Incentive Federation
Program Design & Support: End-User Survey

January 2015

INTELLECTIVE
GROUP

Background & Methodology

- The Incentive Federation engaged Intellective Group 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.

- **One effect of this skewed distribution is that any activity common but unique to the largest companies will actually be very rare in the overall population. For example, if only those companies over $100 million in annual revenue could own private jets, at most 1.2% of US businesses would have a jet - if every firm of that size had one.**

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

SALES
18% 41% 16% 26%

CHANNEL
14% 45% 12% 29%

EMPLOYEE
13% 20% 24% 43%

n=234
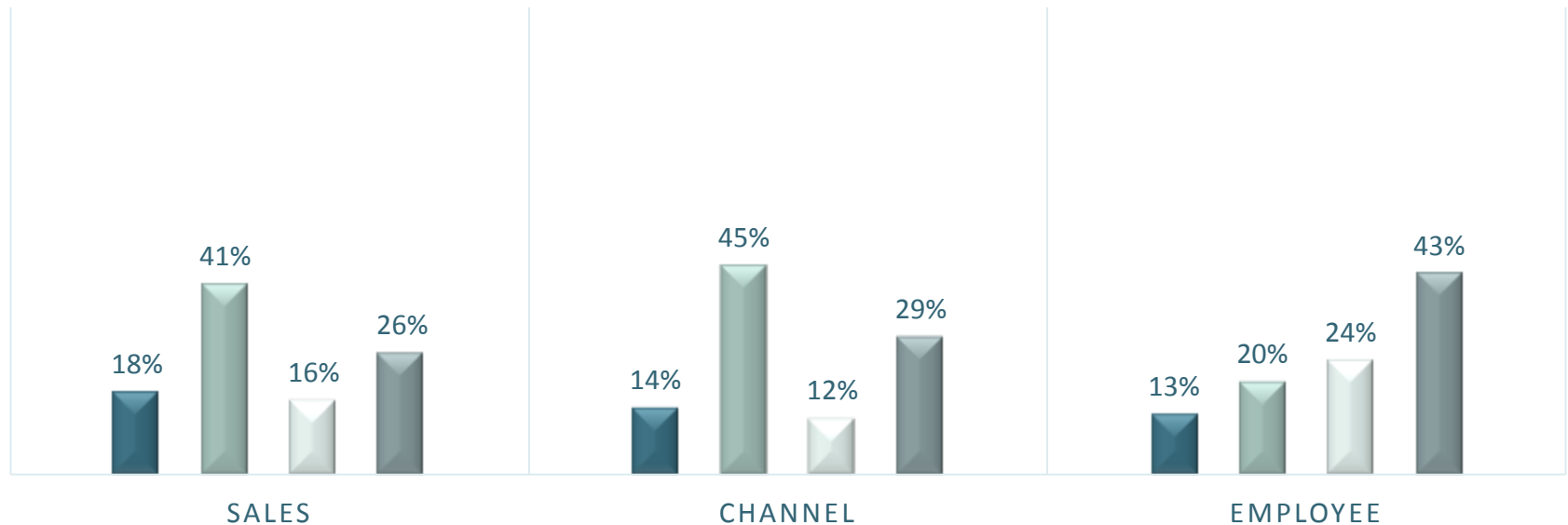
Pace of Programs by Audience

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	CHANNEL	EMPLOYEE
We offer our program(s) every year	38%	12%	40%
We offer some program(s) every year	50%	67%	34%
We launch our programs only	12%	22%	26%

n=234
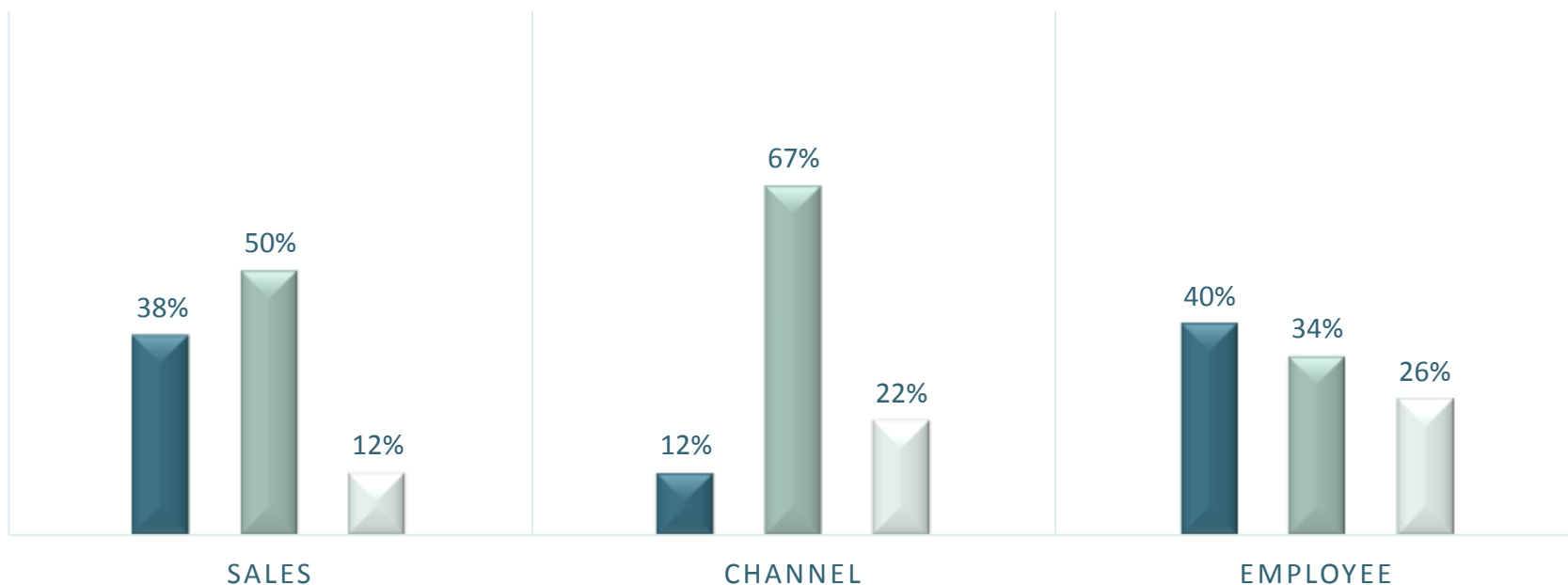
Sales Program Objectives

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

Increase overall sales	80%
Improve morale	76%
Improve productivity	58%
Improve customer satisfaction	52%
Gain market share	47%
Increase sales of specific product(s) or service(s)	27%
Change culture	21%
Promote cost reduction	17%
Reward completion of training	16%

n=104
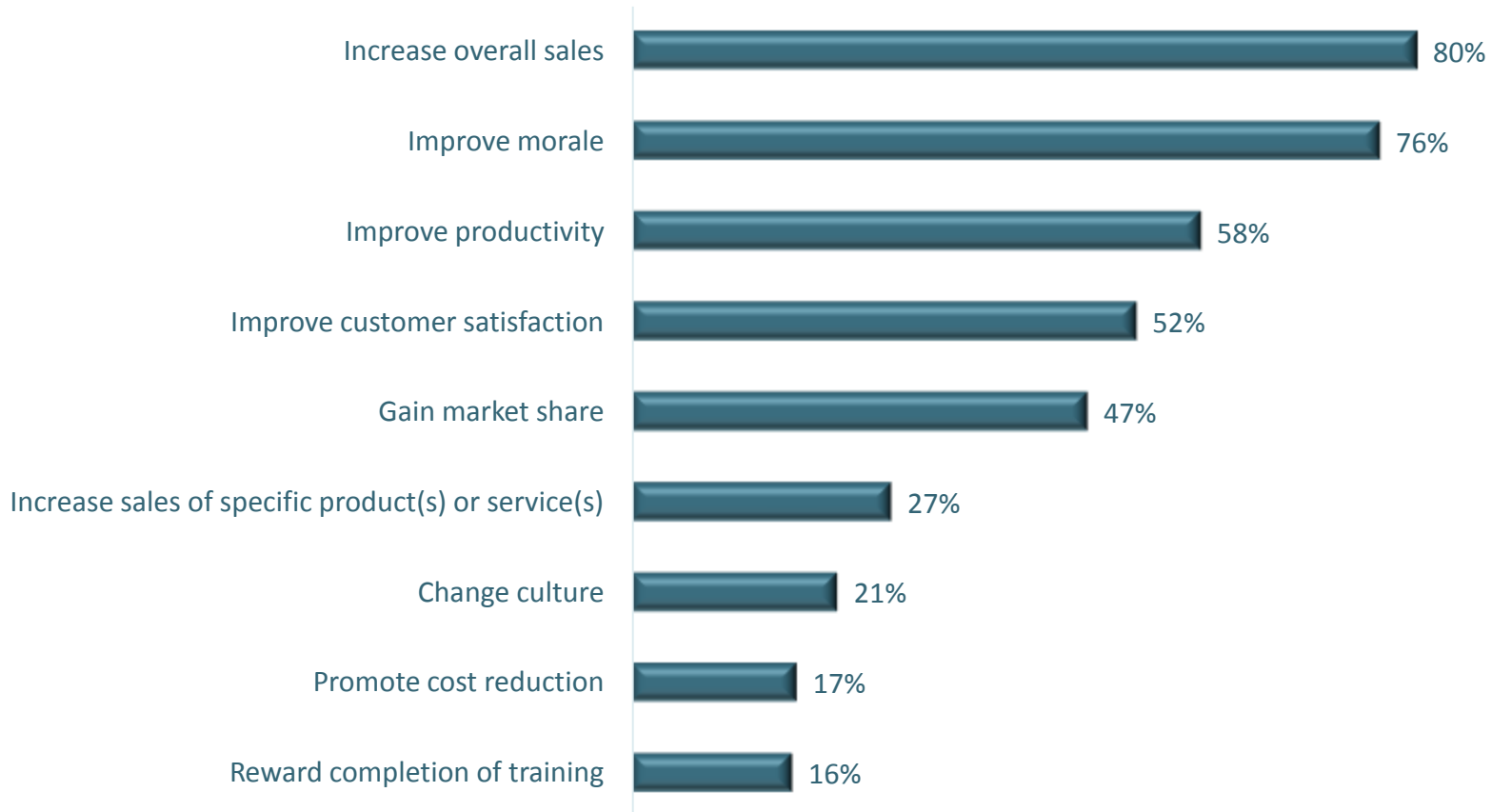
Channel Program Objectives

Productivity gains are the most important objective to firms operating Channel programs – nearly all companies indicate this is a priority. Intuitively, sales-specific goals, such as product sales and market share gains, are also of considerable importance to these programs.

Program Objectives: Channel

Objective	Percentage
Improve productivity	97%
Increase sales of specific product(s) or service(s)	63%
Increase overall sales	62%
Gain market share	59%
Gain share of mind for non-exclusive sales channel	40%
Reward completion of training	19%

n=45
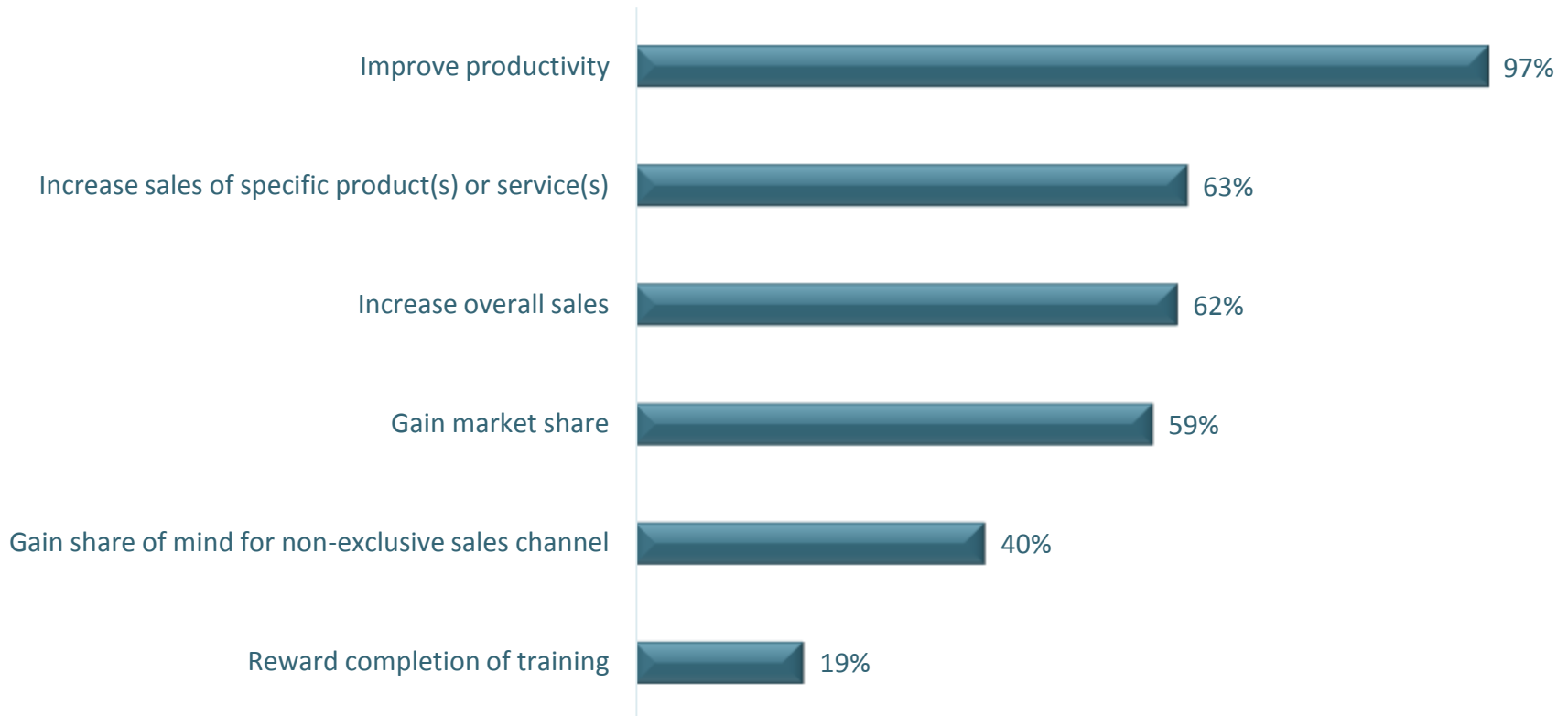
Employee Program Objectives

Most firms operate Employee programs with the objective of improving morale. Other common goals are improving productivity, improving customer satisfaction, and recognizing years of service.

Program Objectives: Employee

Objective	Percentage
Improve morale	84%
Improve productivity	58%
Improve customer satisfaction	48%
Recognize years of service	41%
Promote innovation	28%
Increase sales of specific product(s) or service(s)	27%
Promote wellness	23%
Change culture	19%
Reduce waste	15%
Promote safety	14%
Reward completion of training	9%
Promote cost reduction	8%
Promote other specific behaviors or goals (please specify)	6%

n=159

Program Structures

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

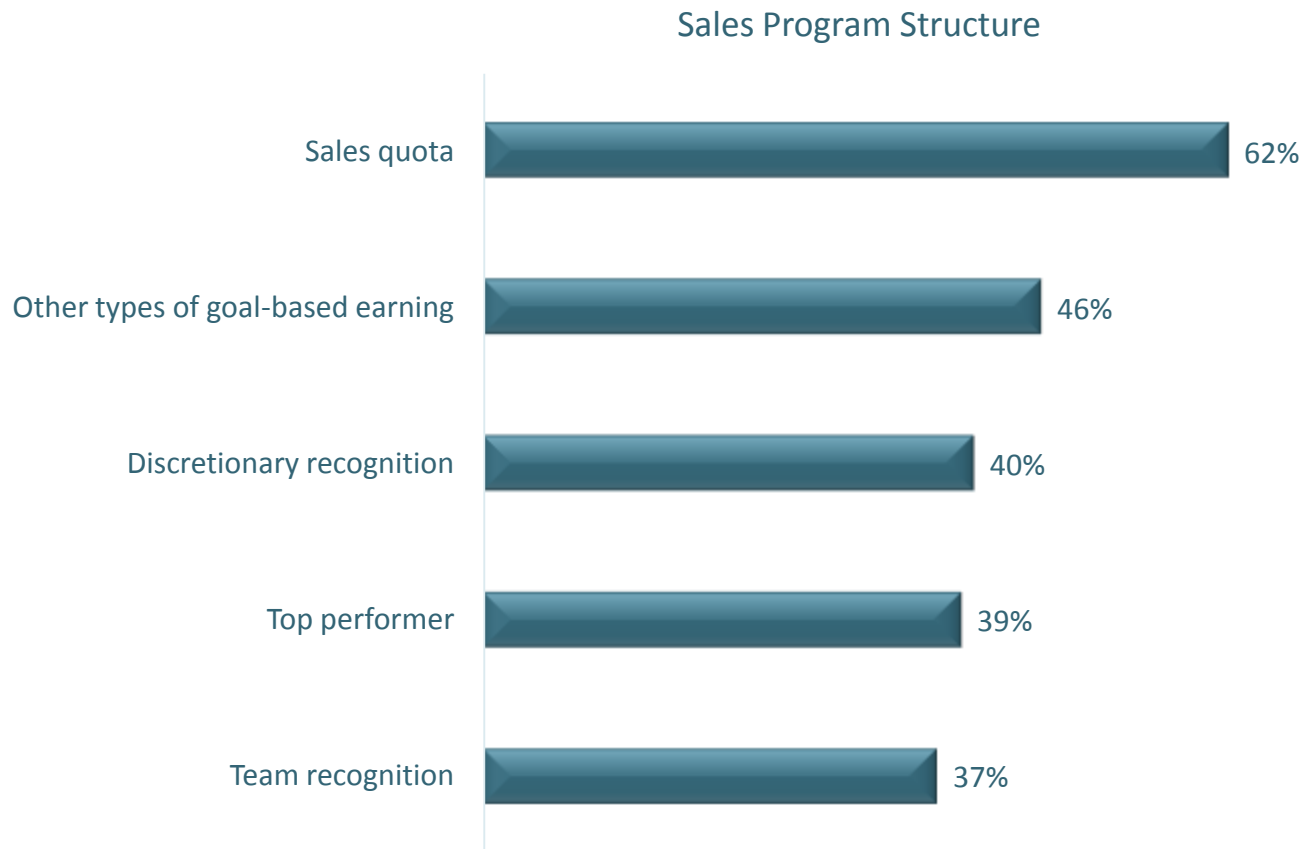|	Sales	Channel	Employee
Sales quota	Participants receive individualized quota targets and earn rewards upon hitting those targets.	Participants receive individualized quota targets and earn rewards upon hitting those targets.	n/a
Other types of goal-based earning	Participants receive individualized goal targets and earn rewards upon reaching those goals (new product or other training, clearing inventory, etc.).	Participants receive individualized goal targets and earn rewards upon reaching those goals.	Participants receive individualized goal targets and earn rewards upon reaching those goals.
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.	Goals are set among all participants and the top performer(s) earn rewards at the end of a set time period for the program.	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.	Recognition or award is given on a spot basis, e.g., a company rep to a channel partner.	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.	Recognition or award is given to a team for group achievements or for reaching team goals.	Recognition or award is given to a team for group achievements or for reaching team goals.
Service anniversary/ milestone achievement	n/a	n/a	Recognition or award is given upon attainment of service anniversary or other milestone (e.g., patent awards or Six Sigma certification).

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 Structure

Category	Percentage
Sales quota	62%
Other types of goal-based earning	46%
Discretionary recognition	40%
Top performer	39%
Team recognition	37%

n=104

Channel Program Structure

Similar to Sales programs, companies employ a wide range of rule structures for Channel programs, with the most prevalent being sales quotas.

Channel Program Structure

Sales quota	77%
Discretionary recognition	65%
Top performer	52%
Other types of goal-based earning	41%
Team recognition	36%

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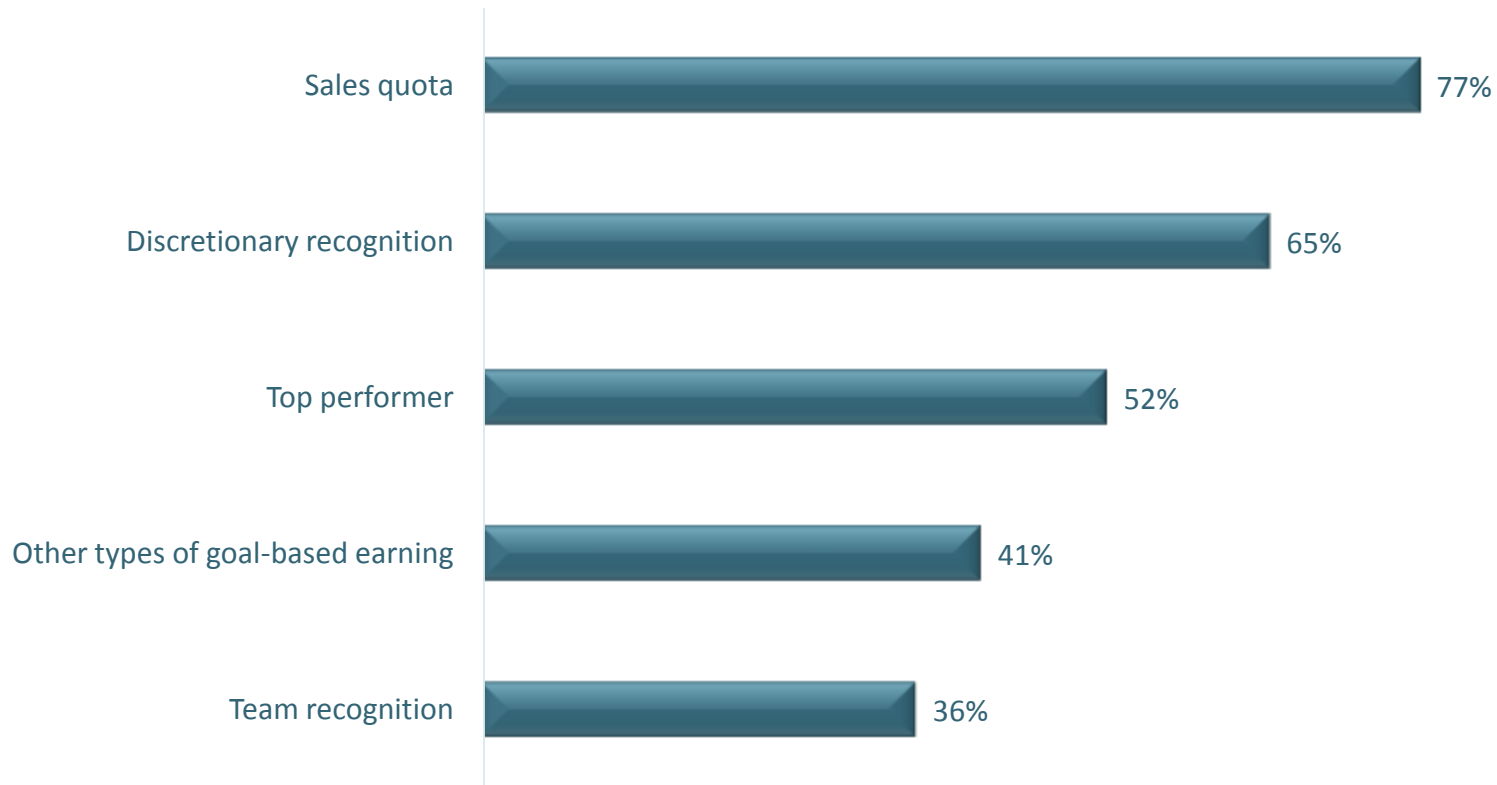
Employee Program Structure

Discretionary recognition is the most common Employee program, but team recognition, service anniversary/milestone, and goal-based earning are also well-utilized rule structures.

