

Incentive Federation Program Design & Support: End-User Survey

January 2015



Background & Methodology

- The Incentive Federation engaged Aspect Market Intelligence to conduct a study with a national sample of business stakeholders to understand design considerations and support mechanisms for reward and recognition programs.
- The audience was reward and recognition “end-users” in firms with at least \$1 million in annual revenue.
 - To qualify, respondents must have some level of responsibility for non-cash programs for their salespeople, for channel/dealer partners, or for their employees.
 - For the purposes of this study, channel and dealer partners are defined as the distribution channel of the end-user company.
 - A panel was utilized for business decision-maker sample, providing several benefits: 1) participants opt-in to receive relevant surveys; 2) surveys are disseminated in a highly-targeted manner to participants likely to qualify to complete them; and 3) participants are incented by the panel they are part of.
- A fifteen-minute online survey was distributed. Data collection took place between December 29, 2014 and January 2, 2015.

Number of Respondents by Firm Size

- A total of 234 business people with responsibilities related to reward and recognition programs responded to the survey*. This sample size results in a 95% confidence level and a 6.4% margin of error. (If the study was repeated 100 times, 95% of the studies would generate results with 6.4% of the current study.)
- To ensure representation across firm size, quotas were used to control the number of respondents by size of company, as shown in the table below.

Firm Size (by Revenue)	Number of Respondents	Percent of Respondents
\$1 million to \$9.9 million	51	22%
\$10 million to \$99 million	50	21%
\$100 million to \$999 million	66	28%
\$1 billion or more	67	29%

*Sales n = 104, Channel n = 45, Employee n = 159

Weighting

- Because the study objective is to project findings to the population of U.S. businesses, all findings are statistically weighted to reflect the highly-skewed distribution of firms; for every firm over \$1 billion in revenues, there are 472 firms between \$1 and \$10 million in annual revenues.

Company Revenue	Number of US Companies	Percent of All Companies Over \$1Million in Revenue
\$1 to \$10 million	1,244,164	86%
\$10 to \$100 million	176,850	12%
\$100 million to \$1 billion	17,974	1%
Over \$1 billion	2,631	0.2%
Totals	1,441,619	

As company size increases, so do divisions, locations, and decision-makers. It is unlikely any individual survey respondent within a large firm is able to provide information wider than their own division. A marketing respondent is able to provide insights about that department's reward/recognition, but not for other departments like sales, HR, etc. Therefore, activities reported here for the largest firms are likely conservative.

Leveraging Study Findings

- This deck is a compilation of results across a wide range of topics relative to how reward and recognition programs are designed and operated across US businesses.
- The depth and breadth of information produced by this study lends itself to a number of topical publications, such as:
 - Individual primers for program managers of:
 - Sales programs
 - Channel programs
 - Employee programs
 - Individual reviews of reward and recognition programs for firms with:
 - \$1-9 million in annual revenue
 - \$10 – 99 million in annual revenue
 - \$100 - \$999 million in annual revenue
 - \$1 billion or more in annual revenue
 - A review of program design considerations for reward and recognition end-users
 - A review of program support mechanics found in reward and recognition programs
 - Gaps in end-user awareness or capability to be addressed by the incentives industry

Queuing Up “Reward and Recognition” for Respondents..

As a topic, “reward and recognition” was broadly outlined to respondents, as follows:

- “Many companies work to recognize and reward stakeholder groups to desired behaviors. For example, a company may offer incentives to their sales teams that go beyond their compensation, offer partners perks to recommend or sell their products over those of competitors, or recognize employees for years of service. Additionally, some companies provide incentives to all employees to reach performance or other types of goals (safety, wellness). These are the types of non cash-related activities we’d like to learn about for your company.”

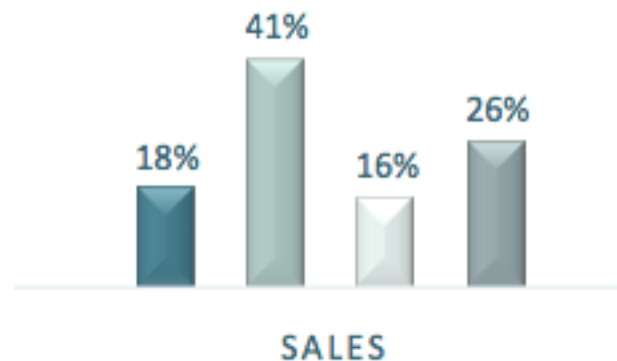
Program Design

Program Connectivity by Audience

Companies are frequently running multiple Sales and Channel programs that are connected through an “umbrella” program – a unifying theme or focus. In contrast, while companies are also running multiple Employee programs during the year, not all are typically connected under one over-arching program.

Programs Per Year By Audience

- We run one reward program per year
- We run multiple programs in a year, but they are all connected to an umbrella program
- We run multiple discrete programs per year
- We run multiple programs in a year: some are connected and some are discrete

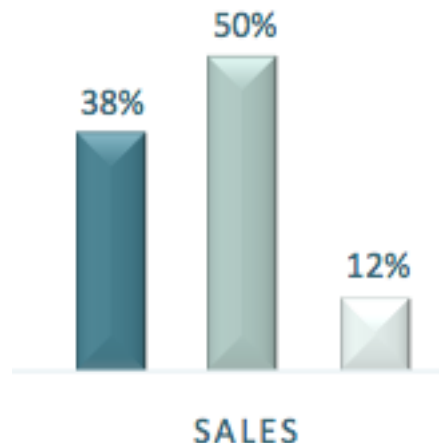


Pace of Programs by Audience

Channel programs are often paced such that some programs are offered every year, with additional programs added on during the year to address specific goals. Half of Sales programs follow this pace as well. Employee programs take many forms; some firms have yearly programs while others launch programs as needed.

Program Cadence By Audience

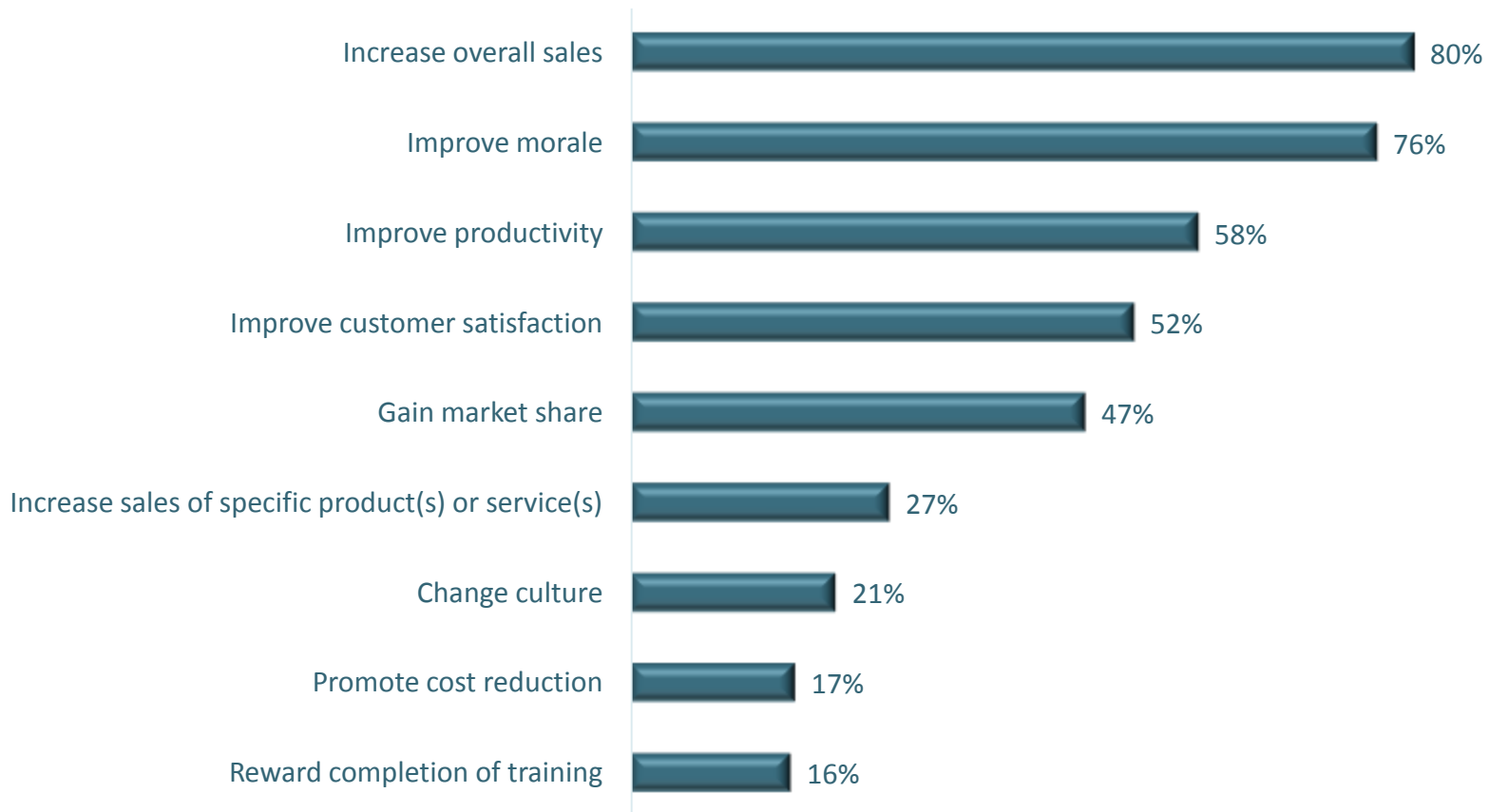
- We offer our program(s) every year
- We offer some program(s) every year, and others are launched as we have specific goals to meet
- We launch our programs only as we have specific goals to meet



Sales Program Objectives

Intuitively, the most common objective of Sales programs is to increase overall sales. Increasing the morale of the salesforce is a close second.

Program Objectives: Sales



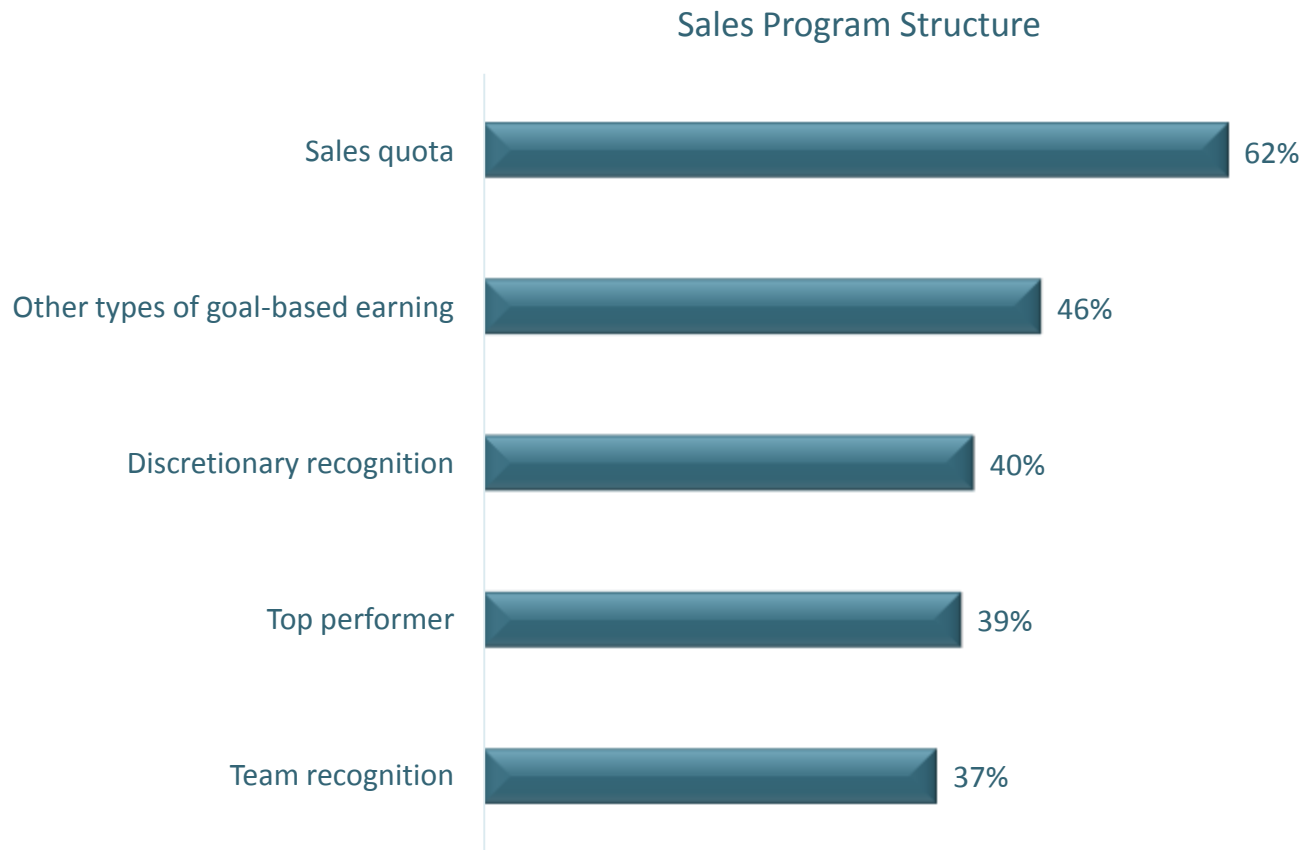
Program Structures

The pages that follow outline the structures for Sales programs. Structures were described for respondents as below:

