

2020 Top Performer Study Data Reference Deck

Comparing Non-Cash Recognition & Reward Approaches of Firms in the
Manufacturing, Financial Services, and Technology Sectors



- In this study, 100% of the respondents indicate their companies use non-cash incentives, beyond compensation, to a mix of salespersons, partners, and employees to motivate behavior.

Non-cash incentive target	% Offered Incentives
Salespersons	88%
Distributors, Channel, Retail or Dealer partners	80%
Employees	94%

- Since everyone uses non-cash incentives in one form or another, this study has the goal of determining 'best practices' that distinguish top performing companies from others.
 - The desired end state of this initiative is to provide expertise and advice on how to most effectively structure reward and recognition initiatives to emulate Top Performers.
 - Put simply, this study answers the question of 'what do the best do differently?'

- Rather than leveraging pre-existing lists of top performing companies (e.g., the 'Fast 500' or 'Best Places to Work'), this research uses several criteria to classify 'Top Performers' for contrast with Comparator groups.
- This research was designed to use a national cross-section of respondents from firms earning at least \$100 million in revenue.

Classifying Top Performing Companies

- To qualify as “top performing,” a firm had to report strong overall performance. The most important requirement for classification as a Top Performer is financial growth - **more than 5% growth in revenue**.
- Based on self reporting, Top Performers also indicated each of the following for their firms:
 - **Strong performance with customers**
 - 90% or higher in customer satisfaction or loyalty, **or**
 - Customer acquisition rates higher than 5% **or**
 - More than 5% growth in the number of customers your company served
 - **Strong performance with employees**
 - 90% or higher in employee satisfaction **or**
 - Loss rate less than 5% per year among high-performing employees
 - **Reputation as a highly-desirable place to work** – a place where high-performing candidates compete to work
- The purpose of these survey questions and the ultimate classification as “Top Performer” or “contrast group” was 100% opaque to respondents – they did not know they were assigned to a performance group
- 38%, slightly more than one-third, were classified as ‘Top Performers’.

- The Incentive Research Foundation (IRF) sponsors regular surveys covering topics of current interest to those in the incentive industry. The Top Performer study is considered a 'signature study'.
- This report summarizes findings from data collected August 2019 through September 2019.
- Compared to last year, there was a slight shift in proportional responses with manufacturing representing 40% of the sample last year, but only 30% this year and technology growing from 30% last year to 38% this year.



Industry professionals invited to participate in survey by:

- Independent Research Panel



400 participated*



Automotive/Manufacturing



Financial Services



Technology

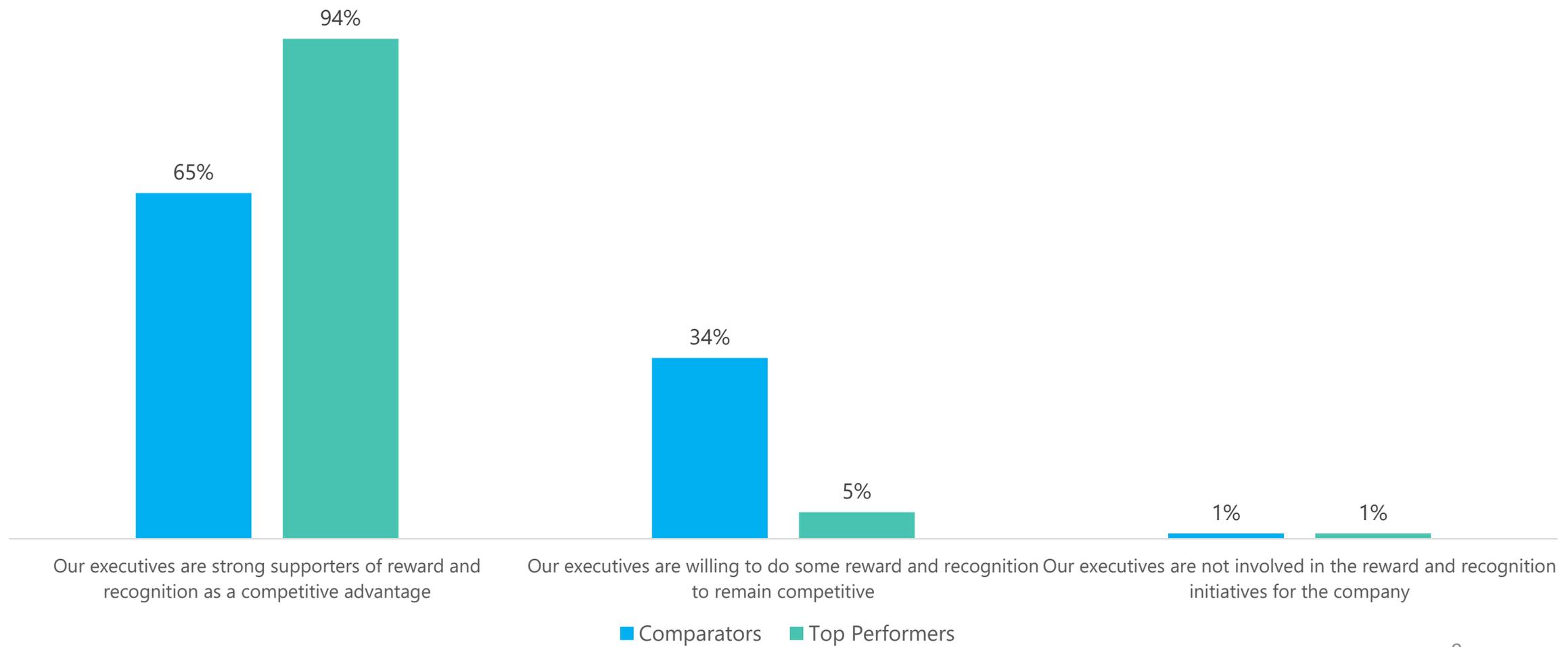
* One respondent did not indicate a sector

OVERALL FINDINGS— COMBINED INDUSTRIES

Executive Sponsorship Key Findings

- While there is still a large gap between Top Performers and Comparators, both groups have increased in the percentage who say their executives are 'strong supporters of reward and recognition as a competitive advantage' (e.g., Top Performers increasing from 80% to 94% and Comparators moving from 44% to 65%.)
- These data suggest near universal recognition that top performing executives see reward and recognition as a competitive advantage.

Executive Sponsorship

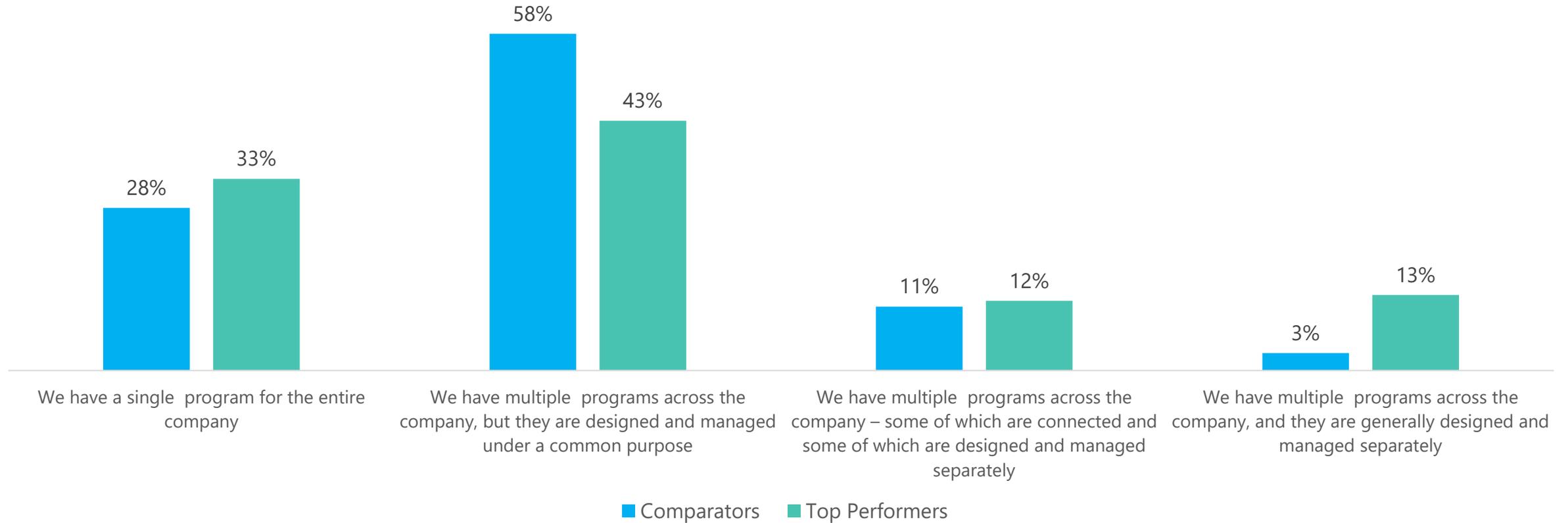


Which of the below best describes the executive sponsorship of reward and recognition programs in your company?

Program Connectivity

- In last year's study, only 19% of the Comparator group had a single recognition program for the entire company. The number has now increased to 28%.
 - Last year the percentage for Top Performers who had a single program was 36%; this year the percentage is 33%, which is within the margin of sampling differences.

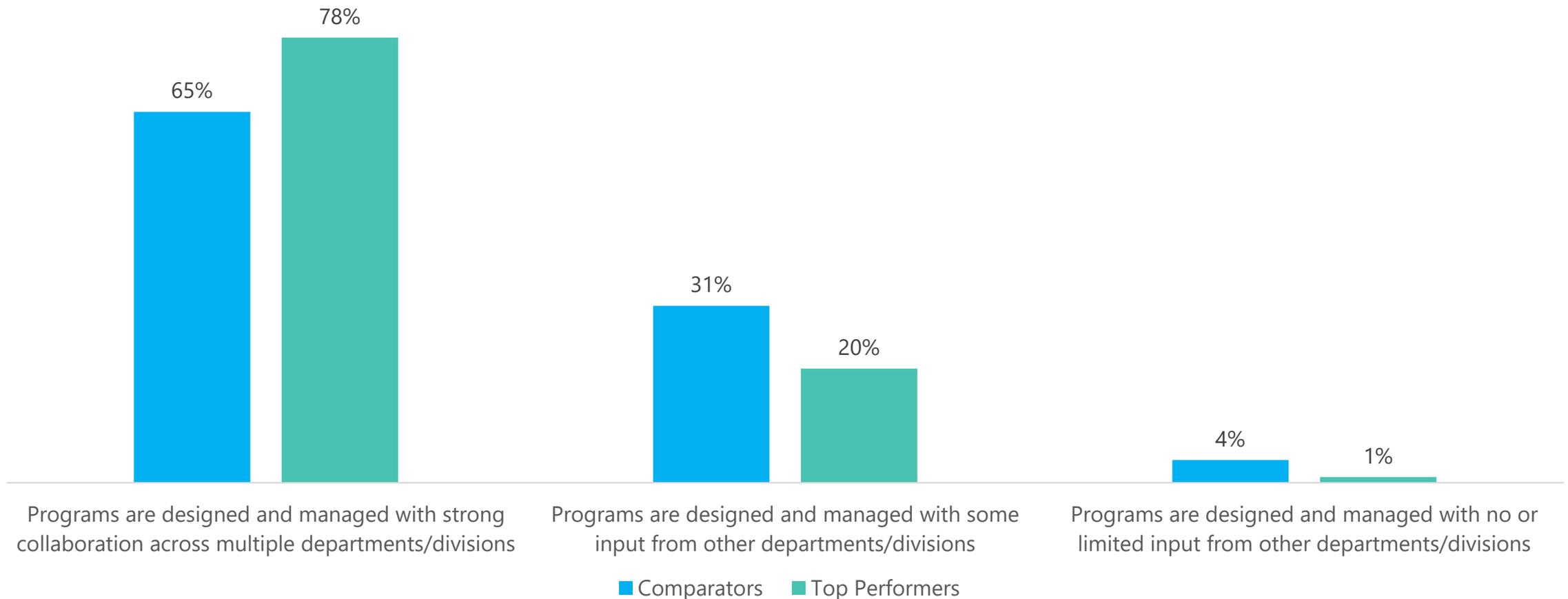
Program Connectivity



Program Design Collaboration

- Similarly, the percentage of Comparators who design programs with strong collaboration across multiple departments has increased since last year from 51% to 65%, while the percentage of Top Performers who collaborate on design remained stable (e.g., 80% last year, 78% this year.)
- Program collaboration is still more associated with Top Performers than Comparators, but the gap is closing.