Employee Program Structure

Discretionary recognition	70%
Team recognition	53%
Service anniversary/milestone	47%
Goal-based earning	42%
Top performer	21%

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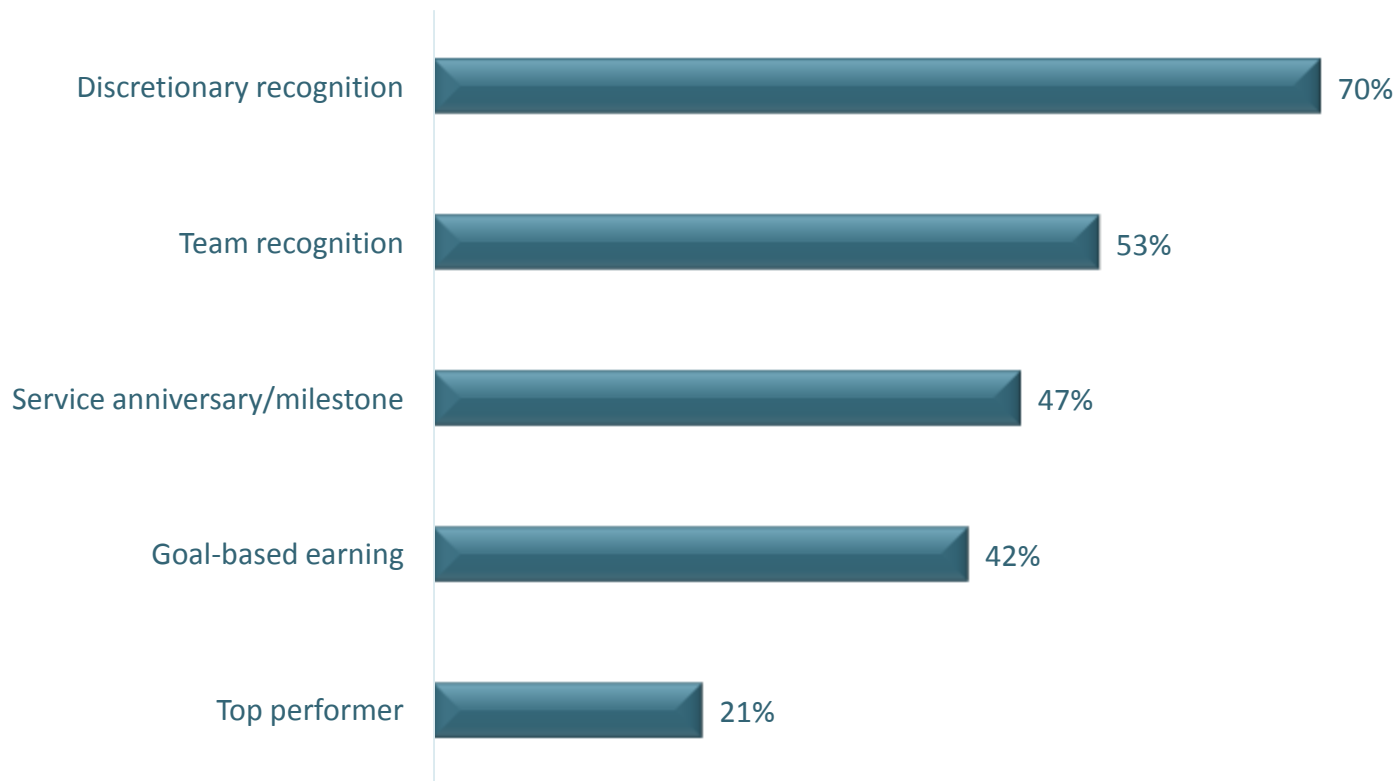
Sales Program Evaluation Metrics

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

Metric	Percentage
Product sales - dollars	66%
Net new customers	49%
Product sales - units	37%
Other financial metrics (such as overall revenue)	36%
Productivity metrics (sales processes, etc.)	25%
Staying within budget	24%
Return-on-investment	20%
Employee tenure	20%
Attitudinal - satisfaction surveys	14%
Other (please specify)	1%

n=104
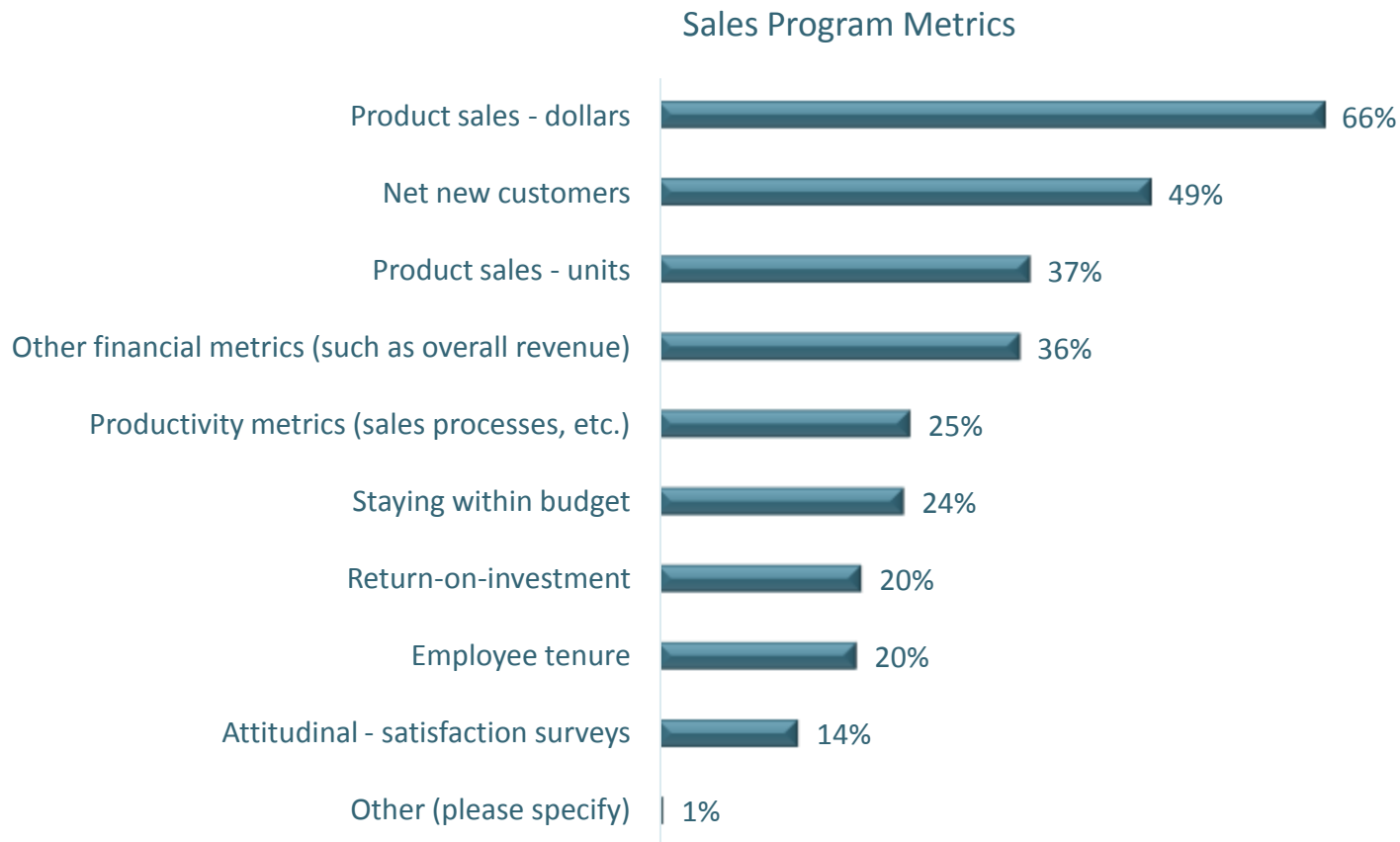
Channel Program Evaluation Metrics

Compared to Sales programs, Channel programs place a higher emphasis on net-new customers as a performance outcome. Product sales (in dollars) is also a top evaluation metric for Channel.

Channel Program Metrics

Metric	Percentage
Net new customers	75%
Product sales - dollars	70%
Product sales - units	49%
Market share	49%
Attitudinal - satisfaction surveys	28%
Brand compliances	27%
Product knowledge	22%
Other (please specify)	<1%

n=45
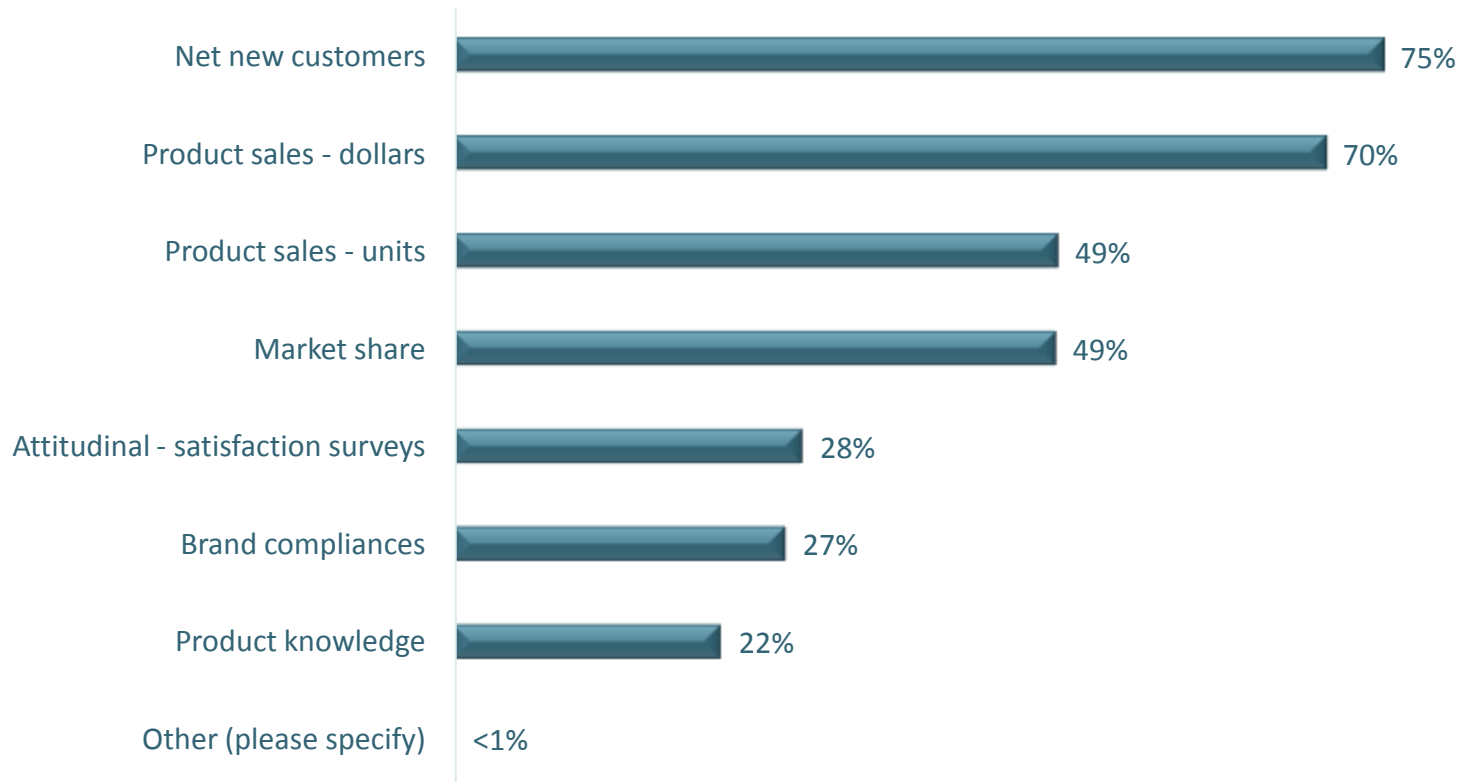
Employee Program Evaluation Metrics

Productivity is the most common performance measure for Employee programs, followed by employee tenure and employee satisfaction.

Employee Program Metrics

Productivity metrics (sales processes, etc.)	73%
Employee tenure	49%
Attitudinal - satisfaction surveys	49%
Other (please specify)	6%

n=159
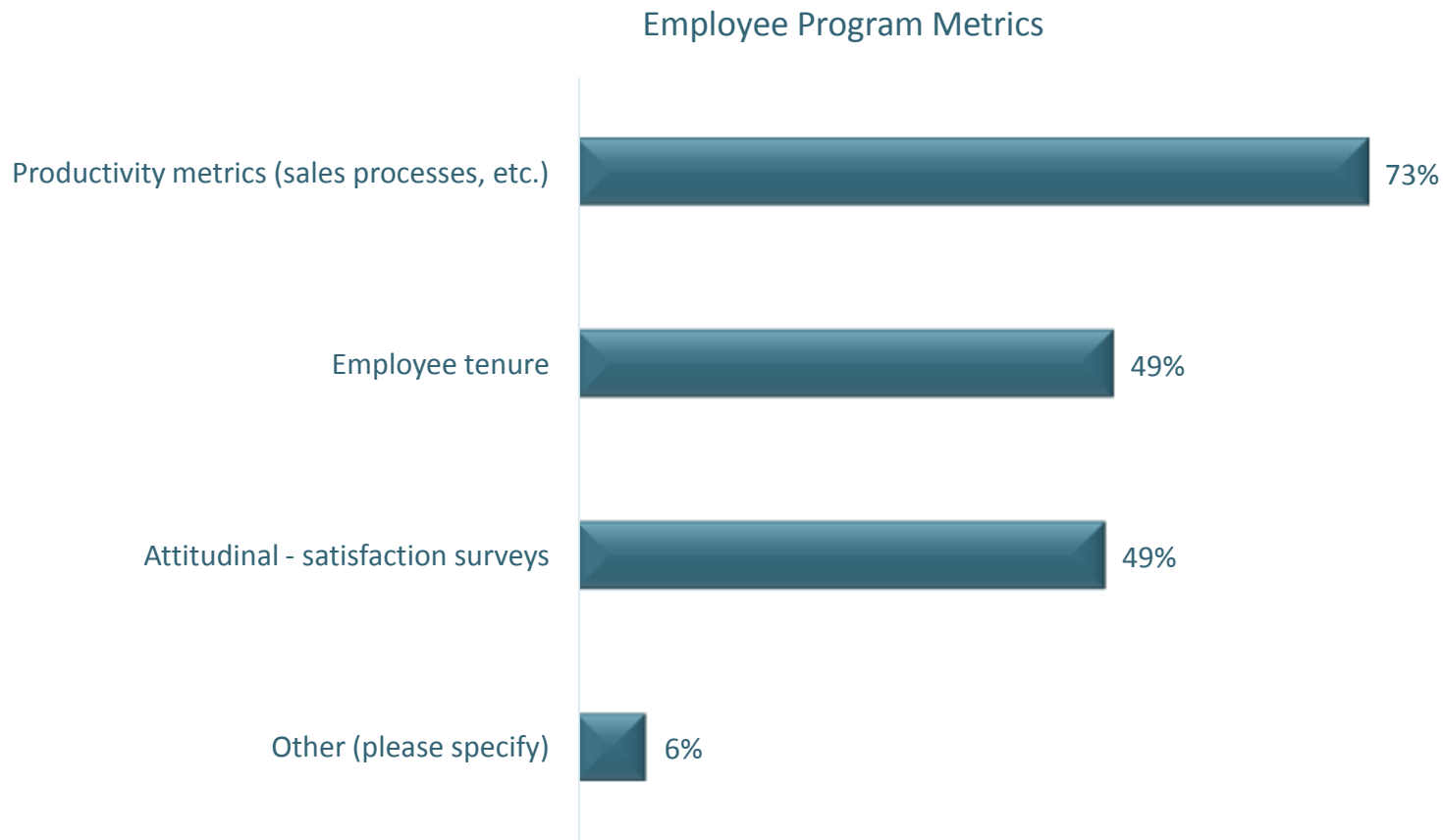
Priorities When Designing Sales Programs

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

Points

Consideration	Points
It truly rewards the right people	20
It aligns with organizational mission	14
It makes recognition part of day-to-day activities	12
Participants can choose their own awards	10
Many participants receive an award	10
Is it fresh and interesting to participants	10
It integrates with other organizational systems	7
It is tailored and specific to an audience	6
It is also a training tool	6
Your company can leverage bulk purchase of award items	4

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.

n=104

Priorities When Designing Channel Programs

Design considerations for Channel programs are less differentiated in terms of importance. Rewarding the right people is a top concern, but is tied with organizational alignment for first place. Tailoring the program to the audience is of greater interest here than in Sales programs.

Design Considerations: Channel Programs

Points

Consideration	Points
It truly rewards the right people	15
It aligns with organizational mission	15
It is tailored and specific to an audience	13
Is it fresh and interesting to participants	12
It integrates with other organizational systems	11
Many participants receive an award	10
Participants can choose their own awards	7
It is also a training tool	7
It makes recognition part of day-to-day activities	6
Your company can leverage bulk purchase of award items	5

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.

n=45

Priorities When Designing Employee Programs

By far, the most important design consideration for Employee programs is ensuring that the program rewards the right people. The second-most-important priority for these programs is making recognition a part of day-to-day activities.

