

The Age-Old Question --

Cash vs. Merchandise?

How cash and merchandise compare as award options.

The Incentive Marketing Association

It's About Bragging Rights

Salespeople love to boast about their achievements. Who wouldn't want to brag about being the number one salesperson in the country -- and have an opportunity to show their friends and colleagues the rewards they're getting for their efforts? Chances are, though, they're not going to take out their wallet and show you a commission check from the company, but they'll probably show you their new Rolex or entertainment center. But salespeople also like money -- probably the reason they got into sales in the first place. For sales managers and incentive planners putting together a contest, cash is easy to give, but there is a problem with money: It has no trophy value.

"Cash is great," says Anil Vazirani, sales and marketing manager for Mutual of Omaha insurance company in Rye, N.Y., "But we like to give merchandise so the winner has some boasting rights when they win. And, if we award money, the rep generally won't spend the money on something for themselves-even if it's something they really want. One of Vazirani's reps, Philip Eldring, was awarded a suede jacket for a quick start contest he won in January. "I wear it all the time, and every time I get a compliment, I tell them I won it," he says.

Non-Cash Awards Generate Results

Managers have found non-cash rewards programs get results. Studies have shown compelling return on investment results from including non-cash programs as part of a rewards strategy. WorldatWork (formerly the American Compensation Association) found that non-cash rewards programs achieved three times the ROI compared with cash-based programs. A recent Incentive Federation survey found that on average, 79% of respondents found non-cash reward programs to be fairly to extremely effective in motivating participants to achieve sales and marketing goals.

Choosing The Right Award

Vazirani says awards should be significant and well thought-out. “Because we are rewarding salespeople, we like to give them electronics, a leather briefcase, or a Mont Blanc pen. Anybody would be motivated by these gifts and they are not something they are going to buy for themselves. We also have a quick-start program in the first quarter of the year. We call it ‘Dress for Success.’ The salesperson who wins gets a voucher at a department store for a suit. It really makes them come out of the box running,” he says. This regional office of Mutual of Omaha also does another program where items up for grabs are displayed in the manager’s office. “You can pick up the camcorder or look at the TV and say, ‘Where are you going to put that in your house?’” says Eldring.

Non-Cash Enhances The Celebration

Merchandise also gives management an opportunity to make the reward presentation as part of a ceremony celebrating success. “When you present someone with a watch with all their colleagues around, they can congratulate the winner and, at the same time, see what they can win if they hit their next target,” says Vazirani.

“Merchandise gets me going,” says Eldring. “A check isn’t as tangible as merchandise. You can’t really show someone a check; it’s not interesting. When you get money, you just mentally lump it in with your paycheck. Some of the top agents are so busy selling they rarely have time to buy anything for themselves. With merchandise, you wear it and you remember it. We had a contest where I won a DVD player, a cooler, and a watch. The stuff I got probably comes to about \$600 or \$700 dollars, but it was really more fun and motivational than getting the monetary equivalent,” he says.