

Corporate Incentives - 10 Reasons Why Gift Cards are More Compelling than Cash

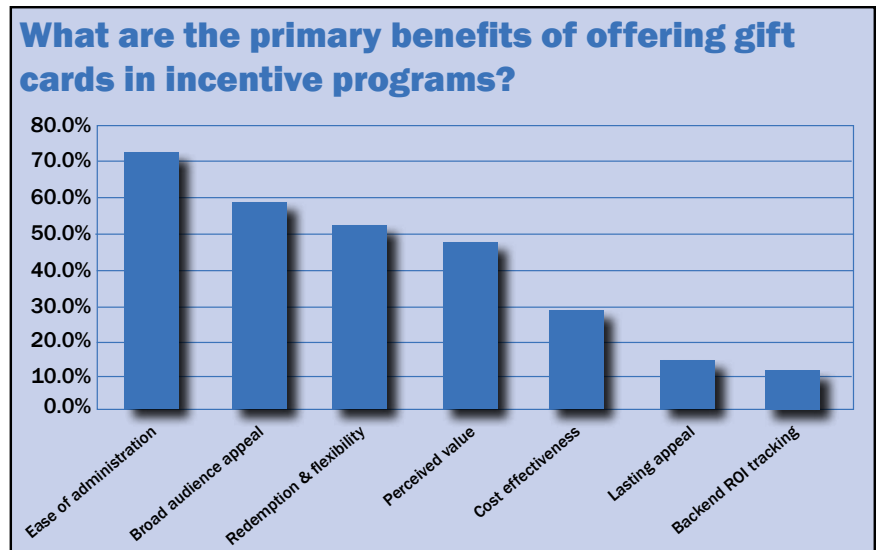
Trophy value, desirability, and ease of program administration lead benefits.

Number one in popularity for corporate incentives, gift cards are more effective than cash. Executive respondents to an Incentive Federation study consistently indicated that merchandise and travel incentives were more compelling than cash - and in the merchandise category, gift cards were the most popular award items. Approximately three out of four respondents agreed that they could build a more exciting and memorable program using merchandise and gift cards than they could with cash.

So how do organizations use gift cards in their incentive programs? An Incentive Magazine 2008 survey reported:

- To recognize performance 70.2%
- As sales incentives 48.6%
- As business gifts 29.3%
- As non-sales recognition awards 30.4%
- As spot rewards 30.4%
- As service awards 27.6%
- For consumer promotions 14.9%
- As safety awards 9.9%
- As dealer incentives 9.4%
- Wellness programs 6.6%
- To start/maintain business relationships 6.1%
- Other 3%

In addition, more than four out of five respondents believe that merchandise and gift cards are remembered longer than cash awards. In short, gift cards provide the flexibility and versatility of cash without the downsides. The Incentive Magazine survey pointed to several key gift card advantages. See graphic: *What are the primary benefits of offering gift cards in incentive programs?*



Source – 2008 Incentive Magazine Survey

Aligning your incentive or premium program with leading industry brands by offering their gift cards can significantly increase the participation in your program. Brand awareness is a major factor in end users' shopping experience, and by offering gift cards for brands they already recognize and are currently shopping for, you add awareness to your program—which leads to greater participation. You also receive the benefit, not only of the brand of gift card you carry, but also of the brands of products and services the gift card provider offers: the benefits to your program of offering leading brands are very compelling.

There are 10 core reasons why gift cards are superior to cash incentives – they are as follows:

1. Trophy value: Gift card purchases are more memorable – they create a lasting reminder of achievement.
2. Viral value: Employees tell each other how they redeemed gift cards.
3. More discrete: It's polite to mention non-cash awards.
4. True gift perception: Gift cards are not viewed as part of compensation.
5. Universal benefits: Gift cards combine the benefits of merchandise with the benefits of cash.
6. Guilt-free spending: Recipients don't feel guilty treating themselves.
7. More likely to improve work performance: Studies show that cash doesn't improve work performance – gift cards do.
8. Family support: Because the participant's family is involved in selecting awards – they're more likely to support the participant's goals.
9. Pleasing loved ones: There is a strong motivation to earn an award for one's significant other or children.



10. Long-term positive feelings toward organization: Gift cards reinforce positive associations with sponsoring organizations.

When properly used, gift cards are powerful. That potential has to be unlocked, however, through careful marketing, ongoing communication of the program, and through effective presentation of the awards and recognition of the award winners.