Design Considerations: Employee Programs

Points

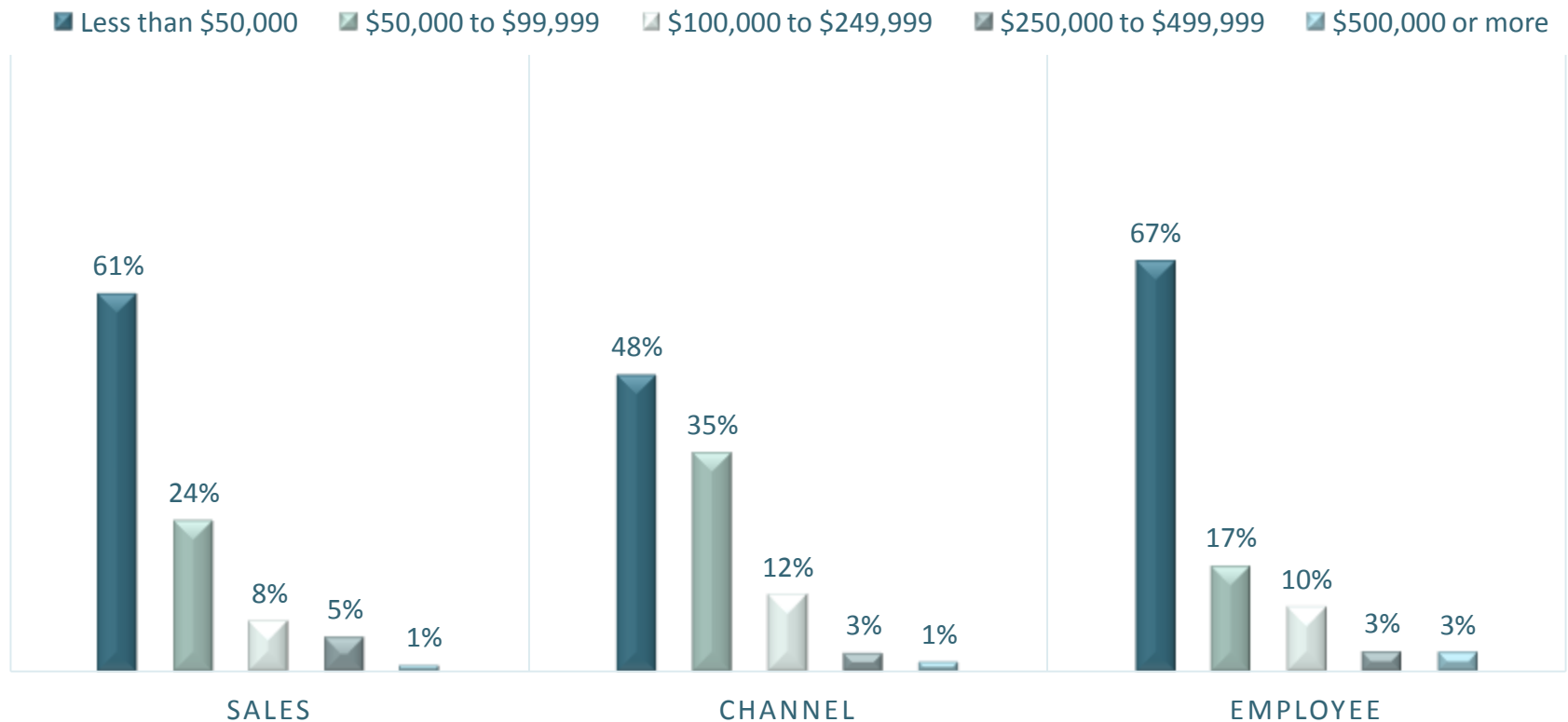| Consideration	Points
It truly rewards the right people	26
It makes recognition part of day-to-day activities	18
It aligns with organizational mission	10
Is it fresh and interesting to participants	9
Many participants receive an award	9
Participants can choose their own awards	6
It is tailored and specific to an audience	6
It integrates with other organizational systems	6
It is also a training tool	5
Your company can leverage bulk purchase of award items	5

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.

n=159

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   ■ $500,000 or more

SALES: 61%, 24%, 8%, 5%, 1%

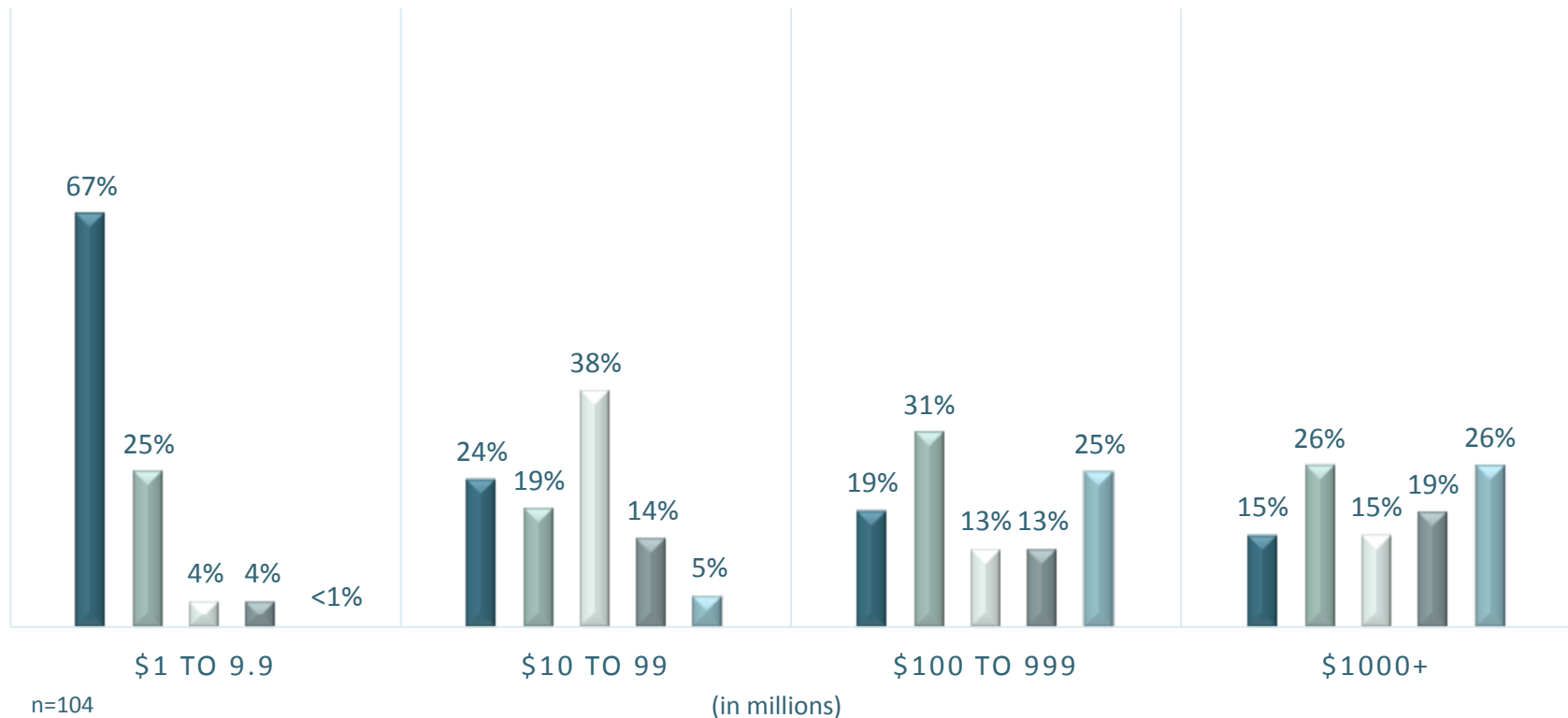CHANNEL: 48%, 35%, 12%, 3%, 1%

EMPLOYEE: 67%, 17%, 10%, 3%, 3%

n=234

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.

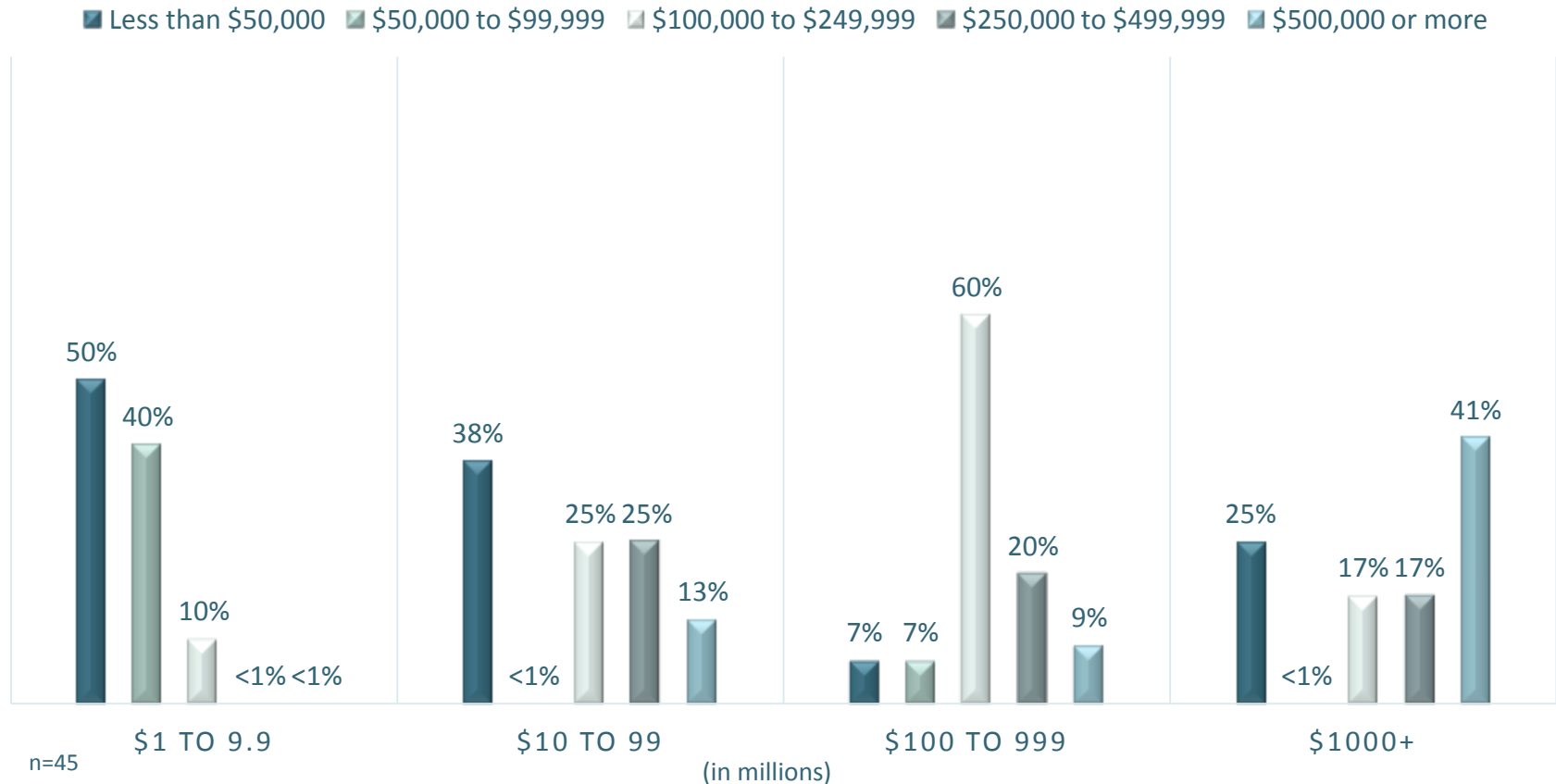### Program Spend By Company Revenue: Sales

■ Less than $50,000   ▨ $50,000 to $99,999   ◩ $100,000 to $249,999   ▨ $250,000 to $499,999   ▨ $500,000 or more

Revenue (in millions)	Less than $50,000	$50,000 to $99,999	$100,000 to $249,999	$250,000 to $499,999	$500,000 or more
$1 TO 9.9	67%	25%	4%	4%	<1%
$10 TO 99	24%	19%	38%	14%	5%
$100 TO 999	19%	31%	13%	13%	25%
$1000+	15%	26%	15%	19%	26%

n=104

(in millions)

Channel Program Spend by Firm Revenue

Half of smaller firms report spending less than $50,000 per year on Channel programs. Investment in Channel programs increases as firms pass the $10M revenue mark, and continues to increase as company size grows. It is possible that total spend on Channel programs was not captured in the largest of firms, due to distributed spend across numerous divisions and operating units.

Program Spend By Company Revenue: Channel

■ Less than $50,000 ■ $50,000 to $99,999 ■ $100,000 to $249,999 ■ $250,000 to $499,999 ■ $500,000 or more

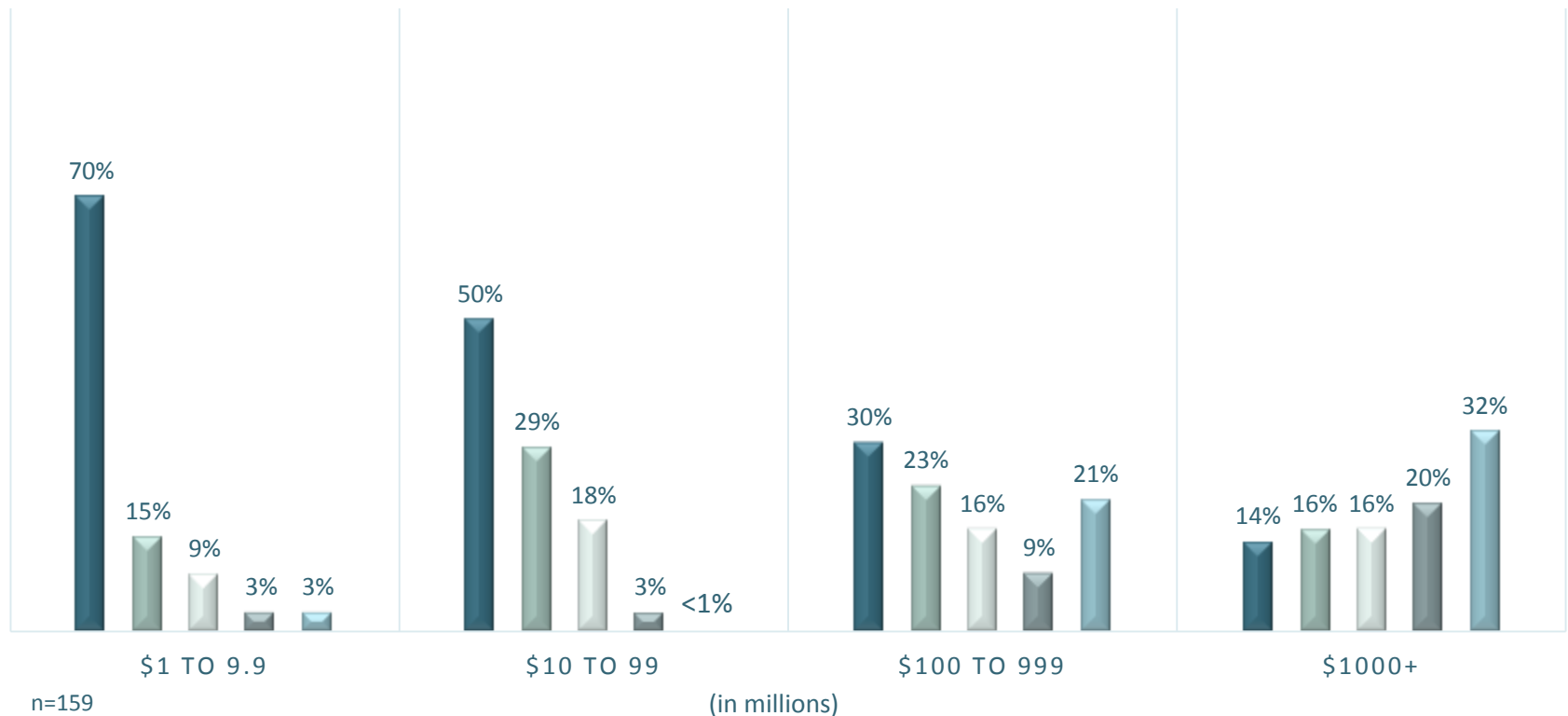|	$1 TO 9.9	$10 TO 99	$100 TO 999	$1000+
Less than $50,000	50%	38%	7%	25%
$50,000 to $99,999	40%	<1%	7%	<1%
$100,000 to $249,999	10%	25%	60%	17%
$250,000 to $499,999	<1%	25%	20%	17%
$500,000 or more	<1%	13%	9%	41%

n=45

(in millions)

Employee Program Spend by Firm Revenue

The majority of small firms spend less than $50,000 per year on Employee programs, and this level of spending is also seen among a considerable proportion of larger firms. Within the largest companies, spending on Employee programs increases dramatically. It is possible that total spend on Employee programs was not captured in the largest of firms, due to distributed spend across numerous divisions and operating units.

Program Spend By Company Revenue: Employee

■ Less than $50,000 ■ $50,000 to $99,999 ■ $100,000 to $249,999 ■ $250,000 to $499,999 ■ $500,000 or more

$1 TO 9.9: 70%, 15%, 9%, 3%, 3%
$10 TO 99: 50%, 29%, 18%, 3%, <1%
$100 TO 999: 30%, 23%, 16%, 9%, 21%
$1000+: 14%, 16%, 16%, 20%, 32%
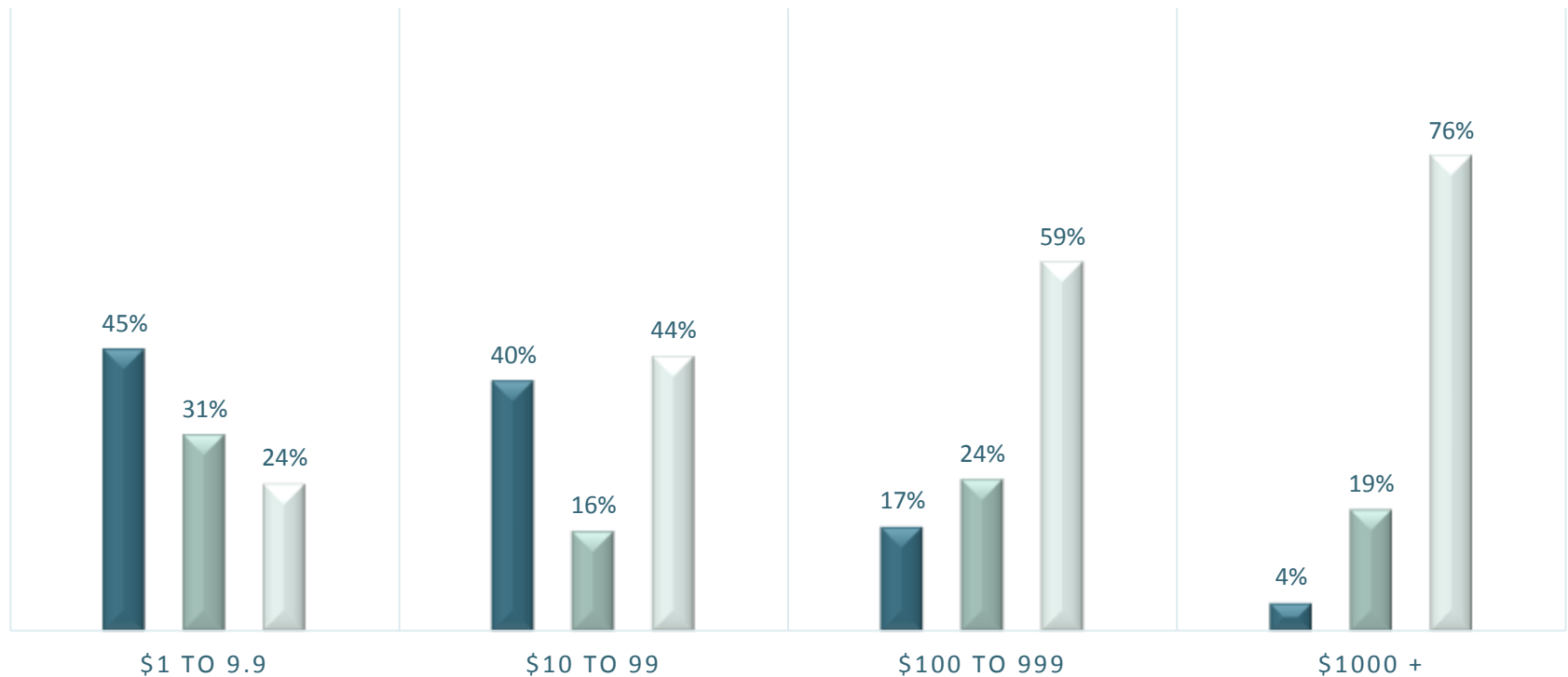
n=159

(in millions)

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+

	$1 TO 9.9	$10 TO 99	$100 TO 999	$1000 +
<=$50	45%	40%	17%	4%
$50-99	31%	16%	24%	19%
$100+	24%	44%	59%	76%

n=234

(in millions)

Program Rewards & Recognition

Program Rewards and Recognition

The pages that follow outline reward and recognition provided for sales, channel, and employee programs. These were described for respondents as below: *
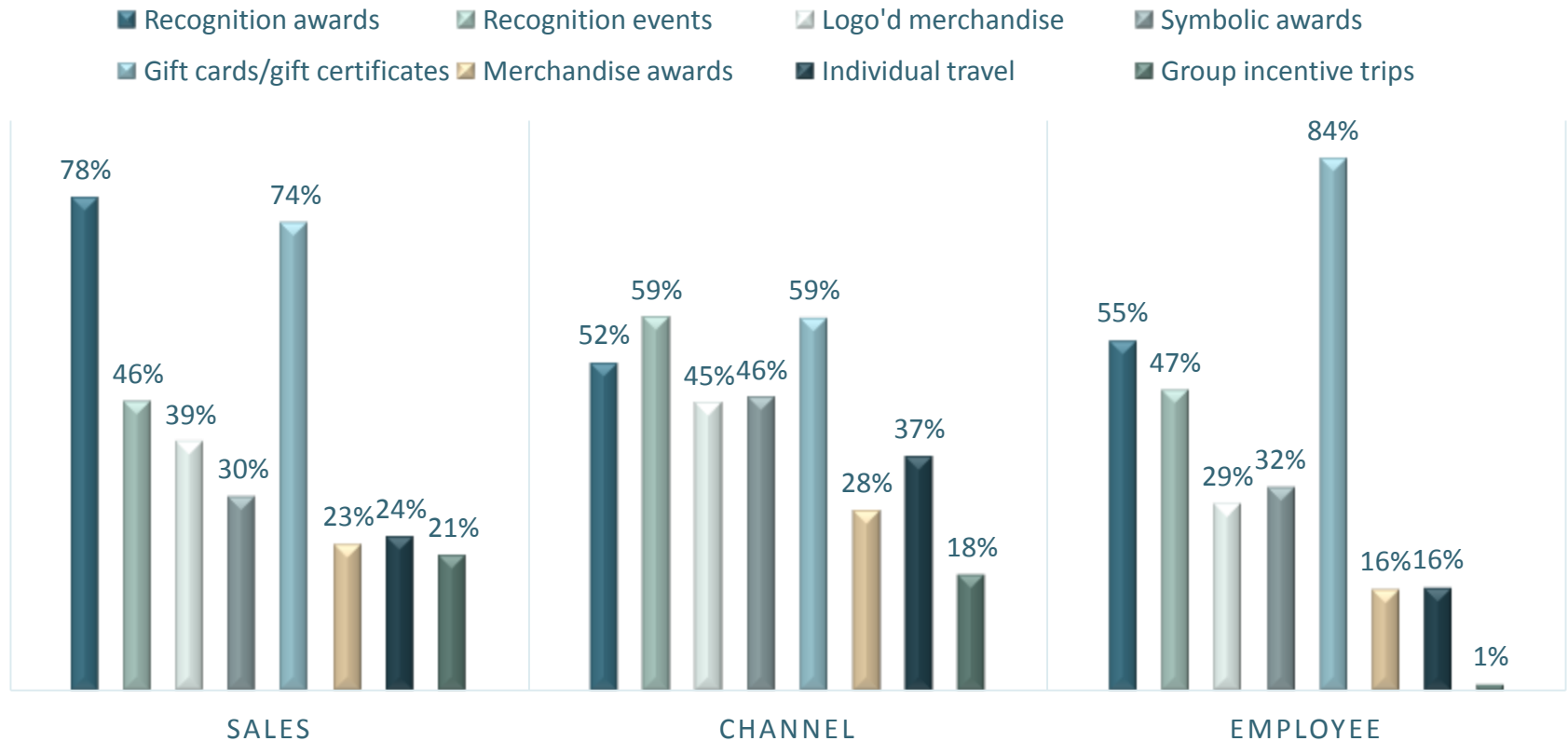
	Sales	**Channel**	**Employee**
Recognition awards	Perks to recognize participants such as time off from work, parking spots, free lunches.	Little perks or "thank you's" to recognize channel/dealer personnel.	Perks to recognize participants such as time off from work, parking spots, free lunches.
Recognition events	Gatherings or awards to recognize participants such as recognition ceremonies/meetings or recognition awards (e.g., Employee of the Month, etc.)	Gatherings or awards to recognize participants such as recognition ceremonies/meetings or recognition awards (e.g., brand compliance, etc.)	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	E.g., plaques, trophies	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.	Merchandise or other awards used as part of an incentive or recognition program. Rewards may be a variety of products of differing values.	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.	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.	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