	Sales
Sales quota	Participants receive individualized quota targets and earn rewards upon hitting those targets.
Other types of goal-based earning	Participants receive individualized goal targets and earn rewards upon reaching those goals (new product or other training, clearing inventory, etc.).
Top performer	Goals are set among all participants and the top performer(s) earn rewards at the end of a set time period for the program.
Discretionary recognition	Recognition or award is given on a spot basis, e.g., a manager to an employee, peer to peer among employees.
Team recognition	Recognition or award is given to a team for group achievements or for reaching team goals.
Service anniversary/ milestone achievement	n/a

Sales Program Structure

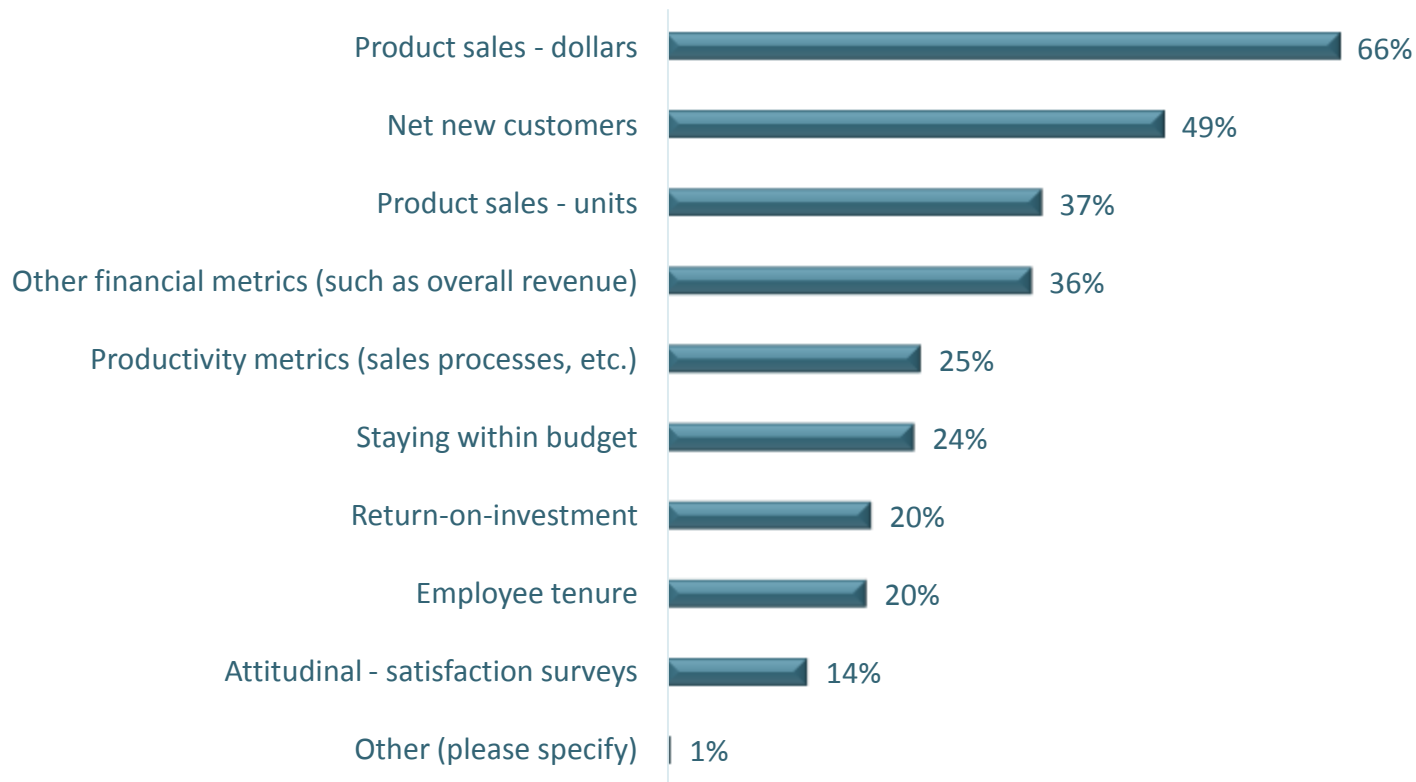
Companies use a broad range of rule structures when designing Sales programs, but the most common structures are based on sales quotas.



Sales Program Evaluation Metrics

When evaluating the success of Sales programs, most companies use product sales (in dollars) to measure return. Another popular metric for Sales programs is net-new customers. ROI calculations are only used in 20% of programs.

Sales Program Metrics



Priorities When Designing Sales Programs

The most important design consideration for Sales program managers is ensuring that the program rewards the right people. This is seen as a more critical consideration than organizational alignment, establishing a culture of recognition, and other factors that pertain to participant engagement. It's likely that if this criteria is not met by the program, everything else suffers as well.

Design Considerations: Sales Programs



Respondents were asked to allocate 100 points across various considerations that impact program design. Items that are higher priority have more points assigned to them. This method allows for ratio comparisons – an item with 20 points is twice as important as an item with 10 points.

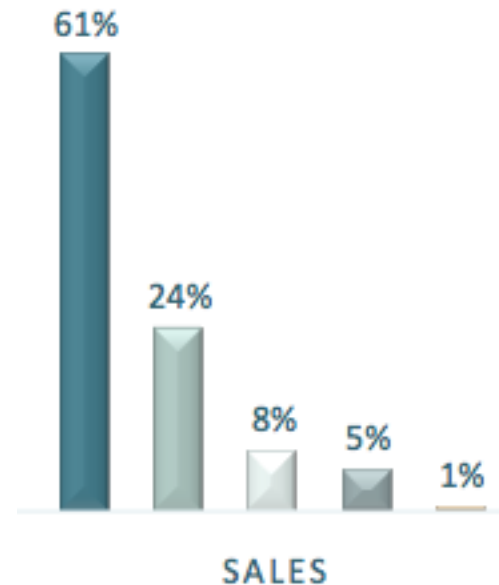
Program Spend

Program Spend by Audience

The typical company spends less than \$50,000 per year on their program(s), regardless of the program audience. This is due to the vast number of small businesses in relation to larger firms.

Program Spend By Audience

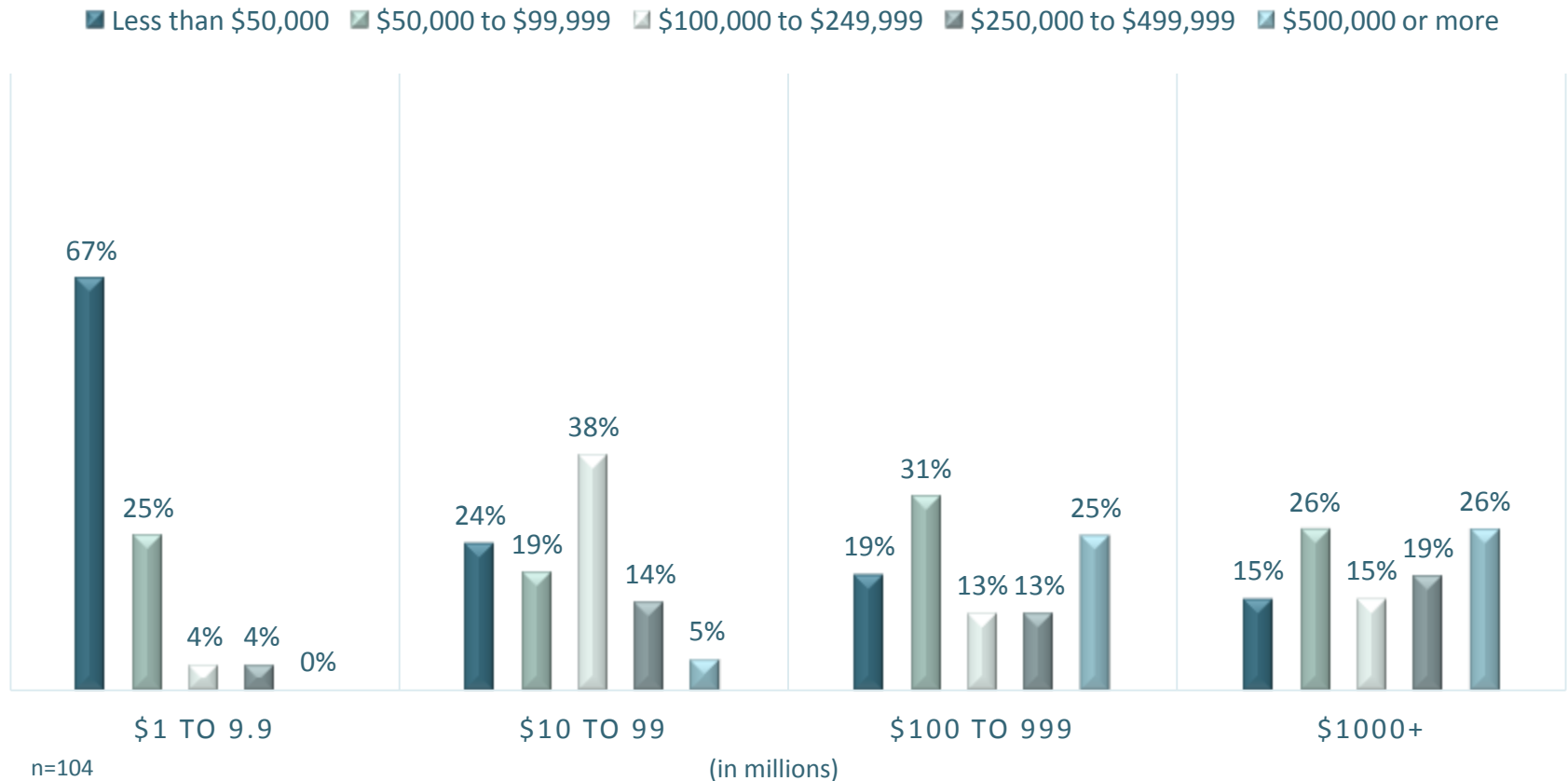
■ Less than \$50,000 ■ \$50,000 to \$99,999 ■ \$100,000 to \$249,999 ■ \$250,000 to \$499,999 ■ \$1,000,000 or more



Sales Program Spend by Firm Revenue

Smaller firms most frequently report spending less than \$50,000 per year on Sales programs. More robust investment in Sales programs can be seen once firms pass the \$10M revenue mark, and increases are apparent as company size grows. It is possible that total spend on Sales programs was not captured in the largest of firms, due to distributed spend across numerous divisions and operating units.

Program Spend By Company Revenue: Sales

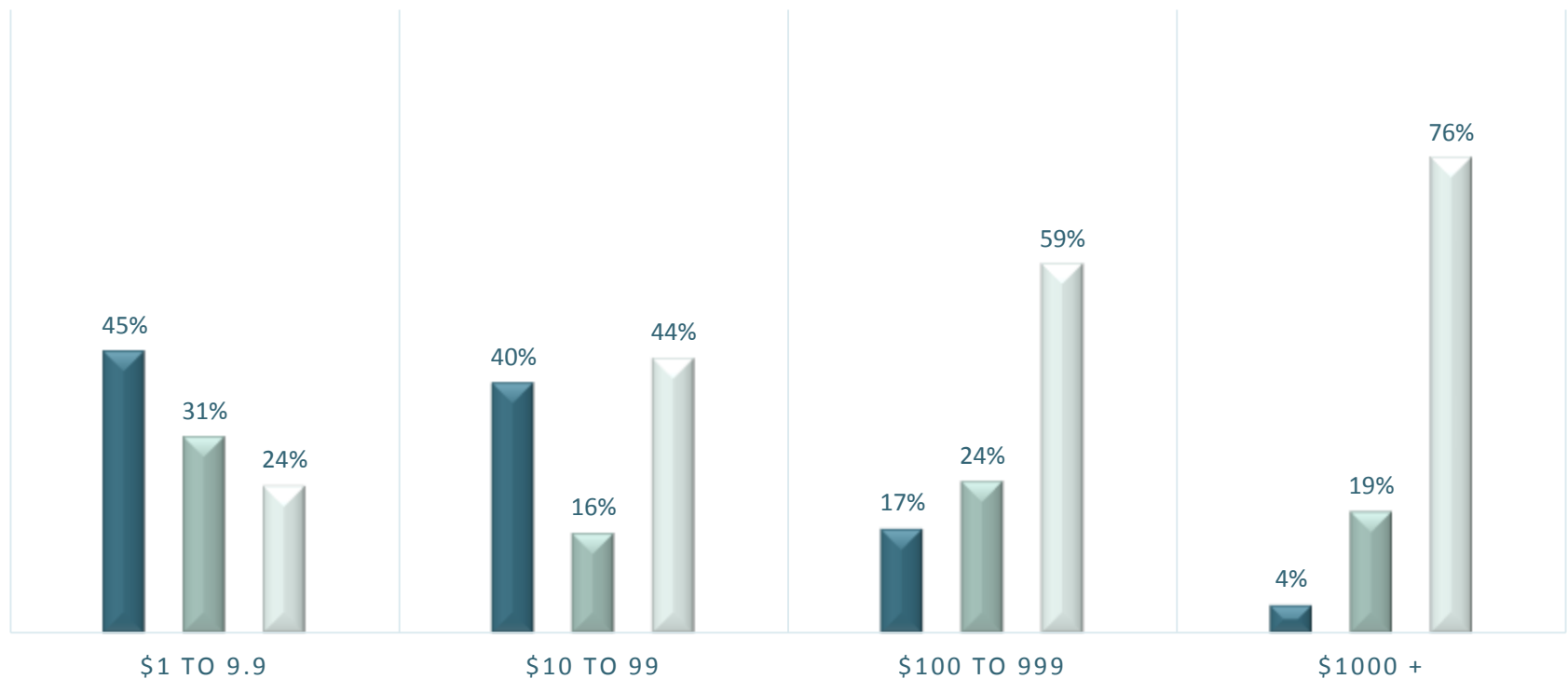


Total Spend (Cross-Audience Spend) by Firm Size

Many companies operate programs across multiple audiences. When combining the budgets across programs (for example, Sales and Employee program spend), the relationship between reward and recognition spend and company size becomes even more apparent.