1. Trophy Value: Gift card purchases are more memorable - they create a lasting reminder of achievement.

If you're trying to connect a behavior with a specific result and reward that result—it's important that the recipient continues to remember what the reward was for. That's what trophy value is – a lasting reminder of the achievement and the organization that gave out the reward.

Here's an example: Two employees are rewarded for the same achievement – one chooses \$500 in cash and the other chooses a \$500 gift card to a large sporting goods store. The person who chose the cash deposited the check in his bank account. He used \$270 of it to make a car payment, took another \$150 out for extra cash, and left the rest in his account.

The person who chose the gift card came home that night, told his wife about the card, and they decided to go shopping on Saturday. He bought two golf clubs for himself that he'd been dreaming about for months and his wife bought a pair of high-end running shoes and a weatherproof jacket.

The next Monday, several colleagues asked the employee with the gift card how he used it. Two days later, he was out on the golf course with colleagues and clients – proudly showing off his new clubs. His wife was out with her running group the next weekend and told several people how

much she loved the new shoes and how she got them.

A year later, even though the running shoes had long since been replaced, the golf clubs remained a very pleasant reminder of an organization that recognized a job well done.

The cash award, on the other hand, was just extra cash. No one at work asked the employee what he did with the cash because everyone assumed that he used it for bills. Even one month later, the employee had a hard time remembering exactly what he did with it.

Staying power is one of the prime reasons that studies show non-cash rewards are more effective than cash - it is this staying power that ensures that physical rewards purchased with a gift card motivate individuals far better than a check.

Research firm Wirthlin Worldwide asked 1,010 people how they spent their last cash reward, cash incentive, or cash bonus. Their responses were as follows:

- Bills - 29 percent
- Do not remember - 18 percent
- Never received cash reward/bonus - 15 percent
- Gifts for family - 11 percent
- Household items - 11 percent
- Savings - 11 percent
- Special personal treat - 9 percent
- Vacation - 5 percent
- Something else - 2 percent

These results show that at least 58 percent used the cash for something intangible and unmemorable – they used it either to pay bills, add to savings, or couldn't even remember what they did with it. So much for trophy value.

There's the argument that some employees need the cash much more than they need merchandise. But it's important to remember that a reward, by its very nature, isn't compensation – rather its purpose is to serve as a lasting thank you.

2. Viral Value: Employees tell each other how they redeemed gift cards.

The employer or incentive manager benefits when the recipient's excitement extends to the lunchroom. If you received a gift card to an electronics store and used it for a large flat screen TV, wouldn't you want to tell everyone at work about it? If you were the colleague of someone who received a gift card, wouldn't you ask what he planned to do with it and ask for updates? "Did you get that flat screen TV yet?"

Many people want to live vicariously through someone with a gift card, but not many people are interested in hearing how someone used their cash reward to pay bills – in fact, knowing that someone used their cash reward to pay bills is a bit of a disincentive.

3. More Discrete: It's polite to mention about non-cash awards.

People are much more willing to talk about what they got in terms of a gift card versus cash. In short, the utility of earning a non-cash incentive is enhanced by the visibility of the award and the fact that it's socially acceptable to discuss.

Most people don't want to brag about cash, but enjoy talking about their new golf clubs or vacation. Since tangible non-cash incentives are visible and socially acceptable to praise, question, or bring up – there's no need to go out of one's way to call attention to them. By providing a better means to indirectly call attention to the award and what was accomplished to earn it, the value of earning a non-cash incentive exceeds its actual cash value.

“The value of earning a non-cash incentive exceeds its actual cash value.”

4. True Gift Perception: Gift cards are not viewed as part of compensation.

As research has demonstrated repeatedly, cash rewards don't motivate extra effort. Why? Because when companies try to motivate their employees and/or their distribution partners using additional cash, the reward is typically thought of as compensation and is spent on necessities.

It's a long-standing truism in the incentive industry that cash gifts make poor awards since recipients tend to look at the reward as part of their overall compensation package, rather than as a one-time, earned incentive item. When the cash doesn't arrive at the same time the following year, the result is an unhappy employee.

A high-end, high-performance outdoor gas grill will serve as a positive reminder to the participant of his or her performance (and firm) every time it's fired up. Cash, on the other hand, is quickly mixed in recipients' minds as compensation and disappears into the family budget.

5. Universal Benefits: Gift cards combine the benefits of merchandise with the benefits of cash.

People consistently say they prefer choice in their awards. Once people receive a gift card, they have a choice of what product(s) to redeem it for. That freedom of choice is what separates gift cards from pure merchandise or travel and provides benefits of cash.