SALES: 78%, 46%, 39%, 30%, 74%, 23%, 24%, 21%

CHANNEL: 52%, 59%, 45%, 46%, 59%, 28%, 37%, 18%

**EMPLOYEE:** 55%, 47%, 29%, 32%, 84%, 16%, 16%, 1%

n=234

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.
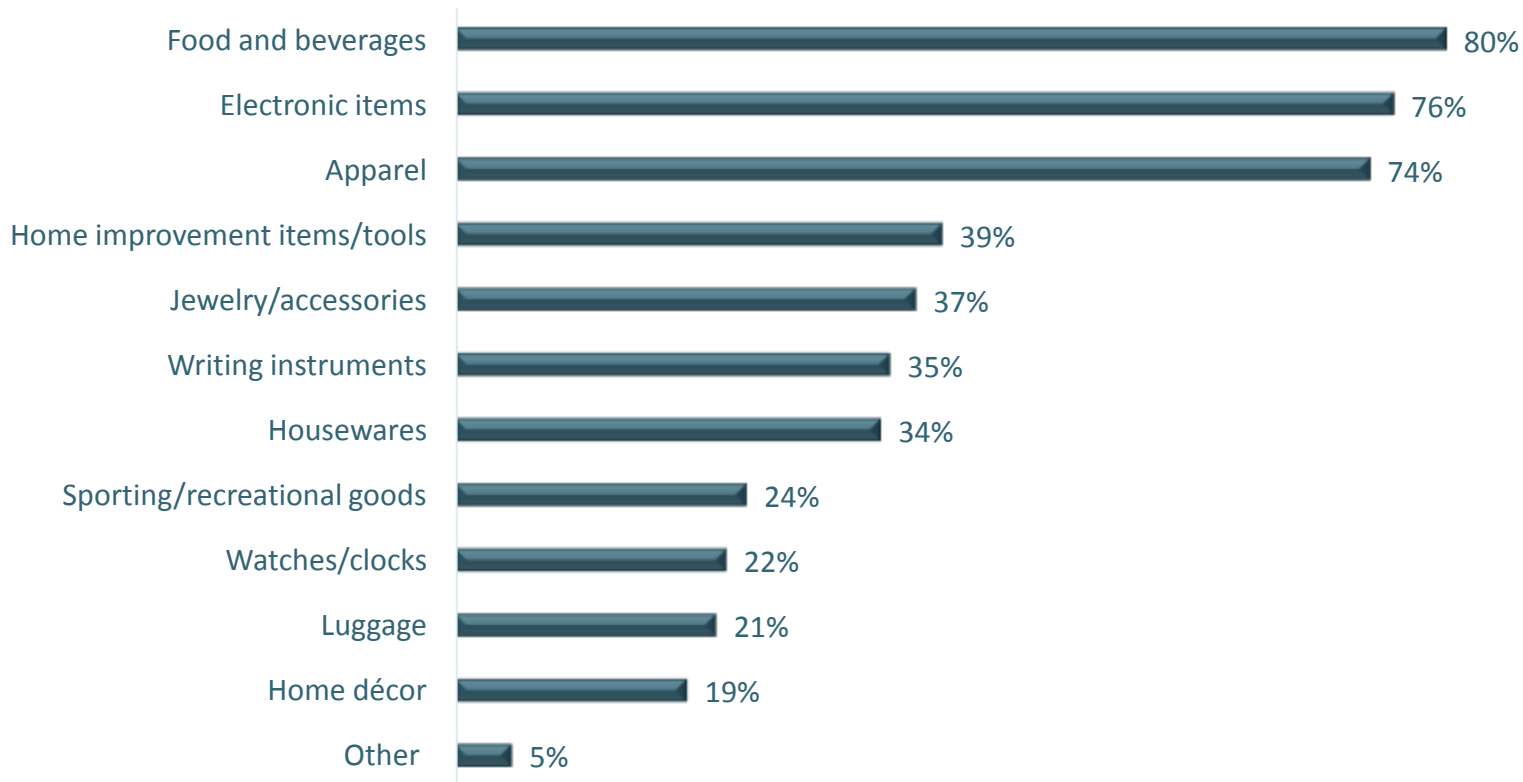
Points-based Award Programs

■ Merchandise awards   ▨ Individual travel

	Merchandise awards	Individual travel
SALES	58%	18%
CHANNEL	95%	76%
EMPLOYEE	14%	16%
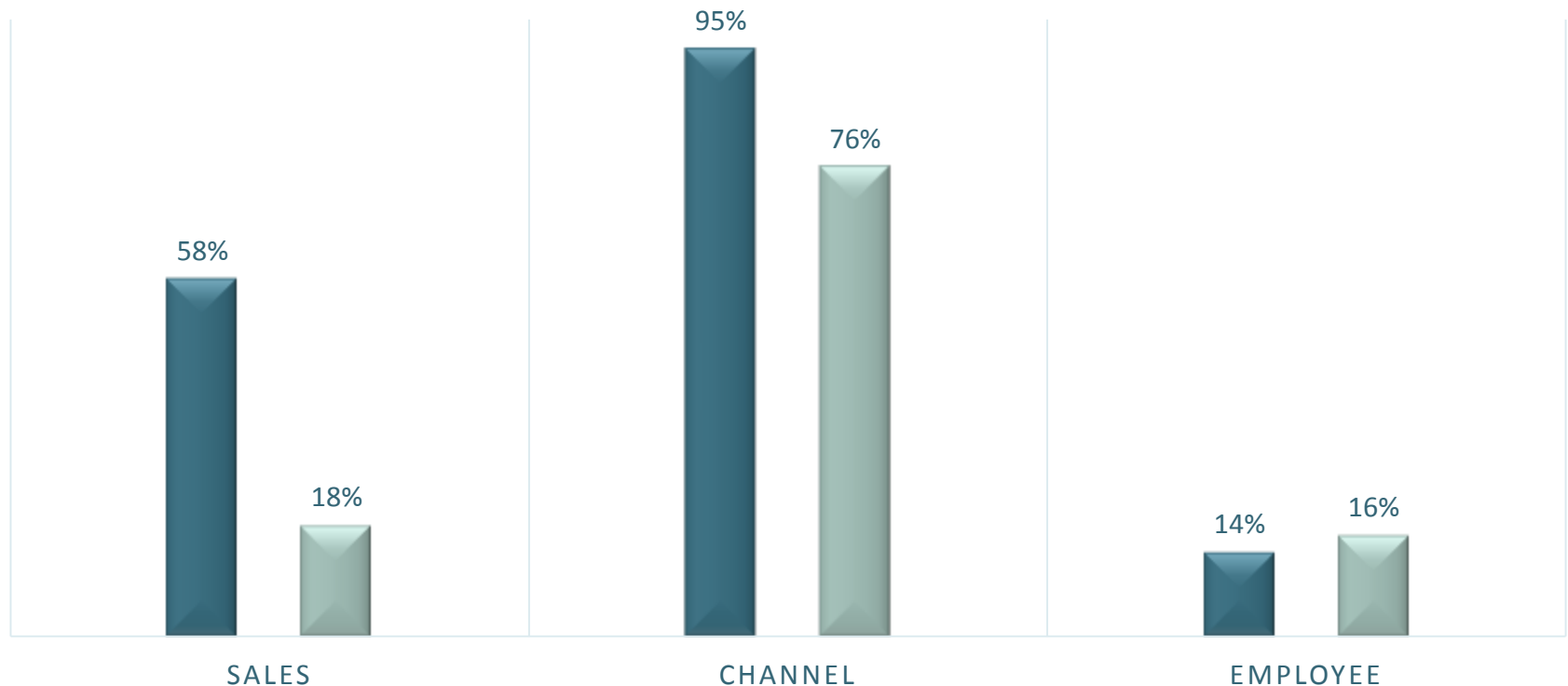
Types of Merchandise Used in Sales Programs

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

Category	Percentage
Food and beverages	80%
Electronic items	76%
Apparel	74%
Home improvement items/tools	39%
Jewelry/accessories	37%
Writing instruments	35%
Housewares	34%
Sporting/recreational goods	24%
Watches/clocks	22%
Luggage	21%
Home décor	19%
Other	5%

n=39

Types of Merchandise Used in Channel Programs

Food and beverages are ubiquitous within Channel programs, while electronics and writing instruments also make a strong showing. Housewares are absent within Channel programs.

Merchandise Prevalence in Channel Programs

Category	Percentage
Food and beverages	100%
Electronic items	68%
Apparel	33%
Home improvement items/tools	32%
Jewelry/accessories	31%
Writing instruments	63%
Housewares	<1%
Sporting/recreational goods	32%
Watches/clocks	32%
Luggage	32%
Home décor	32%
Other	<1%

n=15
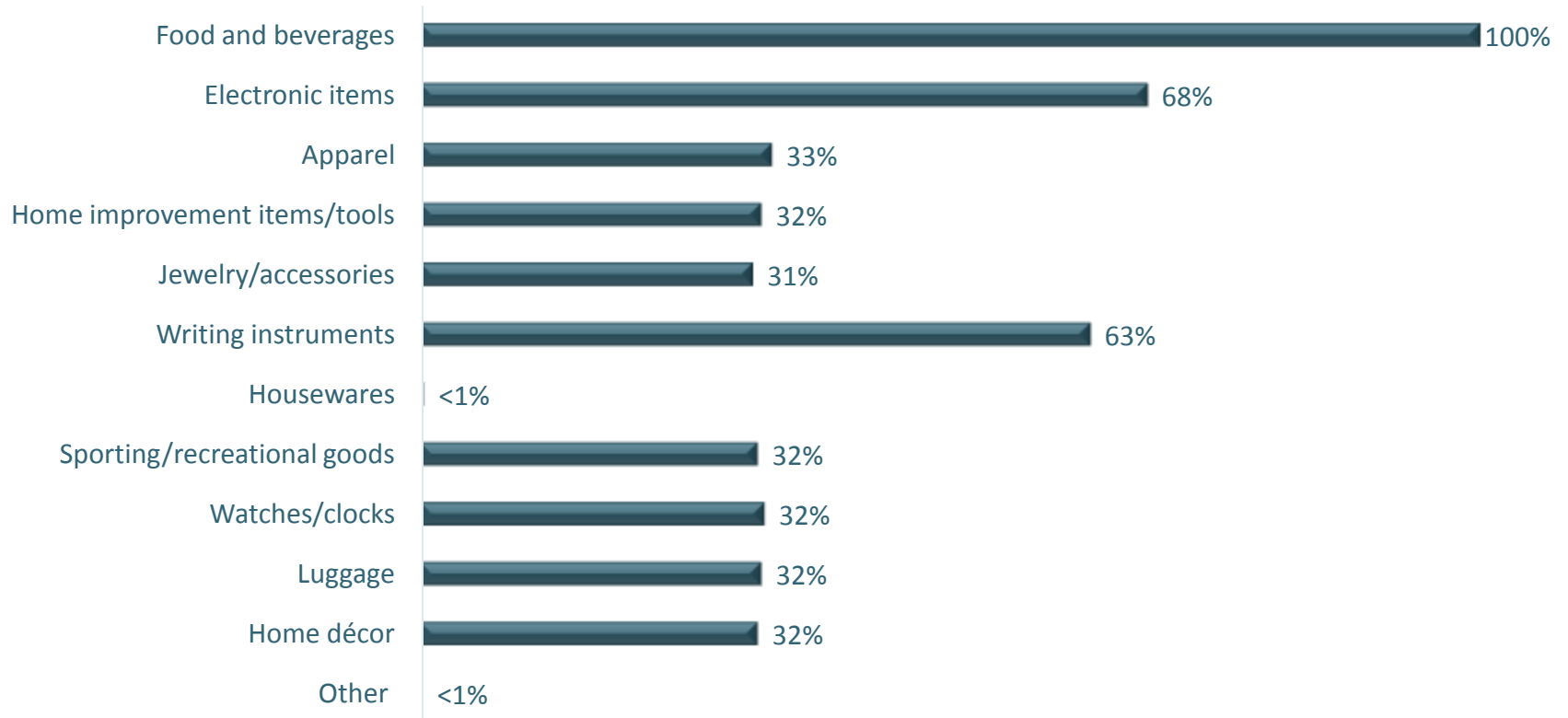
Types of Merchandise Used in Employee Programs

Electronics take the top spot in Employee programs, followed by food and beverages and apparel. Sporting goods, luggage, watches and clocks, and home décor are other categories favored for Employee programs.

Merchandise Prevalence in Employee Programs

Category	Percentage
Food and beverages	63%
Electronic items	76%
Apparel	59%
Home improvement items/tools	9%
Jewelry/accessories	11%
Writing instruments	7%
Housewares	6%
Sporting/recreational goods	46%
Watches/clocks	33%
Luggage	39%
Home décor	22%
Other	7%

n=62
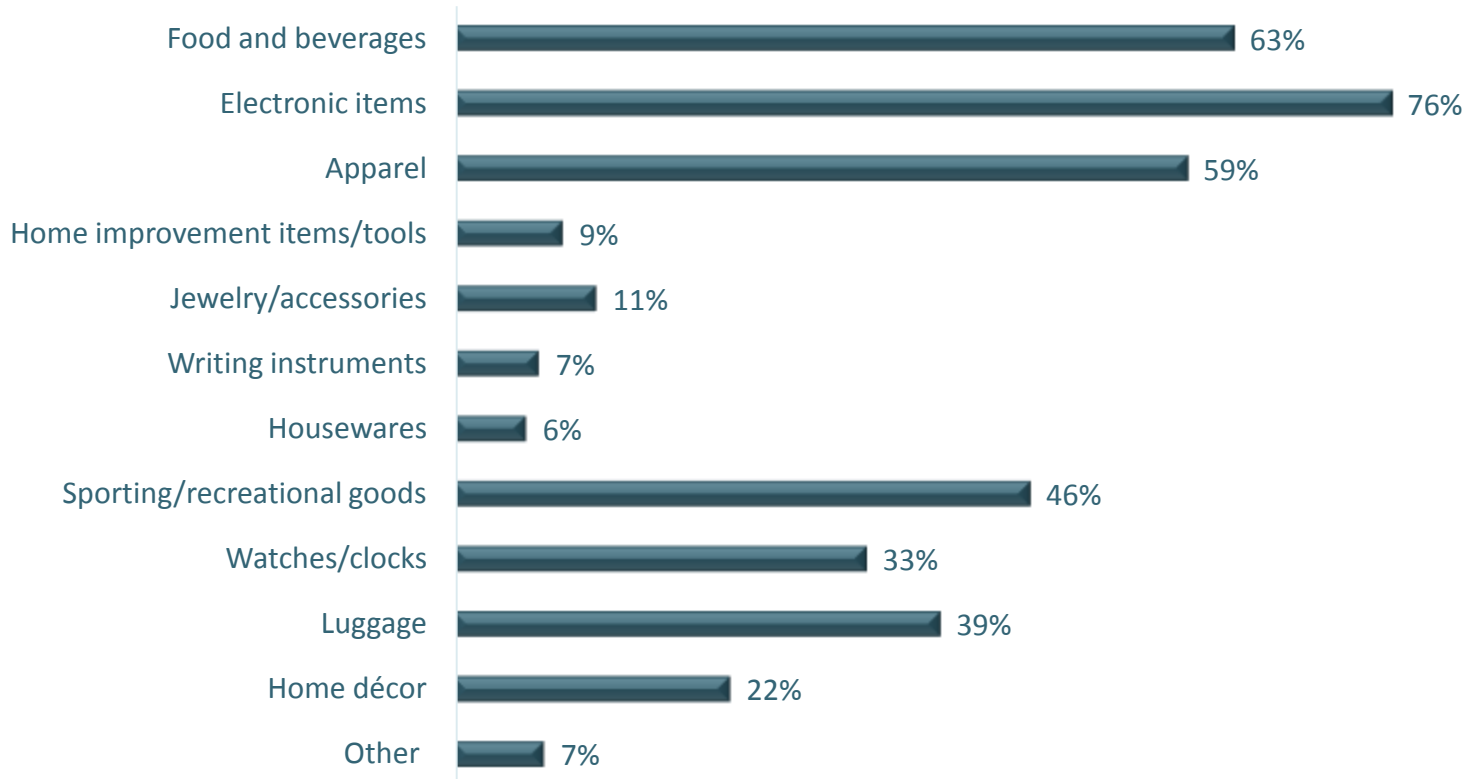
Incidence of Cash as Non-Compensation Reward

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

71% — SALES

66% — CHANNEL/DEALER

61% — EMPLOYEE

n=234
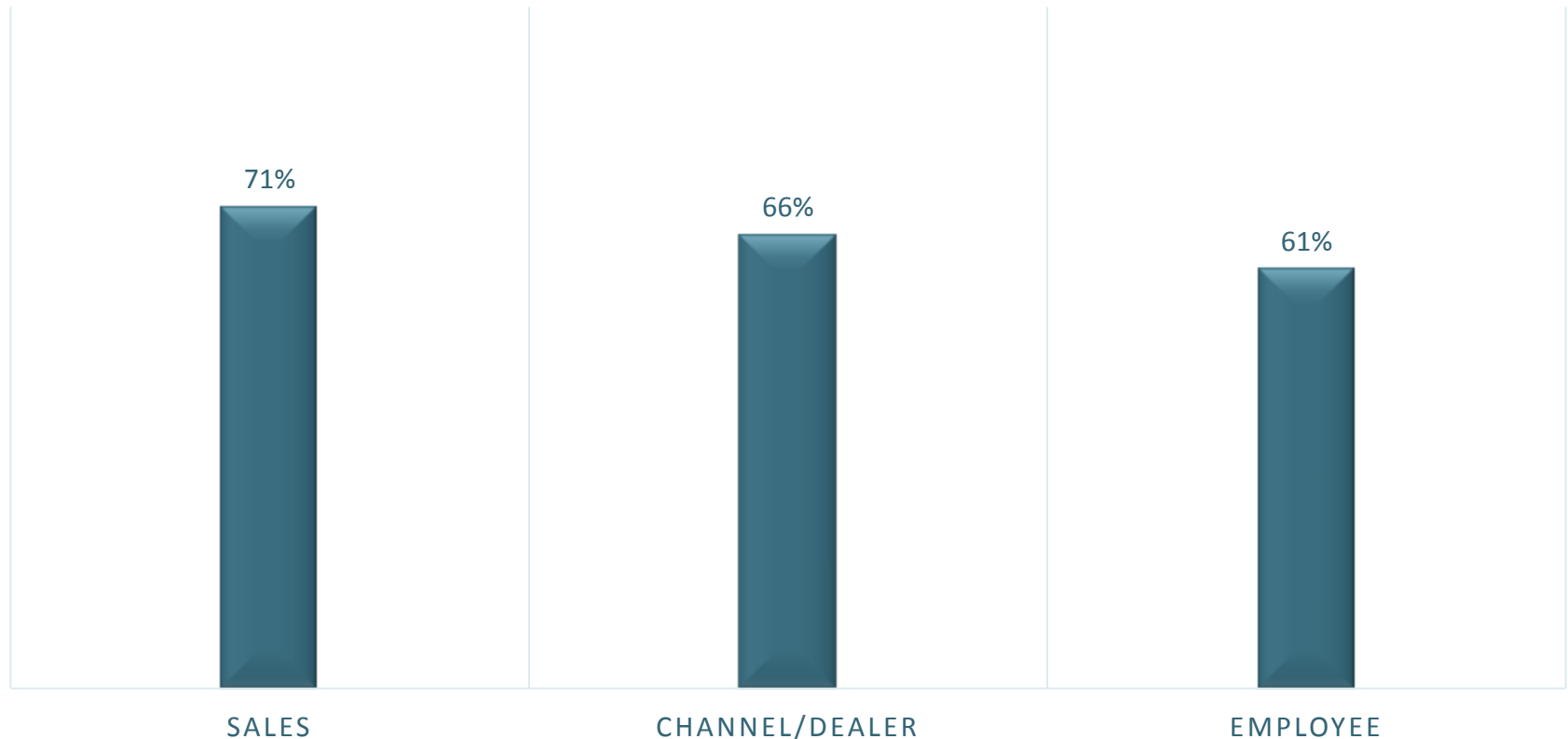
Reward and Recognition Preference by Program Rule Structure

- 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%

Preferred Reward/Recognition by Program Structure: Channel

Example for interpreting this information:

- *Among those with sales quota programs, 23% prefer merchandise awards.*

	Sales Quota (n=35)	Other Goal-Based Earning (n=18)	Top Performer (n=23)	Discretionary (n=29)	Team (n=16)
Merchandise (awards)	23%	23%	18%	28%	25%
Merchandise (logo'd)	26%	23%	8%	32%	50%
Merchandise (symbolic)	23%	22%	35%	27%	50%
Gift cards/gift certificates	36%	25%	55%	42%	1%
Individual travel	11%	22%	55%	29%	25%
Group travel	11%	22%	18%	14%	25%
Recognition awards	39%	45%	38%	2%	50%
Recognition events	34%	29%	38%	41%	25%

Preferred Reward/Recognition by Program Structure: Employee

Example for interpreting this information:
- *Among those with service anniversary programs, 10% prefer merchandise awards.*

	Service Anniv. (n=71)	Goal-Based Earning (n=65)	Top Performer (n=33)	Discretionary (n=107)	Team (n=81)
Merchandise (awards)	10%	6%	3%	13%	14%
Merchandise (logo'd)	4%	7%	2%	22%	14%
Merchandise (symbolic)	26%	27%	4%	4%	7%
Gift cards/gift certificates	28%	49%	61%	72%	52%
Individual travel	6%	12%	--	8%	15%
Group travel	--	1%	2%	--	1%
Recognition awards	32%	23%	15%	37%	15%
Recognition events	36%	4%	42%	23%	28%