Total Spend (In Thousands) By Company Revenue

■ ≤\$50 ■ \$50-99 ■ \$100+



n=234

(in millions)

Program Rewards & Recognition

Program Rewards and Recognition

The pages that follow outline reward and recognition provided for sales programs. These were described for respondents as below: *

	Sales
Recognition awards	Perks to recognize participants such as time off from work, parking spots, free lunches.
Recognition events	Gatherings or awards to recognize participants such as recognition ceremonies/meetings or recognition awards (e.g., Employee of the Month, etc.)
Symbolic awards	E.g., plaques, trophies
Merchandise awards	Merchandise or other awards used as part of an incentive or recognition program. Rewards may be a variety of products of differing values.
Group incentive trips	Group travel experiences .. travel is the key award. Participants may win a spot on a group travel program, or they may be able to select from among various travel packages – either group or related expenses including room and other gifts included.

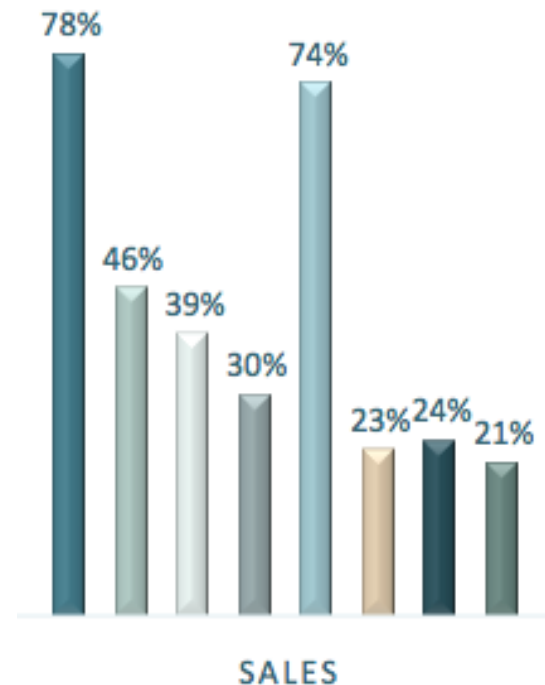
*Logo'd merchandise, gift cards/gift certificates, and individual travel were presented without explanatory context.

Types of Recognition/Rewards by Audience

Recognition awards, recognition events, and gift cards are the most common types of recognition/reward utilized, regardless of program audience. Excepting the absence of group incentive travel within Employee programs, the various recognition and reward types are represented in all program types.

Recognition/Reward Type By Audience

- Recognition awards
- Recognition events
- Logo'd merchandise
- Symbolic awards
- Gift cards/gift certificates
- Merchandise awards
- Individual travel
- Group incentive trips

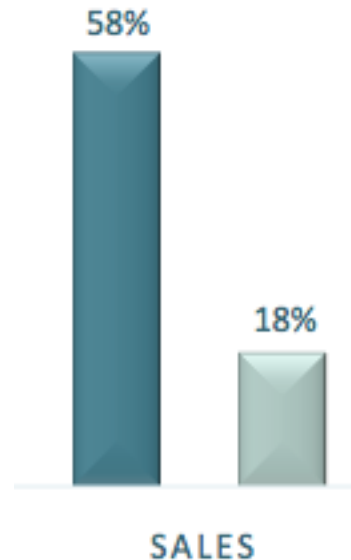


Incidence of Points-based Programs by Award Type

For programs offering merchandise or individual travel awards, points-based systems of earning and redemption are used to varying degrees, depending on audience type. Channel programs have a very high incidence of points programs for both merchandise and individual travel, while points are more common for merchandise-based Sales programs than those including individual travel. Points are not common within Employee programs.

Points-based Award Programs

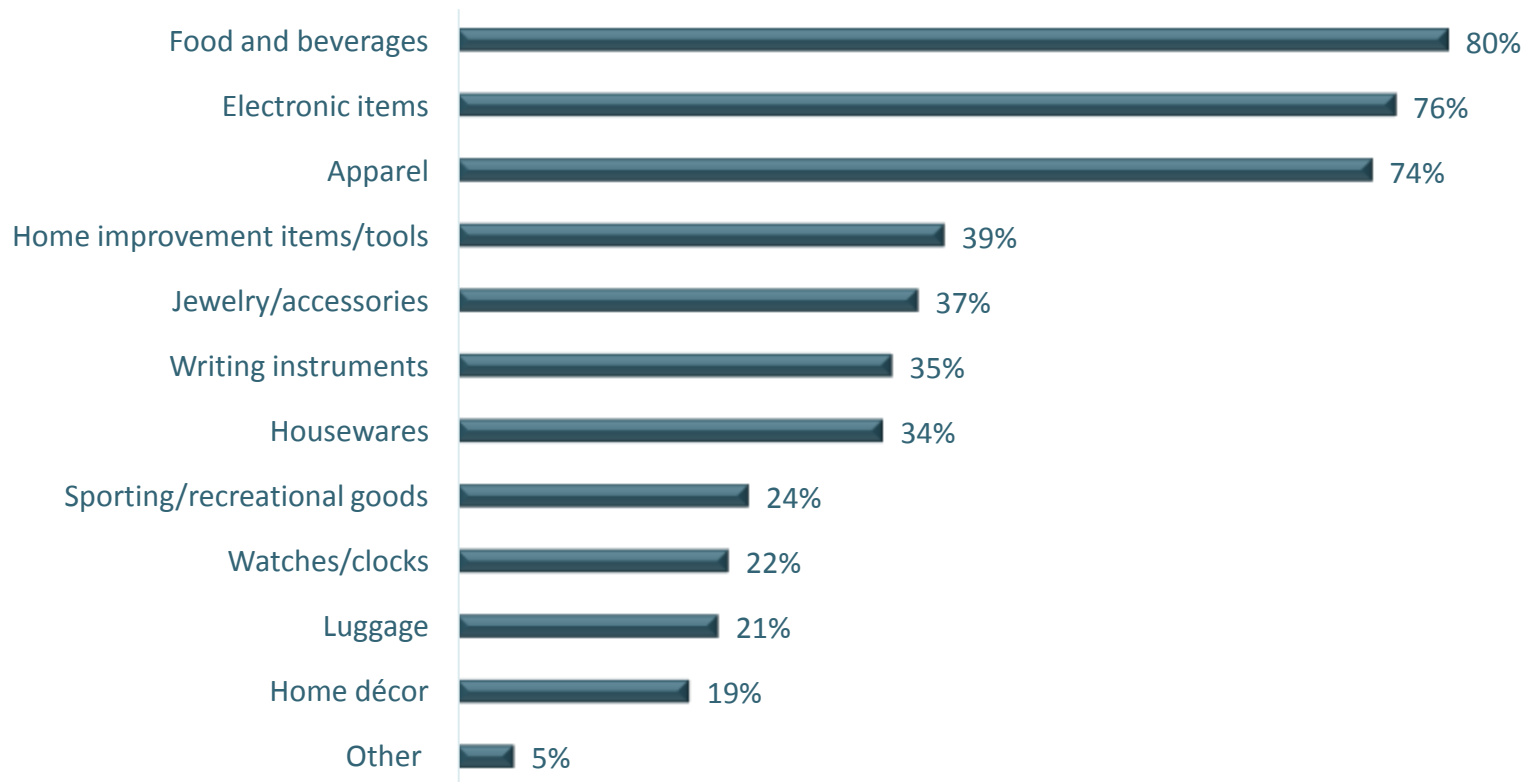
■ Merchandise awards ■ Individual travel



Types of Merchandise Used in Sales Programs

Three merchandise categories dominate in terms of prevalence in Sales programs: food and beverages, electronics, and apparel. The remaining categories of merchandise are not negligible – the least-frequent categories are found in one out of five programs.

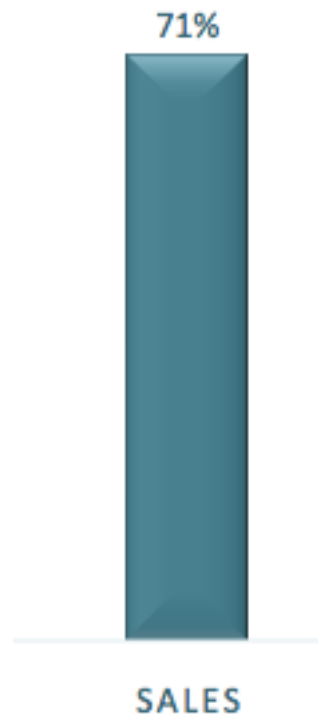
Merchandise Prevalence in Sales Programs



Incidence of Cash as Non-Compensation Reward

When asked if their non-compensation reward mix includes cash, a large percentage of companies responded in the affirmative. However, when asked to describe these cash rewards, many program managers mention bonuses and gift cards. The implications are twofold: there is not a commonly-understood line between compensation and rewards, and gift cards are considered cash-like to some program managers.

Reward Mix: Cash Included



Reward and Recognition Preference by Program Rule Structure

- In terms of the application of specific types of reward and recognition, buyers were asked about various program rule structures and the types of reward and recognition they prefer in each of these circumstances. Some reward and recognition types are preferred more or less than others depending on programs. The broader learning, however, is that all types of rewards and recognition are used to reward participants for all types of programs.

Preferred Reward/Recognition by Program Structure: Sales

Example for interpreting this information:

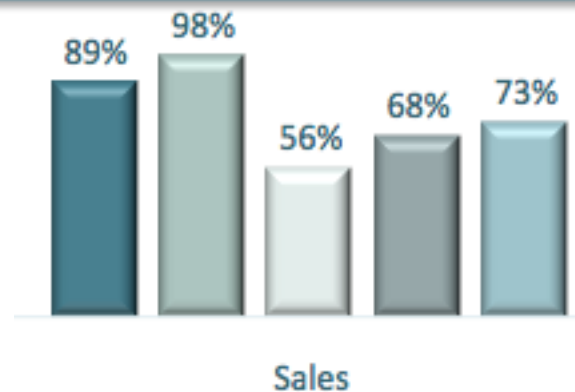
- *Among those with sales quota programs, 9% prefer merchandise awards.*

	Sales Quota (n=67)	Other Goal- Based Earning (n=50)	Top Performer (n=43)	Discretionary (n=44)	Team (n=41)
Merchandise (awards)	9%	17%	11%	2%	13%
Merchandise (logo'd)	19%	17%	12%	29%	19%
Merchandise (symbolic)	7%	8%	24%	12%	10%
Gift cards/gift certificates	52%	46%	59%	85%	10%
Individual travel	13%	8%	21%	46%	19%
Group travel	18%	8%	1%	--	31%
Recognition awards	38%	17%	55%	38%	32%
Recognition events	12%	11%	40%	19%	33%

Use of Suppliers

Use of Suppliers By Program Type

As expected, the highest use of suppliers is for sourcing of merchandise, gift cards, and travel rewards. For non-reward support, Channel has the highest incidence of relying on suppliers for expertise, design, and program administration, while Employee programs show the lowest incidence of using outside support for these activities.



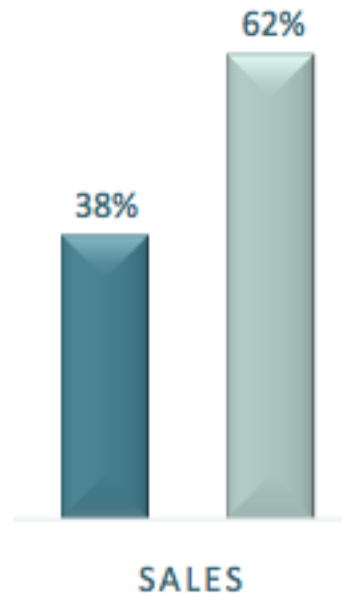
- We work with suppliers (including local retailers) to provide the merchandise and/or gift card rewards for our program(s).
- We work with suppliers to provide the travel rewards for our program(s).
- We work with suppliers to design our program(s).
- We work with suppliers to track and communicate our program(s).
- We look to suppliers for expertise relative to the best ways to recognize and incent our participants.

Engagement of Suppliers by Program Type

Multiple suppliers are often used to support Sales and Employee programs. Conversely, nearly half of Channel programs are supported by a single supplier.

Supplier Engagement By Program Type

- We typically work with a single supplier.
- We typically work with multiple suppliers.