Program Design Collaboration

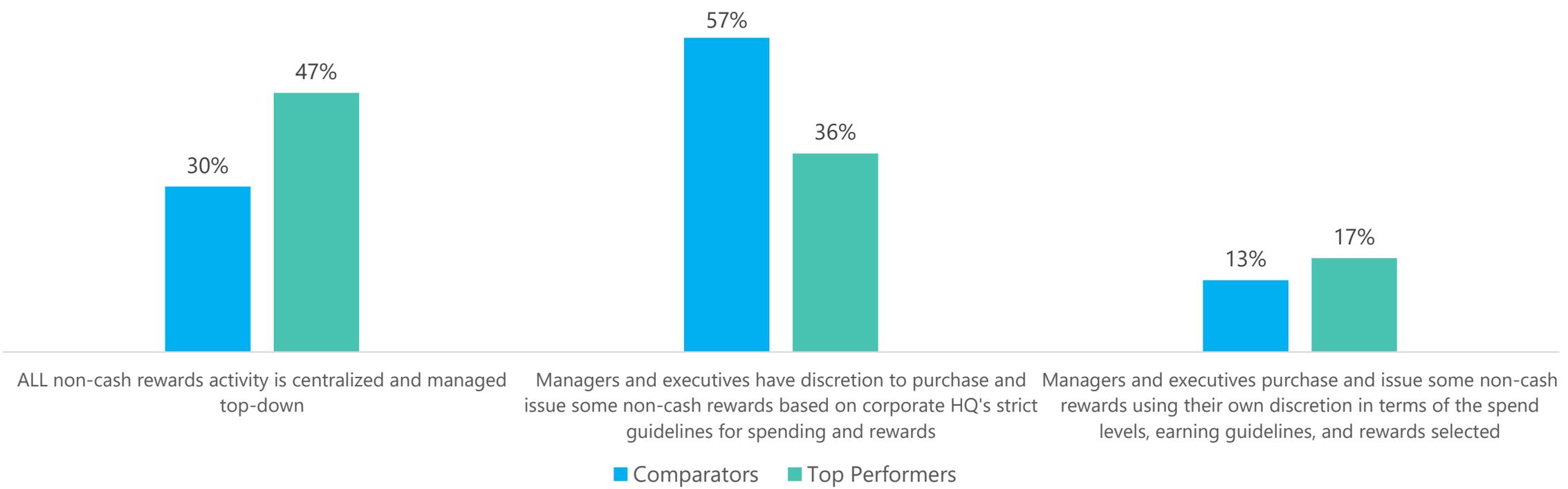


Which of the below best describes the way your company organizes around reward and recognition initiatives?

Program Command and Control

- The percentage who manage a centralized non-cash rewards program from the top down has increased for both Top Performers and Comparators.
 - Top down control increased for Top Performers from 39% to 47% and for Comparators from 22% to 30%.
 - Centralized program management is still associated more with Top Performers than Comparators.

Program Command & Control

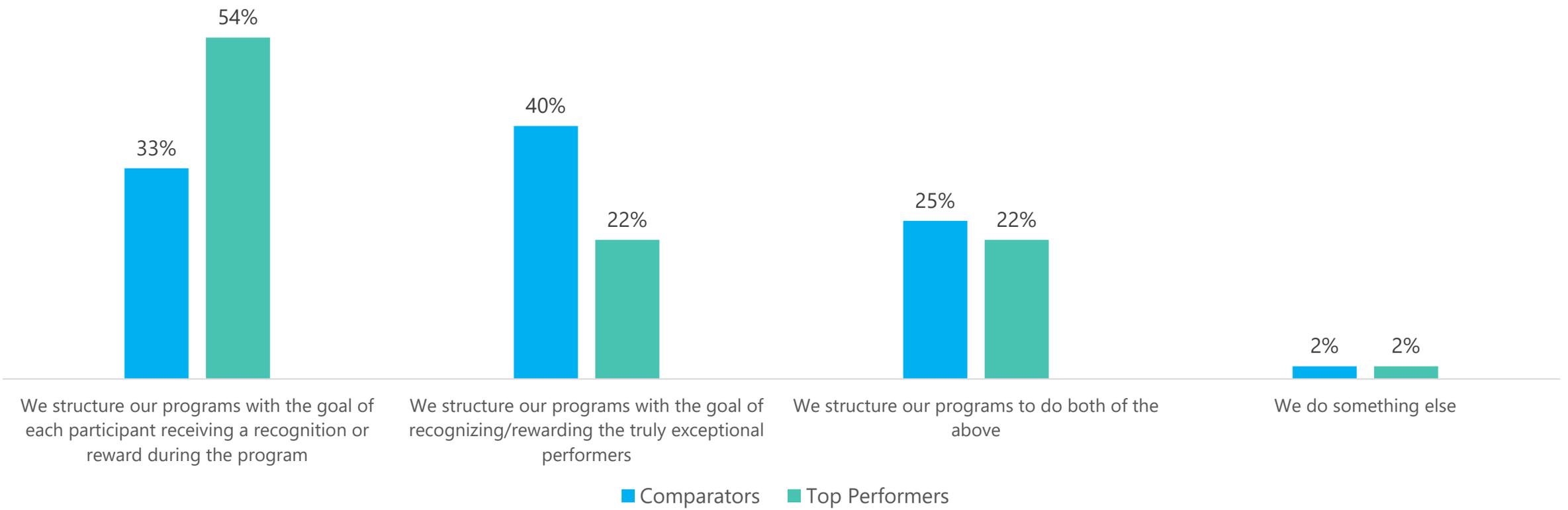


To the best of your knowledge, which of the below most accurately describes non-cash rewards activity at your company?

Program Reward Reach

- The percentage of Top Performers who design programs with the goal of reaching all participants and with the goal of recognizing truly exceptional achievers has doubled within the past year, going from 10% to 22%.
 - In the past, the Top Performers segment was much more likely than Comparators to design programs that provided everyone opportunities for recognition, not just top achievers.
 - They are still more likely to have broad ranging recognition programs but are adding more top performer programs as well.
 - Similarly, Comparators are adding more broader reaching programs to complement their top performer programs increasing the incidence of both types of programs from 15% to 25%.

Program Reward Reach

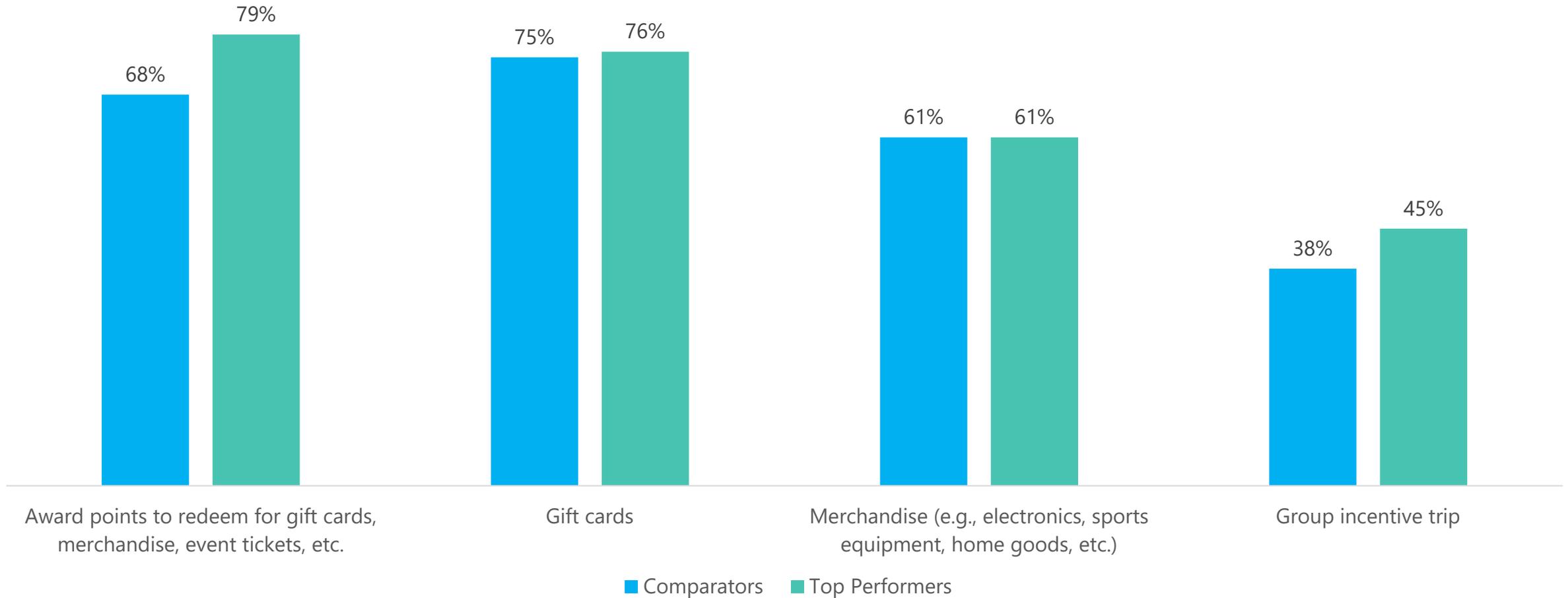


Which of the options below best describes your company's approach when designing the rules for your programs?

Reward Types

- In the past, Top Performers and Comparators were just as likely to offer incentive trip opportunities.
 - However, within the past year, the percentage offering incentive trips within both types of companies has increased significantly, with Top Performers now having an advantage in this area.
 - Top Performers offering incentive trips in 2018 was 22%; 2019 percentage more than doubles to 45%.
 - Comparators offering incentive trips in 2018 was 24%; 2019 percentage increases significantly to 38%.
- Gift cards also jump significantly for both groups: Top Performers 55% in 2018; 76% in 2019. Comparators 63% in 2018; 75% in 2019.
- Reward types have generally reached parity across both Top Performers and Comparators.