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.
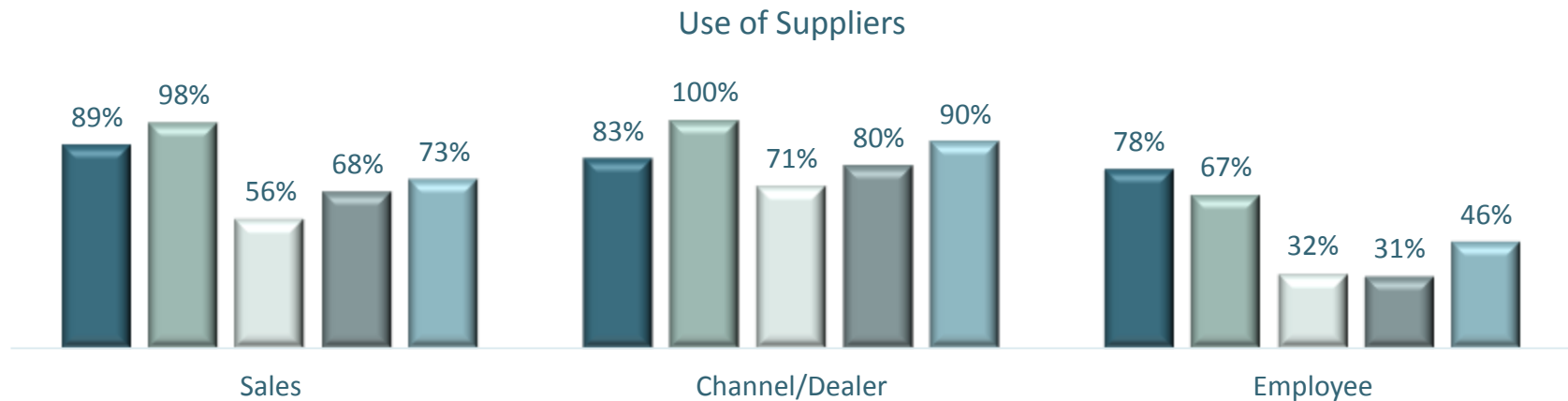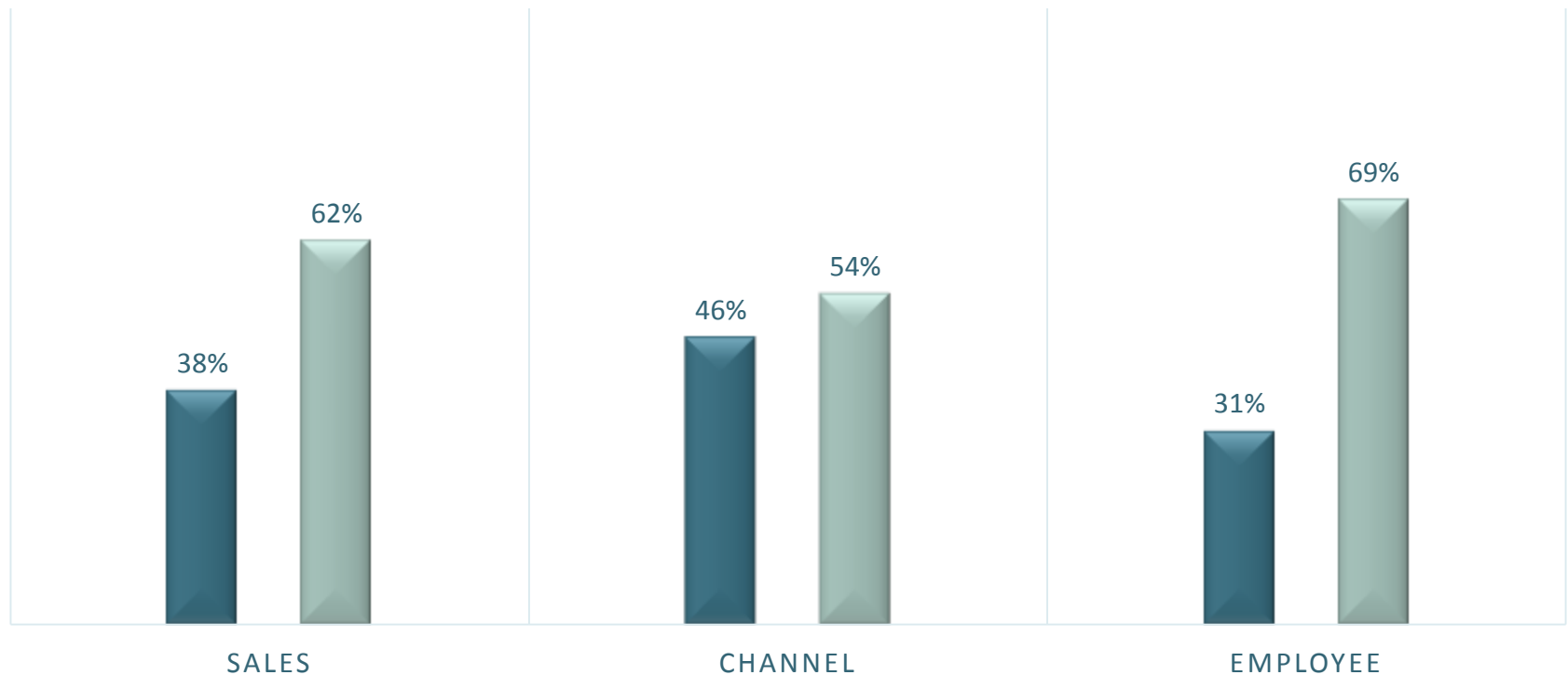
Use of Suppliers

	Sales	Channel/Dealer	Employee
We work with suppliers (including local retailers) to provide the merchandise and/or gift card rewards for our program(s).	89%	83%	78%
We work with suppliers to provide the travel rewards for our program(s).	98%	100%	67%
We work with suppliers to design our program(s).	56%	71%	32%
We work with suppliers to track and communicate our program(s).	68%	80%	31%
We look to suppliers for expertise relative to the best ways to recognize and incent our participants.	73%	90%	46%

- ■ 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.

n=234

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 suppler.   ■ We typically work with multiple suppliers.

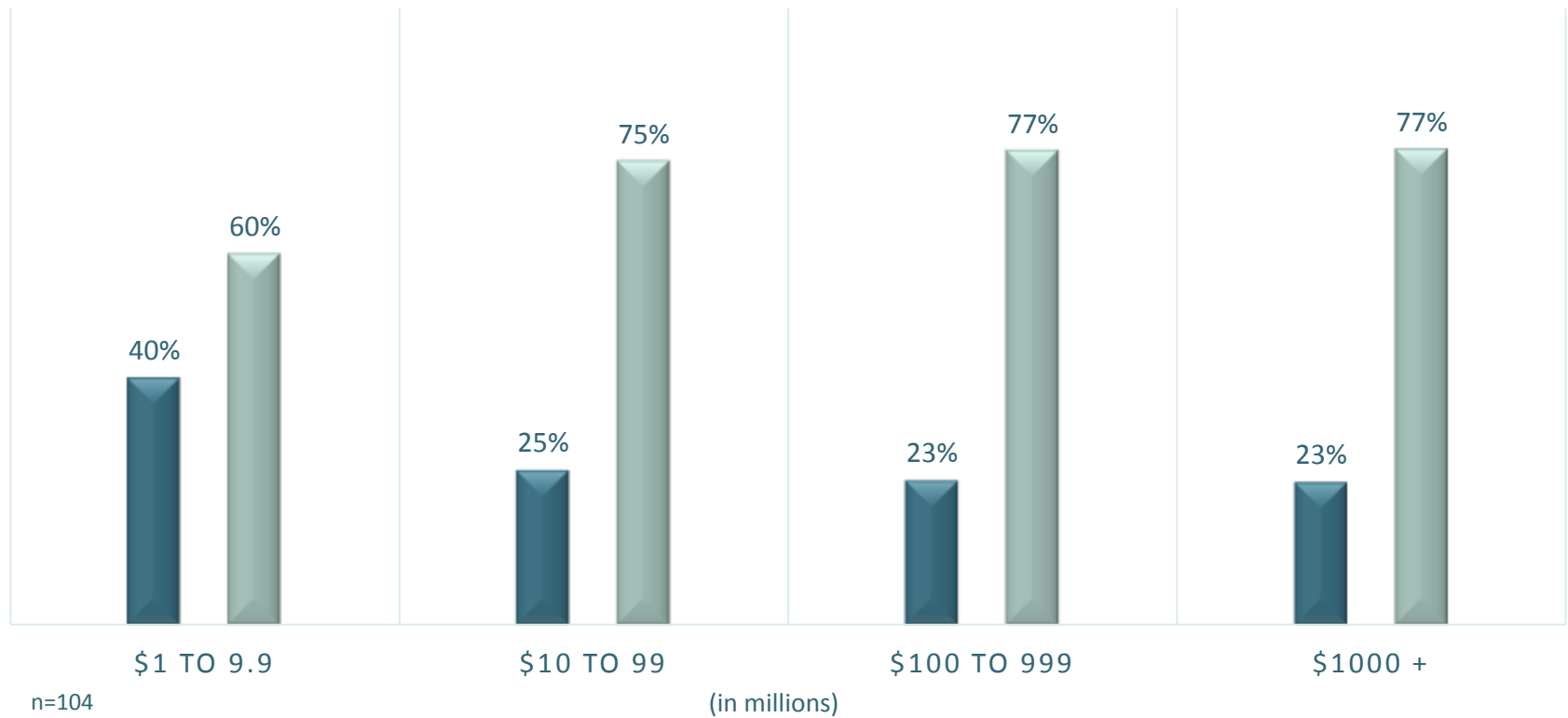|	SALES	CHANNEL	EMPLOYEE
Single supplier	38%	46%	31%
Multiple suppliers	62%	54%	69%

n=234

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 suppler.   ■ We typically work with multiple suppliers.

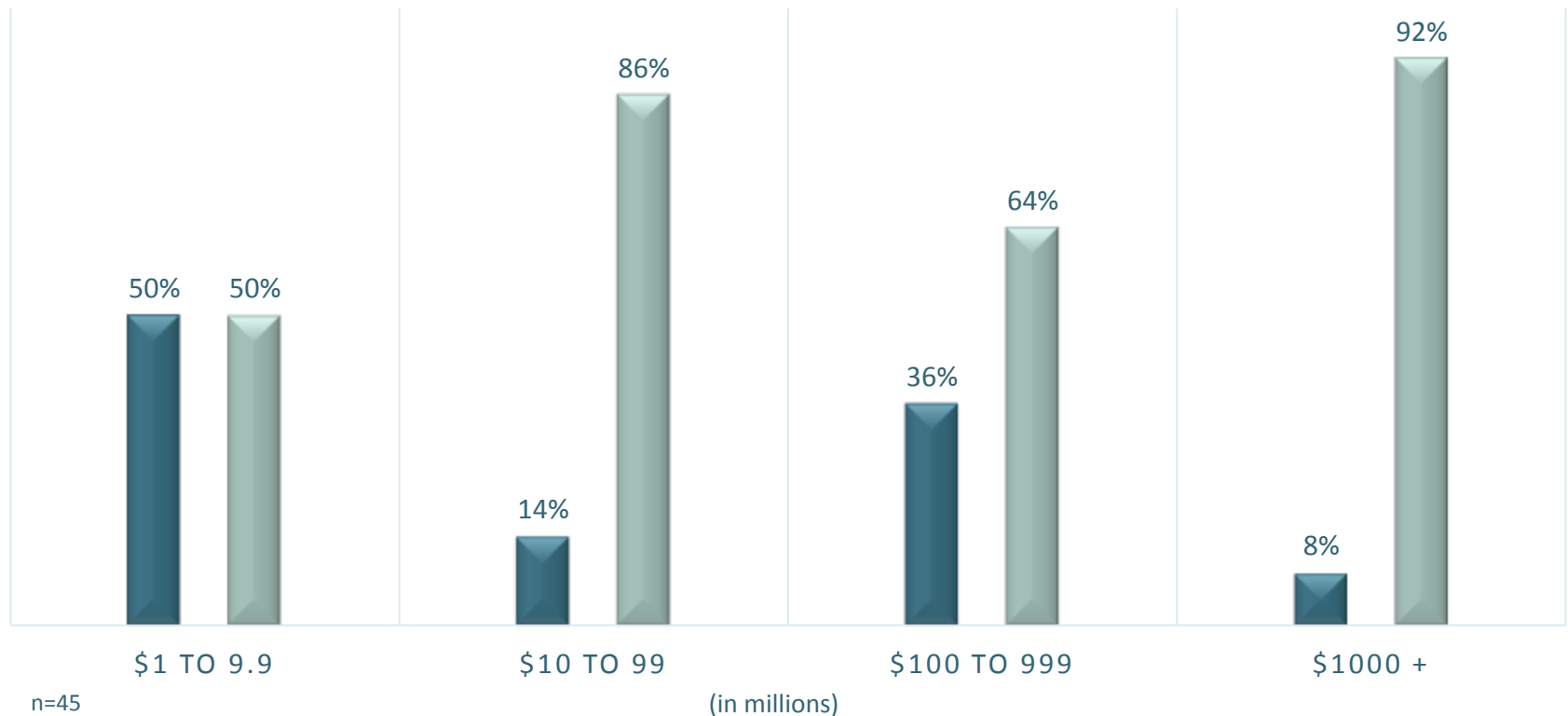|	$1 TO 9.9	$10 TO 99	$100 TO 999	$1000 +
Single	40%	25%	23%	23%
Multiple	60%	75%	77%	77%

n=104

(in millions)

Use of Suppliers for Channel Programs By Firm Size

Similar to Sales programs, Channel programs in large firms show a higher incidence of multiple suppliers than do small companies.

Channel Program Supplier Engagement By Company Revenue

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

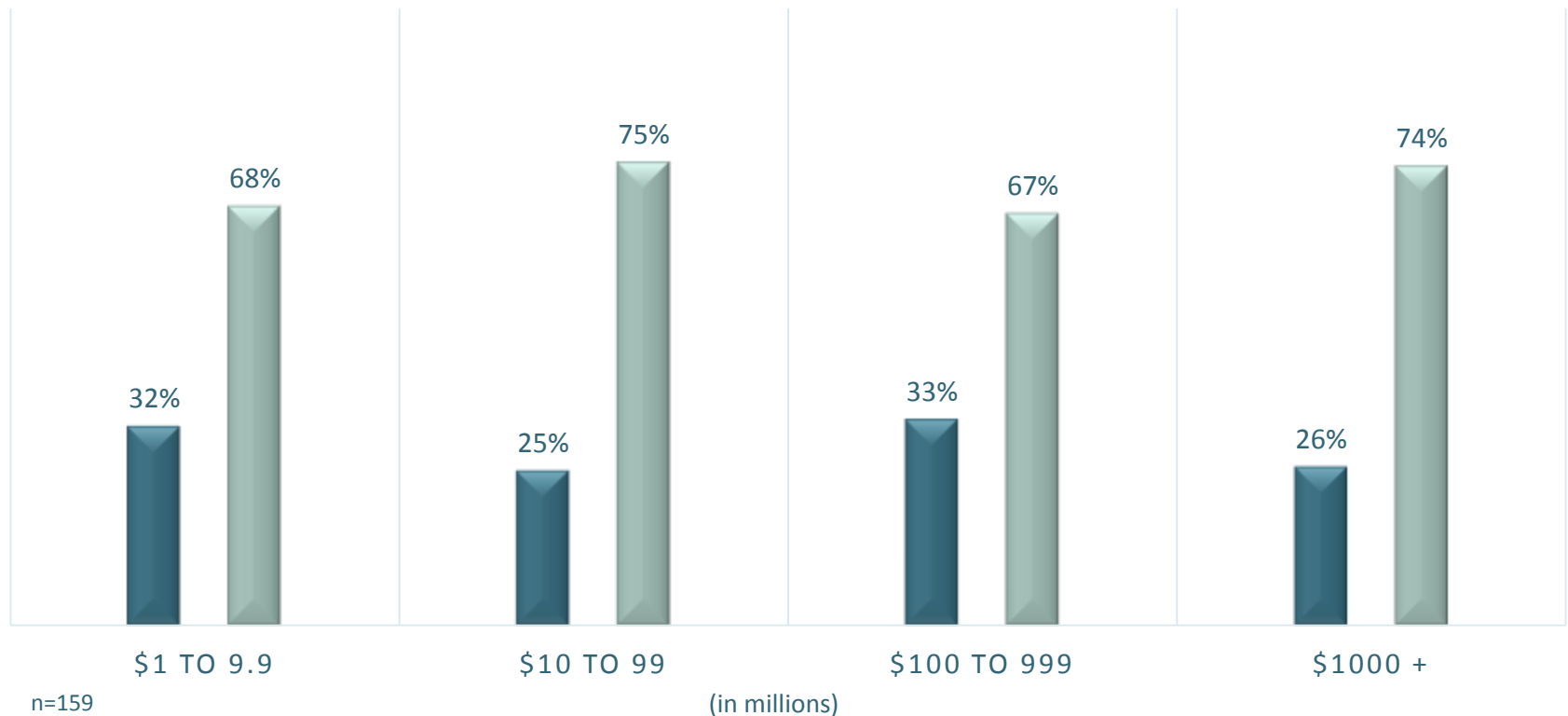|	$1 TO 9.9	$10 TO 99	$100 TO 999	$1000 +
Single	50%	14%	36%	8%
Multiple	50%	86%	64%	92%

(in millions)

n=45

Use of Suppliers for Employee Programs by Firm Size

Unlike Sales and Channel programs, Employee programs show a consistently high incidence of multiple suppliers across all company sizes. For all firm size categories, only a quarter to a third of companies use a single supplier.

Employee Program Supplier Engagement By Company Revenue

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

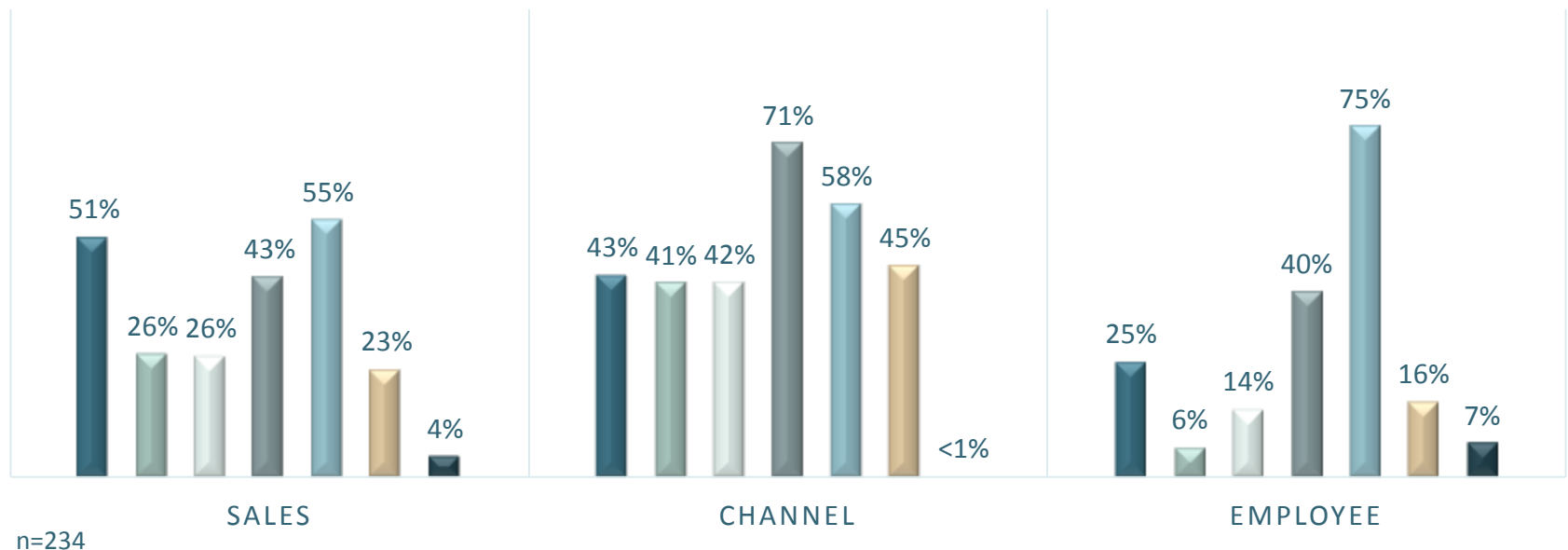|	$1 TO 9.9	$10 TO 99	$100 TO 999	$1000 +
Single supplier	32%	25%	33%	26%
Multiple suppliers	68%	75%	67%	74%

n=159

(in millions)

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. Within Channel programs there is a strong reliance on merchandise reward providers and, to a lesser extent, gift card suppliers. The opposite is seen in Employee programs, where gift card suppliers have the highest incidence followed by merchandise providers.

