



ABSTRACT

Choice is important, especially with five generations in the workplace today and greater diversity than ever before. But it's not just a matter of providing choice. If choice was all that mattered, cash would be the preferred reward for loyalty, incentive and recognition programs. Rather, it's choice with a purpose. This paper demonstrates why rewards must be meaningful in order to inspire and create lasting goodwill toward your company.



The What, Why and How of Purposeful Choice™

What is Purposeful Choice? Maritz has offered solutions with **purposeful choice** to clients and program participants since we conducted the first sales incentive program for the Caradine Hat Company in 1931. Sales representatives in that program were able to choose from a collection of carefully selected jewelry items and watches displayed in a handsome catalog for achieving company goals. Those representatives who achieved were able to show off their hard earned awards to family and friends. They were meaningful, memorable and motivating items that told those representatives, and their family and friends, that the company valued their work enough to use high quality and stylish awards (even including a wrist watch – a rather cutting edge award back then!) Over the years, the Maritz **exclusively yours®** rewards collection has expanded to encompass thousands of items covering multiple categories and brands but quality and cutting edge remain hallmarks of the rewards we provide.

Why is Purposeful Choice Important?

Choice is especially important today with five generations in a more diverse workplace and a global economy that is moving toward parity in reward and recognition practices all over the world. Reward effectiveness is not only a matter of providing choice. If choice was all that mattered, cash would be the preferred reward for incentive and recognition programs. But rather it's choice with a purpose – multiple purposes really:

- To connect with every participant by offering a compelling selection of rewards that encourages each person to change his or her behavior.
- To help every individual connect their actions with a reward they personally value.
- To link the reward with a lasting memory of achievement in a way that is consistent with the company's brand image and creates an ongoing positive bond with that company.
- To provide rewards that will be most successful in measurably improving performance, engagement and loyalty among employees, sales partners and customers.

Purposeful choice is important to enable a critical element of motivation – goal-setting. A reward collection with enough

choice to enable every individual to select rewards that are meaningful to them and to add those items to their “Wish List” creates psychological advantages over the limitless choice seemingly offered by cash. A study by Dr. Scott A. Jeffrey of the University of Waterloo shows why. Participants in a program with non-cash as the award thought about the awards more frequently than those who were working toward a cash award. They also showed a higher goal commitment. Most significantly, they performed better.

In a two-month study of 431 call center representatives, Dr. Scott Jeffrey discovered that, on average, program participants who were being motivated with tangible, non-monetary rewards actually thought about their unearned reward nearly 40% more than did a control group working towards the exact same goals for a cash reward of equal value. Furthermore, The study was able to quantify that the call center representatives working towards the tangible incentive had almost 25% greater commitment to the goals and offered roughly 10% higher performance than those working for cash.

This study clearly demonstrates three important points:

1. Employees visualize tangible rewards much more frequently than cash rewards.
2. Employees who visualize rewards have both greater goal commitment and greater performance.
3. Despite common assumptions that low income earners are best motivated by cash, performance of call center representatives in this study indicate that tangible rewards still have a greater impact on desired business outcomes.

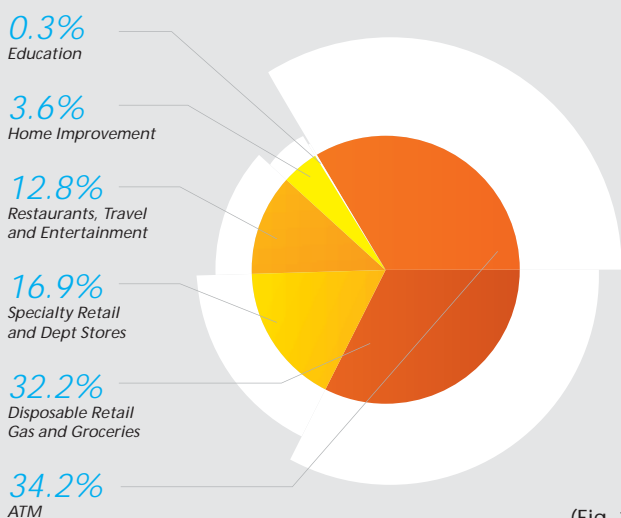
Many companies agree that cash is not appropriate for incentive, recognition and loyalty solutions, but believe rather that a debit card that can be used anywhere is the best option. Again, this option presents recipients with too much choice, where recipients feel the obligation to use the reward card for practical items like gas and groceries...or just to put a little spending money in their pockets. In fact, that's exactly what