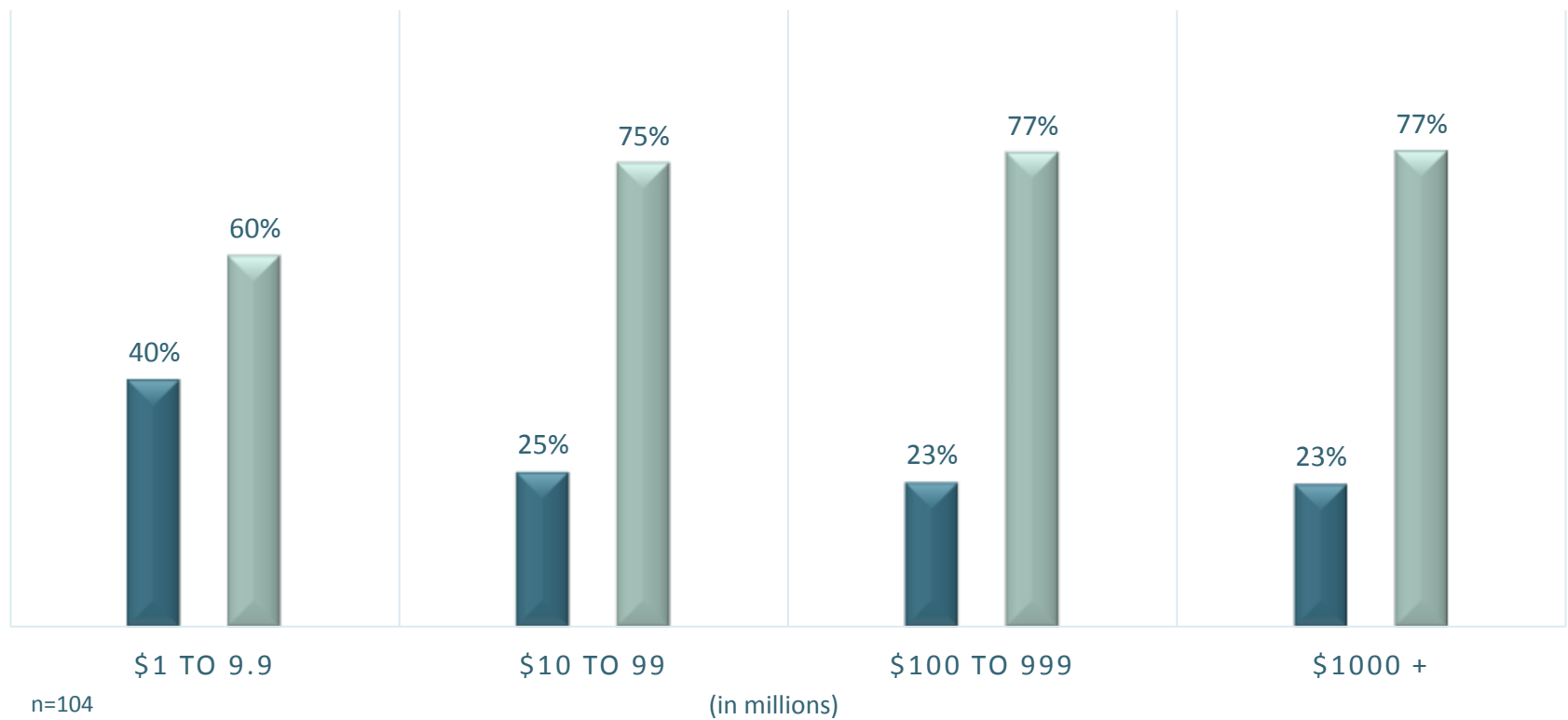


Use of Suppliers for Sales Programs by Firm Size

For Sales programs, larger companies use multiple suppliers more often than the smallest companies do. Only a quarter of larger firms use a single supplier for program support.

Sales Program Supplier Engagement By Company Revenue

■ We typically work with a single supplier. ■ We typically work with multiple suppliers.

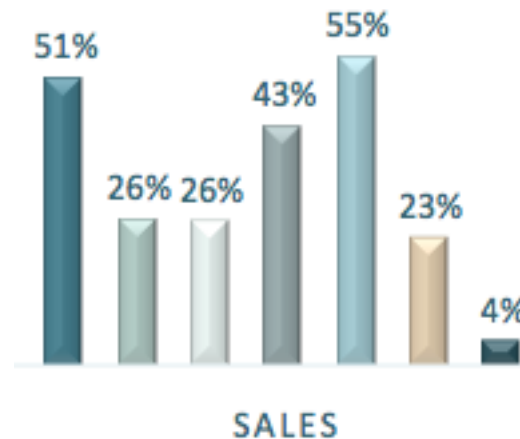


Types of Suppliers Engaged by Program Type

For Sales program support, there is a strong presence of full-service reward and recognition providers, gift card providers, and merchandise providers.

Types Of Suppliers Used

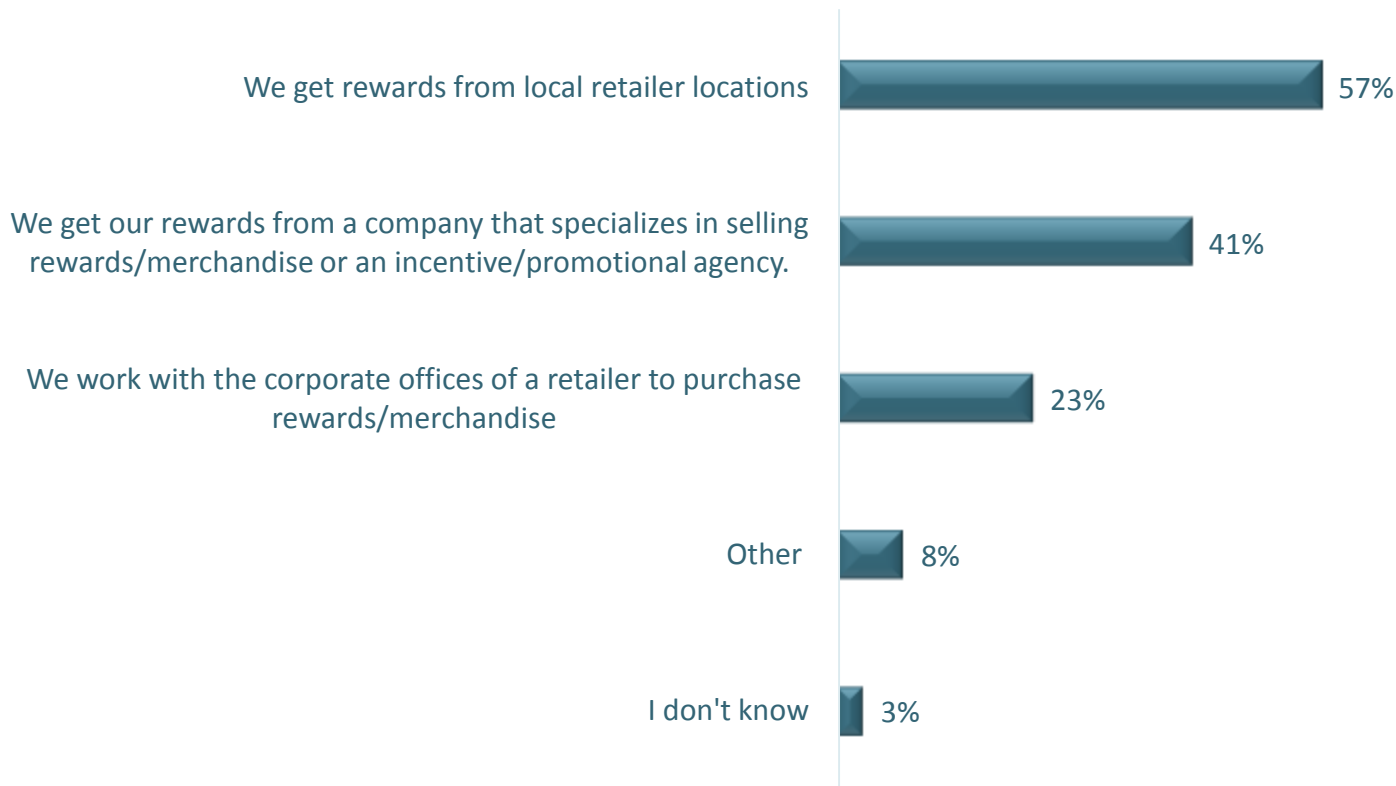
- Full-service reward and recognition suppliers
- Full-service advertising agencies
- Full-service travel providers
- Merchandise reward providers
- Gift card providers
- Travel providers: specific services
- Other



Sourcing for Merchandise and Gift Cards

Among companies using merchandise or gift cards for their programs, a majority source those rewards from local retailers. The next most-prevalent source is incentives-industry companies, followed by the corporate B2B sales team for retailers or merchandisers.

Merchandise And Gift Card Sourcing

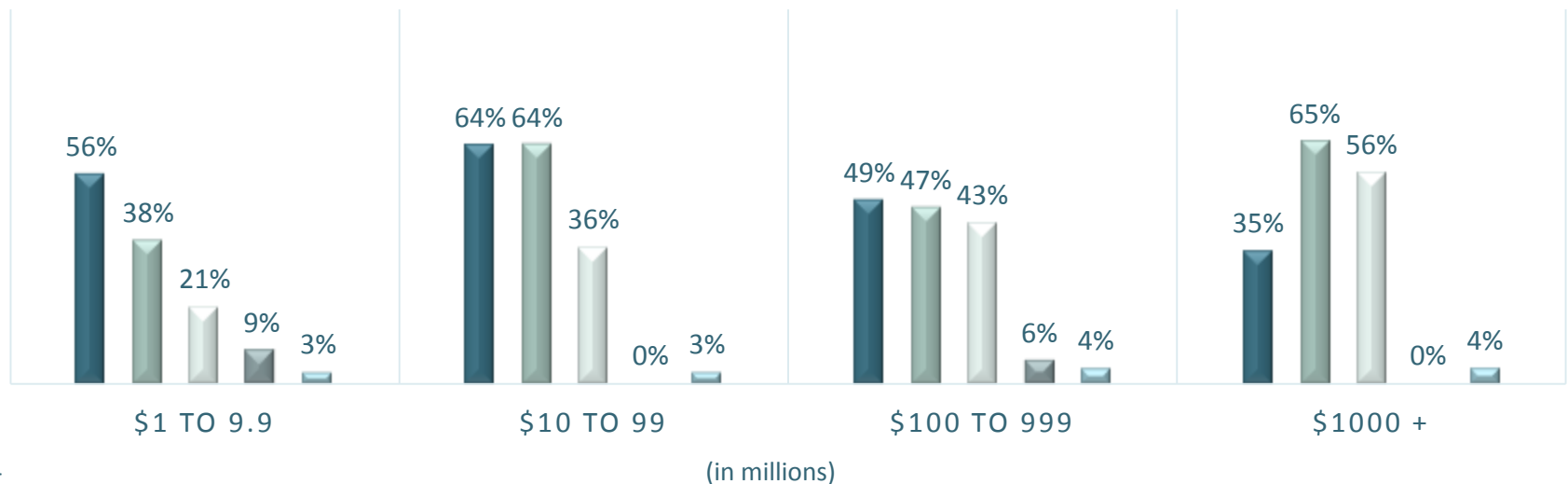


Sourcing of Merchandise and Gift Cards by Firm Size

The reliance on local retailers for merchandise and gift cards is highest among smaller firms, dropping dramatically for companies over \$1 billion in revenues. The largest firms use suppliers in the incentives industry or go directly to corporate B2B retail/merchandise sales teams.

Merchandise & Gift Card Sourcing
By Company Revenue

- Local retailer locations
- A company that specializes in selling rewards/merchandise (e.g., Amazon) or an incentive/promotional agency.
- Corporate offices of a retailer to purchase rewards/merchandise
- Other
- I don't know

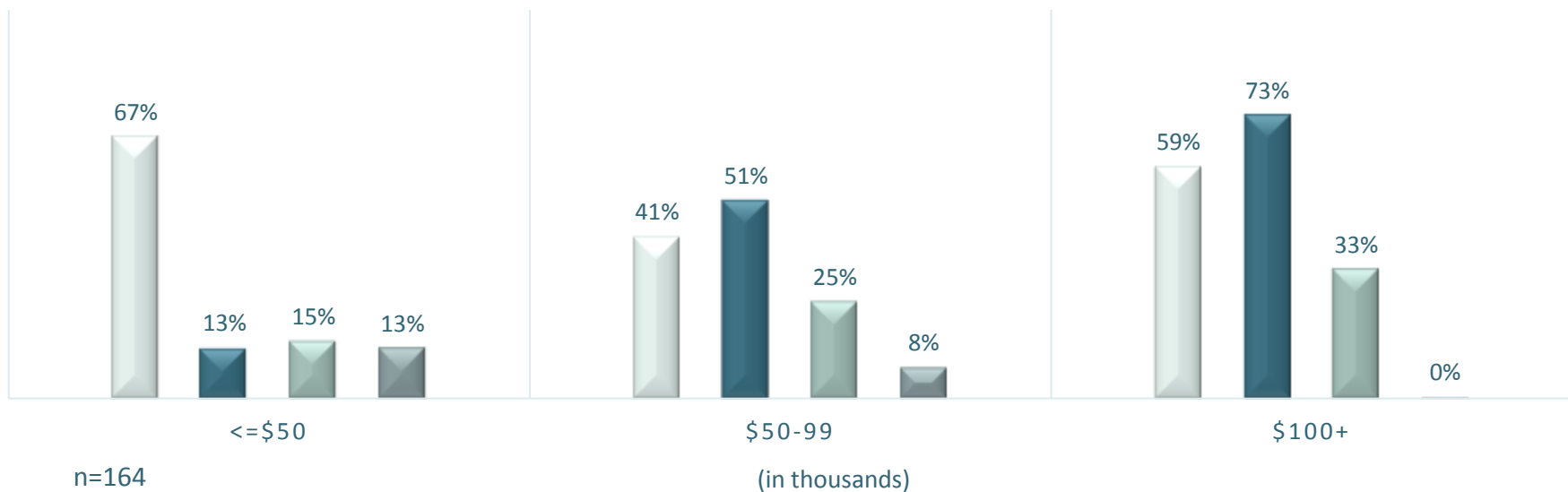


Rewards Sourcing by Total (Cross-Audience) Spend

Firms that spend more across multiple audiences (e.g. Sales and Employees) are more likely to use an incentives-specific supplier for their merchandise and gift cards.

