



## Executive White Paper

# Learning the Science of Reward Selection

**The art of reward selection is one of the most important factors 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.**

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 engage the target audience in a way that makes them identify with the mission and objectives of the program.

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.

If the rewards or gifts don't spark the participant's interest 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.



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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 than selecting the right magazine or television program from an advertising campaign.

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.

### **Answering Questions About Reward Options**

Incentive program sponsors have a lot of reward options to choose from, ranging from cash to branded merchandise and elaborate travel programs, and distributors and resellers can play an important part 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 about how, in a world moving more toward targeting individuals, rewards become a powerful branding tool as well as a motivator. While employees and other incentive reward recipients will often tell you that they prefer cash to other types of incentive rewards, the research shows that cash is a poor motivator for a number of reasons, but they all add up to the fact that there is little "trophy value" to cash:

- 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 gets spent on everyday items or used to pay bills, and therefore is quickly forgotten.
- Cash incentives are often confused with salary and bonuses, and get lost in the compensation and benefits equation. The termination of a cash incentive program can become a demotivator 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 southwestern Ontario prepared a study for the SITE Foundation that documented some of the advantages of tangible non-monetary rewards over cash.

For instance:

- The positive attributes associated with tangible, non-cash rewards such as branded merchandise are often ascribed a higher perceived value than their actual cost.
- 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.
- Program participants are more highly motivated by rewards that they could not normally justify buying for themselves.  
\* 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.

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.

In fact, 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.

In recent years, a lot of 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 they overlook is that they lose the communication and engagement impact of their programs and may miss out on their program's important supplemental goals. They 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. (See the matrix to compare the attributes of various incentive reward offerings.)

### **What Resellers Should Know About the End-User**

In order to help their customers get the greatest value from their incentive plan

or promotion, distributors and other resellers should help them 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. And 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, salespeople, or other employees, the first question is: Who 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 what the company's business is, how it goes to market, what their objective is at this particular time and for this particular program, who their audience is going to be, what are the demographics of that audience, 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.

- 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? Is it a dealer incentive targeting owner-operators? Is it a consumer program targeting young males? A belt buckle might work for the consumer promotion, but not for the 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.

- Matching your 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.
- 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?
- It's good to make sure the client is clear about the purpose of the reward: Is it to be viewed as compensation—for example, 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 recipients will be less likely to expect it in the future.
- It's also important to get a good timeline, 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 issues should also be discussed with the end-user, specifically drop-shipping requirements, and again, if any special packaging or personalized

mailing is involved, as is often the case in a promotion or incentive program.

- 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, according to the SITE Foundation study cited earlier.

### **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. For instance:

- 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 (MRC) 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.

- 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.
- 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?
- Can the user monitor results of the program as it is ongoing? 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?

- How quickly can product be shipped? The level of inventory that a supplier carries of the products that 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.
- What logistics 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?
- 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.

### Rewards Selection Matrix

	<b>Selected Branded Rewards</b>	<b>Catalogs</b>	<b>Gift Cards</b>	<b>Cash</b>
<b>Perceived value potential</b>	<b>High</b>	<b>Medium</b>	<b>Face value</b>	<b>Face value</b>
<b>Co-branding potential</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>None</b>
<b>Trophy value</b>	<b>High</b>	<b>Medium</b>	<b>Low*</b>	<b>None</b>
<b>Buzz factor</b>	<b>High</b>	<b>Medium</b>	<b>Medium</b>	<b>Low**</b>
<b>Choice</b>	<b>Low</b>	<b>High</b>	<b>Medium to High***</b>	<b>High</b>
<b>Presentation options</b>	<b>High</b>	<b>Medium</b>	<b>Medium</b>	<b>Medium</b>
<b>Supports communications</b>	<b>High</b>	<b>High</b>	<b>Medium</b>	<b>No</b>
<b>Confusion with compensation potential</b>	<b>Low</b>	<b>Low</b>	<b>Medium to High</b>	<b>High</b>
<b>Targeting potential</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>No</b>

\*Trophy value may be higher for rechargeable debit cards because people retain them and use them over time.

\*\* Buzz factor can be higher in consumer promotions where people more openly discuss cash than in workplaces.

\*\*\* Depends on card.

This matrix was devised primarily through a correlation of information derived from four sources: 1. SITE Foundation Study, "Rewards, Motivation, and Workplace Performance," conducted by the International Society of Performance Improvement; 2. "The Benefits of Tangible Non-Monetary Incentives," produced for the SITE Foundation by Scott Jeffrey, an assistant professor in the Department of Management Sciences at the University of Waterloo in Southwestern Ontario; 3. "The Role of Gift Certificates and Gift Cards in Corporate Recognition and Incentive

Programs,” published by the Incentive Gift Certificate Council of the Incentive Marketing Association; 4. “How Brands Boost Incentive and Recognition Programs” and “Recognition Vs. Compensation,” published on the Sales Marketing Network at Info-now.com.

“Rewards, Motivation and Workplace Performance” outlined the following human elements critical to motivation that relate to use of incentives: emotional conditions; feelings of support; and effectiveness of communications.

“The Benefits of Tangible Non-Monetary Incentives” identified four key psychological elements that affect employee perceptions related to incentives: evaluability; separability; justifiability; and social reinforcement.

“The Role of Gift Certificates and Gift Cards in Corporate Recognition and Incentive Programs” outlined the key features and attributes of gift cards and certificates.

“How Brands Boost Incentive and Recognition Programs” evaluated the specific features of branded products and how they relate to incentive and recognition programs.

“Recognition Vs. Compensation” outlined the award characteristics necessary to distinguish recognition from compensation.

The attributes of various award types were compared with motivational attributes of non-cash awards highlighted in the above resources to create a theoretical matrix. This matrix has not been tested in scientifically controlled circumstances.

## Sources:

**Incentives, Motivation and Workplace Performance: Research and Best Practices.** Sponsored by the International Society for Performance Improvement and funded by 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) - that provides guidance on the step-by-step procedures for design and implementation of incentive programs. Call Frank Katusak at the Incentive Research Foundation at 212-590-2518; e-mail [f.katusak@sitefoundation.org](mailto:f.katusak@sitefoundation.org).

[The Benefits of Tangible Non-Monetary Incentives.](#) 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 SITE Foundation.

**Federation Study 2005:** Incentive Federation Survey of Motivation and Incentive Applications. Prepared for the Incentive Federation. Prepared by **Center for Concept Development, Ltd. May 2005.** *A Study Conducted among Current Users of Merchandise and Travel Items for Motivation/Incentive Applications* has been sponsored by the following members of **The Incentive Federation.**

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