



***Too many award choices are
hurting your incentive programs.***



**When choosing between
two evils, I always like to
try the one I've never tried
before.**

Mae West



Introduction

When given the option of choosing one item from a group of many items or choosing one item from a smaller group, which would you want? A better question may be: which will we feel better about after you've made your choice?

This question is the basis for a study and a book. The study, "When Choice is Demotivating: Can One Desire Too Much of a Good Thing?" and the book "The Paradox of Choice," take the position that while we desire more options from which to choose, we are becoming increasingly unhappy with our choices. This is truly a paradox, and possibly a problem for any incentive program.

Does offering unlimited choice in the form of award Debit Cards or through an ever-expanding choice of certificates and items in typical incentive catalogs do more harm than good? Is less more? Will the results of incentive program benefit by going on an awards diet?

***The following pages provide an overview of
the study previously mentioned and
highlights some implications for designing
award programs.***



Background – The Study

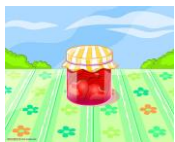
In 2000 Sheena S. Iyengar, an associate professor at Columbia University in the Management Department at the Business School and an adjunct in the Psychology Department published a paper in the Journal of Personality and Social Psychology called: ***“When choice is demotivating: Can one desire too much of a good thing?”***

It has been a long and strongly held psychological theory that more choice has greater motivation impact. This study challenges this assumption and shows that motivation declines when someone has too many choices.

Studies done from the mid-seventies through the eighties seemed to reinforce the notion that increasing choice increases intrinsic motivation and enhances performance on a variety of tasks. However, the studies conducted by Ms. Iyengar show **people become frustrated when choosing amongst many options, are less satisfied with their choices and in many cases refuse to choose!**

In other words - the pain of choosing is greater than the benefit that may be realized by making the choice.

Experiment 1



In this first experiment, consumers shopping at an upscale grocery store encountered a tasting booth which displayed either a limited (6), or an extensive (24) selection of different flavors of jam. The two measures of customers' motivation were their initial attraction to the tasting booth and their subsequent purchasing behavior. All consumers who approached the table received a coupon allowing them one dollar off any purchase of jam.

The central aim of Study 1 was to examine whether the number of options displayed affected consumers' initial attraction to the displayed product and/or their subsequent purchasing of that product.



Results

Sixty percent of the customers who passed the extensive selection display of jams, actually stopped at the booth. By contrast, only 40% of the customers who passed the limited selection display of jams stopped. Thus, consumers seeing more choices were more attracted to the booth than consumers exposed to the less choice, suggesting that greater variety was initially more attractive.

One might imagine that consumers encountering 24 different jams would sample more flavors than consumers encountering 6 different varieties. There was however, no significant difference. Consumers with more choices sampled an average of 1.5 jams, while consumers with less choice sampled an average of 1.4 jams.

Subsequent Purchasing Behavior

The big AHA! - Nearly 30% of the consumers with fewer choices purchased a jar of jam. By contrast, only 3% of the consumers exposed to greater choices purchased a jar of jam.

Almost 10 times as many people bought jam when experiencing a limited choice vs. a more extensive choice!

Experiment 2



Students in an introductory social psychology class were given the opportunity to write a two-page essay as an extra-credit assignment. Students were given either six, or thirty, potential essay topics on which they could choose to write. Intrinsic motivation was assessed by comparing the percentage of students who completed the assignment in each group and the quality of the essays.

Results

Overall, 65% of the students chose to do the assignment. Of the students given limited-choices, 74% turned in the assignment. By contrast, only 60% of the students given more choices chose to complete the assignment.

The quality of the work was also compared. On average, students with limited-choices performed statistically, better than those greater choices.



The results from both studies suggest that giving people more choice does not necessarily lead to enhanced motivation. Quite the opposite seems to be the case. In both studies, people actually seem to prefer to exercise their opportunity to choose when their choices are limited, and in Study 2, they even performed better.

