

CASE STUDY:

INCENTIVE SHIFT BOOSTS CORPORATE AMENITY ENGAGEMENT BY 68%

Commercial Real Estate Owner Earns Extra \$150,000 Profit

Dr. Mike Rucker

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Recently at Active Wellness, we changed the membership incentive at one of our national corporate wellness facilities from an entitlement to a use-it-or-lose-it model. For years leading up to the switch, employees had full access to the fitness facility at their leisure as a perk of employment. Providing perks like corporate wellness is a vital component for supporting employee well-being, but these perks are of little use if they're not utilized. Team Active increased fitness utilization by positioning the amenity in question as a co-owned supportive partnership, benefiting from the behavioral economic concepts of the endowment effect and loss aversion. The incentive shift also benefited the commercial real estate owner with an extra \$150,000 in profits in less than four years.

THE SCIENCE

This distinction, perk vs. co-owned amenity, is an important one because of the behavioral economic concept known as the endowment effect. When we take ownership of something, we naturally value it more and fight harder to maintain it. A principle known as loss aversion, which is a component of the endowment effect, was developed by Nobel Prize winners Daniel Kahneman and Amos Tversky. They predicted that the pain of losing something to which we believe we own is greater than the joy of gaining something of equal value. For example, believe it or not, most of us would prefer not to lose \$10 we already have to the serendipity of stumbling upon \$10 we didn't have before. Psychologically, there is a great asymmetry between the way we perceive losses and gains. This phenomenon has an evolutionary explanation; early humans were much more affected if they lost their existing food than if they found extra food. As such,

losses and disadvantages have a much greater impact on our preferences than gains and advantages.[1] There has been a lot of research focused on which incentives and interventions are most effective for motivating healthy behavior. Dr. Mitesh Patel, assistant professor of medicine and health care management at the Perelman School of Medicine, compared the effectiveness of financial incentives for individual versus team-based exercise. The experiments showed that standalone individual incentives are not the optimal solution.

Rewards based on a combination of individual and team performance were the most effective in motivating people to exercise more, likely because groups enforce accountability and peer support. [2] That said, numerous studies suggest that monetary incentives alone are not enough; the design and delivery of the incentive matter as well. George Loewenstein, professor of economics and psychology at Carnegie Mellon University, found that we are highly prone to keeping our customary habits when we are used to them. This is known as our default bias. Even when informed of healthier choices, people are more likely to continue past patterns. Homeostasis kicks in and biases decision making.[3] We, therefore, need something that shakes us from our status quo.

“Team Active increased fitness utilization at a nationally-managed corporate wellness network by positioning the amenity as a co-owned supportive partnership.”

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THE CASE STUDY

Starting in 2015, Team Active shifted the arrangement with employees at a national, Active-managed corporate wellness network. Complimentary membership remained the same (Active's corporate client paid the associated member dues per on-site employee), but the shift entailed tracking how often the employee used the fitness amenity and revoking access if the employee did not use the amenity a certain number of days per quarter.

Before this shift, when employees had no risk of losing the amenity, average visits to the facility were 2.2 visits per month. Once a minimum usage policy was put into place, the average monthly visits jumped to 3.7 visits per member per month. For fitness amenity engagement, this 68% increase is newsworthy! Additionally, attrition rates decreased by nearly 11%, from 6.74% average attrition in 2015 to 6.01% in 2019.

Our real-world findings support what researchers have discovered in a controlled setting. Dr. Patel applied these principles to determine the most effective ways to incentivize increased physical activity. The goal of the study was for participants to walk at least 7,000 steps per day. One group of participants were exposed to a loss incentive: they were allocated \$42 monthly upfront and had \$1.40 removed each day if they didn't complete enough steps. Consistent with the theories of behavioral economics, this group of participants performed significantly better than the gain-incentive group who started with \$0 but earned \$1.40 each day the step goal was achieved. The loss-incentive group also performed better than the lottery-incentive group (a chance to win a \$5 prize if the activity goal was reached) and the control

group (no incentive). Patel and his team concluded that when targeting physical activity, financial incentives framed as losses are likely the most effective. [4]

Loss aversion strategies hold a lot of potential when they're architected ethically and empathically. The key is to custom craft a winning game plan with incentives that appeal to a wide range of preferences.[5]

Active Wellness has an award-winning wellness team that provides tailor-made solutions specific to each facility. Our team partners with yours to inspire more of your community toward healthier, happier lives. You're invited to contact Team Active at 415.741.3300 today to start a conversation.

[1] Tversky A, Kahneman D. Loss aversion in riskless choice: a reference-dependent model. *Quarterly Journal of Economics*. 1991; 107(4): 1039-1061.

[2] Patel, Mitesh S., David A. Asch, Roy Rosin, Dylan S. Small, Scarlett L. Bellamy, Kimberly Eberbach, Karen J. Walters, et al. Individual versus team-based financial incentives to increase physical activity: A randomized, controlled trial. *Journal of General Internal Medicine*. 2016; 7: 746-754.

[3] Loewenstein G, Brennan T, Volpp KG. Asymmetric paternalism to improve health behaviors. *Journal of the American Medical Association*. 2007; 298(20):2415-2417.

[4] Patel MS, Asch MD DA, Rosin R, et al. Framing financial incentives to increase physical activity among overweight and obese adults: a randomized, controlled trial. *Annals of Internal Medicine*. 2016; 164(6):385-394. doi:10.7326/M15-1635.

[5] Rucker M. Interview with Mitesh Patel about Health Incentives. 2016. <https://michael-rucker.com/thought-leader-interviews/mitesh-patel-health-incentives>

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