Merchandise & Gift Card Sourcing By Total Spend

- Local retailer locations
- A company that specializes in selling rewards/merchandise (e.g., Amazon) or an incentive/promotional agency.
- Corporate offices of a retailer to purchase rewards/merchandise (e.g., Coach or TUMI corporate - not the local store - to buy merchandise)
- Other



How Merchandise and Gift Cards Are Sourced

Companies using incentive industry and corporate B2B suppliers have many options available to them in terms of how they source their awards. A majority are working through an account manager or customer service representative, and half are ordering online. Approximately one-third bulk-order rewards and a third opt for fulfillment upon participant order.

Merchandise and Gift Card Ordering Mechanisms

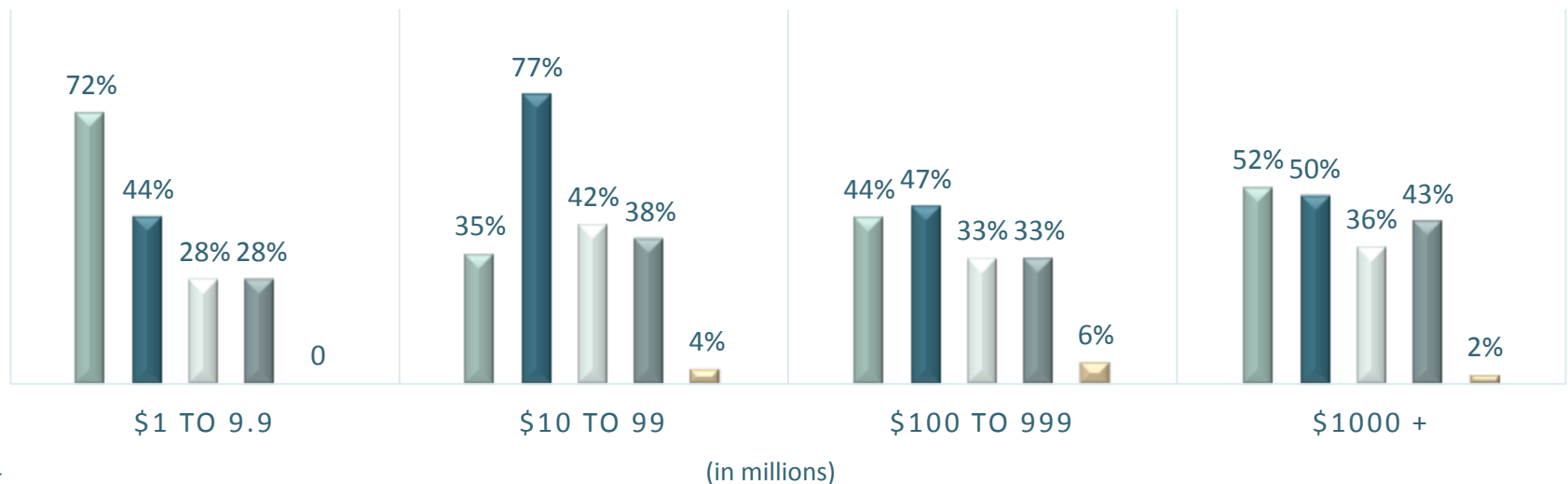


How Merchandise and Gift Cards Are Sourced by Firm Size

How companies order from incentive industry and corporate B2B suppliers differs by size of firm. The smallest firms are most likely to be working through a service representative, while mid-sized companies (\$10 to 99 million) most prevalently order online.

Merchandise & Gift Card Acquisition By Company Revenue

- We order through an account manager or customer service representative
- We order online
- We order merchandise rewards in bulk
- Rewards are fulfilled as participants earn and order them
- I don't know

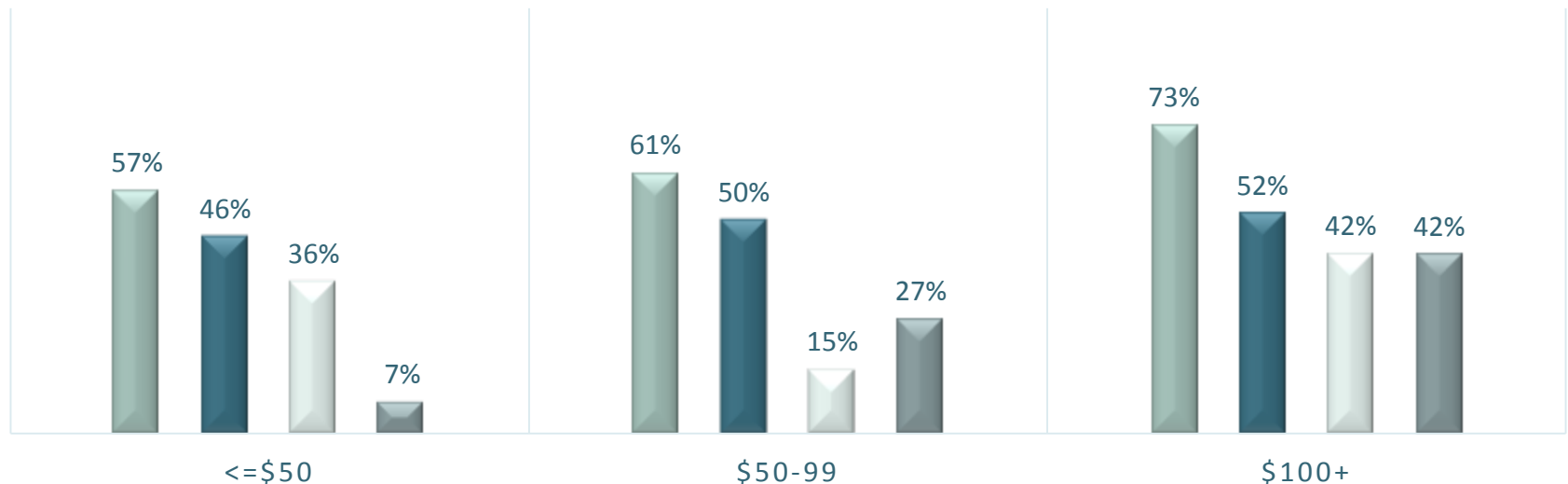


Rewards Ordering by Total (Cross-Audience) Spend

Firms with higher cross-audience spend are more likely to engage an account manager or CSR in their ordering process. Additionally, higher-spending firms are more likely to fulfill rewards as participants earn and order them.

Merchandise And Gift Card Acquisition By Total Spend

- We order through an account manager or customer service representative
- We order online
- We order merchandise rewards in bulk
- Rewards are fulfilled as participants earn and order them



n=124

(in thousands)

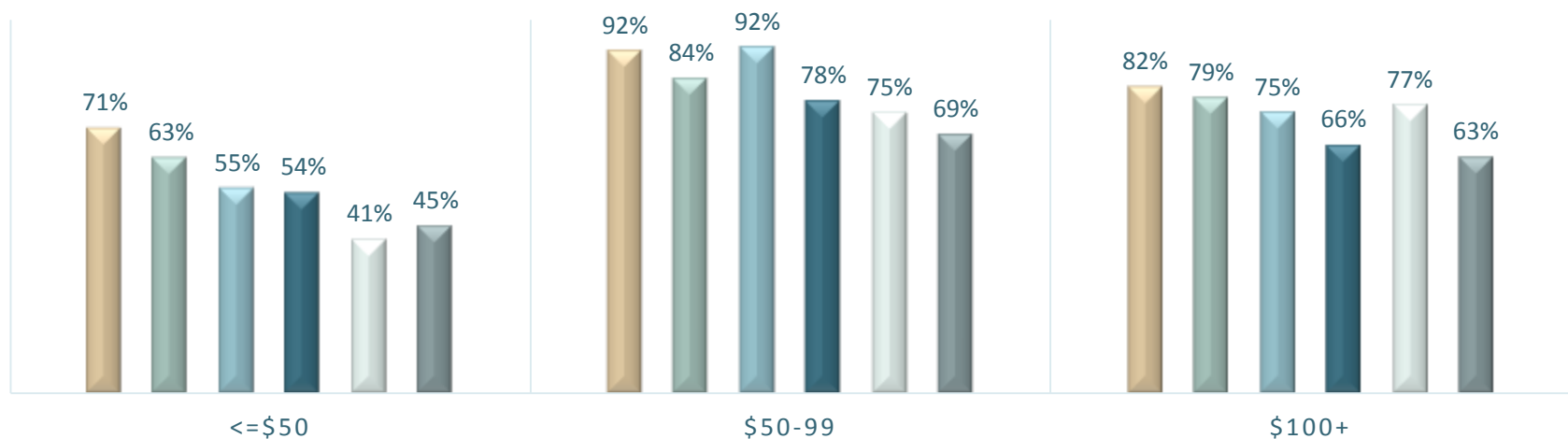
Program Communications

Communications Assessment by Total (Cross-Audience) Spend

Firms with the lowest cross-audience spend assess the effectiveness of their communications the lowest, but are also less interested in improving program-related communications. Firms with moderate spending assess communications more positively than firms spending the most, perhaps due to the large number of participants to be reached within bigger programs.

Program Communications By Total Spend

- Managers play an important role in communicating our program(s).
- Our participants understand the rule structures of our program(s).
- Communications are instrumental to the success of our programs.
- Our participants are engaged in our program(s).
- Our program-related communications are effective.
- We would like to improve our program-related communications.

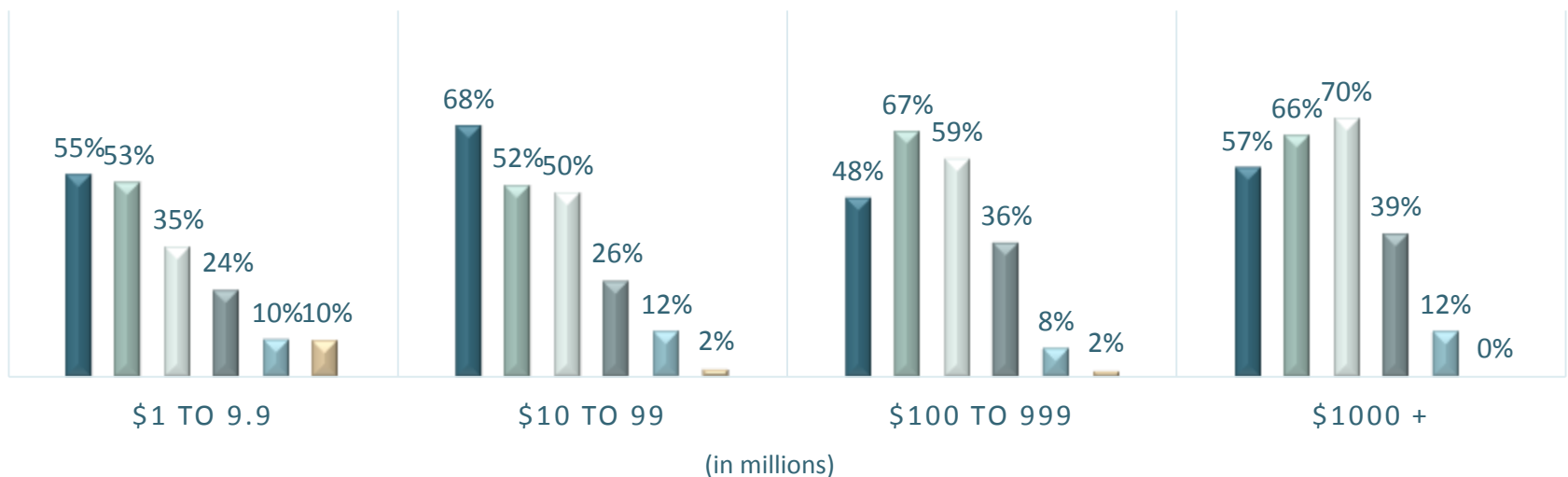


Communicating with Program Participants by Firm Size

Program communications vary depending on the size of company in question. Use of online and print communication increases with company size, and larger companies are more likely to communicate with participants throughout a program's run. Smaller companies are most likely to not communicate with participants about their program(s).

Program Communication With Participants By Company Revenue

- We communicate with participants about programs - offline in person (meetings, etc.).
- We communicate with participants throughout a program's run.
- We communicate with participants about programs - online.
- We communicate with participants about programs - offline in print.
- We communicate with participants via social media.
- We do not communicate with participants about our program(s).