Reward Types

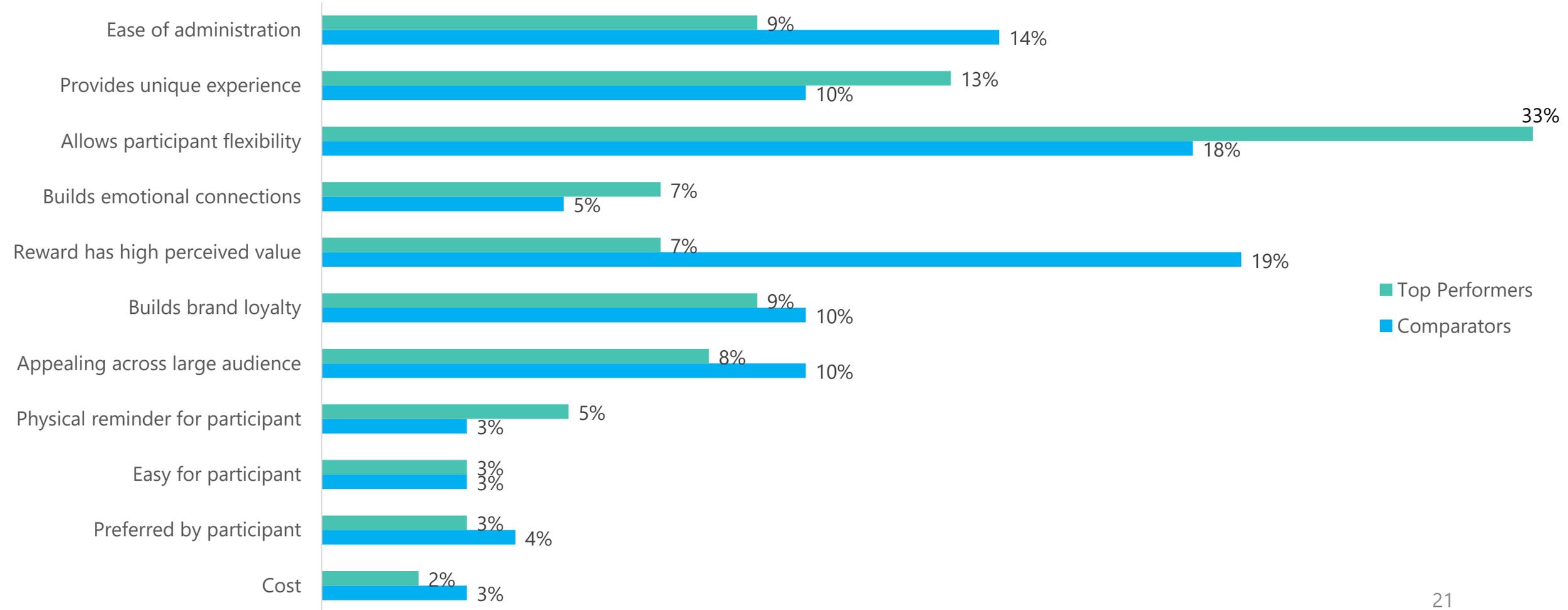


Which of the below are rewards participants can earn in your programs?

Priorities for Tangible Rewards

- A key differentiator between Top Performers and their Comparators is the priority placed on *flexibility* of tangible rewards.
 - Top Performers were nearly twice as likely to list this as their most important consideration (33%) when giving merchandise or gift cards vs. Comparators (18%).
 - Comparators were much more concerned that rewards had high perceived value as this was most likely to be named as their top priority (19%) compared to Top Performers (only 7%).
- The data indicate Top Performers understand that personal relevance of the reward is more important than the perceived cash value.

Priorities for Tangible Rewards

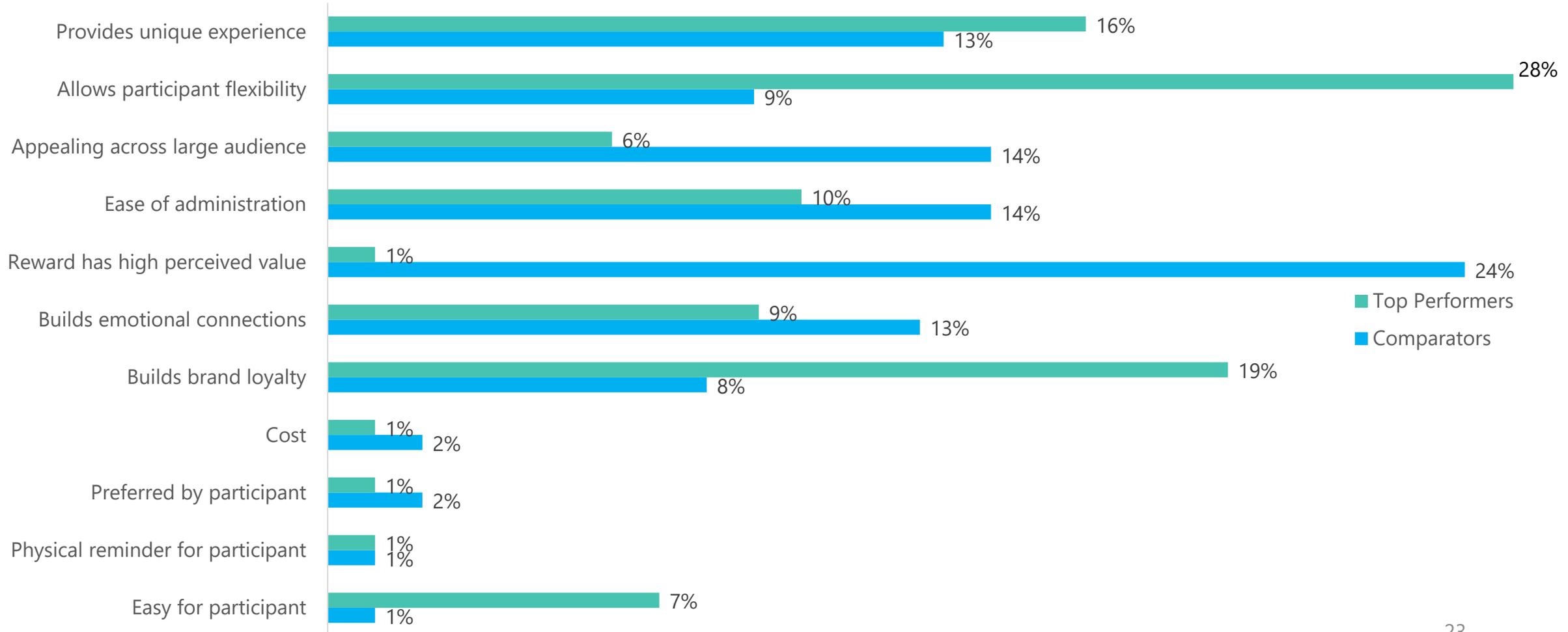


When selecting MERCHANDISE or GIFT CARD rewards for your programs, which of the below are the most important?

Priorities for Incentive Travel

- Similarly, participant flexibility is a much greater priority for designing incentive travel programs, contrasting Top Performers with Comparators.
 - Participant flexibility was the top priority for 28% of Top Performers vs. only 9% of Comparators.
 - Once again, having high perceived value was the number one priority for 24% of the Comparators as opposed to only 1% of Top Performers.
 - Top Performers also place a much higher priority on generating brand loyalty through the incentive travel experience with 19% indicating this as their most important consideration as opposed to only 8% of Comparators.

Priorities for Incentive Travel

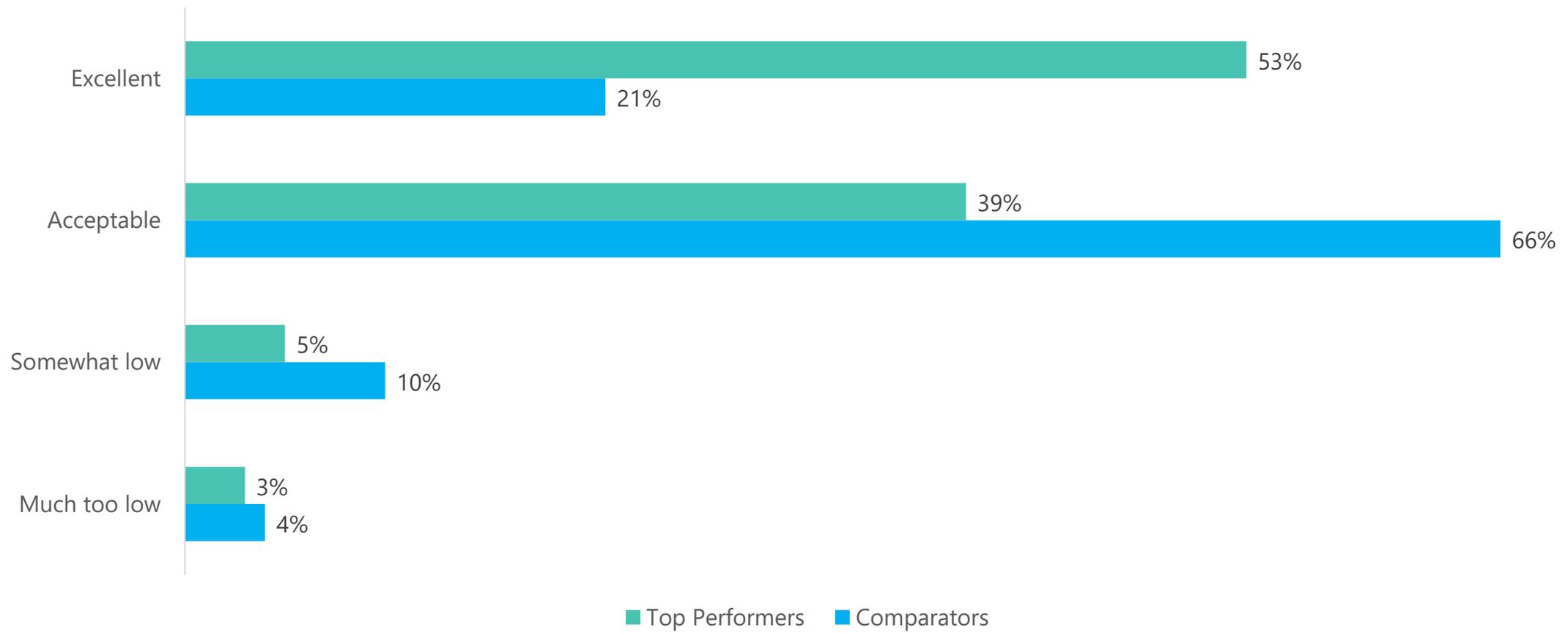


When designing GROUP INCENTIVE TRIPS for your programs, which of the below are the most important?

Program Assessment: Staffing to Support Program

- Top Performers are more than twice as likely as Comparators to rate the staffing support of their programs as excellent (53% to 21%)
 - This represents a significant increase from the previous wave when only 19% of Top Performers described staff support as 'excellent', and most (68%) described staffing support as 'acceptable'.