Types Of Suppliers Used

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

SALES: 51%, 26%, 26%, 43%, 55%, 23%, 4%

CHANNEL: 43%, 41%, 42%, 71%, 58%, 45%, <1%

EMPLOYEE: 25%, 6%, 14%, 40%, 75%, 16%, 7%

n=234

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

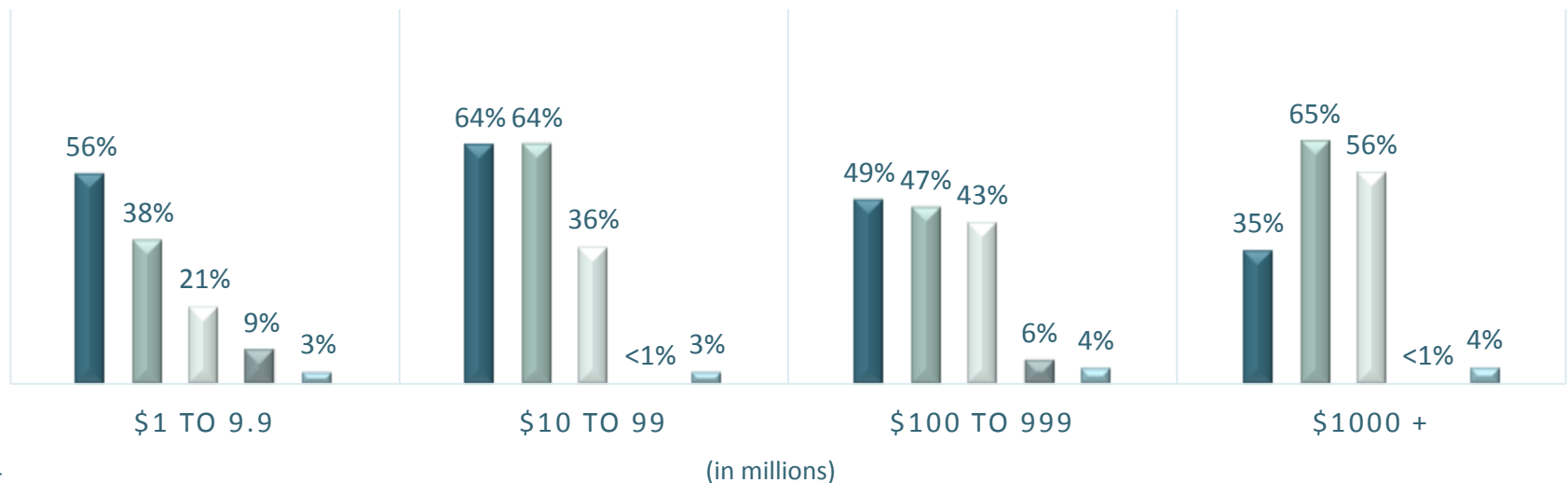|	
We get rewards from local retailer locations	57%
We get our rewards from a company that specializes in selling rewards/merchandise or an incentive/promotional agency.	41%
We work with the corporate offices of a retailer to purchase rewards/merchandise	23%
Other	8%
I don't know	3%

n=164
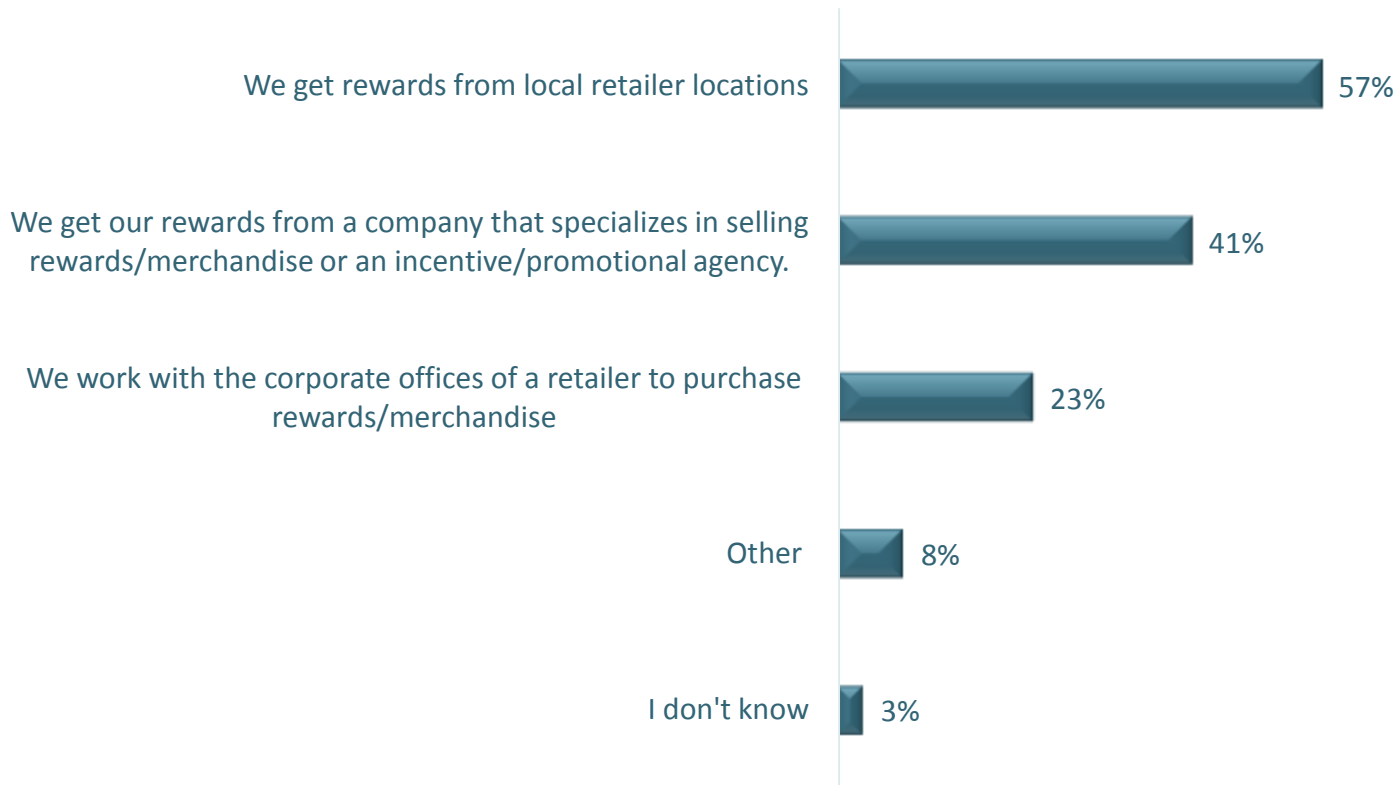
Sourcing of Merchandise and Gift Cards by Firm Size

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

|	$1 TO 9.9	$10 TO 99	$100 TO 999	$1000 +
Local retailer locations	56%	64%	49%	35%
Specializes in selling rewards/merchandise	38%	64%	47%	65%
Corporate offices of a retailer	21%	36%	43%	56%
Other	9%	<1%	6%	<1%
I don't know	3%	3%	4%	4%

(in millions)

n=164

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

n=164

(in thousands)

<=$50: 67%, 13%, 15%, 13%
$50-99: 41%, 51%, 25%, 8%
$100+: 59%, 73%, 33%, <1%
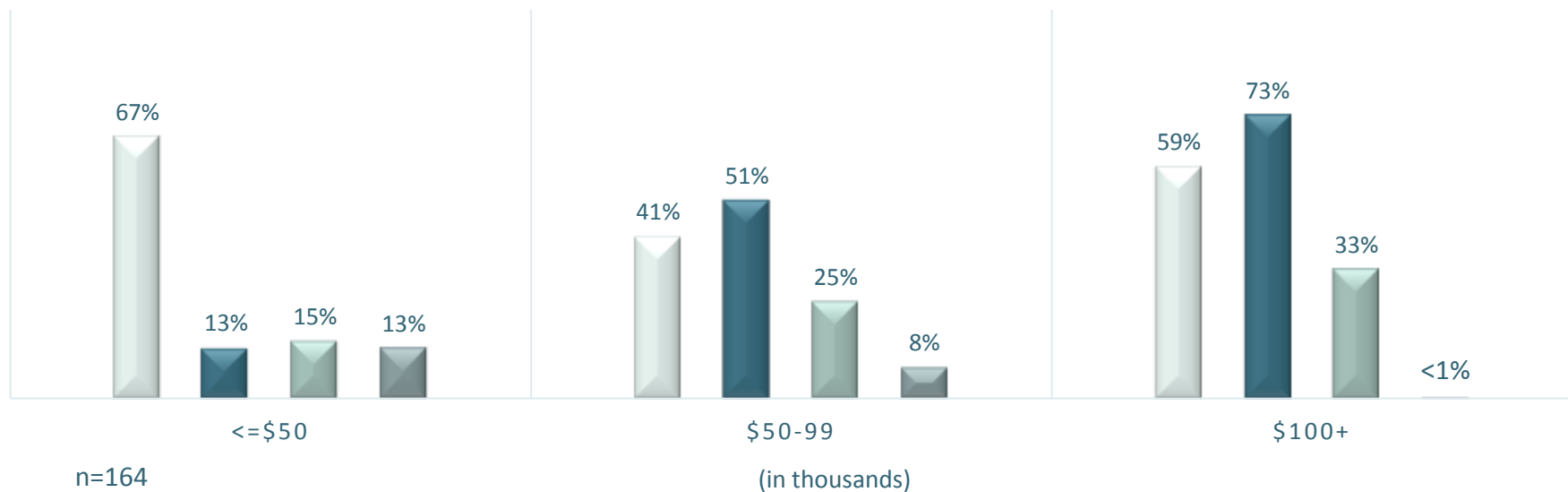
How Merchandise and Gift Cards Are Sourced

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

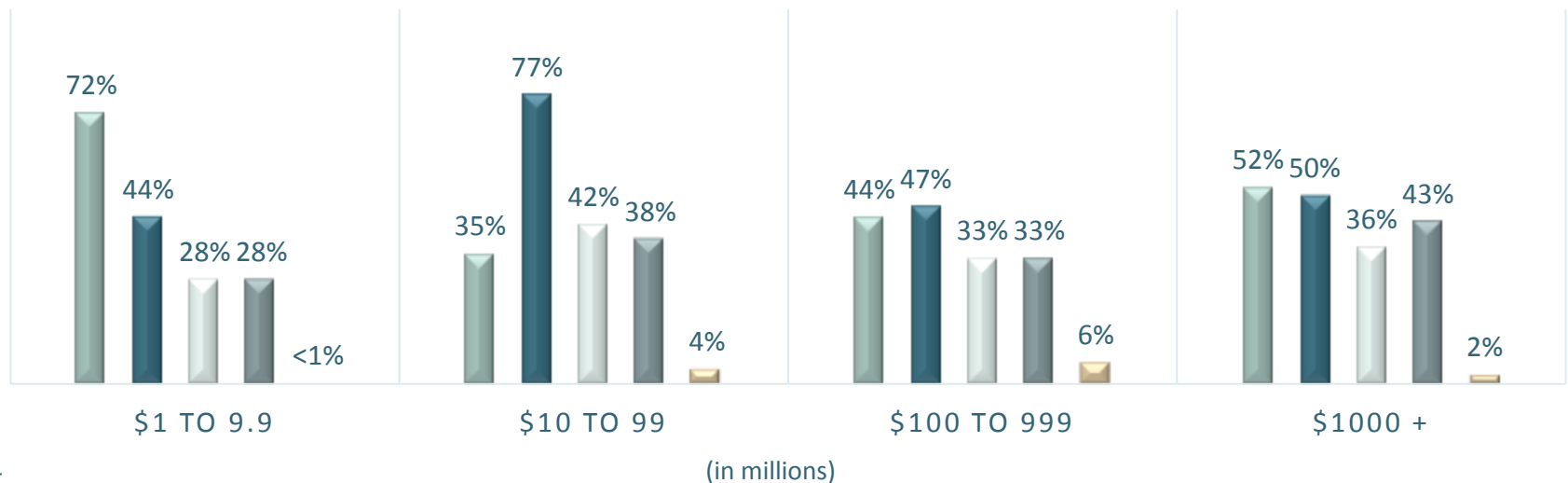|				
65%	50%	30%	30%	1%
We order through an account manager or customer service representative	We order online	We order merchandise rewards in bulk	Rewards are fulfilled as participants earn and order them	I don't know

n=124

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

|	$1 TO 9.9	$10 TO 99	$100 TO 999	$1000 +
Account manager	72%	35%	44%	52%
Online	44%	77%	47%	50%
Bulk	28%	42%	33%	36%
Fulfilled	28%	38%	33%	43%
Don't know	<1%	4%	6%	2%

(in millions)

n=124

Rewards Ordering by <u>Total</u> (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.

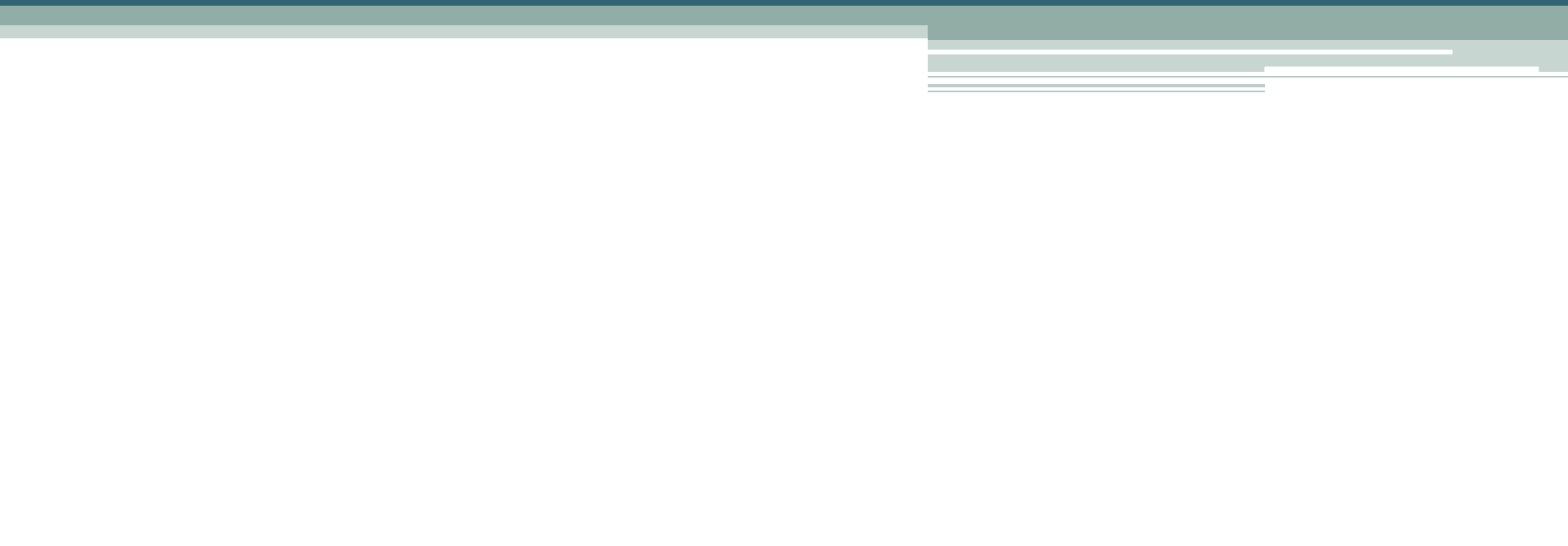### Merchandise And Gift Card Acquisition
By Total Spend

- 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

<=$50
- 57%
- 46%
- 36%
- 7%

$50-99
- 61%
- 50%
- 15%
- 27%

$100+
- 73%
- 52%
- 42%
- 42%
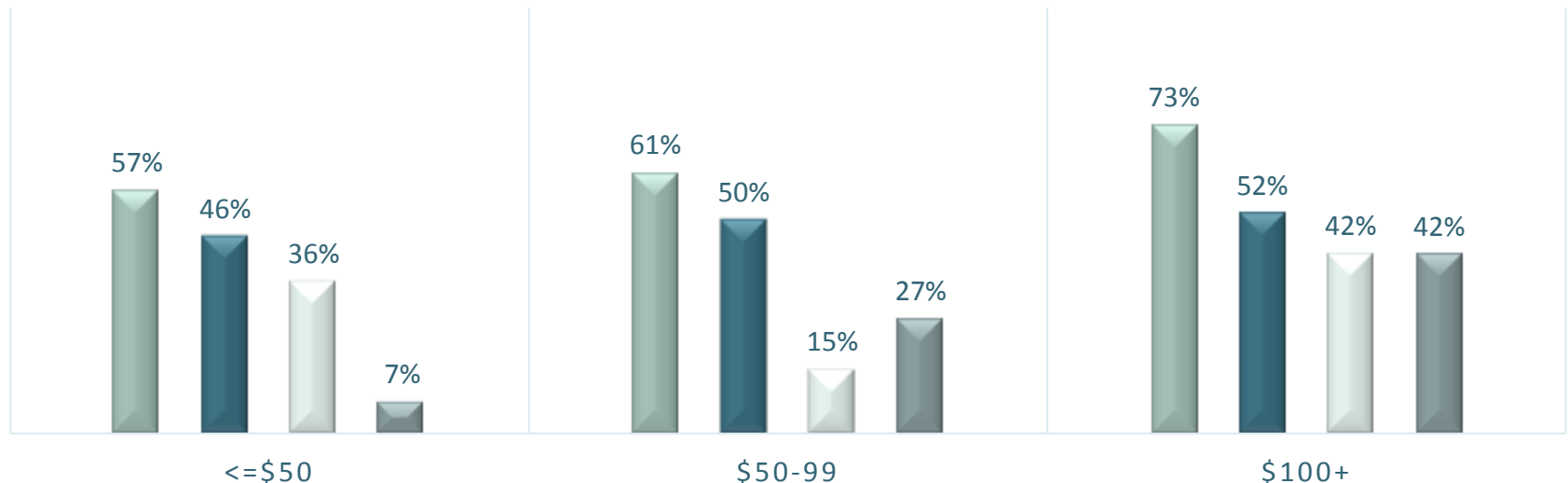
n=124

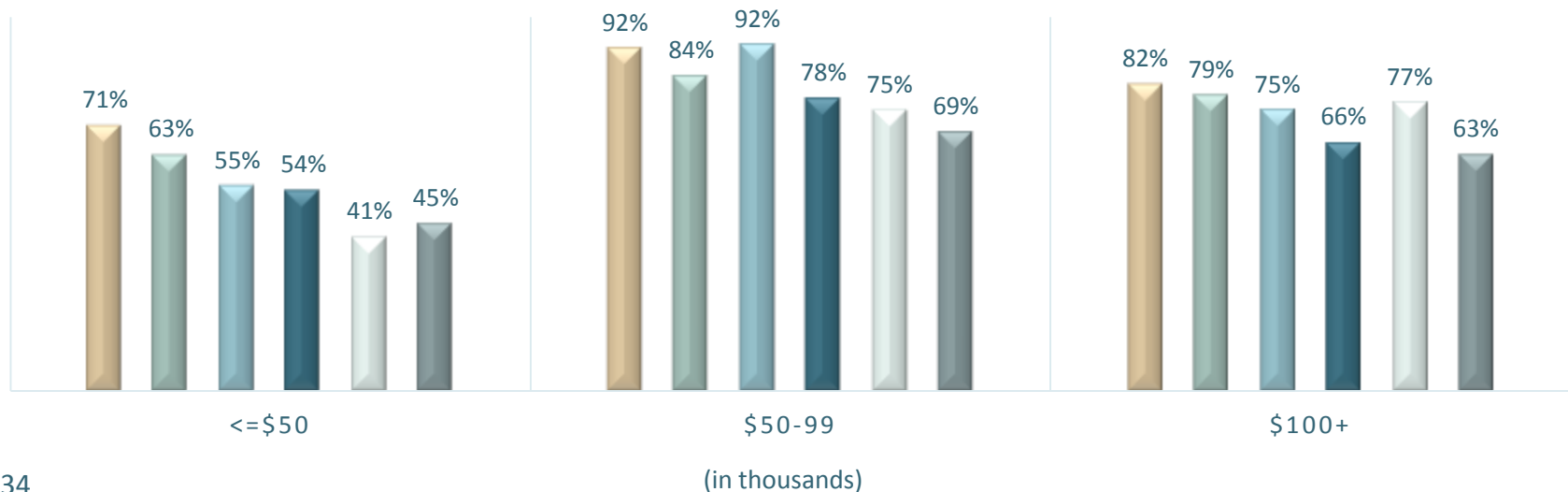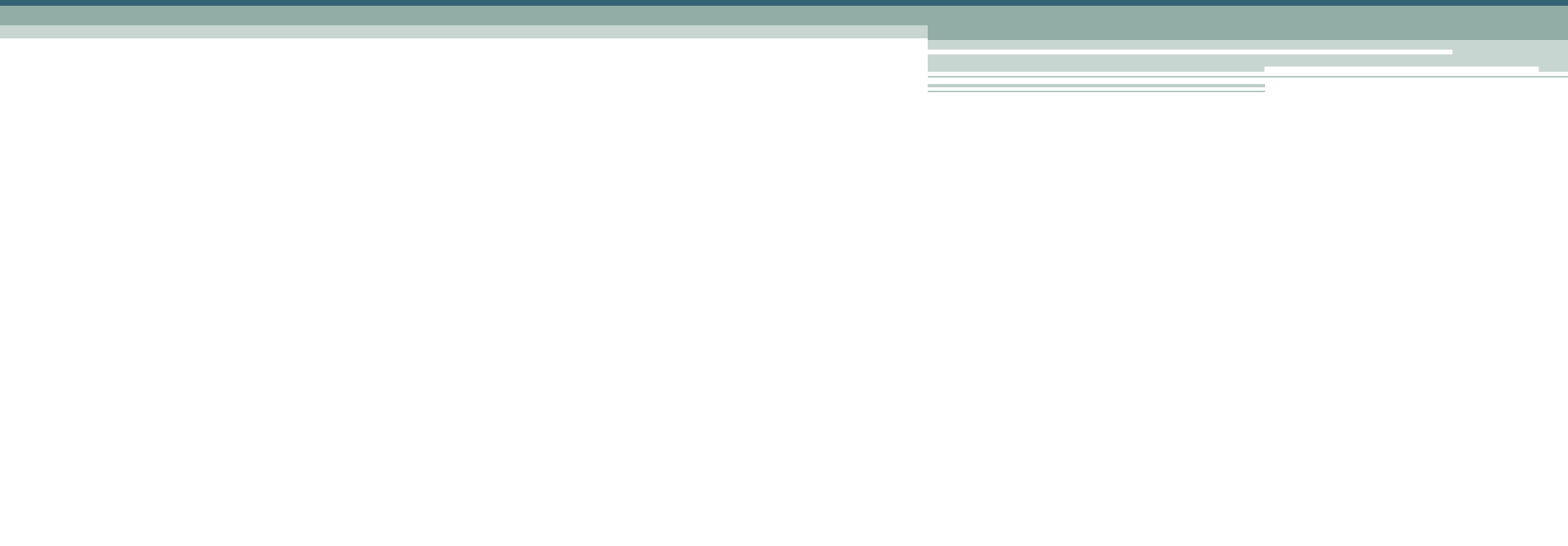(in thousands)

Program Communications

Communications Assessment by <u>Total</u> (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.

