

In Praise of Presents: Why Merchandise Trumps Cash

Remember when you were a kid and feeling that indescribable rush right before tearing into a colorfully wrapped present? As adults, we still feel the same surge of anticipation when given a gift. (And why not? We're just grown up children, after all.) In the business world, the feeling may be suppressed in the name of "professionalism," but that makes the unexpected, thoughtful gift even more appreciated, and the act of giving a gift more powerful. When it comes to motivating colleagues or showing gratitude, these exhilarating feelings, physiologically real adrenaline rushes, simply cannot be inspired by cash, and there's research to prove it. Just consider the last time you received a fantastic gift and the last time you were given cash. If you're like most of us, the gift made a far greater impact than the money. And you actually remember what the gift was and who gave it to you.

Businesses invest a great deal of money in incentives, close to \$28 billion annually. In years past, incentive decisions were often a guessing game for program planners and when they hit on something that worked – like watches, for example – they stuck with it year after year. Watches are wonderful incentives and gifts, of course, but the options today are so plentiful and varied it's often prudent to look further, especially since recipients' expectations have evolved over the years. Existing research can help planners and HR personnel make educated choices about how to motivate, inspire, thank and reward different generations of employees, channel partners, vendors, customers and colleagues.

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The Research

Motivate with Merchandise

In 2005, the Incentive Federation spoke with business owners, senior managers, and sales and marketing executives at manufacturing and service companies about their incentive programs for its *Survey of Motivation and Incentive Applications*. Researchers found, among other things, that to motivate and reward, merchandise incentives are more compelling than cash. In particular:

stats

- **Four of five** respondents said merchandise awards are **remembered longer** than cash awards.
- **60%** of respondents said employees view cash as compensation.
- Moreover, **more than half** of respondents (**53%**) say that employees tend to look at bonuses as something they are due.

These responses should make every program planner think twice when they're about to allocate significant portions of their budgets to motivational programs and awards.

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Researchers for the Incentive Federation study probed the question '*Which merchandise items are used most often for business programs?*' and the responses revealed that gift cards and electronic items are hands-down the most popular merchandise items for all business motivation and award applications.

And researchers were able to break it down even further:

1. Writing instruments, food/beverage, apparel and timepieces are popular for **consumer promotions**;
2. Food/beverage, timepieces, apparel and sporting goods are popular for **dealer incentives**;
3. Plaques/trophies, timepieces, apparel and food/beverages are popular for **sales incentive programs**;
4. Plaques/trophies, timepieces and apparel are popular for **nonsales employee awards**.

These are the types of rewards that companies would be most likely to use in four major incentive categories, according to the 2005 Incentive Federation Study.

CONSUMER/USER PROMOTIONS	
1. Gift certificates/gift cards	58%
2. Electronic items	
<i>Cameras and accessories</i>	19%
<i>Computers, accessories, software</i>	28%
<i>Home entertainment</i>	15%
<i>Telephone-related</i>	9%
3. Writing instruments	32%
4. Food & beverage	31%
5. Apparel	30%
6. Watches & clocks	25%
7. Plaques & trophies	25%
8. Tools & flashlights	25%

SALES INCENTIVES	
1. Gift certificates/gift cards	59%
2. Electronic items	
<i>Cameras and accessories</i>	28%
<i>Computers, accessories, software</i>	40%
<i>Home entertainment</i>	25%
<i>Telephone-related</i>	14%
3. Plaques & trophies	39%
4. Watches & clocks	36%
5. Apparel	32%
6. Food & beverage	31%

DEALER INCENTIVES	
1. Gift certificates/gift cards	49%
2. Electronic items	
<i>Cameras and accessories</i>	22%
<i>Computers, accessories, software</i>	30%
<i>Home entertainment</i>	14%
<i>Telephone-related</i>	7%
3. Food & beverage	27%
4. Watches & clocks	24%
5. Apparel	24%
6. Sporting goods	24%

NON-SALES EMPLOYEE AWARDS	
1. Gift certificates/gift cards	62%
2. Electronic items	
<i>Cameras and accessories</i>	24%
<i>Computers, accessories, software</i>	22%
<i>Home entertainment</i>	22%
<i>Telephone-related</i>	14%
3. Plaques & trophies	48%
4. Watches & clocks	40%
5. Apparel	37%
6. Food & beverage	30%

Source: Incentive Federation Study 2005

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Managers Prefer Non-Cash Awards

In a related 2005 study, the Forum for People Performance Management and Measurement found that **non-cash award solutions are highly effective to motivate and influence behavior, especially when they are strategically matched to specific business goals.** Entitled *Awards Selection Study: Insights From Managers*, this study sheds light on the efficacy of 12 distinct motivational tactics used by HR and marketing managers across many industries to achieve 10 specific organizational objectives. Interestingly, the study of 235 managers reveals what they believe motivates employees most, not necessarily what is most efficient for the organization or what recipients might choose as their preferred motivational tactics. For practically all objectives, managers prefer non-cash employee recognition programs. These organizational objectives include reinforcing organizational values/culture; creating positive internal communications/buzz; improving teamwork; increasing customer satisfaction; motivating specific behaviors/ tasks; and increasing retention/loyalty.

Why Are Tangible Incentives Better?

A more psychological analysis of the merchandise/cash equation is explored in *The Benefits of Tangible Non-Monetary Incentives* sponsored by the Incentive Research Foundation (formerly the SITE

Foundation) a few years ago. Dr. Scott Jeffrey, assistant professor in the Department of Management Sciences at the University of Waterloo in Southwestern Ontario, discovered four psychological processes that influence participant perceptions of merchandise incentives. Dr. Jeffrey defines these processes as:

- **EVALUABILITY:** Non-cash awards are more difficult to attach a monetary value to, so when participants focus their thoughts on the positive attributes associated with the award, it is ascribed a higher value.
- **SEPARABILITY:** Cash incentives tend to be aggregated with overall compensation. Non-cash incentives tend to be kept separate from compensation, thus standing out as rewards for performance.
- **JUSTIFIABILITY:** When a non-cash award is something that a participant would not purchase with cash on his or her own, the participant can justify the award. Being able to justify the award means it has greater power to be motivational.
- **SOCIAL REINFORCEMENT:** Non-cash incentives have trophy value and are more likely to be acknowledged than cash. Because of the social taboos associated with discussing cash, it lacks the trophy value and social reinforcement attributes which increase the perceived value merchandise awards.

The Merchandise is the Message

The bottom line on merchandise incentives? Let's go back to our opening statement. That feeling of anticipation followed by immeasurable amounts of happiness after opening a gift really hit the mark. Kindling that feeling in a recipient may take a little more time and effort than simply withdrawing money from the bank and stuffing it in a cash holder.

But isn't your employee (or colleague or sales person or customer) worth it? A bit of research into what he or she is interested in or simply wants or needs can evoke a large number of merchandise ideas to fit your budget. Your gesture and generosity of spirit will speak volumes about your thoughtfulness for years to come.

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