Program Assessment: Staffing to support program

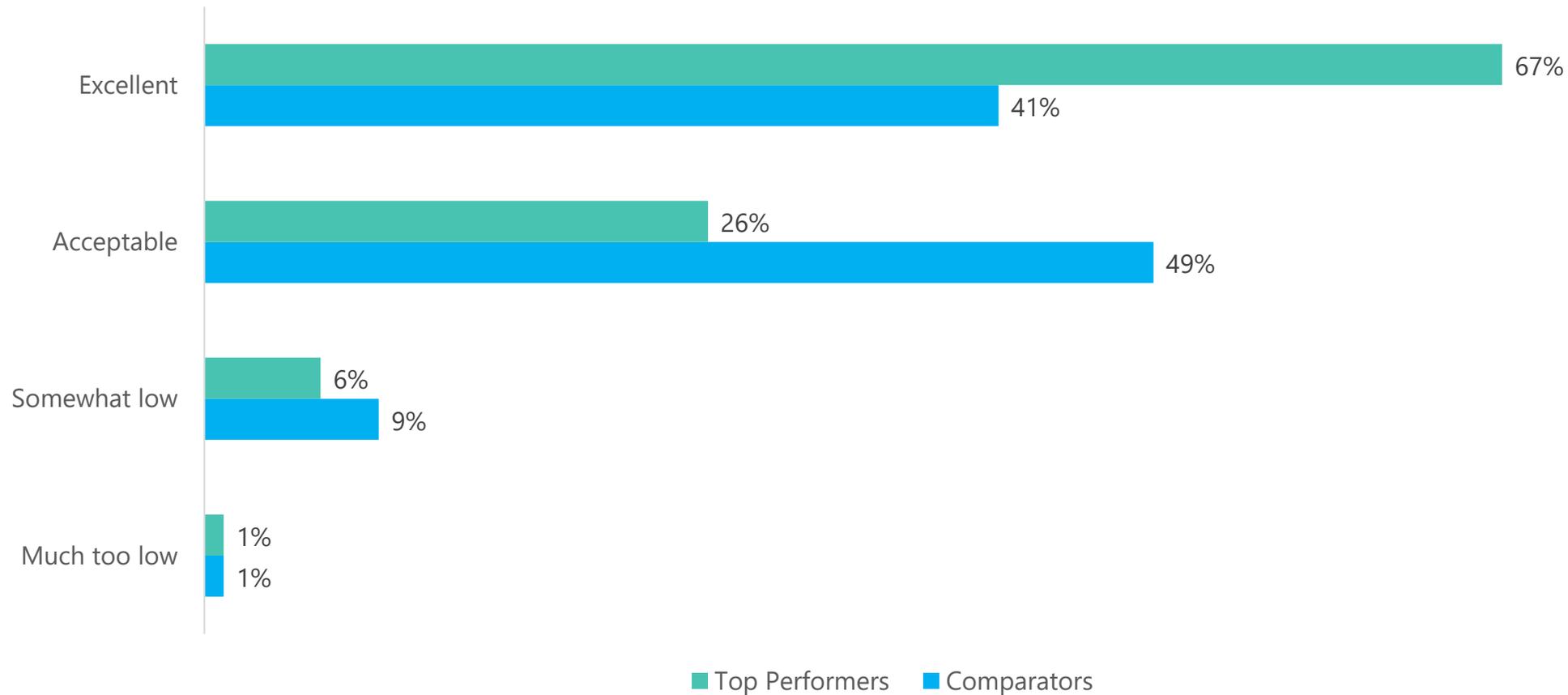


For each line item below, please indicate your assessment of your programs.

Program Assessment: Executive Support of Program

- Top Performers that described executive support as 'excellent' increased from 52% to 67%, further widening the difference between themselves as Comparators, among whom only 41% described executive support for non-cash incentive programs as 'excellent.'

Program Assessment: Executive support of program

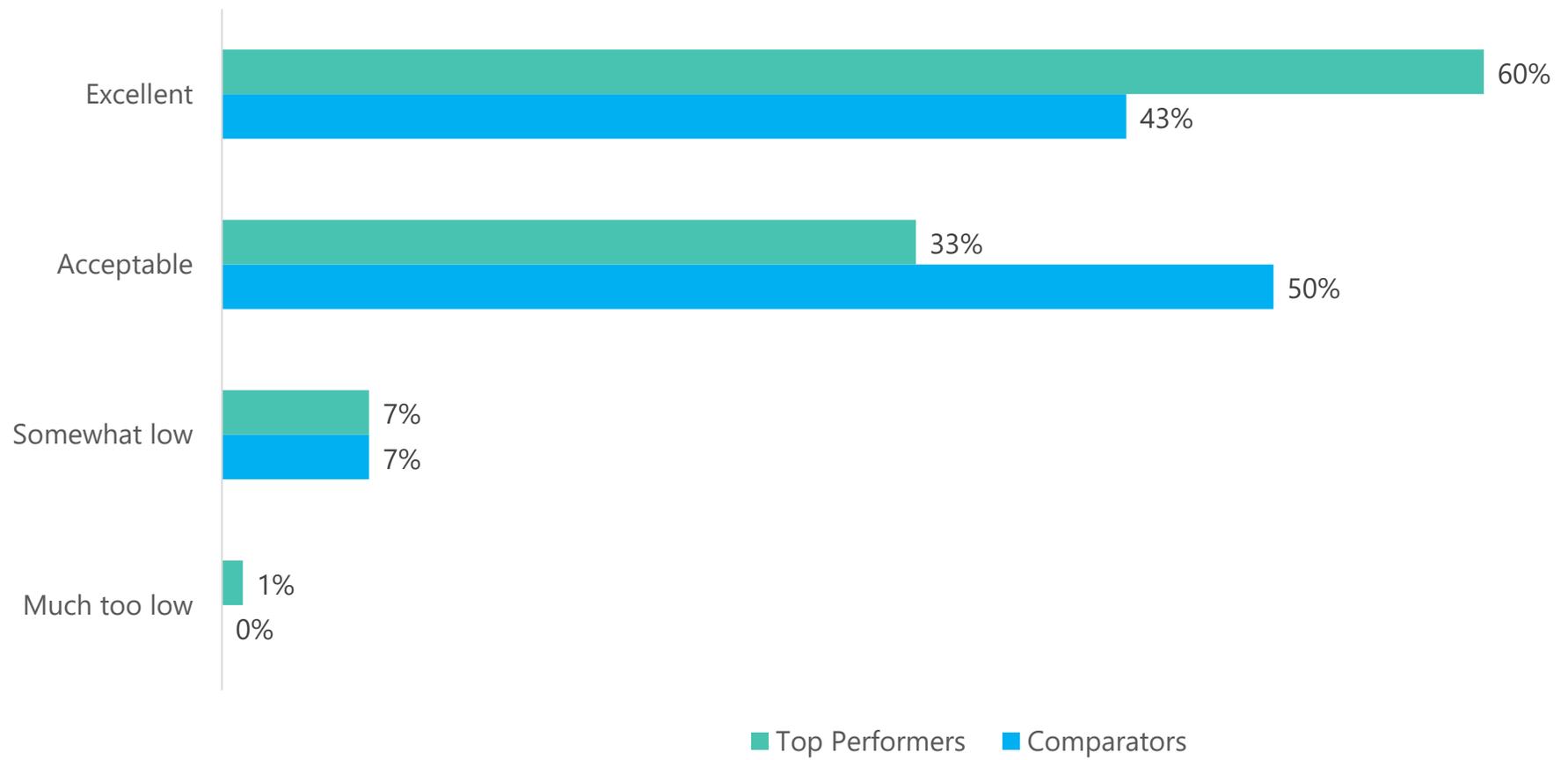


Program Assessment: Alignment to Corporate Goals

- This is another area on which Top Performer ratings jumped significantly this year.
 - Last year, 39% described their program's alignment to corporate goals as 'excellent, improving to 60% this year.
 - The gap between Top Performers and Comparators continues to widen as only 43% of Comparators rated alignment to corporate goals as 'excellent.'



Program Assessment: Alignment to corporate goals

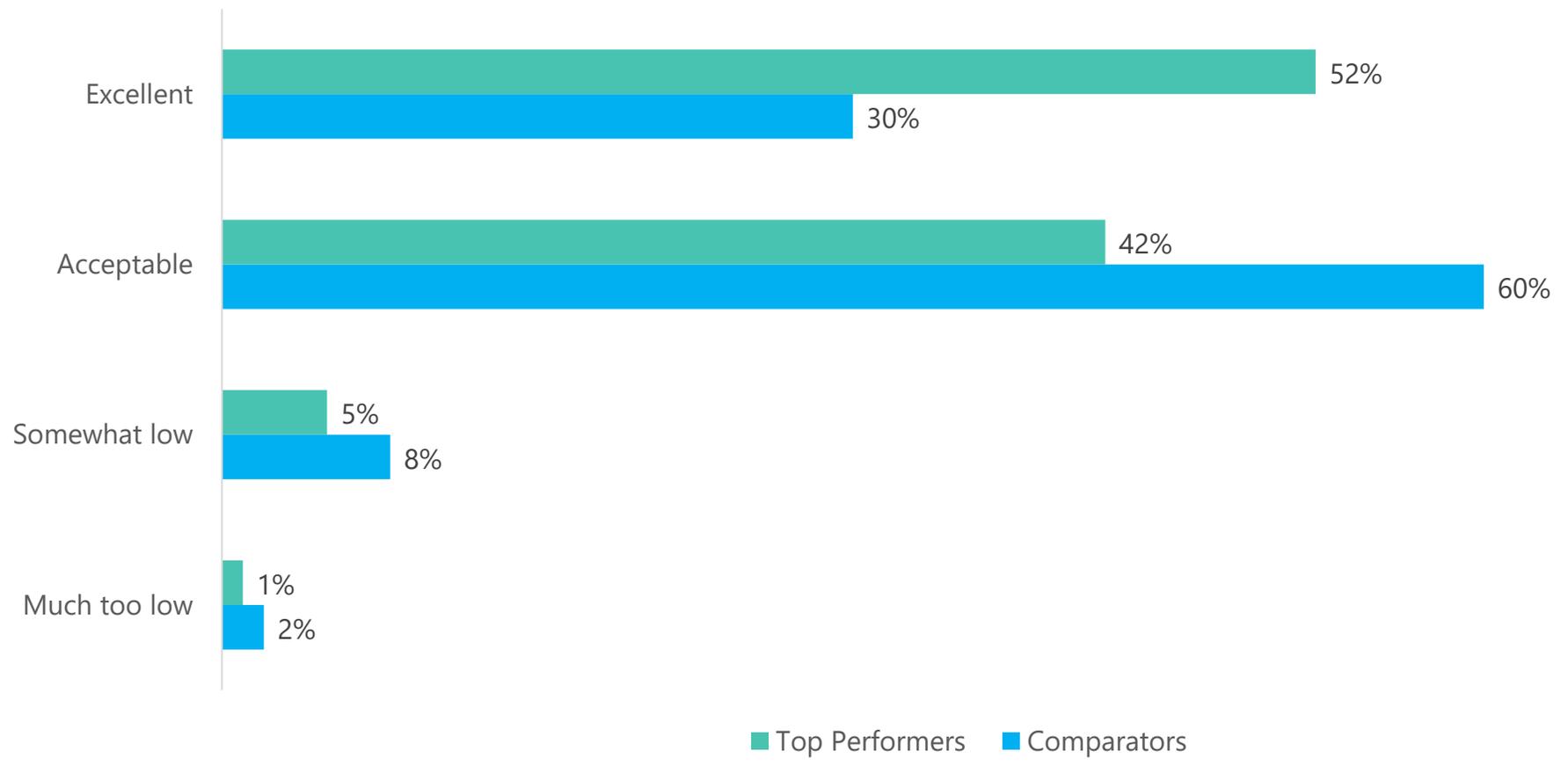


For each line item below, please indicate your assessment of your programs.

Program Assessment: Budget

- The percentage of Top Performers rating program budget as 'excellent' increased from 41% to 52%, further widening the gap with Comparators, 30% of whom rated their budget as 'excellent', similar to last year's 32%.

