Gift cards **are not gifts:** why cash-like rewards can **weaken** recognition

A BI WORLDWIDE POV

Gift cards are easy. They're familiar, flexible, and simple to distribute. Ask people what kind of reward they'd like to receive, and gift cards will almost certainly make the list.

It's easy to understand why organizations use them so often. Whether rewarding a top-performing salesperson, recognizing people, engaging a channel partner, or thanking a loyal customer, a gift card offers a straightforward way to deliver value.

But when organizations invest in rewards to influence behavior, convenience is only part of the equation.

The real question is whether the reward creates enough motivation to inspire someone to go further, try harder, or choose your brand again.

And that's where gift cards deserve a closer look.

Convenience doesn't always create **motivation**

When someone earns a reward for achieving a goal, the experience should reinforce the significance of that accomplishment. The reward itself plays an important role in making the achievement feel worthwhile.

Research published in Accounting, Organizations and Society examined four characteristics that influence how people respond to cash and tangible rewards: fungibility, hedonic value, novelty, and reward framing. Researchers found that these characteristics can affect how much effort people are willing to expend to earn a reward. They also found that cash has motivational advantages of its own, particularly because people can use it however they choose.[1]

That flexibility is a major reason gift cards are so popular. But it can also make certain gift cards feel more like everyday spending money than a distinctive reward.

Gift cards can often feel more like every day spending money than a distinctive reward.

Consider someone who earns a **$25** gift card after reaching a performance milestone. They might use it toward a routine grocery trip, reducing their bill from $78 to $53. The extra spending power is welcome, **but a few weeks later, will they remember what they did to earn it?**

Now imagine that same person working toward a reward they've had their eye on for months. Maybe it's a professional sporting event, an e-bike, or a meal delivery service. Every step toward that reward **gives them another reason to think about the goal they're pursuing.**

Both rewards have value. The **experience of earning and redeeming them can be very different.**



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Research has found some consumers prefer indulgent rewards over cash of equal or even greater value.

Those rewards **give people permission to enjoy something they might otherwise struggle to justify purchasing themselves.**

What people say they want isn't always what drives behavior

Asking people what rewards they prefer is a reasonable starting point. After all, nobody wants to invest in incentives their audience doesn't value.

But preferences don't always tell the full story.

Research by **Ran Kivetz** and **Itamar Simonson** found that **some consumers prefer indulgent rewards over cash of equal or even greater value. Those rewards give people permission** to enjoy something they might otherwise struggle to justify purchasing for themselves.[2]

The researchers also examined customer loyalty programs and found that greater effort requirements could increase participants' preference for luxury rewards over everyday necessities. The more effort people invested in earning something, the more appealing an indulgent reward could become.[3]

These findings help explain why the way a reward is earned can be just as important as what it's worth.

Our research offers another example. In an analysis of one client's recognition program, participants received either cash-loaded debit cards or points redeemable for merchandise and experiences.

BI WORLDWIDE Insights Lab research offers another example. **More than 85% of people who earned points saved them for higher-value luxury merchandise and experiences.** Meanwhile, among people who earned cash or gift cards, **85% spent them on transactions under $30.**[4]

The reward types were associated with very different redemption behaviors. While cash and gift cards tended to be used for everyday purchases, points encouraged participants to save toward something more aspirational.

For organizations designing incentive programs, that distinction matters. A reward can satisfy an immediate need while doing relatively little to create a memorable connection to the achievement that earned it.

The value of a reward **starts before** someone receives it

Think about the excitement of planning a vacation. Looking at destinations, imagining experiences, and counting down the days can be part of the enjoyment.

Rewards can work in a similar way.

A points-based incentive program allows participants to see their progress, explore what they could earn, and decide whether to redeem their points immediately or keep saving toward something bigger.

That sense of progress can become part of the motivation.

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Research from the Incentive Research Foundation found that **people at organizations offering points-based reward programs reported higher intrinsic motivation, organizational identification, engagement**, and **satisfaction with rewards and recognition than those at organizations** without points programs.[5]

The findings **demonstrate an association** rather than proving that points alone caused those differences. Still, they reinforce the importance of considering the entire reward experience.

And the experience can continue long after redemption.

A **salesperson** might remember the trip earned by exceeding a challenging sales goal. A **channel partner** might associate a valuable merchandise reward with a successful product launch. A **loyal customer** might spend months accumulating points toward an experience that strengthens their connection to a brand.

Even an everyday object can carry a story **when someone remembers exactly how they earned it.**

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A reward with that kind of lasting significance **has the opportunity to reinforce the behavior or relationship that made it possible.**

Different audiences need different reasons to engage

The right reward strategy depends on whose behavior an organization wants to influence and what success looks like.

For salespeople, the goal might be to increase revenue, build momentum toward a stretch target, or encourage focus on a strategic product. **An aspirational reward can give participants something tangible to work toward beyond their existing compensation.**

For channel partners, incentives might encourage product knowledge, increase engagement with a manufacturer's brand, or influence which products partners prioritize. **Rewards need to be compelling enough to earn attention in an environment where competing brands may be offering incentives of their own.**

For customers, loyalty programs often aim to encourage repeat purchases, deepen engagement, and build lasting brand relationships. **Reward choice, attainable goals, and a satisfying redemption experience can all influence whether customers continue participating.**

And for employees, recognition programs can reinforce meaningful contributions, celebrate achievement, and help people connect their efforts with a positive experience.

These objectives aren't interchangeable.
Neither are the people participating in the programs.

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A high-performing salesperson, a distributor representative, and a longtime customer may all appreciate a gift card. But their reasons for participating, the effort required, and the meaning attached to the reward can be very different.

That's why effective incentive design starts with understanding the audience, the desired behavior, and the experience most likely to encourage it.

Move beyond gift cards to rewards worth earning

Gift cards are convenient. They're easy to distribute, familiar to recipients, and simple to assign a dollar value. **But convenience shouldn't be the deciding factor in an incentive strategy designed to change behavior.**

When organizations rely on cash-equivalent rewards, they risk turnign meaningful achievements into ordinary transactions.

When organizations rely on cash-equivalent rewards, they risk turning meaningful achievements into ordinary transactions. A gift card spent on groceries or gas may be appreciated in the moment, but there's little to distinguish that purchase from everyday spending.

Inspirational rewards offer something different.

Merchandise, travel, and experiences give participants opportunities to pursue something they genuinely want but might hesitate to purchase themselves. A points-based program can build on that appeal by allowing people to explore rewards, set goals, track their progress, and work toward something increasingly meaningful.

The possibilities extend across audiences. A salesperson might work toward a dream vacation by exceeding a sales target. A channel partner might pursue a premium piece of technology by achieving a product-specific goal. A customer might build loyalty points toward an unforgettable experience. An employee might choose something that becomes a lasting reminder of an important accomplishment.

In each case, the reward creates an opportunity to connect effort with an outcome that feels special.

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That's an important distinction for organizations investing in incentive programs. The objective goes beyond delivering a reward people appreciate. It's about giving them something compelling enough to influence what they do next.

Make the reward part of the motivation

Before choosing a reward strategy, organizations should consider what they want participants to accomplish and what would make that achievement feel meaningful.

Will the reward give people **something to anticipate**? Will it **encourage them** to pursue a goal they might not otherwise reach? Will they **remember the reward** and the achievement associated with it long after redemption?

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Those questions matter for any audience.

Gift cards might offer convenience, but inspirational rewards create opportunities for aspiration, anticipation, and lasting memories.

When the goal is to inspire extraordinary performance, the reward should be worth working toward.

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