People also like to select a tangible award. The plethora of options—including many branded options—allow you to target and tailor your gift card program in ways that are similar to but more flexible than merchandise because they allow the recipient to select the most relevant award. In addition, many gift card brands open up the potential for unique customization or packaging options - allowing companies to leverage major brand names in their marketing programs, which maximizes perceived value.

The simplest form of personalization is a card bearing the name of the individual recipient. But some gift card suppliers can also put your logo or the theme of your incentive program on the packaging and/or do a custom mailing of the card. You can also present the gift cards personally with special packaging at a dedicated awards ceremony.

6. Guilt-free Spending: Recipients don't feel guilty treating themselves.

Many non-cash incentive awards are viewed as luxuries that participants normally cannot justify purchasing for themselves or family members. In the case of a gift card, the recipient can use it guilt free for something personal.

For example, an employee might be secretly wishing for, but would never consider buying a top quality music system. But if he receives a gift card to an electronics store, he doesn't have to feel guilty about purchasing it. Hard work thus becomes an attractive way to acquire a treat that employees could not justify otherwise.

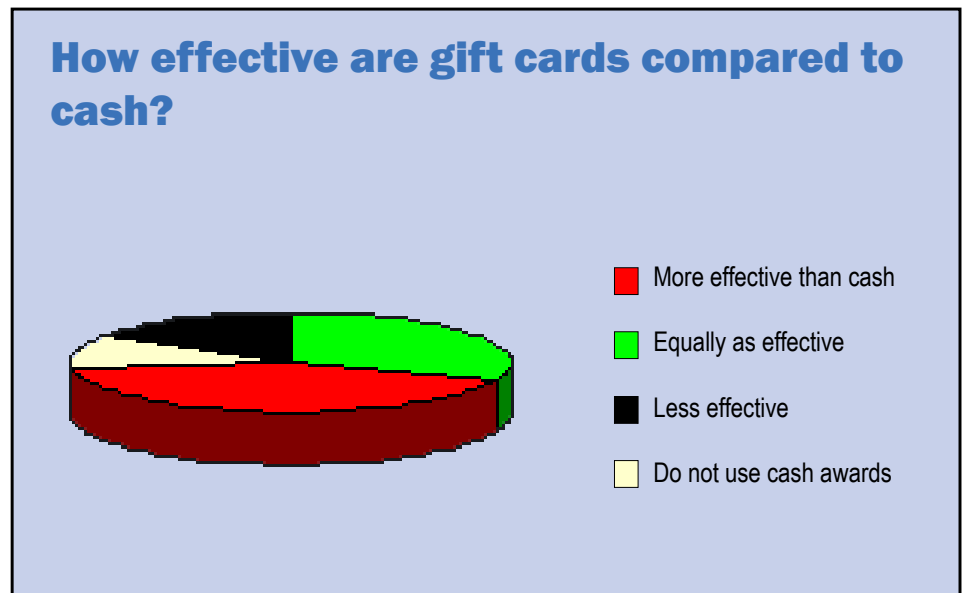
7. More Likely to Improve Work Performance: Studies show that cash doesn't improve work performance.

A survey showed that 17 percent of American employees polled said they had received a year-end cash bonus - 32 percent of those respondents admitted that the cash bonus did not improve their work performance.

If it's true, as the Wirthlin Worldwide research suggests, that only 20 percent use a cash reward to buy something for family members or themselves – it's easy to see why cash doesn't have the same motivational power as a gift card.

8. Family Support: Because the participant's family is involved in selecting awards - they're more likely to support participant's goals.

A supportive home environment is important for success. When people are working toward earning a reward at work, family members quickly get onboard. One of the reasons is the prospect of being able to benefit.



Source – 2008 Incentive Magazine Survey

Going back to the earlier example of the two employees who received rewards – one cash and the other a gift card – imagine the difference in the excitement level at home as one is working toward \$500 in cash (which will probably go toward bills) and the other is working toward a \$500 gift card (which represents \$500 of guilt-free shopping for everyone).

9. Pleasing Loved Ones: There is a strong motivation to earn an award for one’s significant other or children.

Many unselfish souls who would never buy themselves a treat, relish the opportunity to buy something for their significant others and/or children, but lack the funds and justification – especially when so many necessities are screaming for attention.

“Who doesn’t want to be the hero who comes home with a new gaming system for the kids..?”