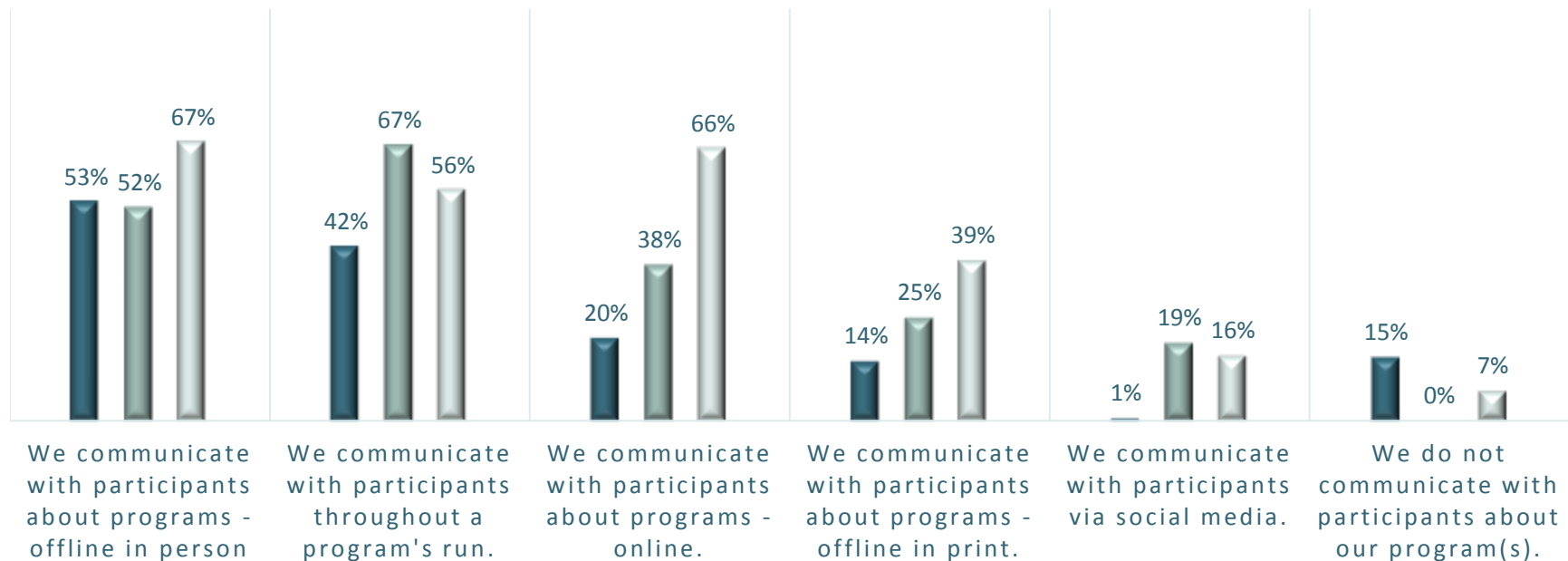
Communications by Total (Cross-Audience) Spend

Program communications also vary depending on the cross-audience spend of the firm. Companies spending \$100,000 or more are more likely to be communicating online, in print, and in person than their lower-spending counterparts.

Program Communication With Participants By Total Spend

■ ≤\$50 ■ \$50-99 ■ \$100+

(in thousands)

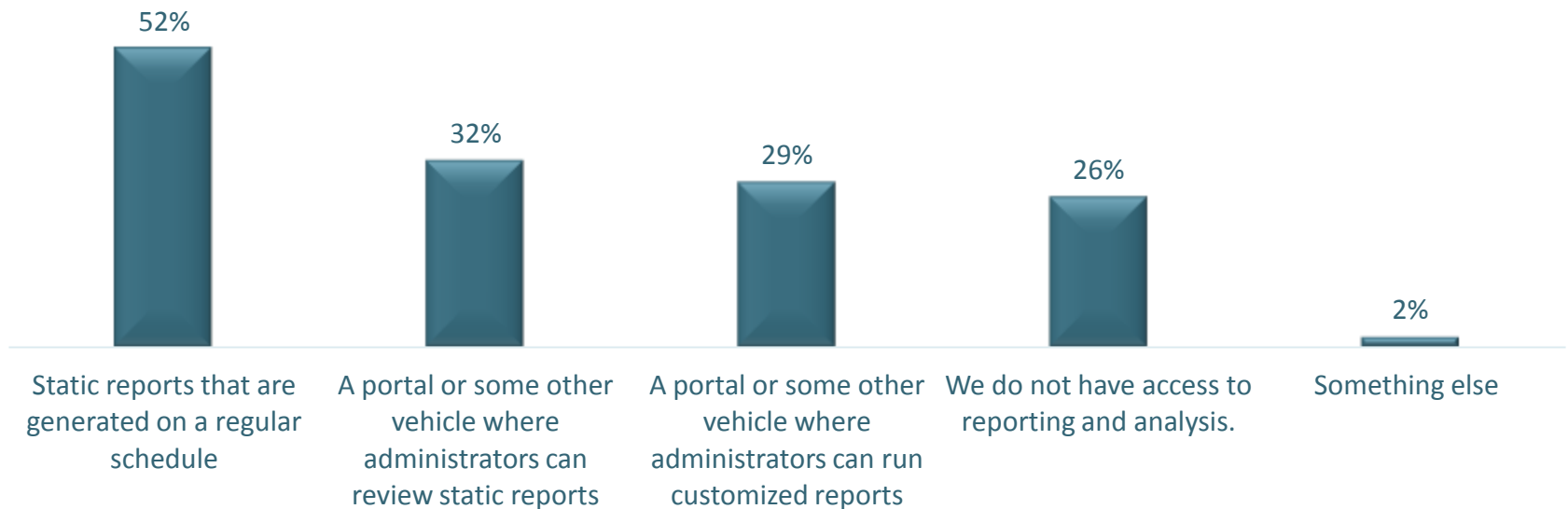


Program Reporting & Analysis

Accessing Program Reports and Analysis

The most prevalent form of reporting is periodically-generated static reports. Only a third of companies have access to a reporting portal where program administrators can access standard or generate custom reports. One-quarter companies do not have any reporting or analysis in place.

Access to Reports & Analysis

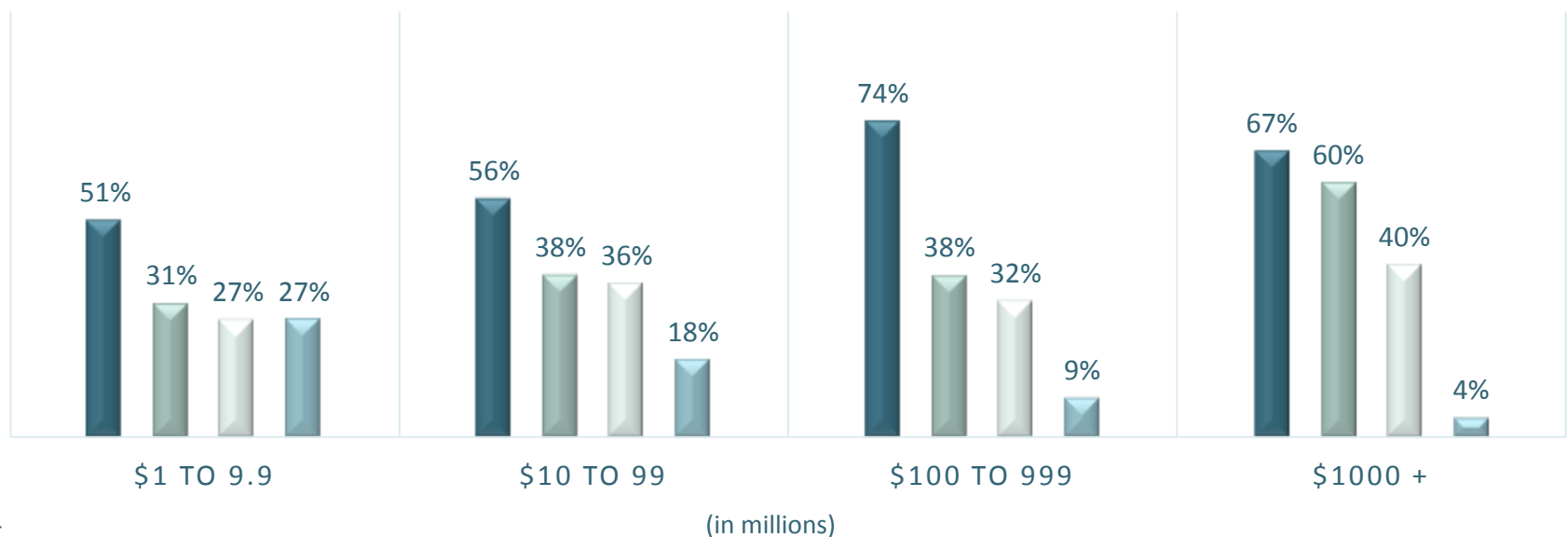


Accessing Program Reports and Analysis by Firm Size

Larger firms have more consistent reporting mechanisms in place – many still use static reports, but administrators more frequently have access to a reporting portal and 40% can generate custom reports. Additionally, as company size increases, it is more likely the program will have some reporting capability in place.

Reporting & Analysis By Company Revenue

- Static reports that are generated on a regular schedule
- A portal or some other vehicle where administrators can review static reports
- A portal or some other vehicle where administrators can run customized reports
- We do not have access to reporting and analysis.



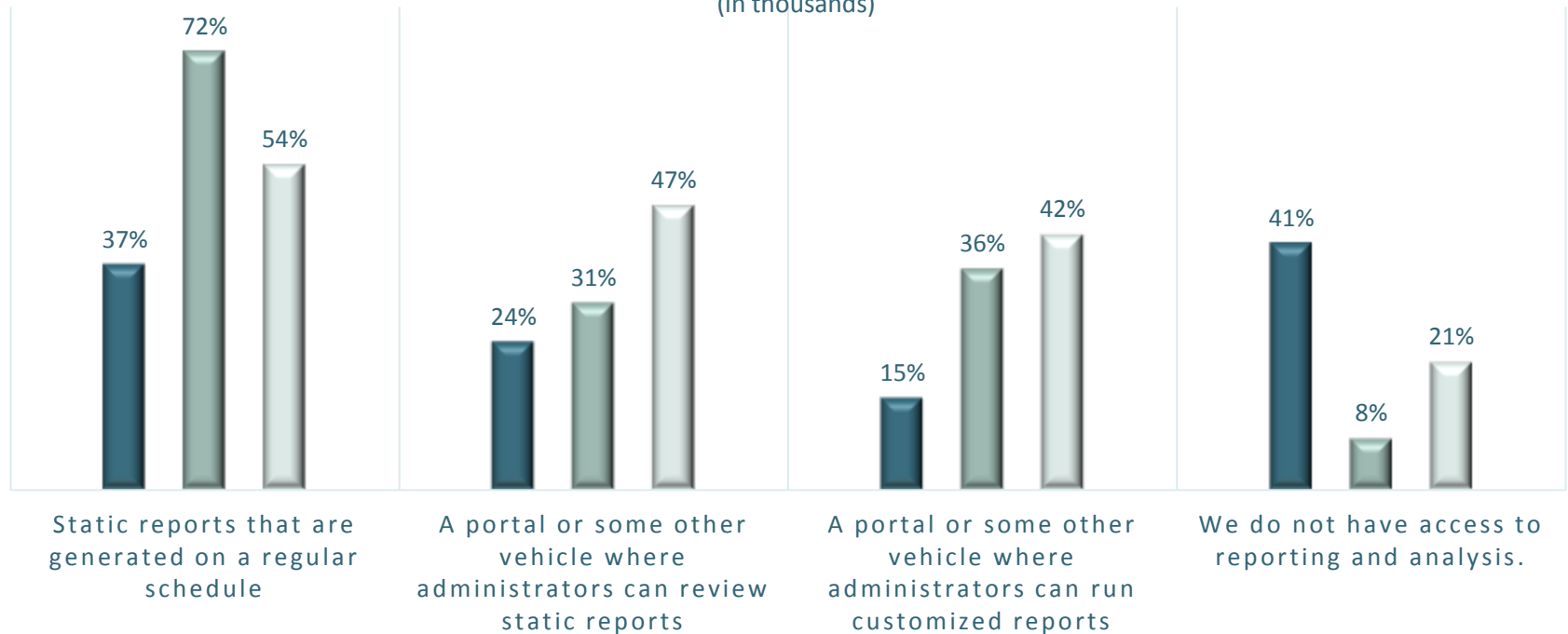
Reporting by Total (Cross-Audience) Spend

Access to reporting portals increases with total spend, while firms spending less rely more heavily on static reports. Firms spending less than \$50,000 across all audiences are likely to not use any reporting and analysis.

Reporting & Analysis By Total Spend

■ ≤\$50 ■ \$50-99 ■ \$100+

(in thousands)



Depth of Program Reports and Analysis

Nearly half of firms are conducting some type of analysis to understand how their program is changing behavior. Somewhat less common are utilization of participation reports and earning and redemption reports. One in five companies do not use any reports or analysis to summarize their program.