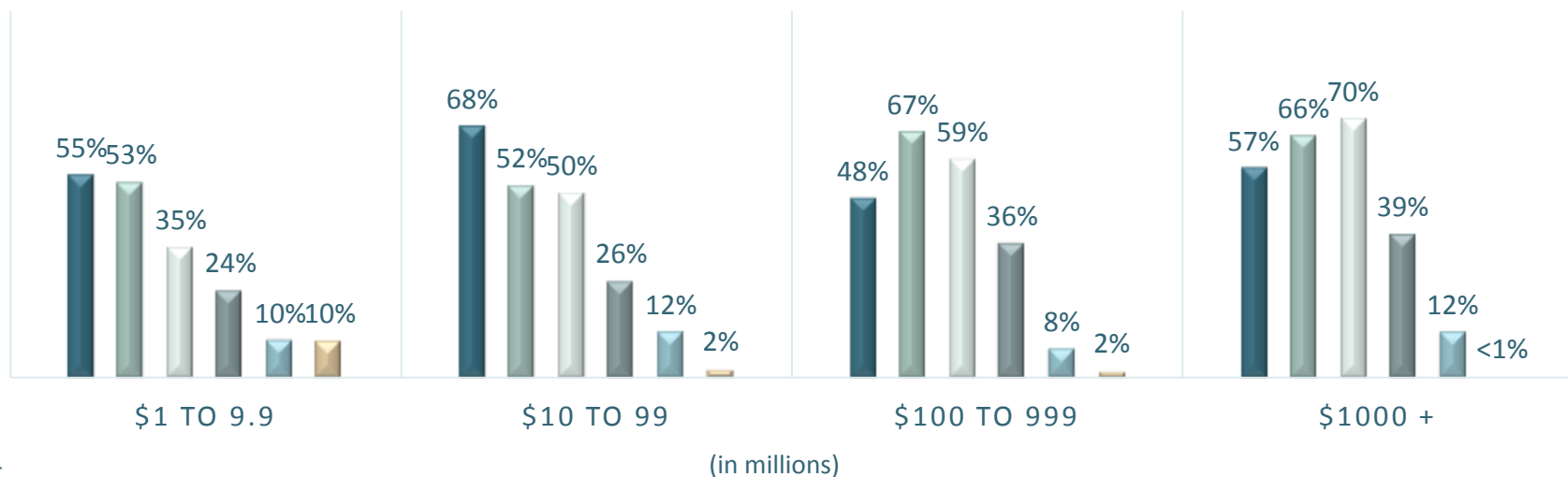|	<=$50	$50-99	$100+
Managers play an important role	71%	92%	82%
Participants understand rule structures	63%	84%	79%
Communications instrumental	55%	92%	75%
Participants engaged	54%	78%	66%
Communications effective	41%	75%	77%
Would like to improve	45%	69%	63%

(in thousands)

n=234

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).

	$1 TO 9.9	$10 TO 99	$100 TO 999	$1000 +
Offline in person	55%	68%	48%	57%
Throughout run	53%	52%	67%	66%
Online	35%	50%	59%	70%
Offline print	24%	26%	36%	39%
Social media	10%	12%	8%	12%
Do not communicate	10%	2%	2%	<1%

n=234   (in millions)

Communications by <u>Total</u> (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)

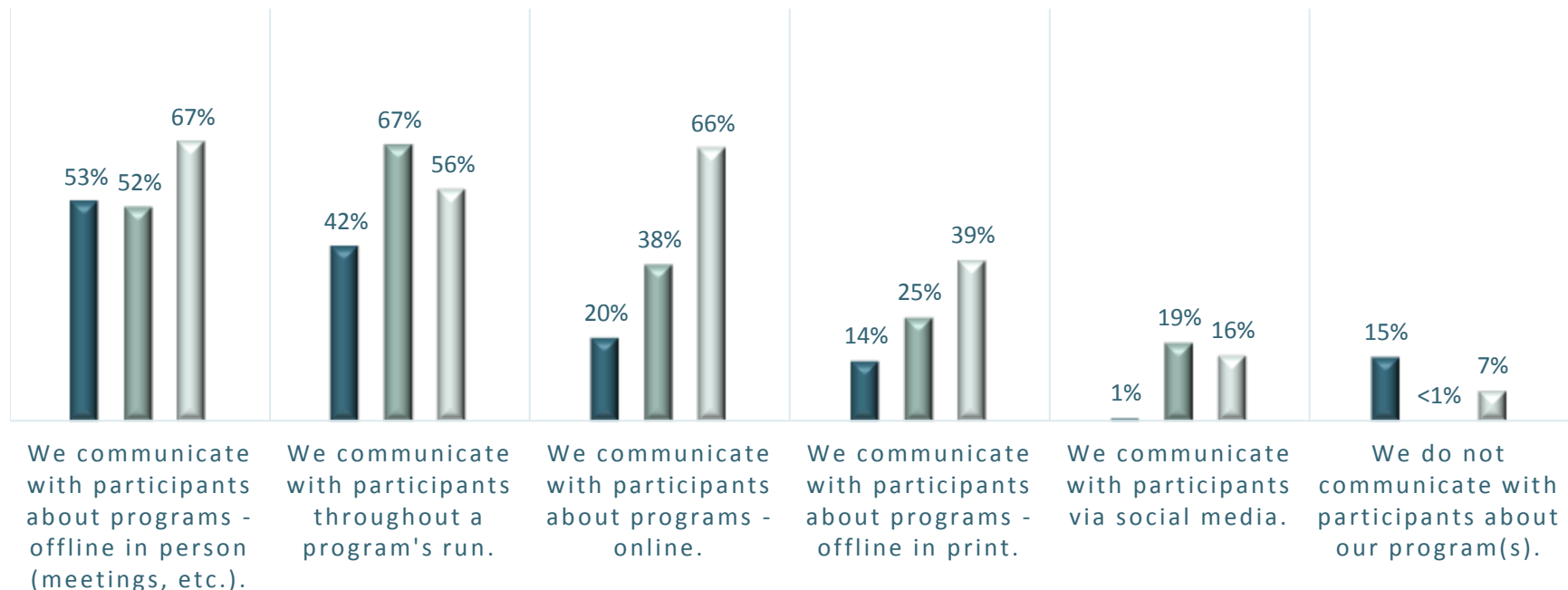|	We communicate with participants about programs - offline in person (meetings, etc.).	We communicate with participants throughout a program's run.	We communicate with participants about programs - online.	We communicate with participants about programs - offline in print.	We communicate with participants via social media.	We do not communicate with participants about our program(s).
<=$50	53%	42%	20%	14%	1%	15%
$50-99	52%	67%	38%	25%	19%	<1%
$100+	67%	56%	66%	39%	16%	7%

n=234

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

- 52% Static reports that are generated on a regular schedule
- 32% A portal or some other vehicle where administrators can review static reports
- 29% A portal or some other vehicle where administrators can run customized reports
- 26% We do not have access to reporting and analysis.
- 2% Something else

n=234
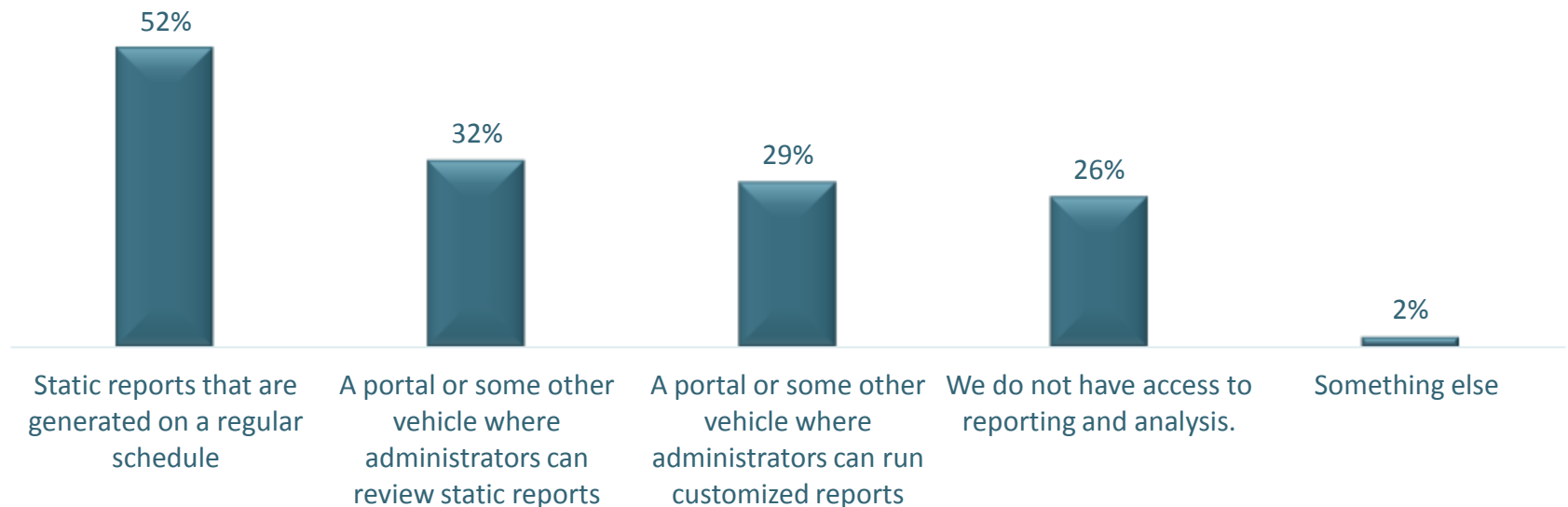
Accessing Program Reports and Analysis by Firm Size

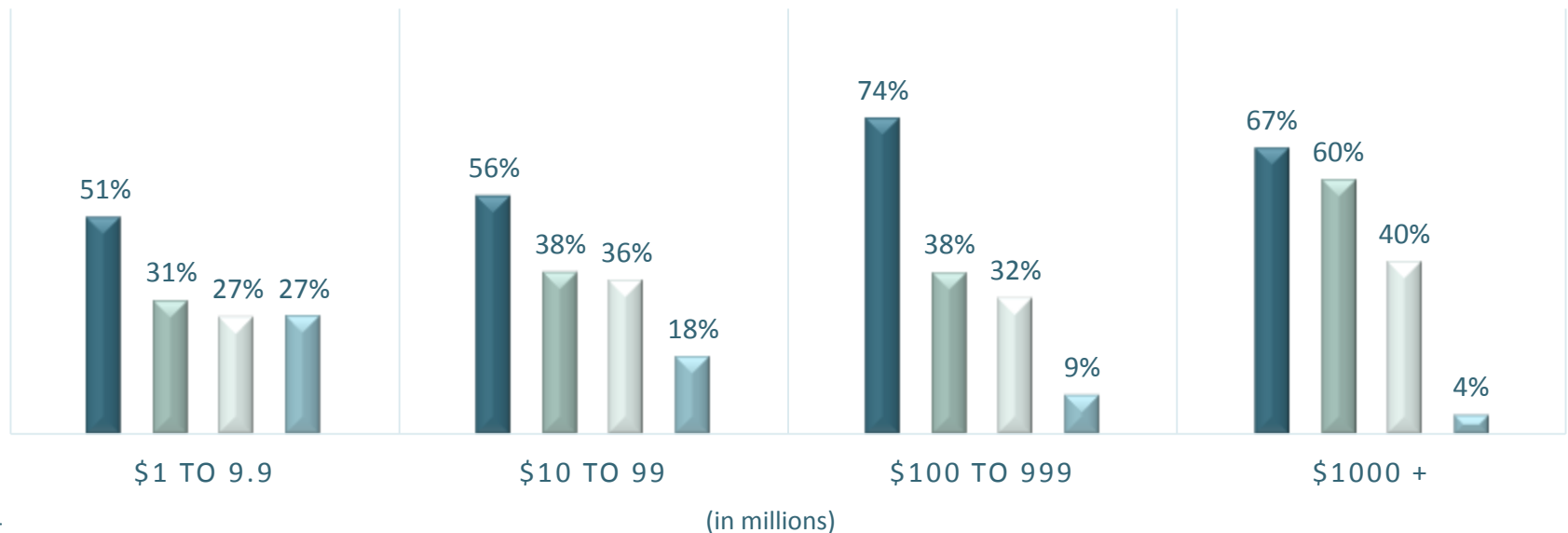Larger firms have more consistent reporting mechanisms in place – many still use static reports, but administrators more frequently have access to a reporting portal and 40% can generate custom reports. Additionally, as company size increases, it is more likely the program will have some reporting capability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

	$1 TO 9.9	$10 TO 99	$100 TO 999	$1000 +
Static reports	51%	56%	74%	67%
Review static reports	31%	38%	38%	60%
Run customized reports	27%	36%	32%	40%
No access	27%	18%	9%	4%

(in millions)

n=234

Reporting by <u>Total</u> (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)

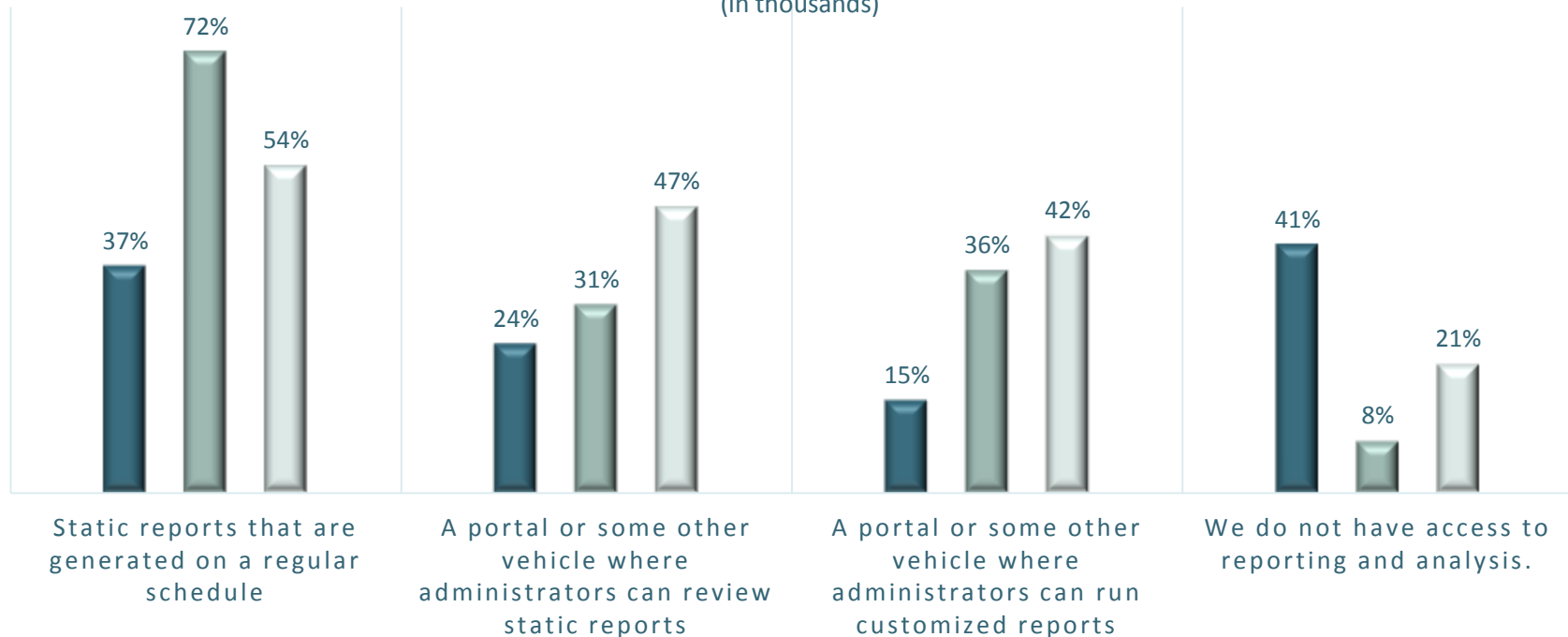|	Static reports that are generated on a regular schedule	A portal or some other vehicle where administrators can review static reports	A portal or some other vehicle where administrators can run customized reports	We do not have access to reporting and analysis.
<=$50	37%	24%	15%	41%
$50-99	72%	31%	36%	8%
$100+	54%	47%	42%	21%

n=234

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

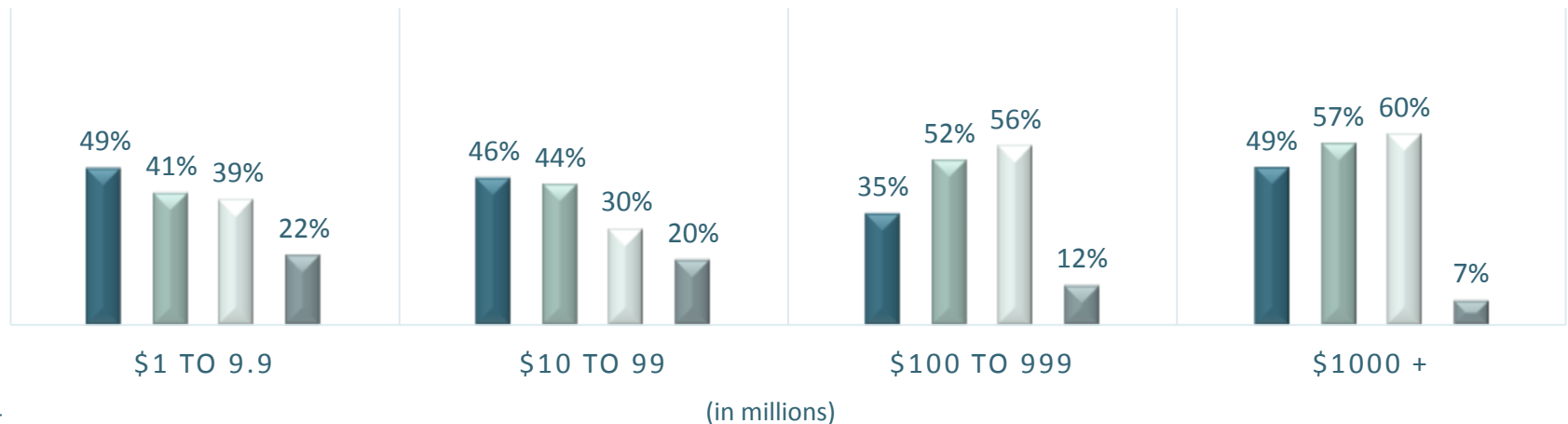|			
48%	42%	38%	21%
We conduct analyses to look at how the program(s) are changing behaviors.	We look at participation reports to understand who is using the program.	We look at earning/redemption reports to see how participants are earning rewards and what they are redeeming for.	We do not use reporting and analysis to understand our reward and recognition program(s).

n=234

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).

|	$1 TO 9.9	$10 TO 99	$100 TO 999	$1000 +
We conduct analyses	49%	46%	35%	49%
Participation reports	41%	44%	52%	57%
Earning/redemption	39%	30%	56%	60%
Do not use	22%	20%	12%	7%

(in millions)

n=234

Depth of Reporting by <u>Total</u> (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).

<=$50: 35%, 23%, 21%, 35%

$50-99: 60%, 48%, 56%, 7%

$100+: 57%, 65%, 48%, 15%

n=234

(in thousands)
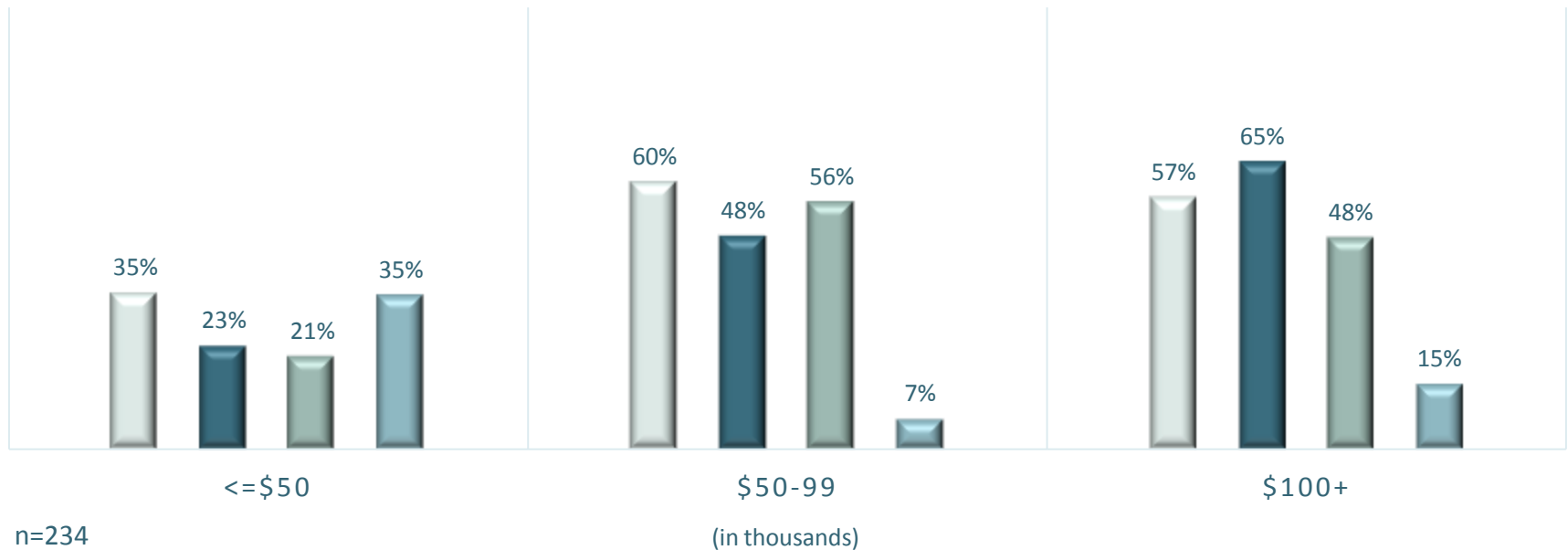
Use of Technology

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

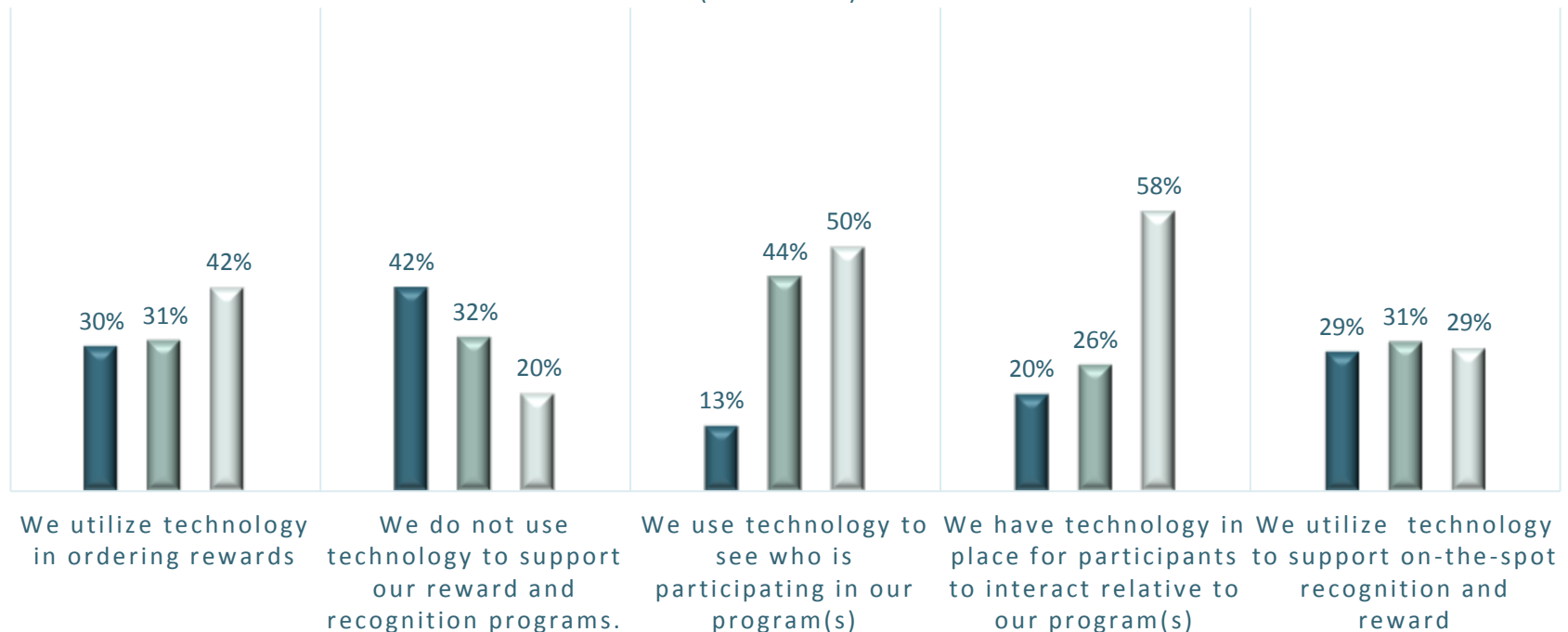| 33%	32%	32%	29%	33%
We utilize technology in ordering rewards	We use technology to see who is participating in our program(s)	We have technology in place for participants to interact relative to our program(s)	We utilize technology to support on-the-spot recognition and reward	We do not use technology to support our reward and recognition programs.