Thus, the results of Studies 1 and 2 support the hypothesis that extensive-choice may be more appealing, but are subsequently more likely to hamper intrinsic motivation.

What Happened? Why do people want choice but are unhappy when they have to choose?

Limited-choices make people engage in *rational optimization*—to try to decide on the best option. However, as number of possible choices increase, people short-cut that process because of time and energy and choose based on what meets minimum requirements or - "satisfice" - and then stop when they find *any* choice that seems acceptable.

In other words, when people have "too many" options to consider, they simply strive to end the choice-making ordeal by finding a choice that is merely satisfactory, rather than optimal.

Another possibility is that the more choices given make person a feel more responsible for their choices. This in turn, inhibits choosers from exercising their choices, out of fear of later regret.



To Sum Up...

Many choices are initially attractive

...But

- ▶ People enjoy making choices more when the selection from which to choose is limited
- ▶ People are more satisfied with their choices when chosen from a limited selection
- ▶ People perform better when ask to do something from a limited choice of options
- ▶ People are more apt to make a purchase decision when faced with limited choices

If this research is correct it should have huge impact on the way in which incentive and performance improvement programs are developed.

The next few pages outline the impact - and possible ways a program can be designed to leverage these findings.



Implications for Performance Improvement Program Design

Understand the Dynamic

The biggest insight this study provides is that participants don't know they will be unhappy if given unlimited choices. Participants are conditioned by society that more is better, but don't understand the implications of choosing from the "more." Therefore programs must be designed in a way that do not overtly limit participant choices, but provides the impression that their choices are unlimited.

Knowing that unlimited choice will ultimately end up being a dissatisfier in the program is the first step in the cure.

Our goal as professionals should be to design the program in such a way as to keep all participants happy - unlimited choice - while providing easy ways to make choices to eliminate the dissatisfaction with the outcome.

Many arguments abound on the power of giving people choices. The biggest is that giving unlimited choice will ensure that a participant will find what they want. This assumes the participant knows what they want.

Imagine a group of people who arrive at a new Chinese restaurant, for example, all hoping to be able to order their personal favorite dishes. Obviously, the more items offered on the menu, the more satisfied these customers will be, on average. More generally, in "preference matching" situations, where people enter hoping to find some particular product or service they already prefer, larger numbers of options will increase the likelihood that they will be successful in their search.

Key here is that participants already know what they "prefer."

Only after knowing what I want will having a large number of options provide me with the likely outcome of getting what I want. The participant has to set the objective of the search first... then the options need to be displayed.



Current program design does this backwards...

“Here’s your unlimited choice of options... now find what you prefer.”

This is a recipe for disaster. As this study indicates this structure will ensure that participants are overwhelmed with choices, feel frustrated in the hunt for the appropriate choice and ultimately not be happy with the item selected.

It’s the Process not the Options

In this research study, participants were drawn to, and happier with, extensive choices - more people stopped at the jam stand with more jam. However, when push came to shove and decision needs to be made, satisfaction with their choice decreases and actual performance lags.

What this seems to indicate is that the option to choose is highly desirable, but the process of choosing deflates our initial satisfaction and will in the end, cause us to be less satisfied with our choice.

Therefore, offering many options for redemption - through a catalog or unlimited options through a debit card - is highly desirable and will cause most participants to see that as a better reward vehicle. However, as these experiments indicate, this is a sure way to have unhappy participants in the end.

Participants in performance programs are making decisions based on limiting the pain of making bad decisions. Is this the way they should feel for performing above and beyond?

So what does this all mean? How can we offer a large selection of awards AND have happy participants?

The answer lies in the process. If the participant is required (or encouraged) to make successive choices from the “unlimited” pool of options so that when the ultimate choice arrives it is from a limited pool of options, it may be possible to provide more choices and eliminate the dissatisfaction and frustration of having to actually make that choice from a large number of options.



