



The Shift Away from Cash as a Workplace Incentive

"...at the end of the day, [cash] has nothing to do with trophy value, it has nothing to do with shared memory, it has nothing to do with engagement.... Cash is not a motivator. It's a compensator."¹

Companies have a wide range of options when it comes to motivating, recognizing, and rewarding employees, be they gift cards, merchandise, cash bonuses, travel, or even prime parking spaces. On the surface, cash and gift card awards might seem interchangeable, but recent research shows that gift cards increasingly outperform cash as workplace rewards and employee motivators. HR directors and companies in the incentives business aren't the only ones noticing the rise of gift cards relative to cash – thought leaders in business and academia are now picking up on this trend.

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Thought leaders such as McKinsey & Co., PwC, and the Aberdeen Group have documented companies' shift from cash to non-cash rewards, and the benefits it can have for employees and on the bottom line. In "Motivating People: Getting Beyond Money," McKinsey argues that non-cash rewards can be much more effective at motivating workers and "building long-term employee engagement" than traditional cash bonuses.² Business leaders also realize that non-cash rewards serve as important motivators. PwC's "14th Annual Global CEO Survey" found that 47 percent of CEOs intend to provide more non-financial rewards, and an additional 18 percent will significantly shift their incentive programs to include more non-financial rewards.³

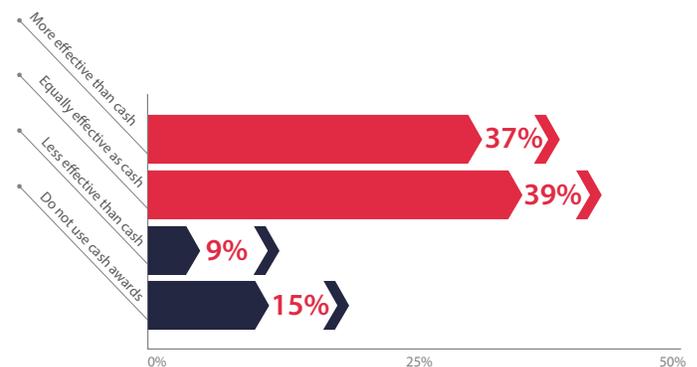
Best-in-class companies recognize that offering non-cash rewards can ultimately benefit their bottom line. When it comes to rewarding top performers, the Aberdeen Group finds that 21 percent of top firms have turned to external providers to manage non-cash rewards programs – more than double the percentage of average and laggard firms that use external providers for non-cash rewards. Indeed, non-cash rewards could play a role in higher performance: best-in-class firms enjoyed on average 23.1 percent year-over-year growth in corporate revenue compared to 7.2 percent for firms that meet the industry average and 5.9 percent of industry laggards.⁴

Data Shows Gift Cards Trump Cash

Gift cards are increasingly popular among both employers and employees. In a joint 2011 study, the Incentive Research Foundation (IRF) and the Incentive Federation found that 65 percent of surveyed firms include gift cards in their rewards programs, and 26 percent of firms exclusively use gift cards as workplace awards. This is more than four times greater than companies that exclusively award cash.⁵ And eight of 10 employees have stated they prefer gift cards over other incentives.⁶

A 2012 Incentive Magazine survey of its readership reveals that 37% of executives and HR decision makers believe gift cards are more effective than cash. Only 9% believe cash to be more effective:⁷

Figure 1: How effective are gift certificates/gift cards compared to cash?



- 1 Dave Peer, President of the Incentive Marketing Association and Hinda Incentives. Jakobson, L. "The Continuing Case for Non-Cash Rewards." Incentive Magazine, April 4, 2012. <http://www.incentivemag.com/News/Industry/Articles/The-Continuing-Case-for-Non-Cash-Rewards/>
- 2 Dewhurst, M., Guthridge, M., and Mohr, E. "Motivating People: Getting Beyond Money." McKinsey Quarterly, 2009. https://www.mckinseyquarterly.com/Motivating_people_Getting_beyond_money_2460
- 3 "14th Annual Global CEO Survey." PwC, 2011, p. 14. <http://www.pwc.com/gx/en/ceo-survey/pdf/14th-annual-global-ceo-survey.pdf>
- 4 "Sales Performance Management 2012: Rewards and Recognition as a Vital Compensation Component." Aberdeen Group, 2011, p. 2. <http://theirf.org/direct/user/site/0/les/SPM-RandR-VitalComponent.pdf>
- 5 Dickinson, A., Einarsson, Y. and Jerrey, S. "The Use of Reward and Recognition Awards in Organizations." Incentive Research Foundation and the Incentive Foundation, 2011, pp. 6-8. <http://theirf.org/direct/user/site/0/les/2011-PhaseIIStateofNonCashAwardUseinUS%20-%20Final.pdf>
- 6 Palmer, A. "IRF Study: Recipients Greatly Prefer Gift Cards to Cash." Incentive Magazine, May 8, 2012. <http://www.incentivemag.com/Gift-Card-Programs/Retail/Articles/IRF-Study-Recipients-Greatly-Prefer-Gift-Cards-to-Cash/>, "It's In the Cards: An In-Depth Look at PrePaid Cards in Incentive, Rewards & Recognition Programs." Incentive Research Foundation, 2012. <http://theirf.org/Prepaid-Gift-Cards-in-Incentive-Reward-and-Recognition.6087263.html>
- 7 Jakobson, L. "2012 Gift Card IQ: Gift Cards Outpace Cash." Incentive Magazine, September 1, 2012. <http://www.incentivemag.com/Resources/Research/Articles/2012-Gift-Card-IQ-Gift-Cards-Outpace-Cash/>

Putting Their Money Where Their Mouth Is

Indeed, the incentive and loyalty gift card market in the U.S. totals \$22.7 billion in 2012. Of that, \$7.3 billion is allocated to employee recognition and \$8.5 billion is spent on sales incentives programs.⁸

- **Greater impact and higher return on investment:** a joint IRF and Incentive Gift Card Council study found that incentive program planners believe gift cards have more impact and better ROI than cash. Unlike cash, businesses can personalize gift cards, and they also offer great branding opportunities.⁹
- **Increased engagement:** Almost 70 percent of HR personnel in a 2012 survey reported that gift cards for merchandise are either extremely effective or effective at increasing employees' engagement at work.¹⁰
- **All the flexibility of cash, without its downsides:** Gift cards simultaneously offer recipients the flexibility of cash and the opportunity to treat themselves without feeling guilty. Cash is simply extra cash – it might go towards bills or sit in a bank account, while gift cards are an attractive way for workers to earn a luxury item.¹¹

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GC Incentives™ builds corporate incentive, promotion and reward programs that achieve results. Our incentive management system, IncentCore, makes it easy to implement, administer and take the guesswork out of your rewards program. More than 30,000 organizations, from industries like, energy, finance, insurance, manufacturing and healthcare have already partnered with GC Incentives, including many Fortune 1000 companies. We offer an extensive product portfolio including our SuperCertificate® REWARD, which is redeemable for over 200 nationwide merchant gift cards.

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