There's No Bang in the Buck!

You give up playing in a weekend golf tournament in order to entertain a visiting potential new customer. On Monday morning you find a thank you note from the boss with either a dozen golf balls or a twenty-dollar bill. Which do you think has the greater effect?

Ruth and Elizabeth are asked to team-up to develop special programming in time for a new product launch. In order to maintain their normal workflow, they spend evenings on the added project and complete it on time. Ruth's supervisor has a bouquet of flowers and a thank you note delivered to her office. Elizabeth's supervisor hands her a thank you card with twenty dollars enclosed. Whose method do you think better conveys the value placed on the extra efforts, provides the proper recognition and will result in enthusiasm for future projects?

Jim hosts an elaborate Super Bowl party in his home every year. This year his friends and neighbors are surprised to find they'll watch the game on a 50-inch screen TV. "When did you get that baby?" asks his neighbor Ron.

"Man, I had great sales during the second half of the year," Jim tells him" so I got it with the points I earned in the company's sales incentive plan – on top of some very good commissions!"

Ron looks really dejected. "Darn! I got over a grand from our incentive and I don't even know where it went."

There is still a prevailing misconception among a segment of incentive sponsors – particularly new or infrequent users – that cash is a viable and popular motivator and award medium. They're heard to say, "In these times, my people prefer extra money." or "Everybody likes a little extra in the paycheck.".

They may honestly believe this – or more probably – have found cash to be the easiest to administer. The simple fact is;

***CASH IS THE LEAST EFFECTIVE OF ALL INCENTIVE MEDIA* for many valid reasons!**

1. Cash has *no* "Bragging Value"! Discussing one's income or financial status is generally considered impolite and people are normally reluctant to talk about specific monetary situations. It's rare that a wife would be comfortable telling a group of friends, "Joe just got a hundred dollars in his company's incentive program." Conversely, it's acceptable and expected that she boast, " We'll be leaving Friday on the cruise Joe earned in his company's incentive program."

2. Cash has *no* "Lasting Value"! By their very nature, cash awards are immediately absorbed into the family bank account and rapidly dissipated into household bill payments. Rarely, if ever, are the extra funds used to purchase those added luxuries beyond the normal budget. Merchandise and/or travel awards keep the money that may have been earmarked toward such purchases in the budget while exerting long-term impact. Participants continually recall and point with pride to just how and when a specific award was attained.

65 Ramapo Valley Road, Suite 9
Mahwah, NJ 07430
Telephone: (201) 684-1596
Fax: (201) 684-1639
www.InMarketingGroup.com

3. Cash has *no* enhanced "Perceived Value"! … a crucial factor for every incentive program sponsor. With cash award plans, it costs the company a dollar to award a dollar. Participants know the exact value the award sets on their performances and quickly determine the amount of effort required to earn the reward. They see no justification in exerting a $500 effort for a $100 award. To make a cash award interesting to the participant, sponsors are often forced to increase the unit payoff or set qualifying levels so high they are unattainable and participant interest here, too, is lost.

Non-cash "points" or "credits", on the other hand, change the focus. Participants target preferred rewards and are driven to greater performances without analyzing the process. Like frequent-flyer miles, the more points earned – the greater the rewards.

From a cost efficiency standpoint, utilizing "points" can extend the awards portion of your incentive budgets by as much as 30% and still attain a greater interest and results.

4. Cash is particularly ineffective in motivating commissioned sales people! If money were a solid motivator, they need only sell another unit to increase their income.

A five-year psychological study of motivation revealed an interesting factor identified as *Income Adjustment,* maintaining that these people adapt a system equating commissions to lifestyle. In essence, they determine the number of units per period they need to sell in order to live comfortably – and exert efforts to that level. When cash incentives are added, lesser efforts are required to achieve the same income level and sales, in fact, decrease over the long term.

Conversely, when merchandise or travel awards are featured, the sales people set their sights on awards that attract them and exert the efforts needed to get them. While doing so, commissions naturally increase and the increased performance rate continues for some time beyond the program close.

########