OPTION 1-Manage the Choosing Process

The incentive industry has become very adept at managing the earning process. From old-fashioned standings reports mailed to the home to online accounts that can be accessed 24/7 the participant can see what has been earned, when it was earned and how it was earned. The participant knows their earnings in a program but doesn't have any connection to the redemption process or the experience of using the reward they ordered - the true trophy value of their effort.

It is more important than ever to connect the effort and the trophy and to get participants to redeem and experience their award. This should be a major objective of any program.

Some programs incorporate a "wish list" function, and when implemented successfully, can provide additional motivation to choose an award and feel good about the choice. However, the "wish list" isn't typically monitored to determine if the participant in fact redeemed - nor is their any effort to help them redeem through email or snail mail reminders.

As the studies show, the choosing process is complicated and the satisfaction a participant feels with their choices is a function of the process they had to go through to make the decision. Simply providing more choices is actually making the participant unhappy and limiting the effect of the program.

A successful program should manage the choosing process to eliminate as many hurdles to satisfaction as possible. Some ideas include:

Expand the "wish list" functionality to help participants choose items for other members of the family (extended or otherwise) by asking for birthdays and gifts they'd like to give. Once the "wish list" is completed the system can remind the participant prior to the birthday and ask for shipping instructions. The system can also ask the participant for permission to ship once the appropriate number of points is reached - and send a confirmation email when completed.

Asking for gift ideas further reduces negative feelings about the choice made since they are giving a gift and no one is every sure whether a gift is the right gift and the receiver rarely is ungrateful for the thought.



OPTION 2 - Provide Opportunities for Limited Choice

Currently most programs are structured so that the participant earns points over the course of the program and it is almost entirely up to the participant to go to the catalog and “shop” for items. The fallacy in this scenario is the participant isn’t shopping. Shopping denotes that you have something particular in mind and are out looking for it. In many cases participants don’t have an idea of what they “want” at the beginning of a program and therefore the entire experience of “shopping” for an award is foreign to them.

Our goal should be to provide opportunities in the program for participants to focus on redemption - earning an award - versus earning the points that lead to an award.

Throughout the term of the program participants should be “offered” limited choices - for limited times - to redeem their points. The limited choices could be taken from historical trends on redemption and also provide a discount from the point values in the general ongoing catalog. This process would encourage redemption, reduce the stress associated with choosing an award and ultimately provide greater motivation to the participant. All of these benefits will drive program performance - which is what you are buying in the first place.



OPTION 3 - Ask First, Assemble Later

At program onset each participant could be asked to list their desires and needs for the next three to six months. From this list a custom catalog - limited by the choices made up-front- would be assembled and electronically delivered to the participant. This would be the “main” catalog from which they would redeem. During the course of the program additional special offers could be provided to expand the choice if necessary.

This option would require a very astute understanding of the program rules and earnings potential in order to ensure the awards are meaningful yet attainable.

In this scenario there would be no “merchandise” catalog or travel options - it would simply be “my catalog” based on my desires and my willingness to work toward a goal.

Theoretically, this would eliminate many of the negative feelings that participants may have relative to the award choosing process.



The Bottom Line

Having unlimited options, can lead people to dissatisfaction with the choices they make and actually reduce intrinsic motivation.

Although such a finding may seem counter-intuitive, many of today's humorists, understand this phenomenon is already well known.

Our job is to provide programs that influence behavior and have people happy to do it. It's time to re-think what we believe.



**It's what you know that
ain't so that gets you in
trouble.**



About I2I

I2I is an influence consultancy that helps companies align the behavior of their employees, channel partners and consumers with the goals and objectives of the company. Using a combination of motivation theory, behavioral economics and social psychology, **I2I** can have profound impact on a company's results.

The author is Paul Hebert - Managing Director of **I2I**. Paul is widely considered an expert on motivation and incentives and authors the highly rated blog Incentive Intelligence. Paul has had whitepapers and articles published in HRM Magazine, is a contributing author on the Fistful Of Talent blog, and is a monthly columnist for Incentive Magazine.

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