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What rewards are most effective? A summary of studies

If you ask, they say: "Show me the money."

When incentive program participants are asked about the types of rewards they prefer, cash and cash equivalents vs. merchandise, travel or experiences, they most often say cash is preferred. This is not surprising; cash is fungible – participants can use cash in any way they want. Given this stated preference, you might expect that cash is a better motivator. In fact, the opposite is true. Numerous studies have shown that cash is not as effective in driving higher levels of performance as aspirational non-financial rewards such as merchandise, travel and experiences.

1

**Major
tire
manufacturer**

A **major tire manufacturer** looked at this question directly in their company-owned stores. The stores were stacked ranked 1- 900. The stack-ranked list was divided into two groups on an odd and even-number basis. Salespeople in odd numbered stores were in the cash group, sales people in even numbered stores were rewarded with points redeemable for merchandise and travel. The program lasted six months and while the cash group had a **22% increase in sales**, **the non-cash group realized a 32% increase**¹.

2

**Hard
goods
manufacturer**

A similar result can be seen with a major **hard goods manufacturer's** sales incentive program. One group received a cash award for reaching a self-selected sales goal, while a control group received points that could be used to obtain merchandise or experiences. The cash group awards were larger than the value of the points. In spite of that, **32% of the points group reached their goal** compared to only **25% of the cash group**².

3

**Call
center
representatives**

The same pattern was seen with call **center representatives** who were rewarded for successfully collecting late payments. For each dollar in rewards, the **non-cash group collected \$165** in payments while the cash group collected **\$131**³, a difference of **23%**.

4

**Window
manufacturer**

A **window manufacturer** realized the advantage of non-cash rewards when it compared a VISA debit card with travel and experience awards to incentivize salespeople. The **non-cash group had 22% more closed sales per rep**, larger order sizes (\$4,436 vs. \$4,305) and **25.2% higher overall revenue**⁴.

5 Telecom provider

A major **telecommunications provider**, tested both cash and non-cash and active and passive rules designs. Three levels of goals were determined by a percentage increase over the expected baseline. In one group participants actively selected their desired goal level. This was the “active” structure. In the second group, the three levels were simply tiered – recipients were rewarded based on the level they achieved without having to select/commit. This was the “passive” structure. Both merchandise groups exceeded their baseline – the **passive group by 13%** and the active group by a **whopping 87%! The Cash Groups were under baseline (by 3% active and 35% passive). Overall, the cash group was 16% under baseline, which was worse than a control group that had no program at all (-4%)⁵.**

6 Frozen food manufacturer

Replacing a merchandise and cash incentive program with a cash-only program equal in cost to the cash/merchandise program proved costly to a **frozen foods manufacturer**. After implementing the cash only program, sales **DECREASED 4.36%**. This was attributed to a reduction in effort by the salespeople⁶.

Cash and participant mindset

In a series of eight studies in an academic setting, participants in a cash condition who were asked to perform tasks such as solving anagrams responded by setting lower goals and taking on less challenging tasks, compared to participants who were awarded with non-cash inducements.

Non-cash awards can also provide multiple long-term motivational benefits. While it is not socially acceptable to brag about cash awards, sharing non-cash awards and experiences with family and friends is perfectly acceptable and reinforces the motivational effect. Cash awards also usually end up combined with other income, losing the connection to the effort needed to achieve the award. However, earning a trip to Hawaii creates memories that can last a lifetime, and awards used frequently like golf clubs or electronics will remind participants of who rewarded them and what it took to receive their award.

Merchandise and experiences are more motivating, create a more positive mental approach and result in a longer-term positive impact.

1. The Trouble with Money, Tom K Gravalos and John M Jack, ©2009
2. Barry Danielson and Neil Helgeson, BIWORLDWIDE, 2023
3. Monetary vs. Non-Monetary Awards: Comparative Studies ©BIWORLDWIDE 2012
4. The impact of goal setting and rewards on performance, BIWORLDWIDE 2012
5. The impact of goal setting and rewards on performance, BIWORLDWIDE 2012
6. Is Cash King for Sales Compensation Plans? Evidence from a Large Scale Field Intervention, George John, Ph.D., University of Minnesota, 2017
7. Cash (Dis)Incentives, Rachel Meng and Ran Kivetz, 2019