Program Assessment: Budget

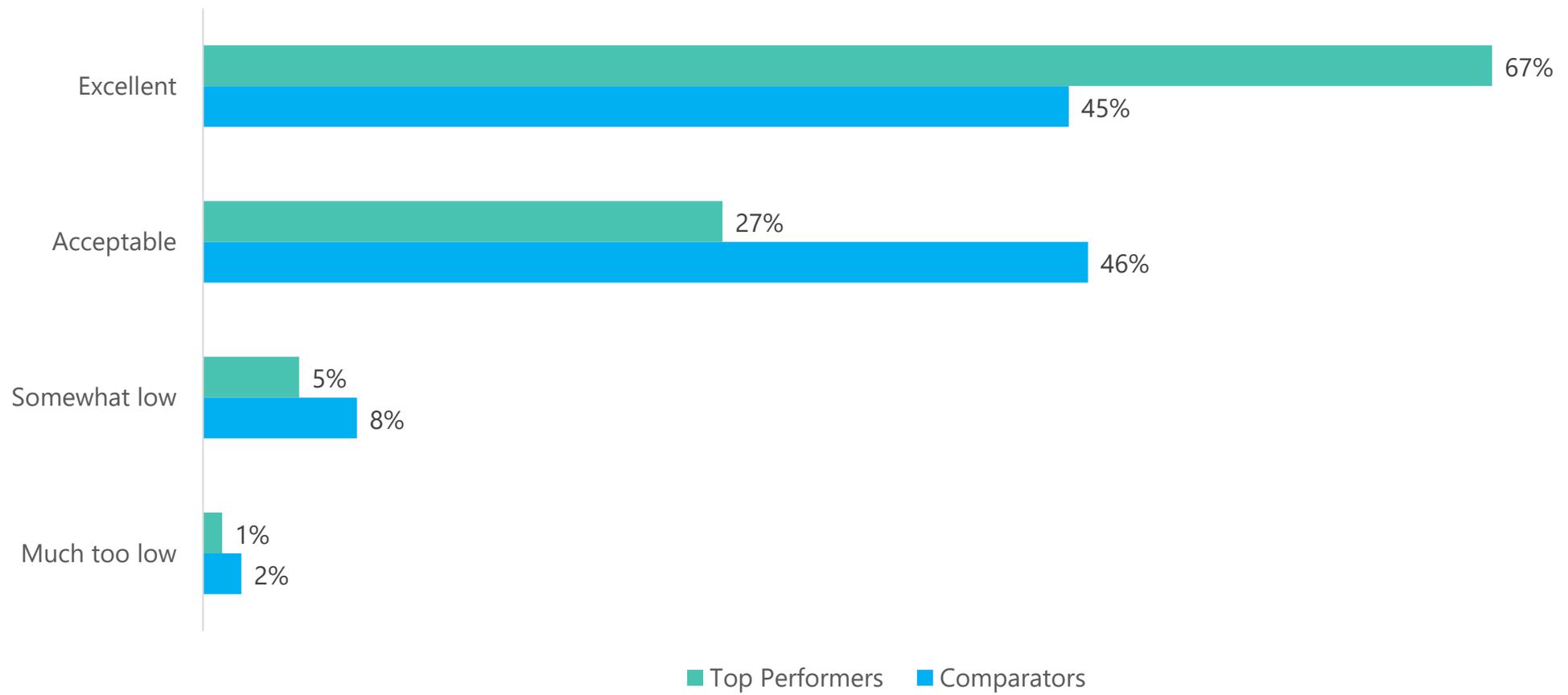


For each line item below, please indicate your assessment of your programs.

Program Assessment: Participation

- Of all the measured increases from the previous year, participation among Top Performers was the largest, with the percentage describing the participation as 'excellent' increasing from 37% to 67%.
 - The increase in Comparators' participation was a bit more modest increasing from 34% to 45% who described participation as 'excellent'.

Program Assessment: Participation

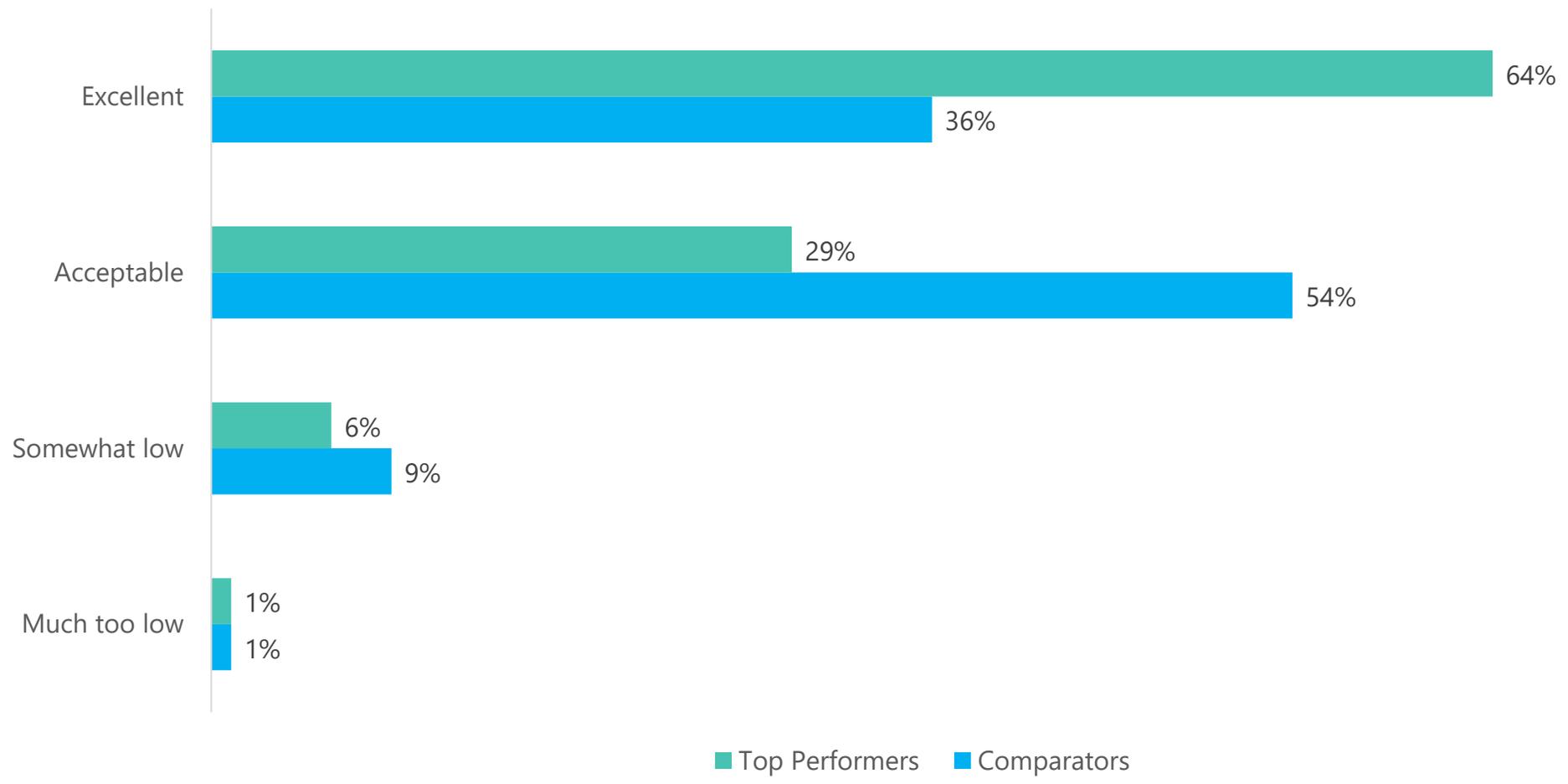


For each line item below, please indicate your assessment of your programs.

Program Assessment: Manager Buy-in

- Manager Buy-in also increased significantly for Top Performers, with the percentage rating manager buy-in as 'excellent' rising from 42% to 64%, while the percentage of Comparators rating manager buy-in as excellent remained stable (37% in 2018, 36% in 2019.)

Program Assessment: Manager Buy-in

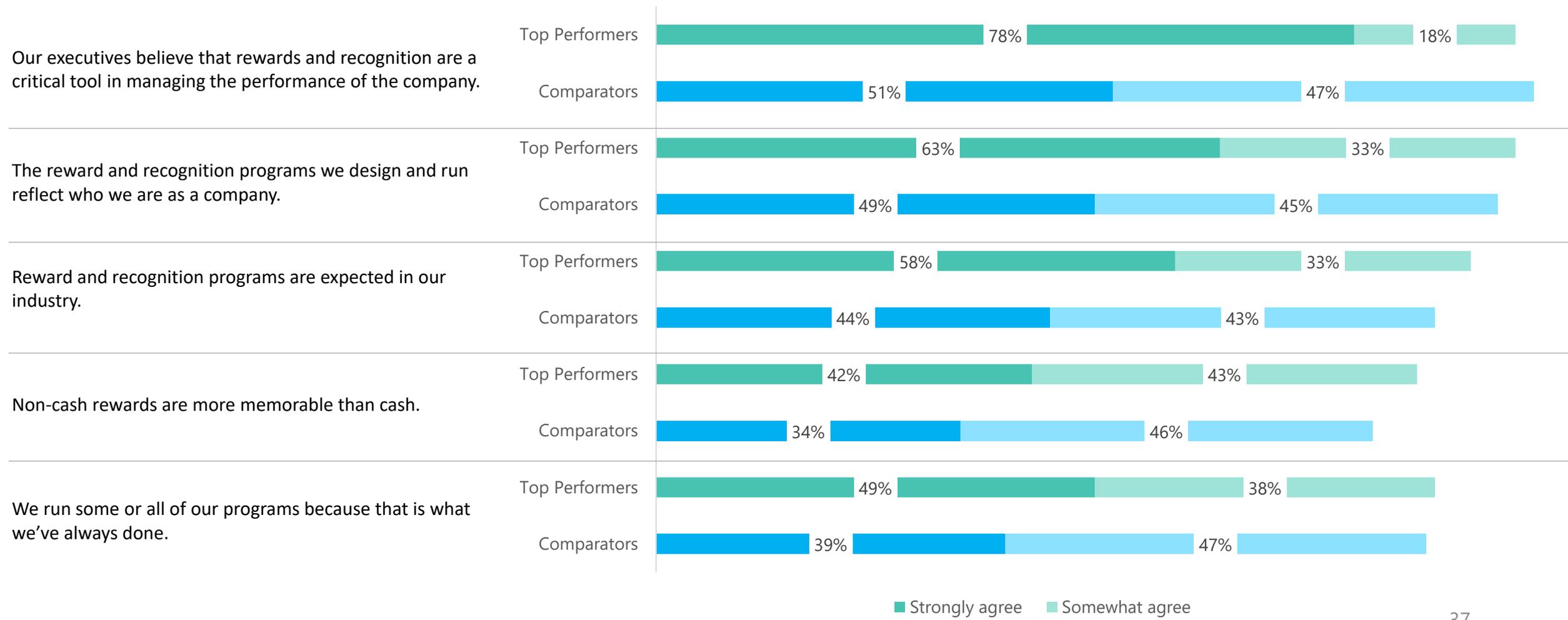


For each line item below, please indicate your assessment of your programs.

Reward and Recognition Perspectives

- Top Performers were more likely to hold positive beliefs regarding reward and recognition compared to others.
 - 78% of top performing companies 'strongly agreed' that their executives believed reward and recognition were a critical component to driving company performance compared to only 51% of others.
- One cautionary note, however, is that Top Performers were also more likely to 'strongly agree' that they run some or all of their programs because 'that is what we've always done' compared to others (49% to 39%).
 - This suggests that even top performing companies will sometimes accept their programs because they are simply part of the culture, rather than re-evaluating them each year.