Depth of Reporting & Analysis

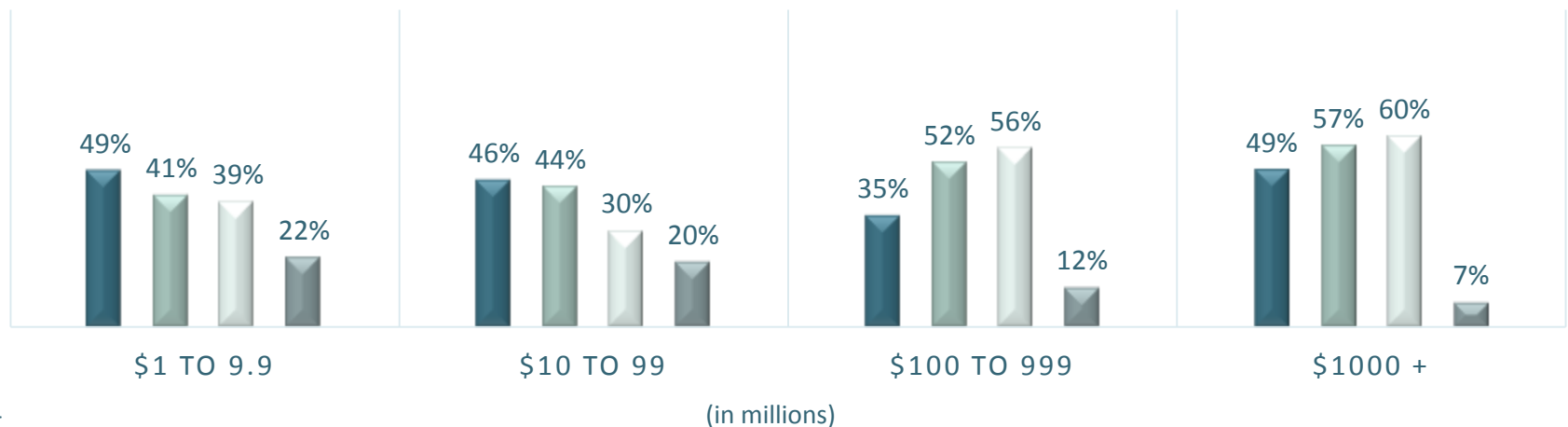


Depth of Program Reports and Analysis by Firm Size

Larger companies are more likely to have some type of reporting and analysis in place and are more likely to be including participation reports and earning/redemption reports as part of their program evaluation efforts.

Depth Of Reporting & Analysis By Company Revenue

- We conduct analyses to look at how the program(s) are changing behaviors.
- We look at participation reports to understand who is using the program.
- We look at earning/redemption reports to see how participants are earning rewards and what they are redeeming for.
- We do not use reporting and analysis to understand our reward and recognition program(s).

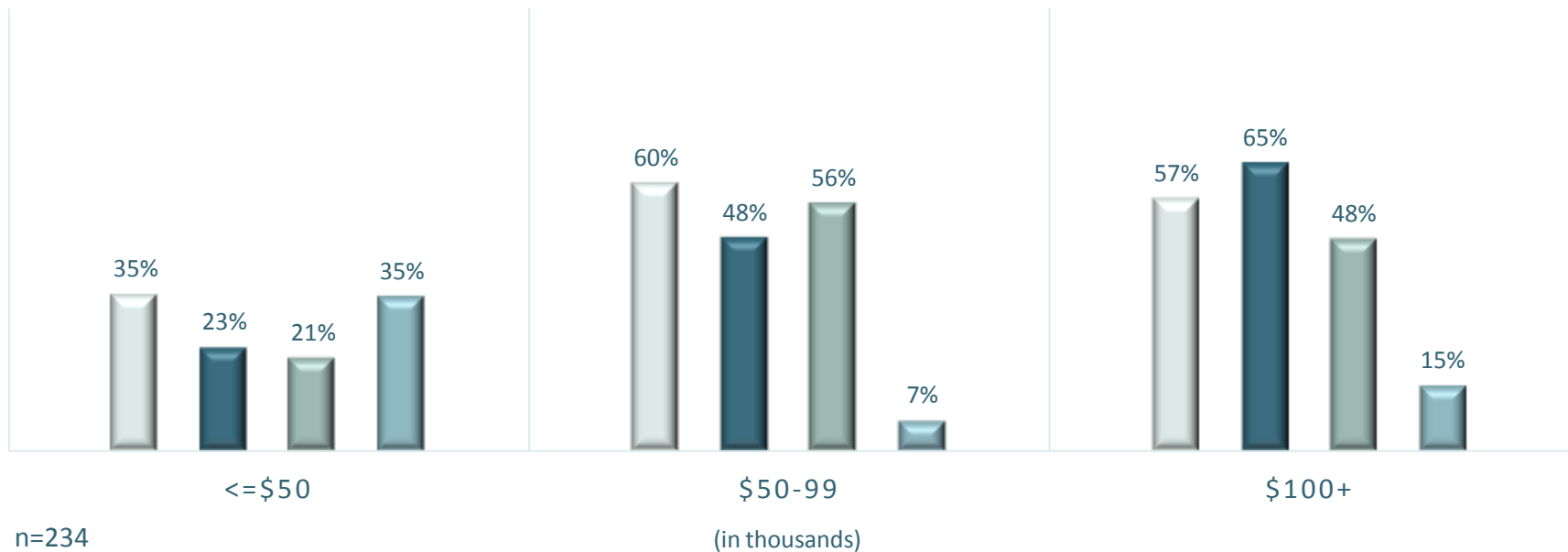


Depth of Reporting by Total (Cross-Audience) Spend

Depth of reporting increases notably once a firm is spending more than \$50,000, with minimal differences between moderate and heavier spenders.

Depth Of Reporting & Analysis By Total Spend

- We conduct analyses to look at how the program(s) are changing behaviors.
- We look at participation reports to understand who is using the program.
- We look at earning/redemption reports to see how participants are earning rewards and what they are redeeming for.
- We do not use reporting and analysis to understand our reward and recognition program(s).

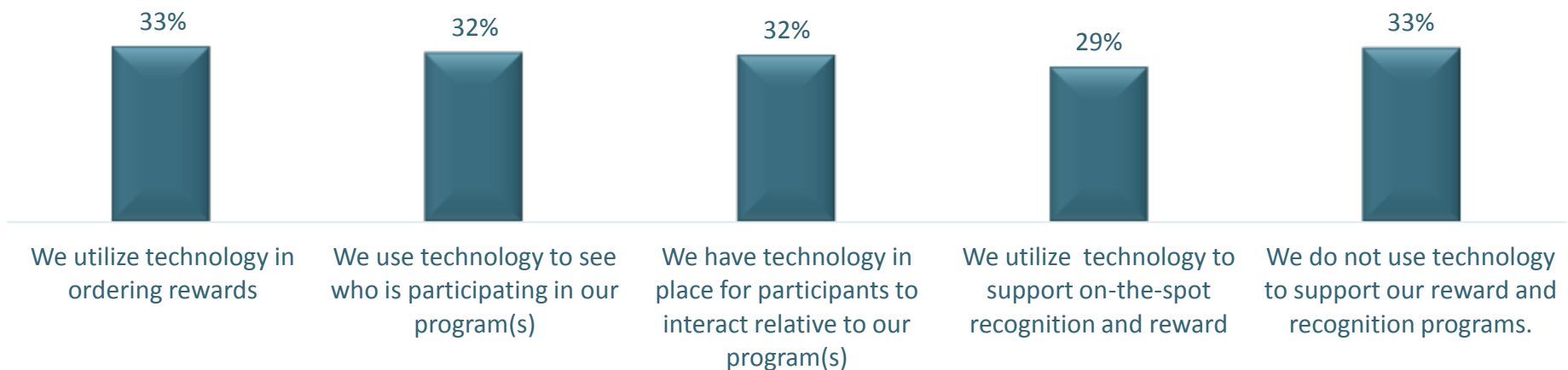


Use of Technology

Use of Technology to Support Programs

Use of technology for program support is somewhat low. In terms of program administration, one-third of firms use technology to order awards and one-third use it to review participation. Regarding participant-facing technology, one-third of firms have technology in place for participants, and 29% use technology to enable on-the-spot recognition. One-third of firms do not use technology to support their programs.

Technology Support

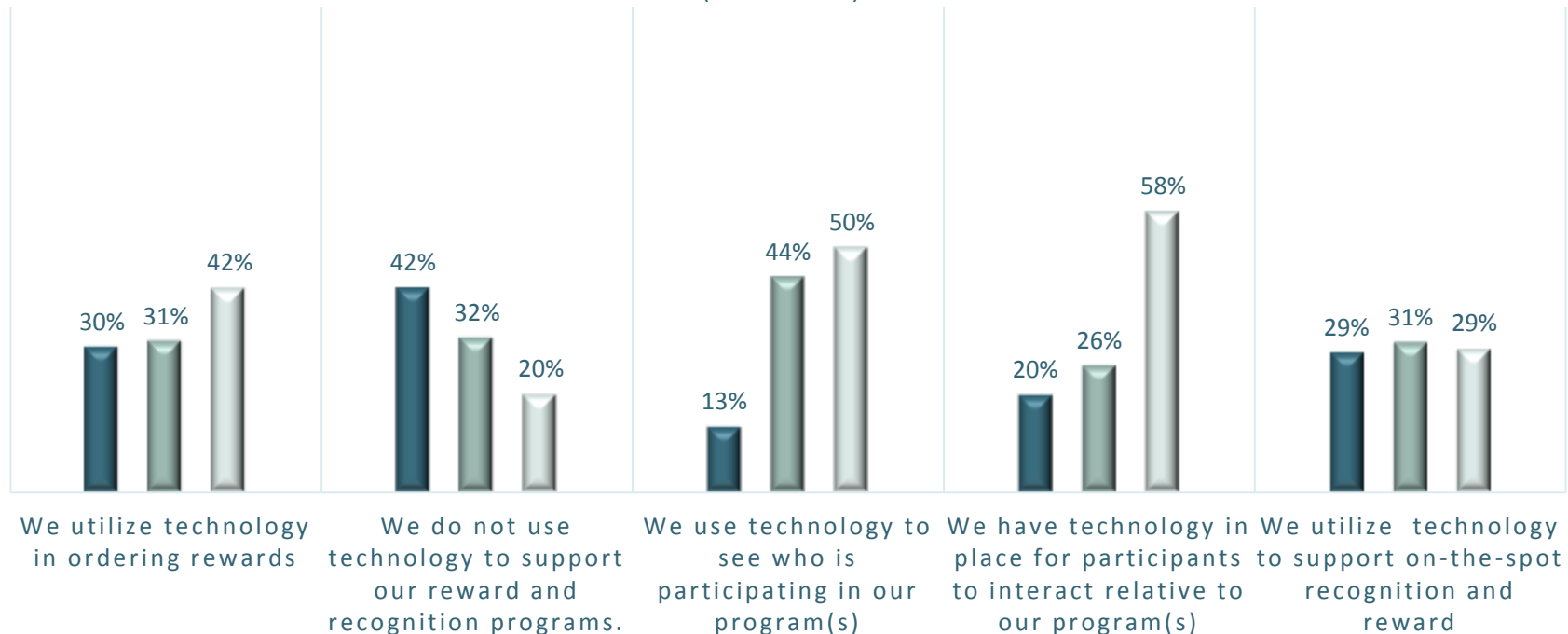


Use of Technology by Total (Cross-Audience) Spend

Firms spending more across audiences are more likely to be using technology to review participation than their lower-spending counterparts. The highest spending firms are also far more likely to have technology in place to allow program participants to interact relative to the program.

Technology Support By Total Spend

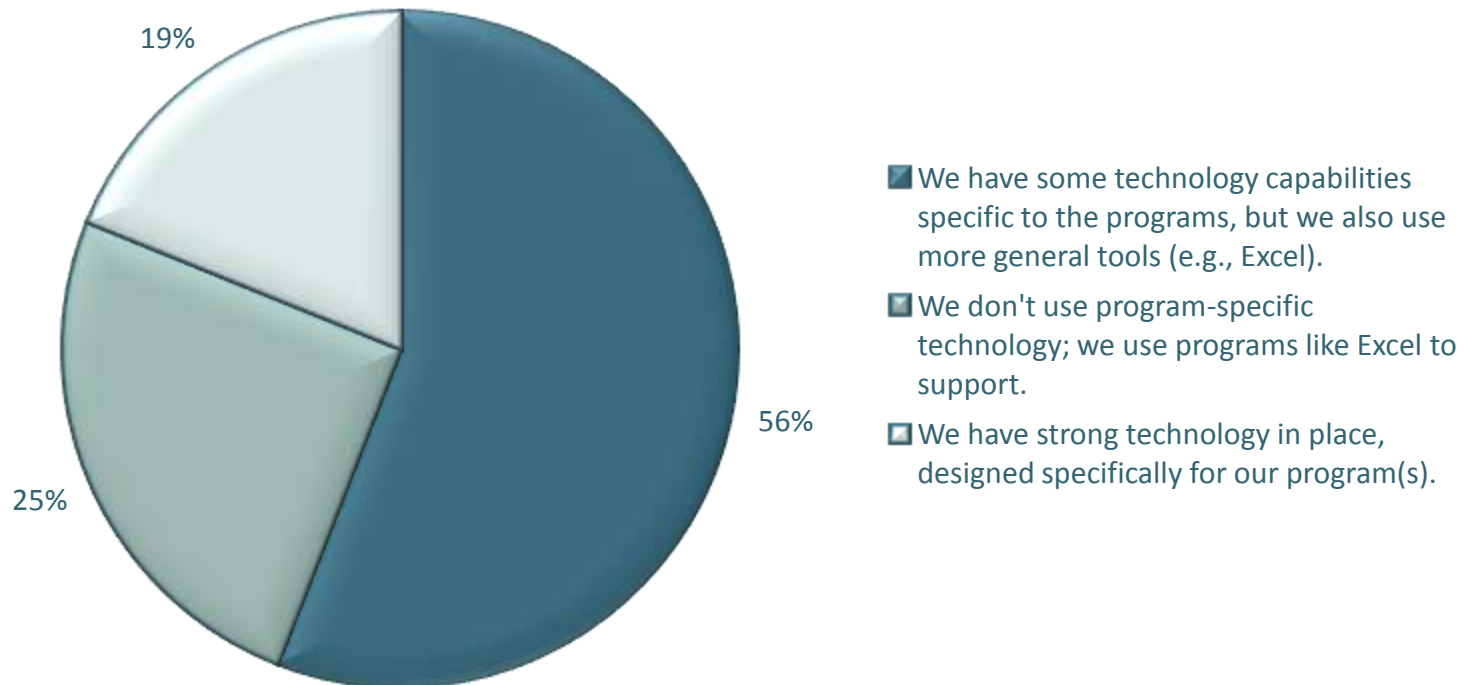
■ ≤\$50 ■ \$50-99 ■ \$100+
(in thousands)



Use of Program-Specific Technology

One-quarter of companies do not use program-specific technology, instead relying on mainstream programs such as Excel. One-in-five firms has strong program-specific technology in place, and a little more than half take a hybrid approach, using both program-specific technology tools and mainstream programs.