reward earners do with an open reward card. The chart below (Fig. 1) is derived from an analysis of redemption by thousands of participants in several incentive programs using an open card and shows that two thirds of program earnings went to ATM withdrawals (an average of \$70) or disposable items like gas and groceries. This wasn't the meaningful, memorable reward the sponsoring companies had in mind.

Maritz was asked to provide rewards for an incentive program devised by a sales executive at a technology company. The program offered every region manager who met his or her goal a high end plasma television. The company did reach its overall goal, but at the last minute the sales executive was persuaded to allow the winning region managers their choice of the TV, or other rewards available in the Maritz catalog. Only one region manager selected the TV – all the rest chose a variety of items. One can only wonder how much more successful the program may have been if region managers had the opportunity to pick personally meaningful rewards at the very beginning.

Redemption Analysis – Cash Card



(Fig. 1)

So why offer any choice? Why not just pick the most appealing item you can find and have everyone work toward that? Back to the topic of diversity. “Most appealing” is in the eye of the beholder. Not only do demographic differences play a role, but so do life stage and lifestyle. Consider a 20-something-year-old sales rep who loves to cook and decorate her home...and the sales incentive of the month is a set of golf clubs (right, she doesn't golf). Or, think about the boomer who likes to splurge on the latest electronic gadget...and is offered a basic MP3 player that is 2 models below the model he currently owns. Or, imagine a single parent who has a 7-day luxury travel award to work toward...and he can only guess how much it will cost for a sitter for the week (on top of the fact that what he really values is more time with his child). These are examples of why rewards must connect with each individual, and why **purposeful choice** is necessary to make that connection.

How Do You Achieve Purposeful Choice?

In addition to covering a wide range of categories, a motivating rewards collection must address the diversity in today's society. Selecting all the right brands, features, functions, styles and price points is a monumental task, but is doable with the right expertise and a mixture of science and art. Maritz invests in a team of merchandise strategists and sourcing professionals who spend countless hours studying trends, demographics, and psychographics, past redemption patterns, focus group results and more. They attend all the right merchandise shows to find out the up-and-coming items that belong in the very best rewards collection – cutting-edge electronics, trend-setting jewelry and giftware, sports and leisure, fashion, home furnishings and more. They partner with companies who offer unique experiential rewards like sporting and red carpet events, cooking and racecar-driving schools, family adventures – even a chance to attend the presidential inauguration.

For our **exclusively yours®** rewards card, our merchant selection team finds the leading retail, catalog and hospitality companies that feature rewards that deliver lasting goodwill and memories associated with the sponsoring company. Again, a wide range of choice is necessary to fit a diverse population but the unifying concept is to provide rewards that are meaningful, memorable and motivating.



And it's not just about having plenty of selection. Brand names are critical to making people feel special about their accomplishments. Companies show their employees, channel partners and customers how important they are when names like Prada, Movado, Sony, Taylormade, Dyson, and Thomasville are represented in a rewards collection.

When the nature of a client need requires a special selection of items, Maritz buyers gain an understanding of the people who will receive the rewards as well as the program goals so they can choose the rewards to be most motivating to ensure program goals are met. Also important is having world-class fulfillment and customer service so that everyone who receives a reward feels like an achiever, not just one of thousands of faceless orders.