Reward & Recognition Perspectives



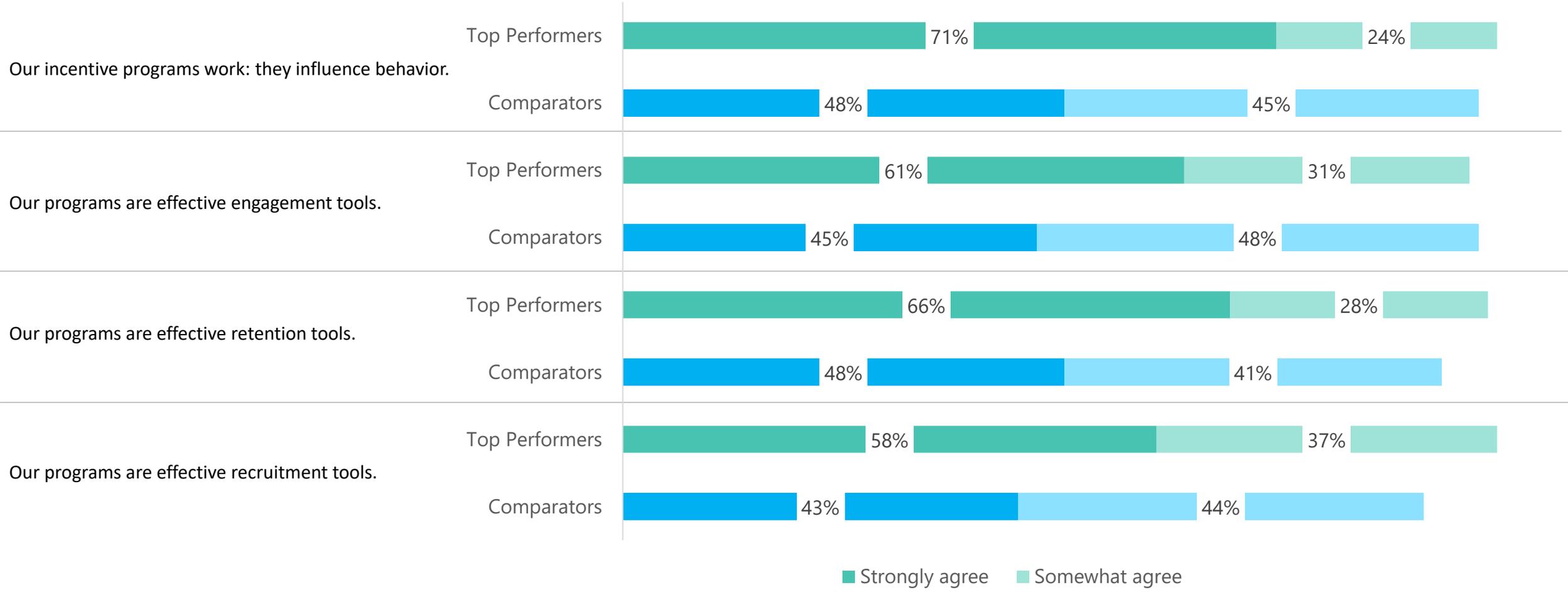
Strongly agree Somewhat agree

For each of the statements below, please indicate the degree to which you agree.

Reward and Recognition Effectiveness

- While Top Performers still show a large positive gap compared to others relative to how well they evaluate program effectiveness, the percentages in both groups that 'strongly agree' their programs are effective has increased since last year.

Reward & Recognition Effectiveness

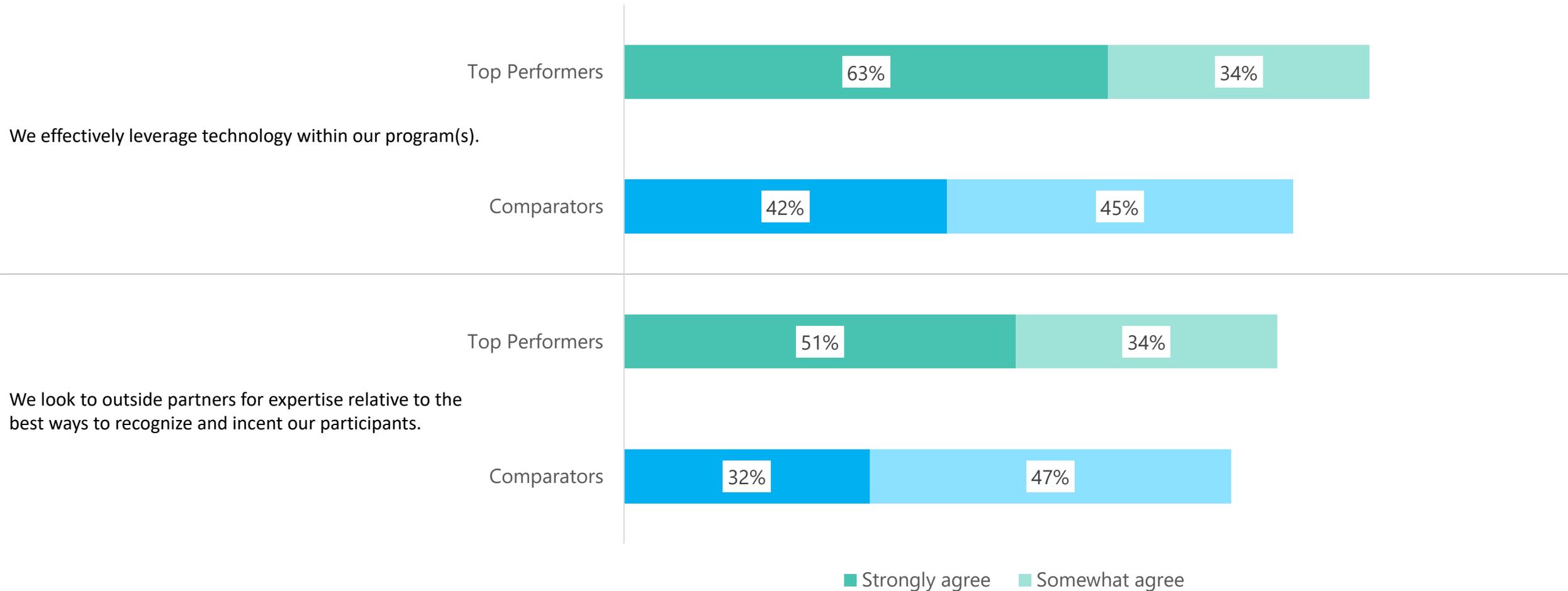


For each of the statements below, please indicate the degree to which you agree.

Reward and Recognition Leverage

- Top Performers report greater leverage of outside partners and technology to enhance their programs.
 - The percentage of Top Performers leveraging these resources has grown significantly since last year, while the Comparator group has been relatively stagnant.

Reward & Recognition Leverage



For each of the statements below, please indicate the degree to which you agree.

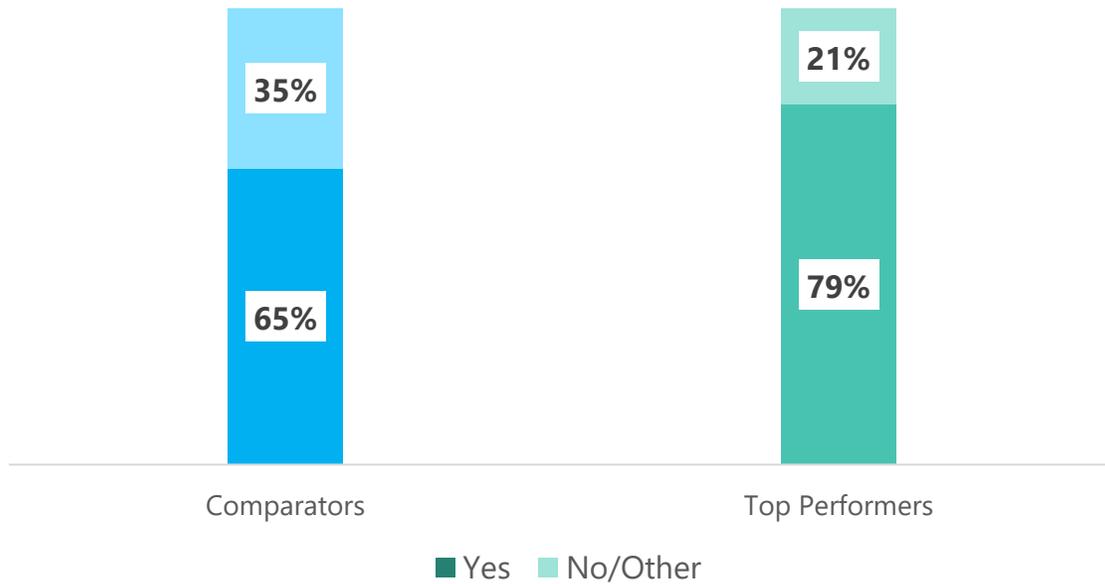
SALES PROGRAMS

Top Performer Group Incentive Trips

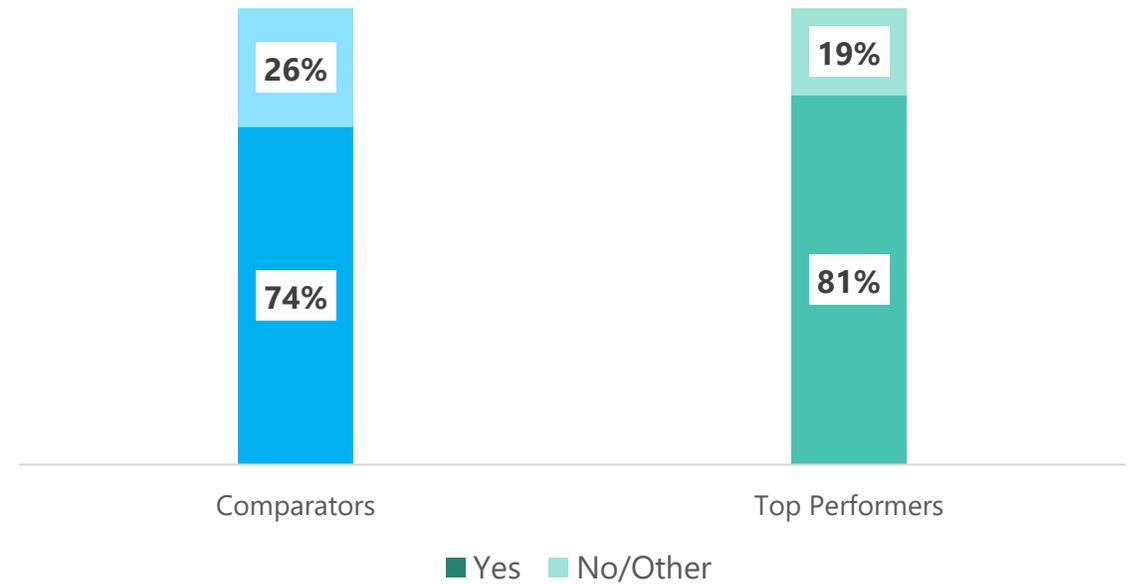
- Last year, there was a relatively even split between top performing companies (74%) and Comparators (72%) on whether they offered a Top Performer award to their sales professionals.
 - Currently, however, the similarity between groups last year has evolved into a large advantage for top performing companies, with 79% of these companies offering a Top Performer award, compared to 65% of the Comparator companies.
 - A higher proportion of top performing companies offer an incentive trip as part of their Top Performer award compared to Comparators (81% to 74%).
 - This means 64% of top performing companies offer their top performing sales professionals an incentive trip, compared to 48% of Comparators.

