

Learning The Science of Reward Selection

How to select appropriate rewards
and assess supplier services for
them.

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Reward Selection Guidelines

The science of reward selection is one of the most important skills in the creation of a successful incentive program, and one that distributors and resellers sometimes overlook as a way to add value to customers. Here are some things to keep in mind when helping customers create effective incentive programs.

Focus On The Behavior

The most obvious goal of any reward or gift program is to affect or change behavior and feelings—to motivate consumers to buy, dealers or salespeople to sell, plant employees to follow safe work practices and people to feel more loyal, etc. But that's often not the only goal or the only effect. A reward program can have supplemental goals: to communicate a business message, to support a brand message, to strike an emotion and to engage the target audience in a way that makes them identify with the mission and objectives of the program.

Strive To Engage

In fact, in many cases, these last supplemental goals—communicating, engaging, branding, etc.—may be as important as the main goal of the program. Especially important is striking an emotion, creating a buzz or fostering engagement. Engagement is what supports the continuation of the target behavior long after the reward program is over, according to studies on employee attitudes and financial performance published by the Forum for People Performance Management and Measurement at Northwestern University and the International Society of Performance Improvement, among others. And that's what makes finding the right reward so critical to meeting the goals of an end user's program.

Go For Emotion

If the rewards or gifts don't spark the participant's interests or feelings and support the program's objectives, then goals probably won't be met, and the client likely won't come back. The right reward will both motivate desired near-term behavior and help achieve the level of engagement necessary to create a long-term effect. End users will get better results if they understand that reward selection is a serious, systematic process that requires expertise and a firm understanding of a client's objectives, audience, culture and other characteristics—not much different from selecting the right magazine or television program in an advertising campaign.

Consider The Message

In the end, reward selection is not a matter of simply selecting from among options such as cash, gift cards, branded merchandise or travel. It's a matter of selecting a reward that will convey the right message, engage employees to commit to a high level of performance and meet a company's sales or other behavioral goals. The residual or trophy value of well-chosen branded merchandise rewards can be the key to achieving all of these goals.

Assess The Reward Options

Incentive program sponsors have a lot of reward options to choose from, ranging from cash to branded merchandise and elaborate travel programs. Distributors and resellers thus have a major role in helping incentive users select the reward best suited to reaching the specific goals and motivating the specific audience. But first they need to have a basic understanding of the role of cash versus non-cash awards and the role of rewards as branding tools and motivators.

Central Arguments Against Cash

While employees and other incentive reward recipients will often tell you that they prefer cash to other types of incentive rewards, research shows that cash is a poor motivator for a number of reasons, all adding up to the fact that there is little "trophy value" to cash:

Cash Programs Don't Generate Buzz. Most people don't like to talk about cash awards, particularly the amount, so cash programs do little to generate the buzz surrounding an effective incentive program.

Cash Often Ends Up Paying Bills. Cash often ends up being spent on everyday items or to pay bills, and therefore is quickly forgotten.

The Advantages of Tangible Non-Monetary Rewards Over Cash

Cash Often Is Confused With Compensation. Cash incentives are often associated with salary and bonuses and get lost in the compensation and benefits equation. The termination of a cash incentive program can become a de-motivator because it is perceived as a cut in pay. Tangible, non-monetary awards, on the other hand, offer significant benefits over cash.

Dr. Scott Jeffrey of the University of Waterloo in Ontario prepared a study for The Incentive Research Foundation (formerly known as the SITE Foundation) that documented some of the advantages of tangible non-monetary rewards over cash, which include the following.

Offer Higher Perceived Value. The positive attributes associated with tangible, non-cash rewards such as branded merchandise are often ascribed a higher perceived value than their actual cost.

Less Likely To Be Confused With Compensation. Branded merchandise and other non-cash rewards are perceived as separate from compensation and stand out as rewards for performance, enhancing their long-term motivational effect.

More Easily Justified. Program participants are more highly motivated by rewards that they normally could not justify buying for themselves.

Higher Trophy Value. Branded merchandise and other tangible non-cash rewards have high trophy value, bringing greater prestige to the recipient at the time of the award and having a longer-term residual effect that can result in increased engagement in the sponsoring company's goals and mission.

Greater Motivational Power. This last finding is especially important when you consider the supplemental goals of many incentive programs: communicating a message, branding, engaging participants, etc. Rewards are really part of a unique communications medium—whether it's a sales or dealer incentive, and especially if it's a consumer program—for getting a motivational message across to a target audience.

Greater Branding Opportunities. For many years, consumer marketers who use premiums have known that the product, including the brand affiliation and the qualities conveyed by that brand, is critical to the message.

In the sales and dealer incentive area, companies are beginning to understand the value of selecting the right reward, to take advantage of unique opportunities for brand alignment and other communications goals as well.

Gift Card Programs

Various companies using incentive programs have begun to use catalogs and gift cards to increase the choices available to participants and thus increase the program’s appeal and motivational value. What gift card programs sometimes overlook, however, is the communication and engagement impact of their programs, and as a result, the program’s important supplemental goals may be missed.