Maritz had managed all North American merchandise reward fulfillment for a leading hospitality consumer loyalty program for two years. Initially, customers were able to redeem the points they earned for hotel stays for a selection of 10-15 rewards displayed on a web site by calling the hotel's reservation call center. Orders were sent by batch file to Maritz for weekly fulfillment. In May 2007, Maritz and the company initiated a project to enhance the redemption process by implementing a new rewards shopping mall program with real-time point redemption via a Maritz operated 24/7 e-commerce site. This move reinforced this company's strategy of offering an improved customer experience with more reward options (now over 3,000) and increased flexibility. Redemption in the first month of the new approach was over 40 times average monthly redemption in the previous program.

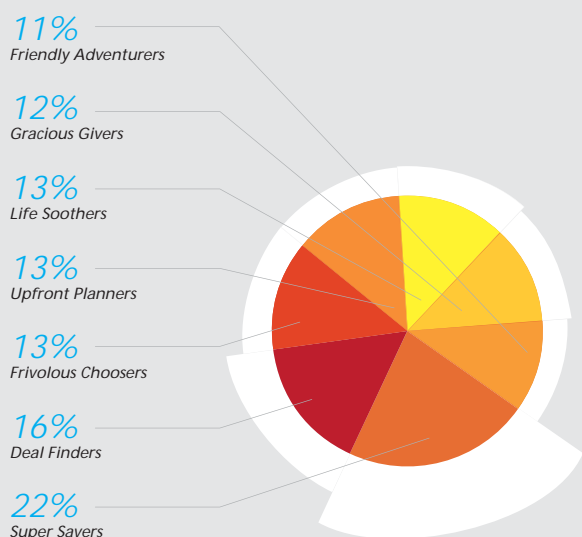
Finally, with a professional team of buyers doing all the research into the features and functions of our merchandise, Maritz can offer the best few items at various price points and feature-sets, so that achievers can enjoy choice without confusion. With a carefully chosen set of items covering "good, better and best," selecting a reward becomes a delight, not a chore. The entire process of reward selection and delivery should be a special experience for special performance, not a Wal-Mart experience.

So, is all this really necessary? Yes! People are different. Not only do we have the generational differences, with people from Generation Y to the GI Generation, we also have differences in how people live and what they care about. We have people who prefer traditional rewards that offer timeless elegance. We also have those reward-earners who want the latest handbag, perfume, golf club or cookware set. We have people who only want items that are environmentally-friendly, and those who want to contribute to society. We have reward-earners who want to see and be seen where the celebrities go, and those who prefer to entertain, stylishly, from their own backyard. A points-based program that provides purposeful choice is the best way to reward people in personally meaningful ways. And it's not just about what you can get with those points – it's how people want to save and spend them.



*A 2004 national poll found that reward and recognition that wasn't personally meaningful was the same as providing no recognition at all! A 2007 poll looking into how program participants viewed their rewards showed how just differently people use their points and the importance of providing **purposeful choice** to provide that meaningful recognition. See (Fig. 2) below.*

Redemption Preference Segments



(Fig. 2)

The study asked about 16 different aspects regarding points use. After analysis, seven segments emerged:

- **Largest segment:** 22%, or just over 1 in 5, are 'Super Savers' (saving for a specific item or for a spur-of-the-moment need)
- **Other segments:**
 - 16%--Deal Finders (want sales, deals, and value for \$)
 - 13%--Frivolous Choosers (want lots of choices to splurge on)
 - 13%--Upfront Planners (want to pick out something upfront and work toward earning it)
 - 13%--Life Soothers (want to spend on something to help them relax or make life easier)
 - 12%--Gracious Givers (want to spend on gifts for family/friends or coworkers/team members)
 - 11%--Friendly Adventurers (want to use on an adventure and/or buy for or show family/friends)

The Purpose of Purposeful Choice

Maritz is dedicated to the science and art of people and potential. The ultimate objective of a rewards program is to help people realize their potential. Whether you're motivating a sales professional to stretch for a sales goal, recognizing an associate for a stellar accomplishment or rewarding a customer for ongoing loyalty, the reward must be meaningful to inspire performance and create lasting goodwill toward your company. That's the ultimate purpose for **purposeful choice**, a concept Maritz has helped companies deliver to their most important people for decades.