

"Trophy Value" and the Cash Versus Non-Cash Argument

James C. Purdy 1997 (derived from the teachings of Richard Douglass)

The subject of "Trophy Value" in incentive programs is really an issue of the difference between compensation and incentives, and how to use each in proper balance to achieve maximum results from your target audience.

Role of Compensation -

It has been proven time and again, that no incentive program will be truly effective unless there first exists a sound, well conceived compensation plan. In the case of **direct employees** this means a proper salary, commission / bonus plan, and benefits package that will attract and retain the caliber of people necessary to carry out the corporate mission, and to drive the long-term objectives of the organization.

In the case of **distribution channels**, the "compensation" plan relates to the combination of pricing, terms, commissions, rebates, discounts, marketing programs, etc., that allows you to attract and retain the best possible channel partners to market your products and derive an acceptable income for themselves in the process.

With either audience, a sound compensation plan is critical to marketing success and is a necessary precursor to any incentive program. It should be changed or manipulated as infrequently as possible since any change in the compensation plan - good or bad - will initially be perceived as negative and it is very difficult to withdraw an element of the compensation plan once it has been offered. Compensation is perceived by the recipient as an "entitlement".

Role of Incentives -

Incentives, on the other hand, are marketing tools to drive short-term objectives -such as product mix, introducing new products, opening new accounts, selling low-volume/high-profit products, reinforcing new training activities, etc. It is critical that these things be accomplished without making wholesale changes to the compensation plan because the objectives change so frequently. One of the big advantages of incentives is that can be offered and withdrawn at will, without negatively impacting relationships with the audience. Incentives do not become an "entitlement".

So, Why Not Cash Incentives?

If polled, most people will say that cash is the best motivator for them personally. After all, money has universal appeal. We all want it, and we can never seem to get enough. The recent advent of universal, or "unfiltered", debit and credit card incentive products has simply created another form of monetary awards. Participants simply use them to pay for the same things that they would otherwise pay cash for. In essence, they are nothing but "plastic cash".

If money were the ideal motivator, commissioned salespeople would operate at peak efficiency at all times. But what actually happens is just the opposite. The salesperson becomes "income adjusted", often resulting in one of two very undesirable results from an incentive program;

1. Participants earn the same amount of money for selling fewer products and services
- or -
2. Participants earn more money for selling the same amount of products or services.

Either of these two scenarios can be disastrous in an incentive program.

Yet both research and experience clearly indicate that non-cash incentives, in the form of merchandise and/or travel awards, are more successful than money as an incentive award. Why?

The reasons are both psychological and symbolic. Non-Cash Awards:

» **Satisfy "Wants" versus "Needs"** - Cash or cash equivalents, such as unfiltered debit-cards, can be spent on everyday "**needs**" (such as groceries, medical bills, gasoline, etc.). But non-cash awards are used for "**wants**" (such as new jet ski, a new stereo or TV, a trip to Hawaii, etc.). Satisfying a participant's "wants" is the role of incentives, satisfying "needs" is the responsibility of compensation.

» **Eliminate Guilt** - Try justifying the purchase of a new set of graphite shaft golf clubs to your spouse or family members when you are two months overdue on your rent. But if your incentive earnings can't be used to pay the rent, you're forced to spend it on your dreams and desires. Too bad! Since there is no choice, there is no guilt!

» **Are Demonstrable** - Our culture does not permit us to boast about our income, our net worth, or the amount of our last bank deposit. Nor do we find much satisfaction in bragging about paying off an overdue bill. But boy, do we take ever pleasure in showing off our new car, or talking about our recent trip to Monte Carlo. Non-cash awards are tangible symbols of our success, and provide an acceptable and important means for us to satisfy our emotional needs for peer recognition.

» **Have Memory Value** - That ring on your finger...do you remember when you got it? Who gave it to you? How you felt when you received it? Probably so. But who remembers (or wants to remember) where the last paycheck went? Non-cash awards provide a continuous, long-lasting reminder of ones success...and the efforts that went in to achieving it... along with a fond remembrance of the person or company who gave it to them.

» **Are Difficult to Compete Against** - Cash awards can be easily countered (or bettered) by competitors, and done so almost instantly. Non-cash awards, on the other hand, promote goal-setting and create "mind share" with your participants. When was the last time you didn't think about frequent flyer miles when you booked an airline ticket?!