Gift card programs sometimes lose the potential of the message and trophy value that attaches itself to a well-selected branded merchandise award, as well as the residual value of brand association. Gift cards, in fact, have some of the same disadvantages as cash: They often get used for everyday items, there’s no perceived enhanced value beyond the cash value of the card and there’s no emotional appeal or engagement.

Awards Comparison Matrix

The following compares various incentive reward offerings.

	<i>Select Branded Rewards</i>	<i>Catalogs</i>	<i>Gift Cards/ Certificates</i>	<i>Cash</i>
<i>Perceived Value Potential</i>	High	Medium	Valued at Face Value	Valued at Face Value
<i>Co-Branding Potential</i>	High	Low	High	None
<i>Trophy Value</i>	High	Medium	Low*	None
<i>Buzz Factor</i>	High	Medium	Medium	Low*
<i>Choice</i>	Low	High	Medium to High ***	High
<i>Presentation Options</i>	High	Medium	Medium	Medium
<i>Supports Communication</i>	High	High	Medium	No
<i>Potential Confusion With Compensation</i>	Low	Low	Higher	High
<i>Targeting Potential</i>	High	Low	High	None

* *Trophy value is higher for rechargeable debit cards because people retain and reuse them over time.*
 ** *Buzz factor can be higher in consumer promotions, where people more openly discuss cash than in workplaces.*
 *** *Depends on the card*

A Note About The Preceding Matrix

The matrix was devised primarily through a correlation of information derived from four sources:

1. *Incentive Research Foundation Study* (formerly known as the SITE Foundation) “*Rewards, Motivation, and Workplace Performance*,” conducted by the International Society of Performance Improvement. This study outlined the following human elements critical to motivation that relate to use of incentives: emotional conditions, feelings of support, and effectiveness of communications.

2. “*The Benefits of Tangible Non-Monetary Incentives*,” produced for The Incentive Research Foundation (formerly the SITE Foundation) by Scott Jeffrey, assistant professor in the Department of Management Sciences at the University of Waterloo in Southwestern Ontario. This study identified four key psychological elements that affect employee perceptions related to incentives: evaluability, separability, justifiability, and social reinforcement.

3. “*The Role of Gift Certificates and Gift Cards In Corporate Recognition and Incentive Programs*,” published by the Incentive Gift Certificate Council (now known as the Incentive Gift Card Council) of the Incentive Marketing Association. This study outlined the key features and attributes of gift cards.

4. “*How Brands Boost Incentive and Recognition Programs*” and “*Recognition Vs. Compensation*,” published on the Sales Marketing Network at Info-now.com. The former evaluates the specific features of branded products and how they relate to incentive and recognition programs. The latter outlines the award characteristics necessary to distinguish recognition from compensation.

Note: The attributes of the various award types were compared against the motivational attributes of non-cash awards to create a theoretical matrix. The matrix is presented in terms of theoretical conclusions only and has not been tested in scientifically controlled circumstances.

What Resellers Should Know About The End User

The more the reseller gets to know about its customer, the better it will be able to assist in creating a successful reward plan. The first thing a reseller has to know is the demographics of the group that the incentive program is targeting. Whether it's aimed at consumers, dealers or salespeople or other employees, the first question is: Whom is the program trying to reach, and what are we trying to get them to do? The second question is: What type of reward is going to be most effective in changing their behavior?

In order to help the incentive end user find the reward that's most appropriate for its target audience, the reseller needs to learn as much as possible about the company's business: how it goes to market, what its objective is at this particular time and for this particular program, who its audience is going to be, what the demographics of that audience are and what types of incentive programs the company has used before and how they have worked. It also helps to find out what competitors are offering.

The following provides some additional points for resellers:

Demographics

Demographics are of primary importance. In selecting the reward, resellers should look for something that will work for the demographic of the target group. Is it a sales incentive targeting veteran salespeople? If so, a sports or recreational brand might be a good choice. Is it a dealer incentive targeting owner-operators? Then a high-end, luxury product might be more appropriate. Is it a consumer program targeting young males? A belt buckle or wristwatch might work for consumers, but these might not be substantial enough rewards to motivate dealers. Keep in mind that what works may not always be obvious. Mary Kay cosmetics, for instance, has run successful incentive programs using fishing rods and reels as rewards, because the ultimate recipients of these programs often involve the entire family.

In order to help their customers get the greatest value from their incentive plan or promotion, distributors and other resellers should help end users sort through their reward options to help them make the right reward choice, one that will best achieve their program's short-term goals and create a longer-term residual effect.

Brand Compatibility

Match the end user's brand with the right branded awards. The brands selected for your client's reward program say a lot about its own brand. Look for rewards and gifts that reinforce your client's brand image and positioning.

Budget Awareness

Provide an honest budget figure. How much can the user realistically spend on rewards given the anticipated value or sales that can be expected from the improved performance? And given that budget figure and the level of performance being called for, what is an appropriate reward or rewards?

Focus On The Purpose

It's good to make sure the client is clear about the purpose of the reward: Is it to be viewed as compensation, i.e., something that can be expected in following years, or special recognition that may or may not happen again in the future?