Top Performer Group Incentive Trips

Program Includes Top Performer Award



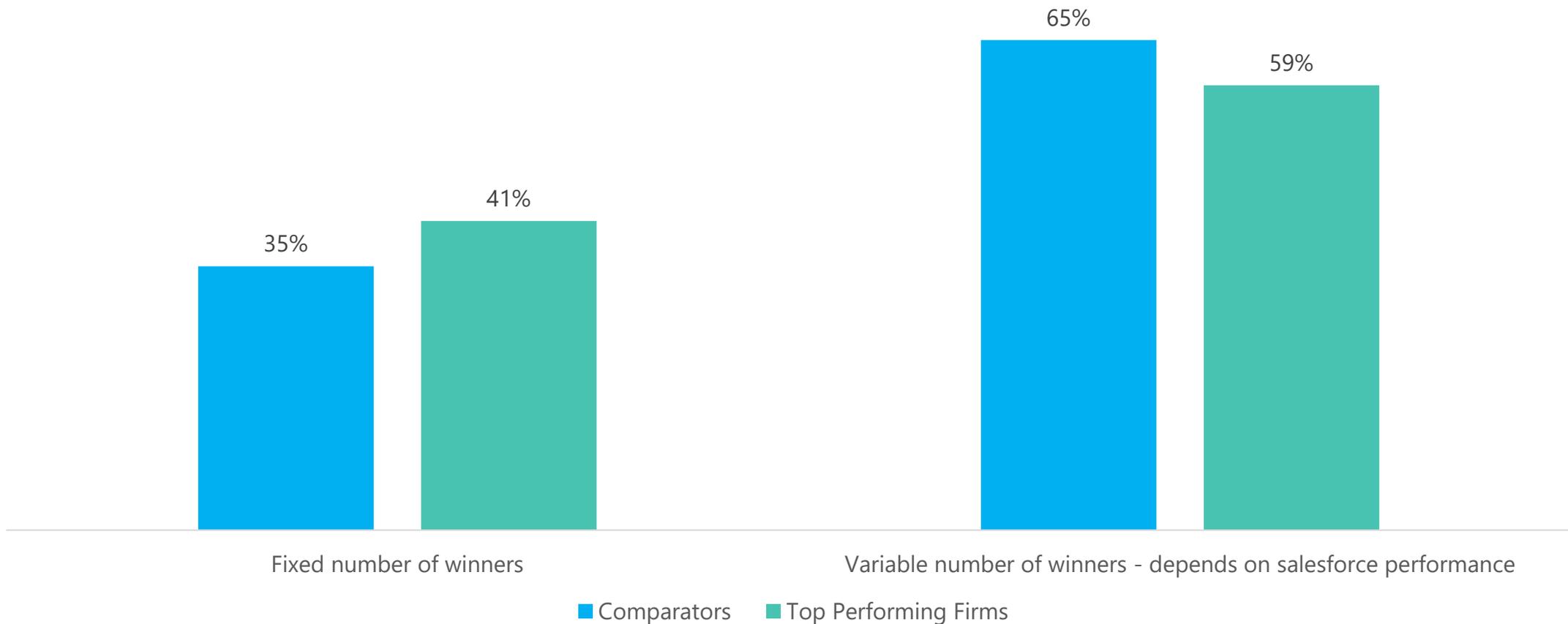
Top Performer Award Includes Group Trip



Limits on Number of Top Performer Trip Winners

- In this instance, the number of 'variable winners' increased for the Comparator groups (52% to 65%) compared to last year, while the percentage of variable winners for top performing companies declined slightly from 64% to 59%.
 - The shift in 'fixed' vs. 'variable' winners among top performing companies was not statistically significant, but the shift from 'fixed' to 'variable' winners within the Comparator group was noteworthy.

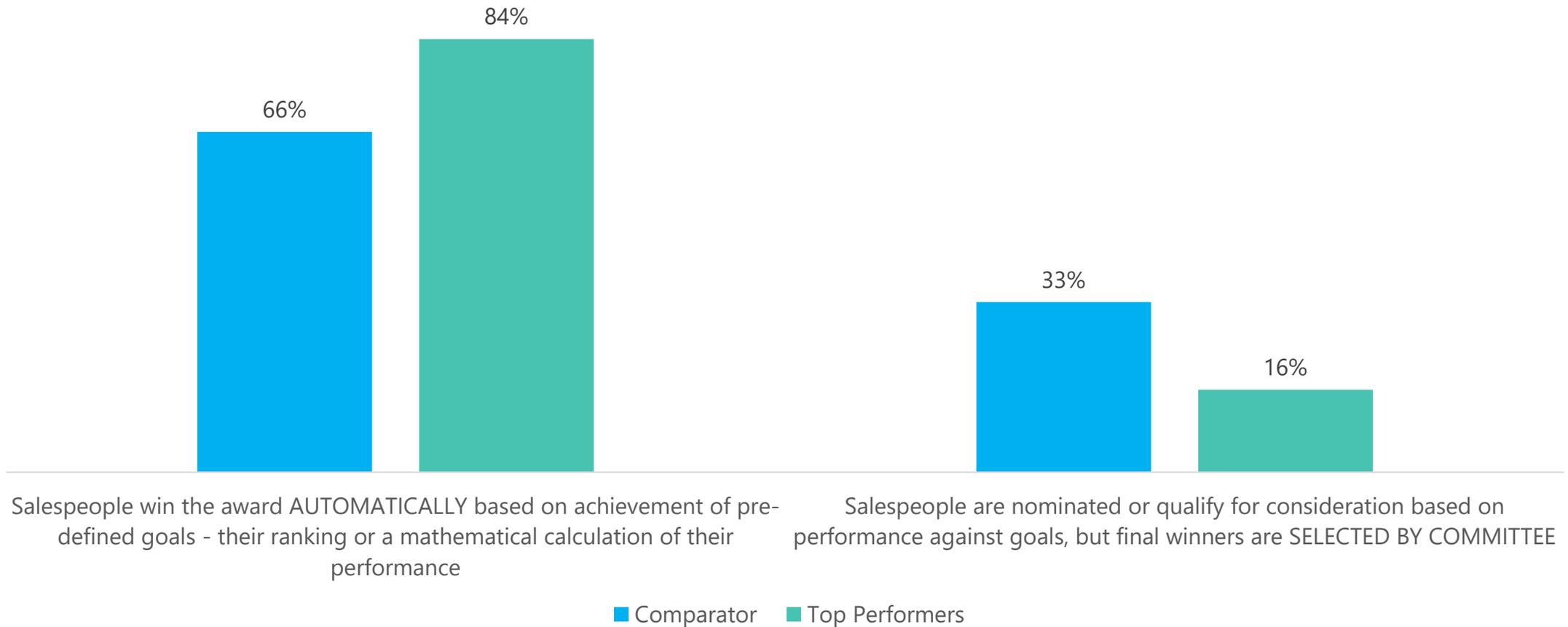
Limits on Number of Top Performer Trip Winners



Objective Qualification: Top Performer Sales Incentive Trip

- Among top performing companies, 84% automatically win sales incentive awards based on achievement of pre-determined goals, compared to only 66% of Comparator companies.
 - Both groups increased the percentages who automatically win based on pre-defined criteria, moving more away from selection by a committee.

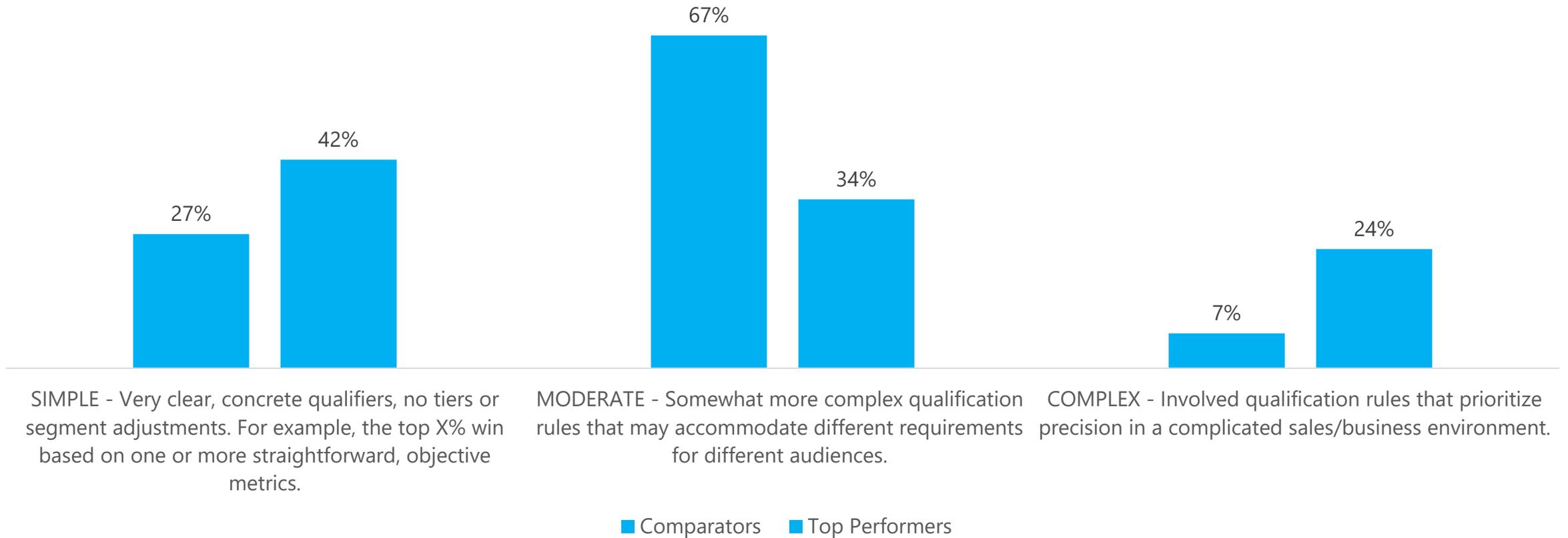
Objective Qualification: Top Performer Sales Incentive Trip



Qualification Complexity: Top Performer Sales Incentive Trip

- Among top performing companies, the percentage that said qualification criteria for the Top Performer sales incentive trip was 'complex' jumped significantly from 7% to 24%.
 - The data suggest qualification criteria for this group has changed, in many instances, from being 'intermediate' in complexity to more complex.
 - There were not significant changes in the qualification complexity for Comparator companies.

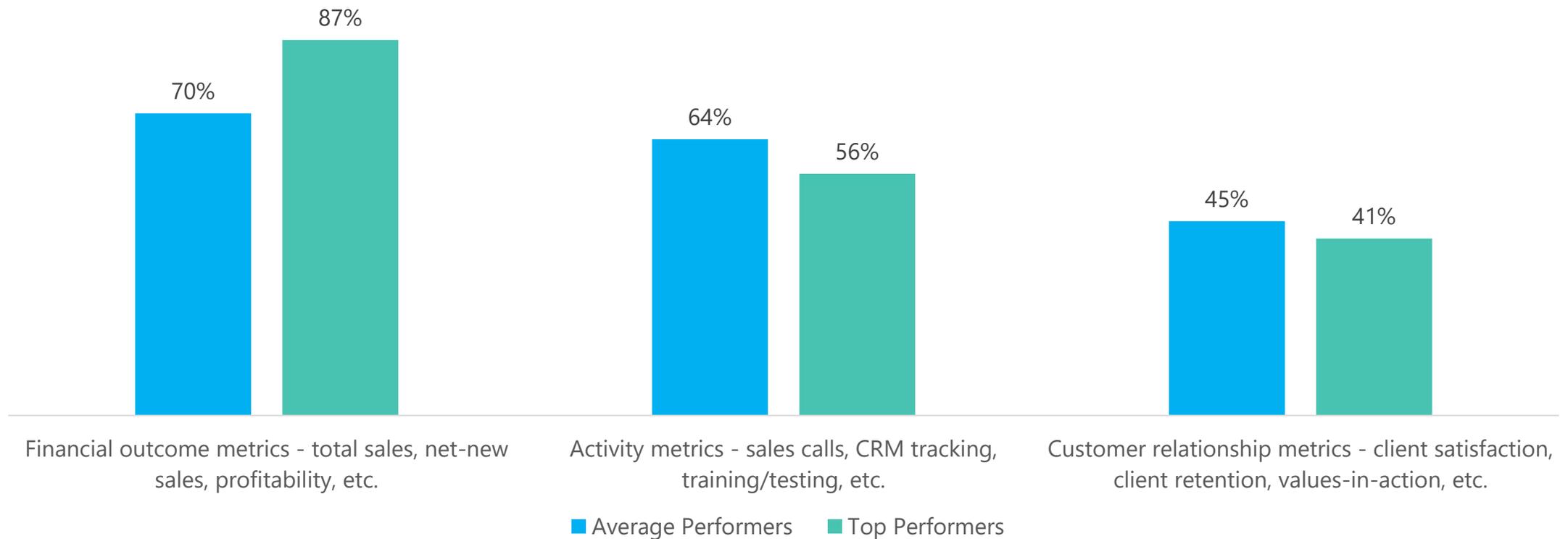
Qualification Complexity: Top Performer Sales Incentive Trip



Qualification Metrics: Top Performer Incentive Trip

- Qualification metrics have not changed significantly from the previous survey.
 - Top performing companies are much more likely to use financial metrics for their Top Performer incentive sales trips compared to others, with 87% of Top Performers using financial criteria compared to 70% of others.

