

Welcome to the August 30, 2012 edition of The Wise Marketer!

The virtual rise of the prepaid reward scheme

In the incentive and motivation arena, the prepaid card has truly arrived, it seems, with prepaid open loop payment cards now celebrating their tenth birthday in the UK, according to David Parker, CEO for Polymath Consulting, who examines the current and longer-term effects that prepaid cards are having on the incentives business.

What Parker means by "open loop" is that a prepaid card has a badge such as Visa, MasterCard or American Express on the front, and where the card's funds are in effect pre-loaded. When used as an incentive, the funds are loaded by the company before the card is given to employees or other people as a reward. Cardholders can then spend their reward wherever they see the appropriate card logo, but there are no credit arrangements in place to enable over-spending. (parker77m This article is copyright 2012 TheWiseMarketer.com).

Perhaps one of the key questions that any business should ask is why it should set up an incentive programme of this nature, whether it be based on cash, digital rewards, or physical rewards. According to research by Harold D. Stolovitch, Richard E. Clark and Steven J. Condly in 2003, the gains reported for different types of programme were as follows:

Individual-based incentives: 27% performance gain;

- Team-based incentives: 45% performance gain.

Looking at the time frame of the incentive programmes studied:

- Short-term (1 week or less): 20% performance gain;
- Intermediate term (about 6 months): 30% performance gain;
- Long-term (more than 6 months): 44% performance gain.

But the biggest question was which type of incentive works best:

- Monetary: 27% increase in overall performance;
- Gift or travel: 13% increase in overall performance.

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The key conclusions in that study were that cash, when used as an incentive over the longer term, can lead to dramatic improvements in performance. But these results are hardly a surprise given that, in Dean Spitzer's 1995 large-scale study of work attitudes, a little over 50% of workers admitted that they did only the minimum amount of work to avoid being fired, and over 80% admitted that they could work much harder.

So why use prepaid cards? Today, people tend to want things instantly; they are not prepared to wait, and they don't want anything "at someone else's convenience". Incentive or reward cards answer this need very effectively, and the business benefits of using prepaid incentive cards are tangible for all parties involved.

Many of the benefits that consultancies gain from creating and running these programmes for their corporate clients apply equally to those client companies as well. These benefits include:

Motivation and engagement

No corporate incentive or reward programme is going to work unless it can motivate and engage the employee. Cash is a key motivator but, with prepaid cards it gives the employee the freedom to use it wherever and whenever they choose, including on the internet.

In addition, with an open loop solution they have the ability to spend it on whatever they like. But more importantly, it can be instantaneous: an award is made and the funds are deposited onto the card within minutes. There is no issue of 'catalogue fatigue' and no waiting.

And, unlike cash or payments made as part of a payroll run, the prepaid card also allows the incentive to be clearly highlighted to the employee and not disappear into their 'general income and spend' for the month. There must always be a clear correlation between action and reward and, by separating the payment onto a prepaid card, the employee can clearly understand that they are receiving or buying something nice because of their actions at work.

Elimination of cash and cheques

As an electronic form of payment, prepaid cards instantly bring a range of efficiency and cost benefits to the consultancies and companies using them. They eliminate cash and cheques, and all the subsequent paperwork associated with them. Prepaid incentive programmes also provide much clearer audit trails and can therefore reduce any risk of fraud: there are clear records of who was paid what, and for what reason.

Elimination of reward stock

Many companies moved to using of paper-based retailer vouchers to avoid the cost and trouble of directly fulfilling incentives and rewards themselves. The costs of stocking goods, and the risk of them remaining at the end of the promotion, along with all the handling costs, made reward stock-holding very unattractive.

Apart from removing the need for stock holding, handling, and tracking, prepaid cards go one stage further because the required funds are only issued by the company when they are actually required. Normally, a certain level of cover is required by the consultancy or issuing bank, but this is usually still far less than the total fund needed for the entire programme. Prepaid cards can therefore also help to improve corporate cash flow because of their 'drip feed' funding model.

Flexibility

Although prepaid card programmes may initially cost more to set up, when used with reloadable cards they offer a range of unique advantages to all those concerned. Different types of rewards and incentives can all be paid into a single card, allowing employees to build up to big, memorable reward purchases.

Reloadable cards also allow these programmes to be turned into engaging games. They also allow companies to react to changes and events 'on the fly'. With the business environment changing so quickly these days, there is often a need to provide short-term tactical staff incentives based on unforeseen events. With prepaid cards these short-term incentives can be put into place almost instantly, at almost no additional cost.

Building a brand

If you ask anyone which brand of car they drive, or which brand of mobile phone they have, most people will know. Similarly, they nearly always know the brands associated with the plastic payment cards in their wallet. For this reason, a corporate-branded prepaid card can help build up the corporate brand and culture; employees will naturally talk about or 'show off' the company's reward card that they carry. Companies can easily customise all aspects of the programme, from the card's design through to the websites and even the materials and statements sent to employees. This

provides a wide range of employee touch points at which the company can convey and build upon key corporate messages.

The key to any incentive or reward programme is that it motivate the target audience instantly, tangibly, and with a great degree of choice. A prepaid card programme fulfils these requirements, and also removes the risks and overheads of other incentive types. But most importantly it means that the correlation between action and reward is real for the employee, ensuring not only greater engagement with the company but also a strong desire to repeat their behaviour and earn a reward again.

So what does the future hold for prepaid incentive programmes? Well, if you consider the physical card as being just a 'token' to enable the employee to receive the value of the reward, then the future may lie in 'virtualisation' - that is, the issuing of digital or mobile payment mechanisms instead of plastic cards.

In fact, we are now starting to see an increase in the use of virtual open loop prepaid cards, and it must not be forgotten that digital platforms can be delivered absolutely instantly, in real time: something which we know everybody wants. As you reduce the time between the desired behaviour taking place and the reward being issued, the stronger the link that will be forged in the employee's mind. And that is the point: they earn their rewards, the reward arrives on their mobile phones immediately, and they strive even harder to repeat the experience again, as often as possible.

More Info:

<http://www.polymathconsulting.com>