If the purpose involves compensation, then cash is the best bet. If the goal is special recognition for performance, a non-cash award makes more sense because it will have more trophy value and recipients will be less likely to expect it in the future.

Set Appropriate Timelines

It's also important to get a good time line, especially if the reward selection is going to involve adding inventory or requires offshore manufacturing. And in particular, if the program is going to involve any special handling or packaging. When does the end user want to get started? How quickly are participants likely to start redeeming awards? How quick a turnaround is needed upon redemption? How long will the program last?

Logistics

Logistical issues should also be discussed with the end user, specifically drop-shipping requirements, and again, whether or not any special packaging or personalized mailing is involved, as is often the case in a promotion or incentive program.

Price-Value Relationship

Finally, resellers need to understand the price-value relationship for the reward option they are offering to end-users. In other words, how much of the cost to the end user winds up in the hands of the participant in the program when he redeems his reward.

For gift cards and some catalog programs, there can be significant markups. Another factor to keep in mind is that the “perceived value” of branded merchandise is often greater than the actual value.

What The Reseller Needs To Know About Its Supplier

In addition to learning as much as possible about the end user to aid in reward selection, distributors and resellers need to learn all they can about what their suppliers can offer, both in terms of branded merchandise and special services that might enhance the perceived value of the merchandise and aid in meeting some of an incentive program’s supplemental goals. The following provides some guidelines.

How Pricing Is Established

How are product prices established and what is the value-added associated with those prices? Are there value-added services that the supplier is willing to include in the price? For example, is the supplier willing to: (1) hold the price for additional orders at a later date; (2) drop-ship the order; (3) provide high-resolution images and other collateral needed for program materials?

There are companies known as incentive/national representatives and *Multiple Resource Companies* (MRCs) that officially represent manufacturers in the corporate marketplace offering the same price as the manufacturer. Typically, the national representative does not handle the billing, but the multiple resource company does. In this case, the MRC would be considered the supplier.

Level of Customization

Can the supplier help end users customize their reward offerings? Some suppliers can customize and personalize the reward in any way that the end user requires. A lot of users like to add thank-you cards to the reward products. Others might want to add other, non-program items to the reward to enhance its perceived value to reinforce a corporate or program communications goal.

Potential for Online Redemption

Can the program be offered online? While online redemption is growing in popularity, some companies, and some participants, prefer traditional print brochures and redemption by phone or mail. Can the supplier provide either an online option, or a combination of online, telephone or mail redemption?

Ongoing Progress Reporting Can the user monitor results of the program while it is in progress? Ask the supplier if it can offer both online and hard copy reports on the progress of a program as often as necessary. For the online program, it can monitor hits as well as points earned and points redeemed, so users have an ongoing report on how much interest and excitement is being generated by the program. Can the supplier offer up-to-date tracking information that includes quick links to the shipper (UPS, FedEx, Yellow Freight, etc.) so that users can determine where every single order is on any given day?

Delivery Timelines How quickly can product be shipped? The level of inventory that a supplier carries of the products it offers will affect its on-time delivery. Some suppliers can promise delivery in three to five days. Others will guarantee only two- to three-week delivery.

Additional Logistical Services What logistical services does the supplier offer? Can the supplier drop-ship individual rewards anywhere in the country? Can it also warehouse product and accommodate special handling and customization?

Additional Support Services What other support services does the supplier offer? Full-service incentive houses can do as much or as little in terms of administration, tracking, reporting, etc., as the customer requires. The supplier can create an online program, develop a brochure, create gift certificates—in short, it can do whatever is necessary to ensure that the branded product program is a success for the end user.

Sources *Incentives, Motivation and Workplace Performance: Research and Best Practices (2002)*. Sponsored by the International Society for Performance Improvement and funded by The Incentive Research Foundation (formerly known as the SITE Foundation) the landmark study is the most comprehensive ever done on the effectiveness of the incentive industry and its usefulness to employers in determining the relationship between incentives, motivation and performance in the workplace. The study shows that incentive programs have a very powerful impact on increasing work performance and introduces a new, diagnostic and prescriptive model, Performance Improvement by Incentives (PIBI), which provides guidance on the step-by-step procedures for design and implementation of incentive programs.

The Benefits of Tangible Non-Monetary Incentives (2004). Four psychological processes tip the scales in favor of tangible, non-cash

incentives. By Scott Jeffrey, an assistant professor in the Department of Management Sciences at the University of Waterloo in southwestern Ontario. He received his Ph.D. in Managerial and Organizational Behavior at the University of Chicago's Graduate School of Business. Published by The Incentive Research Foundation (formerly known as the SITE Foundation).

Incentive Federation Study 2005: Incentive Federation survey of motivation and incentive applications. Prepared by the Center for Concept Development Ltd. A study conducted among current users of merchandise and travel items for motivation/incentive applications and sponsored by the following members of The Incentive Federation:

- Association of Retail Marketing Services
- Incentive Marketing Association
- The Motivation Show by Hall-Erickson Inc.
- Promotion Marketing Association
- Promotional Products Association
- International SITE Foundation