Who doesn’t want to be the hero who comes home with a new gaming system for the kids or a gourmet cooking appliance that a significant other has been dreaming of?

10. Long-term Positive Feelings Toward Organization: Gift cards reinforce positive associations with sponsoring organizations.

How many people get that warm fuzzy feeling about their organization when they remember how they used the cash they received to fix the backyard fence? How many people are even going to remember where the money to fix the fence came from?

One person who received a \$200 gift card 15 years ago from her employer used it to buy the high quality food processor she’d always wanted. She recently said that she

still thinks about that employer every time she uses the food processor – that’s the staying power of gift cards!

Communicating Gift Card Advantages

The value of a gift card program has as much to do with what the user company puts into it as the cash value that’s stored on it. And one of the first things that companies should be communicating is the gift card’s utility.

- Gift cards give the recipient a wide choice of options for redemption, so reward possibilities abound, allowing the recipient to select the most motivational award.
- Gift cards are easily incorporated into point-tracking programs where award levels are tracked and awards issued almost instantaneously.
- Recipients can store points or value on their card until they’ve found the reward that most suits them and their families.
- For many people and for their families in particular, half the fun of receiving an award is shopping. Recipients can share the experience with their families by involving them in the reward selection and ultimately the reward itself.

“Ask participants what they rewarded themselves with for their performance efforts, and publicize the gifts they chose.”

Ongoing Employee Communication

In addition to communicating the basic value in the gift card, companies should be communicating the details of the gift card program, just as they would for any other incentive or recognition program. This might involve:

- Creating a theme for the program: Provide a theme or brand for the program so that people think of it

as a specific campaign. Think about customizing the packaging and accompanying materials with the program theme as well as with your company logo.

- Explaining the program: Lay out the goals, objectives, the way performance will be measured, and the way rewards will be awarded and delivered. And again, remind participants of the flexibility of the cards in terms of the benefit of choice.
- Having a meeting: Use this as a way to kick off your program at the national, regional, or local level. Kickoff meetings headed by top management are a powerful way to boost any performance improvement effort.
- Creating a newsletter: Provide information about the program, track its progress, and recognize winners. Think about using the newsletter to report on the variety of rewards redeemed, via the incentive gift card, to reinforce the perceived value of wide choice.
- Talking up participants’ reward choices: Management shouldn’t

just hand out gift cards and forget about them. Ask participants what they rewarded themselves with for their performance efforts, and publicize the gifts they chose.

- Sending letters: Use them to announce winners and - for those who didn’t meet objectives - to communicate that you appreciate their efforts.

Presenting Gift Cards

Because gift cards are so easy to deliver, some companies neglect to put enough effort into their presentation. This is an important component of any incentive



program—gift cards included—and an effective presentation in front of peers (and family if possible) is another way of increasing the perceived value of the award.

Keep these presentation ideas in mind for your gift card program:

- Present the award in person and in front of a group of peers if possible. Use the occasion as an opportunity to express your appreciation for the performance of the individual and to communicate the advantage of choice in the gift card as an award.
- Deliver the gift card with a handwritten or custom note of congratulations and appreciation.

- Publicize the award in any available and appropriate medium, internally and externally.
- Extend a personal thanks to the individual award winner for his or her performance.

Remember

Gift cards are a preferred motivator in both the consumer and business-to-business arena. They build on the strengths of non-cash incentives by offering rewards that are more memorable and can be redeemed for merchandise or travel that recipients wouldn't otherwise buy for themselves.

According to the Forum for People Performance Management and Measurement, managers reported non-cash

reward programs are more effective for the following 9 out of 10 organizational objectives:

- Creating positive communication
- Increasing customer satisfaction
- Increasing profitability
- Increasing retention
- Motivating specific behaviors
- Improving customer acquisition
- Improving product quality
- Improving teamwork
- Reinforcing organizational values

Gift cards offer the power of choice, like cash, but they also have the trophy value of non-cash awards. The use of gift cards in incentive programs is growing and will continue to grow as more companies take advantage of their flexibility, ease of use, and low administrative costs.

► This Executive White Paper was commissioned by the Incentive Gift Card Council (IGCC) of the Incentive Marketing Association. For further information, go to www.usegiftcards.org. For additional copies you can download a PDF of this Executive White Paper by going to the Incentive Performance Center at www.incentivecentral.org and clicking on Practice Areas. For bulk reprints, please send an e-mail to info@incentivecentral.org.