n=234
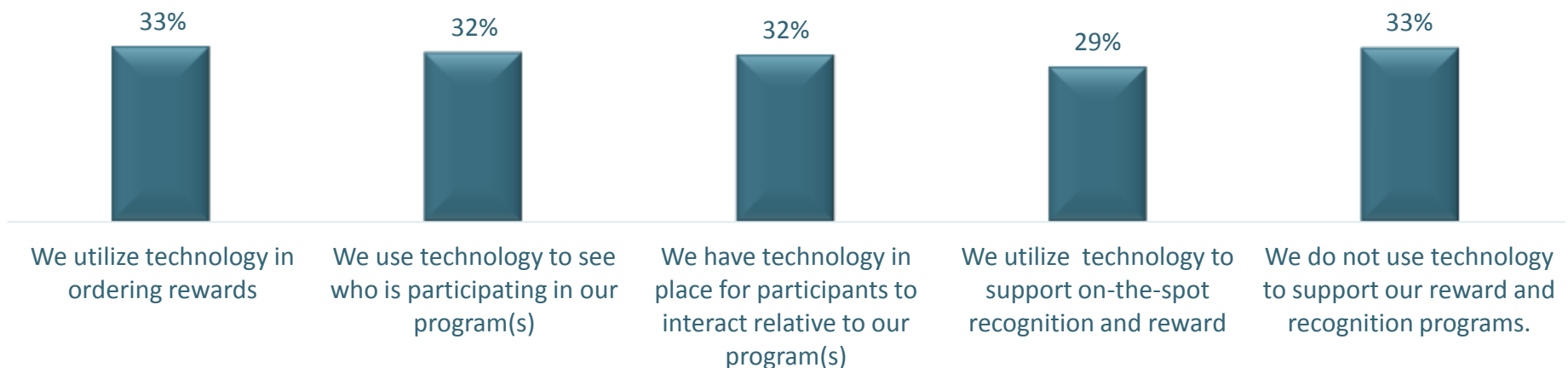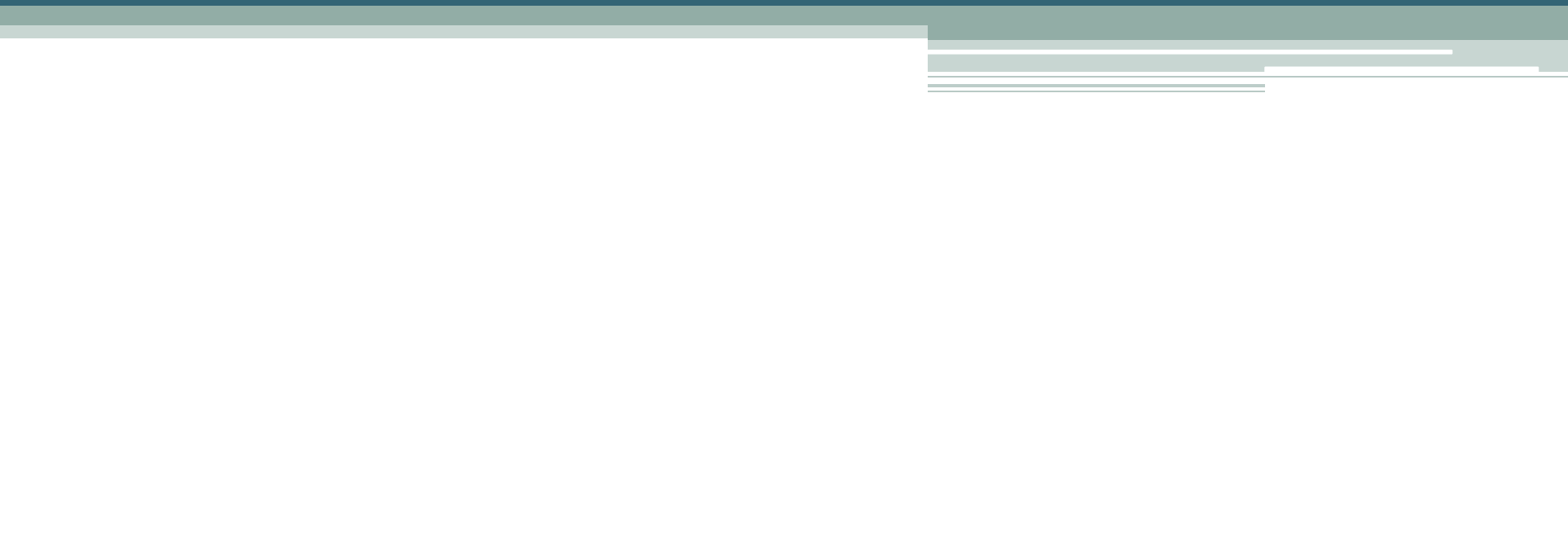
Use of Technology by <u>Total</u> (Cross-Audience) Spend

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)

	We utilize technology in ordering rewards	We do not use technology to support our reward and recognition programs.	We use technology to see who is participating in our program(s)	We have technology in place for participants to interact relative to our program(s)	We utilize technology to support on-the-spot recognition and reward
<=$50	30%	42%	13%	20%	29%
$50-99	31%	32%	44%	26%	31%
$100+	42%	20%	50%	58%	29%

n=234

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

19%

56%

25%

- We have some technology capabilities specific to the programs, but we also use more general tools (e.g., Excel).
- We don't use program-specific technology; we use programs like Excel to support.
- We have strong technology in place, designed specifically for our program(s).
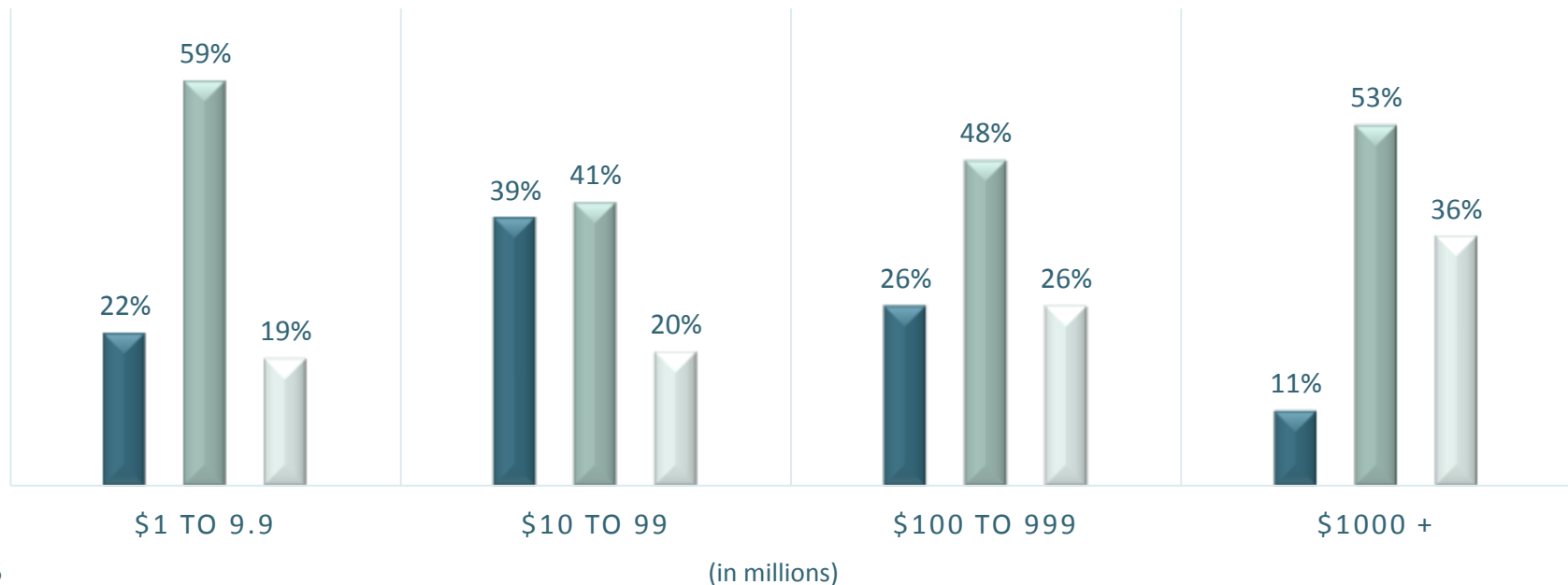
n=165
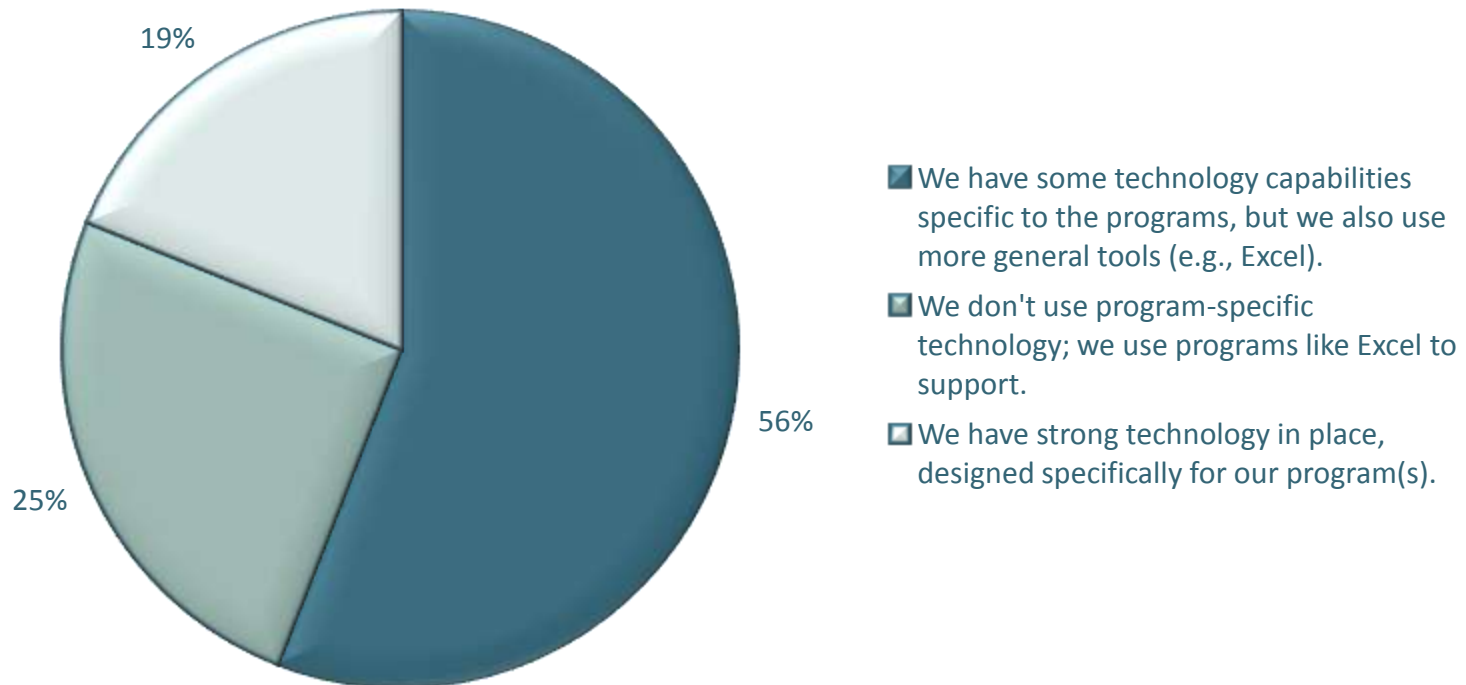
Use of Program-Specific Technology by Firm Size

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).

|	$1 TO 9.9	$10 TO 99	$100 TO 999	$1000 +
We don't use program-specific technology	22%	39%	26%	11%
Some technology capabilities	59%	41%	48%	53%
Strong technology in place	19%	20%	26%	36%

(in millions)

n=165

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).

n=165

<=$50 $50-99 $100+

(in thousands)
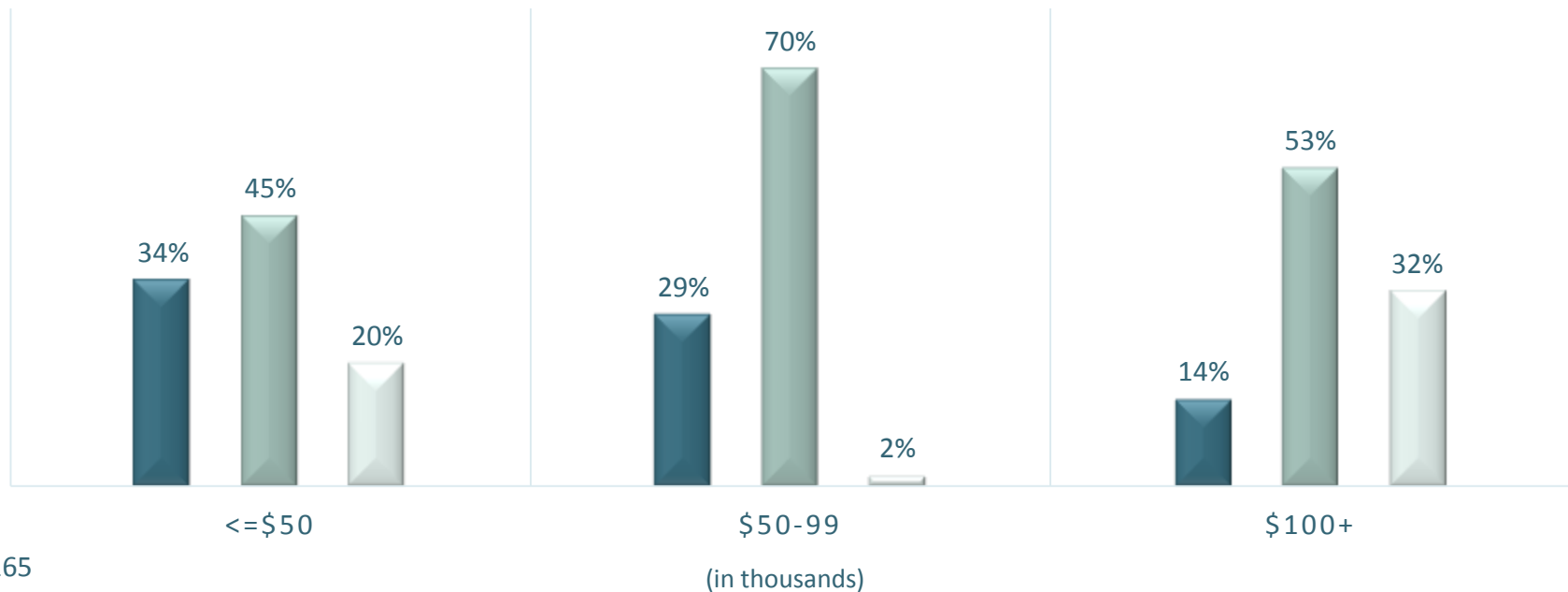
End-User Attitudes

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 is as highly.

Attitudes toward Recognition and Rewards

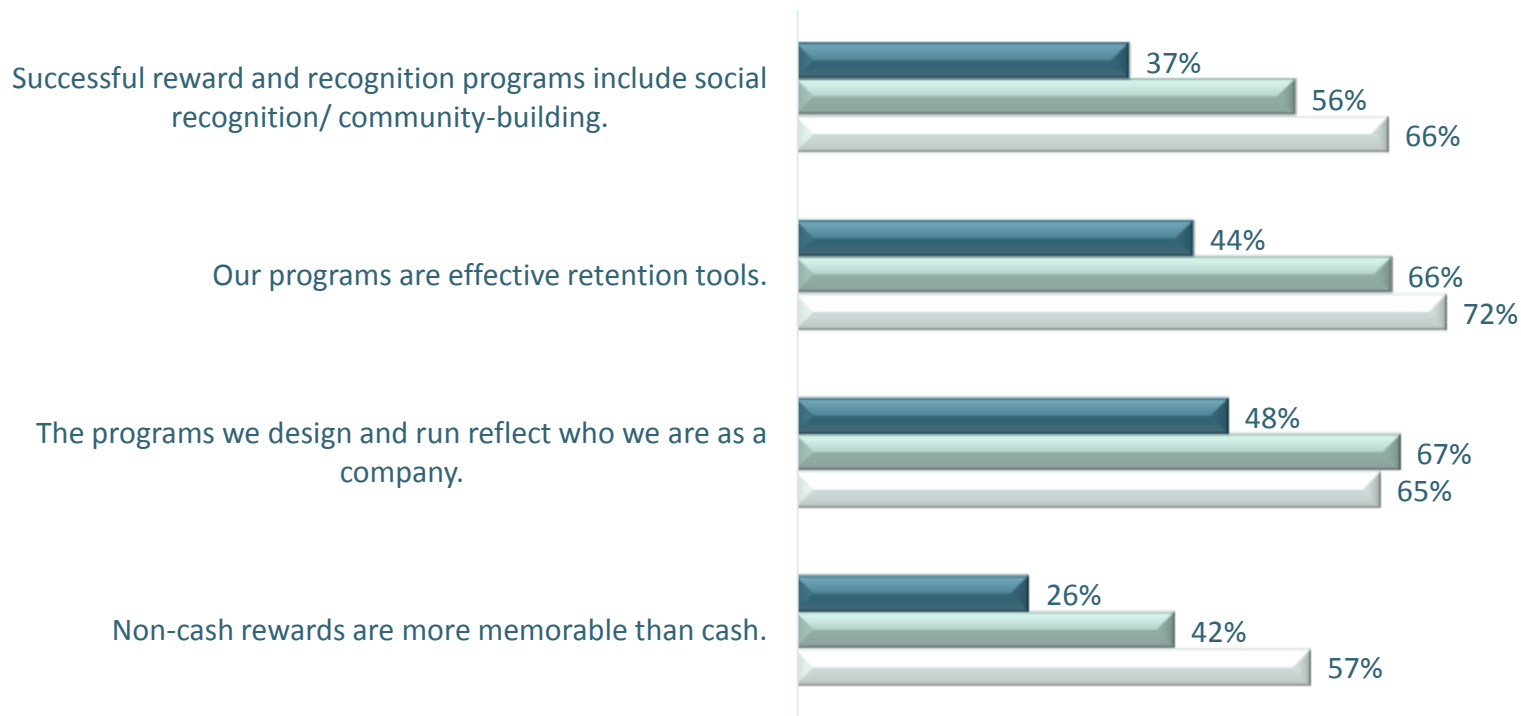| Statement	%
Personally believe recognition and reward influence behavior	82%
Program(s) supported by top management	82%
Our company believes in recognition and reward as behavior influencers	79%
Programs are additional, "different" benefits to compensation	76%
Programs we design and run reflect who we are as a company	58%
Programs are effective retention tools	58%
Programs are effective engagement tools	53%
Successful programs include social recognition/ community-building	50%
Run some or all of our programs because that is what we've always done	50%
Reward and recognition programs are expected in our industry	48%
Non-cash rewards are more memorable than cash	39%
Our programs are effective recruitment tools	35%
We effectively leverage technology within our program(s)	31%

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 <u>Total</u> 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

Successful reward and recognition programs include social recognition/ community-building.
- 37%
- 56%
- 66%

Our programs are effective retention tools.
- 44%
- 66%
- 72%

The programs we design and run reflect who we are as a company.
- 48%
- 67%
- 65%

Non-cash rewards are more memorable than cash.
- 26%
- 42%
- 57%

n=234   ■ <=$50   ■ $50-99   ■ $100+   (in thousands)

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.