talks with other staff members are not effective. Therefore, if necessary, arrange call-back appointments to reach the contact person or ask for an alternative telephone number under which the contact person can be reached.
- It is important that each caller follows exactly the list that we prepare for her/him. Of course, it is no problem to adjust the lists if, for example, someone cannot make a phone call, has less time to make a phone call, or similar. However, we ask you to write to us briefly in this case so that we can send you a new list immediately. **Please do not change the lists or individual contacts on the lists without informing us first.** This is crucial for us to be able to conduct the study according to scientific standards.

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