Program-Specific Technology

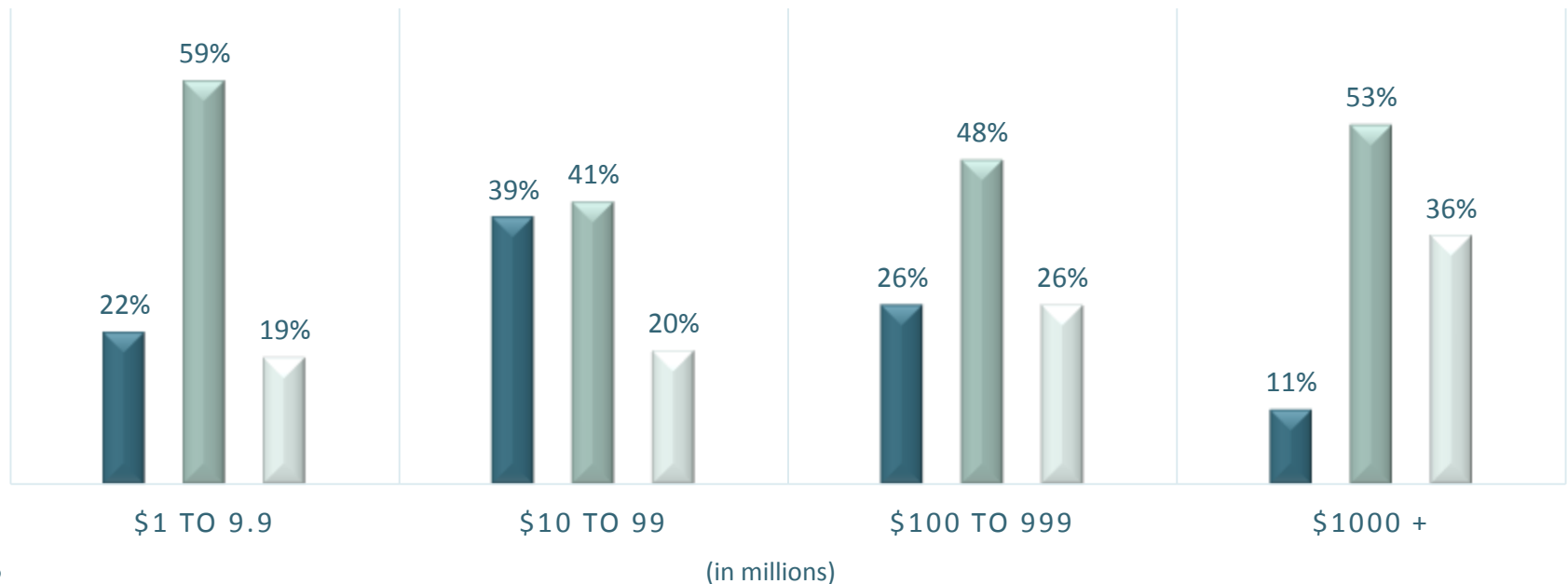


Use of Program-Specific Technology by Firm Size

Intuitively, the use of program-specific technology increases with company size - a little more than one-third of the largest companies have strong program-specific technology in place. Reliance on mainstream tools such as Excel diminishes as firm size increases, however the hybrid approach is popular across all company sizes.

Program-Specific Technology By Company Revenue

- We don't use program-specific technology; we use programs like Excel to support.
- We have some technology capabilities specific to the programs, but we also use more general tools (e.g., Excel).
- We have strong technology in place, designed specifically for our program(s).

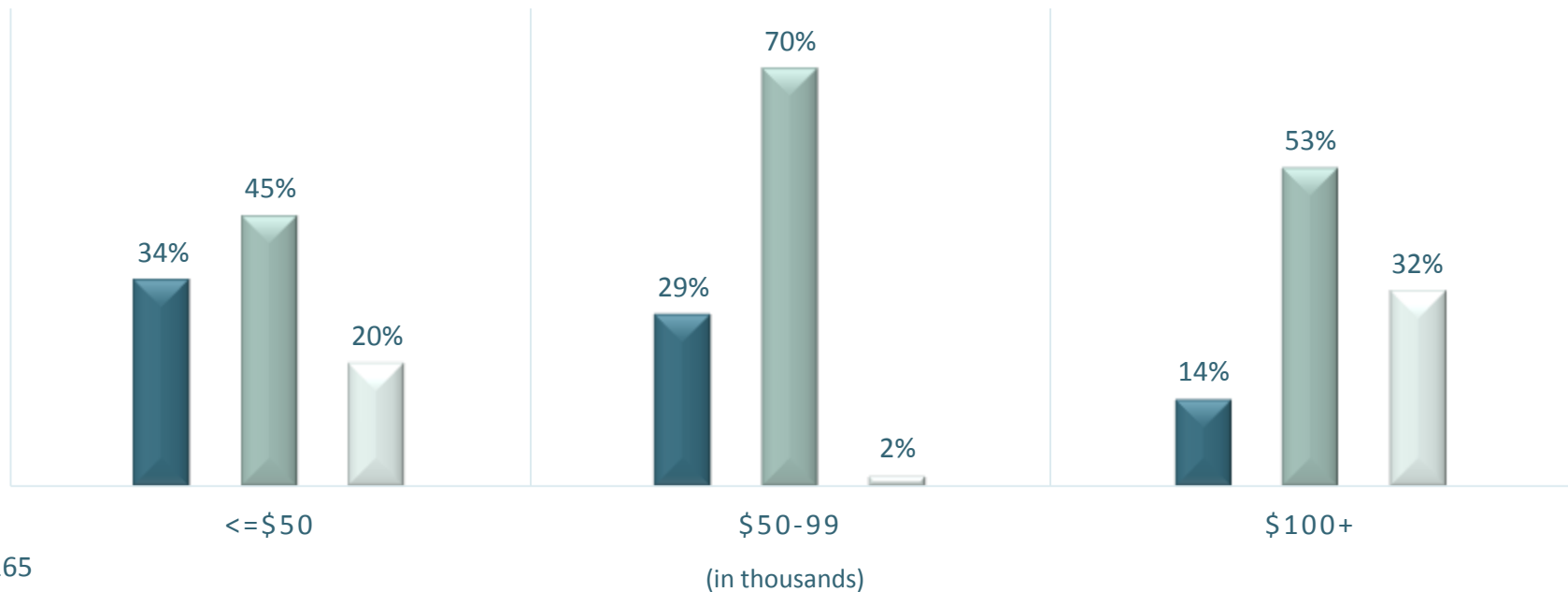


Program-Specific Technology by Total (Cross-Audience) Spend

Use of mainstream technology is more prevalent in the lowest-spending firms, while strong program-specific technology is in place in a third of firms spending \$100,000 or more. The hybrid approach of using both mainstream and program-specific applications is the most common approach for all spend levels.

Program-Specific Technology By Total Spend

- We don't use program-specific technology; we use programs like Excel to support.
- We have some technology capabilities specific to the programs, but we also use more general tools (e.g., Excel).
- We have strong technology in place, designed specifically for our program(s).



End-User Attitudes

Attitudes Regarding Recognition and Rewards

Belief in and support for reward and recognition programs is high among end-users. End-users do not rate the actual effectiveness of their programs in terms of retention, engagement, and recruiting as highly.

Attitudes toward Recognition and Rewards



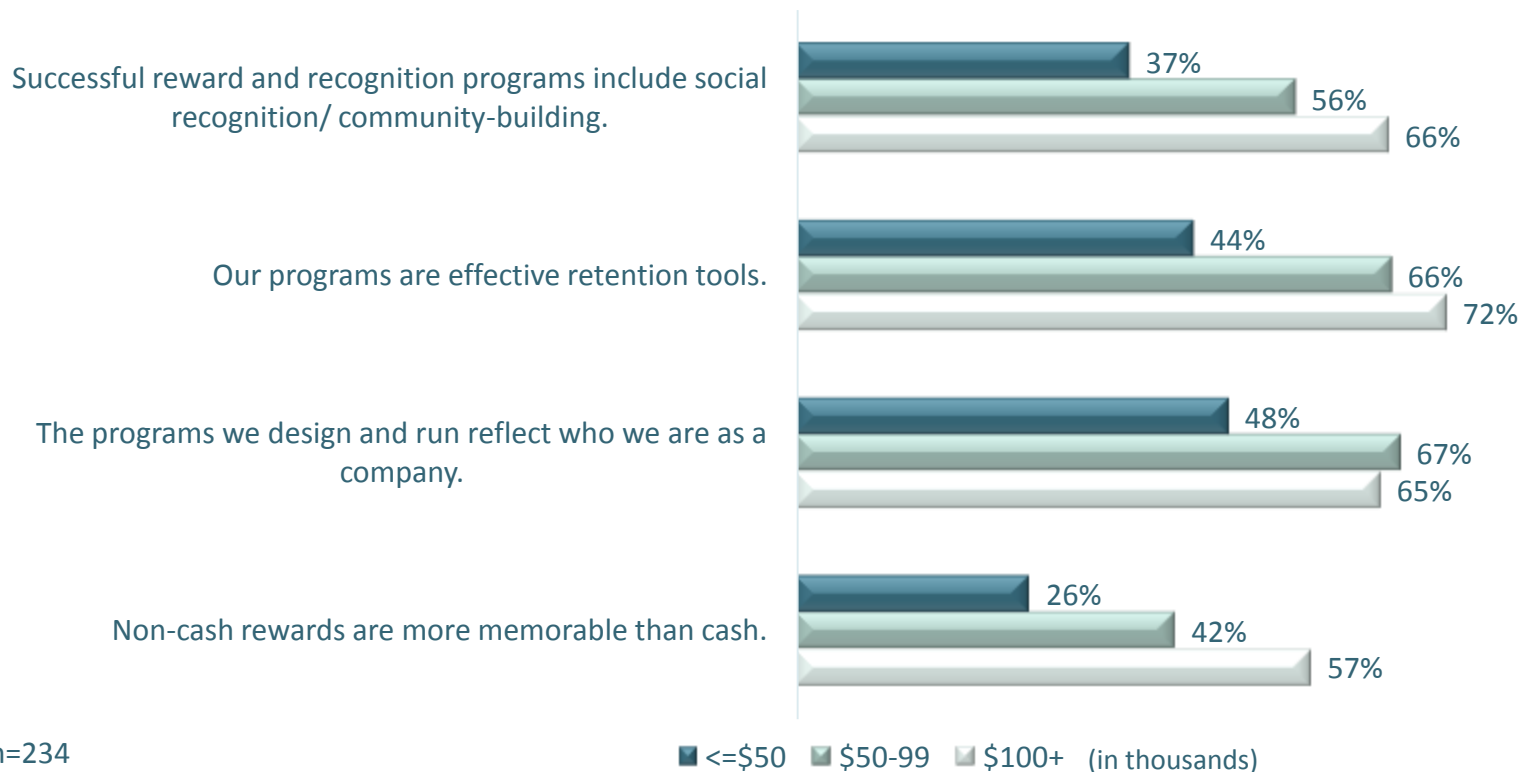
n=234

Respondents were asked to rate their agreement with statements using a 5-point scale, where 1 is Strongly Disagree and 5 is Strongly Agree. Percentages displayed in chart are "top2box" – the percent of respondents rating that item a 4 or 5.

Attitudes Regarding Recognition and Rewards by Total Spend

Only four of the attitudinal measures changed depending on total (cross-audience) spend. End-users spending more on reward and recognition are more likely to believe in the importance of social recognition, feel their programs are effective retention tools, agree that their programs reflect the essence of their company, and believe in the superior memorability of non-cash compared to cash.

Attitudes That Vary By Company Spend



Respondents were asked to rate their agreement with statements using a 5-point scale, where 1 is Strongly Disagree and 5 is Strongly Agree. Percentages displayed in chart are “top2box” – the percent of respondents rating that item a 4 or 5.