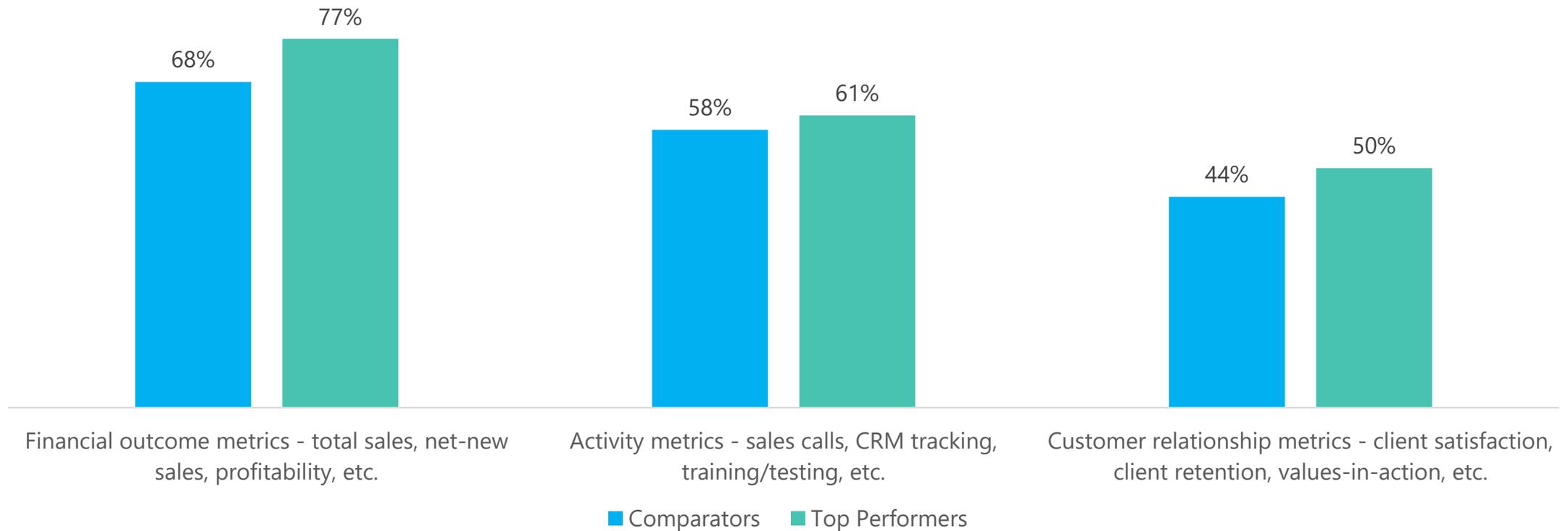
Qualification Metrics: Top Performer Incentive Trip



Qualification Metrics: Award Points, Gift Cards, & Merchandise

- There were only slight shifts in the qualification metrics salespeople needed to earn award points, gift cards, and merchandise, compared to last year.
 - More Top Performers gave these awards for customer relationship metrics compared to the previous year (38% up to 50%).
 - More Comparators relied on financial metrics for these tangible rewards compared to last year (52% up to 68%).

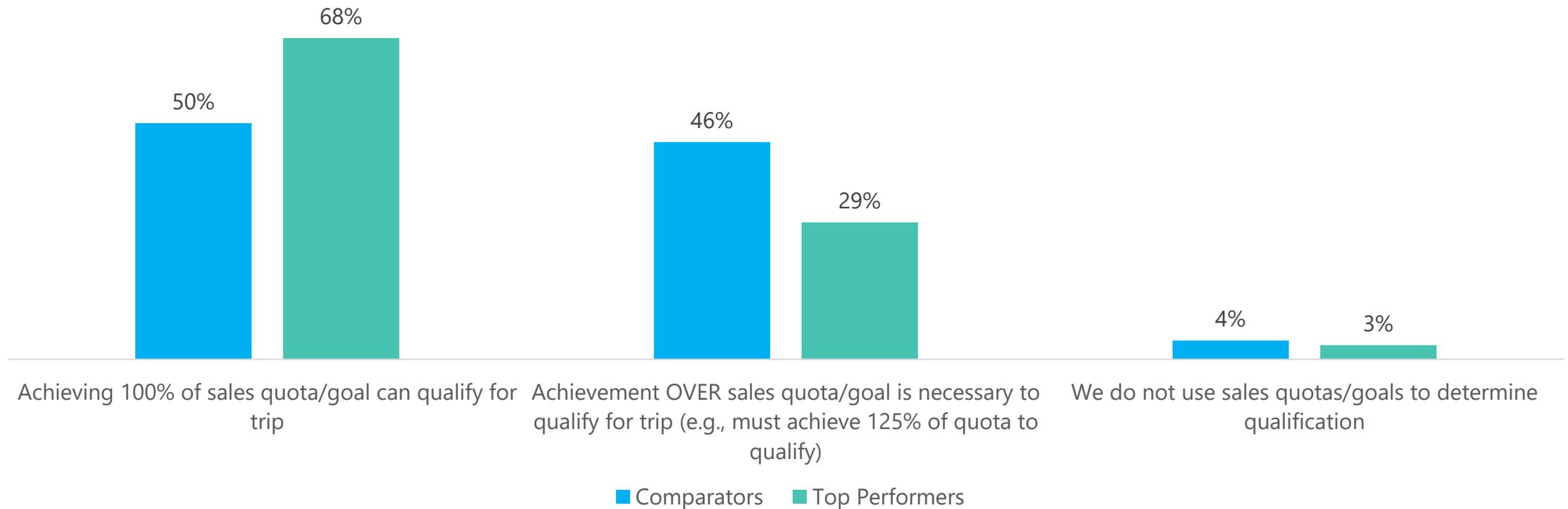
Qualification Metrics: Award Points, Gift Cards, & Merchandise



Sales Quotas: Top Performer Sales Incentive Trip

- Results are similar to last year where Top Performers are more likely to earn a sales incentive trip by achieving 100% of their goals compared to others who are more likely to require salespeople to exceed quota.

Sales Quotas: Top Performer Sales Incentive Trip

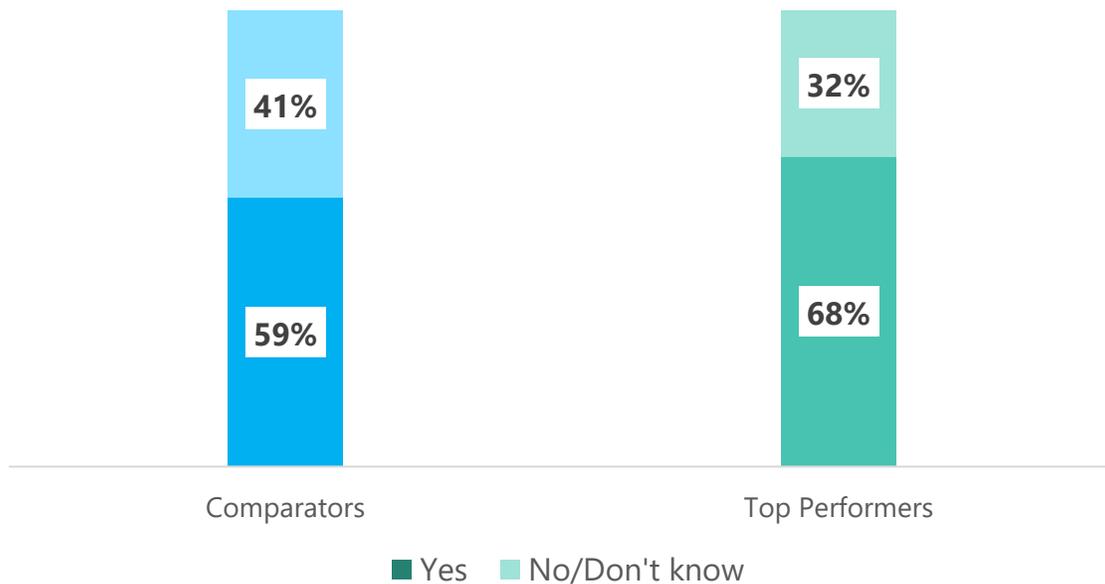


Reward Achievability: Top Performer Sales Incentives

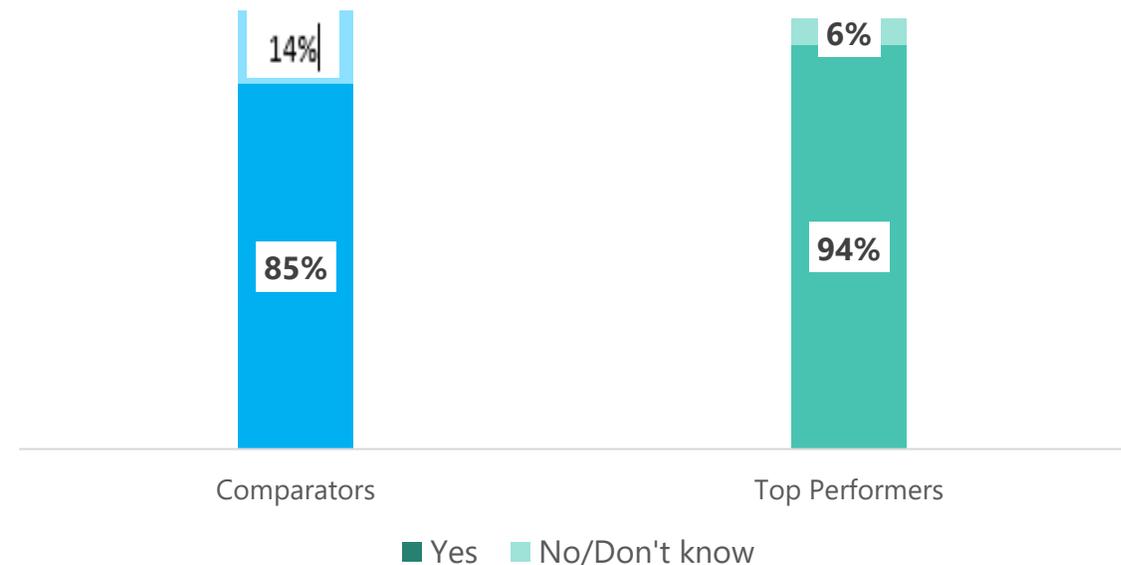
- Top Performers appear to have a higher percentage who allow 'special rules' for new salespeople (59% to 68%).
- Both Top Performers and Comparators have very large percentages who create a tiered structure that allows salespeople who didn't qualify for a top performer award to earn other awards (94% of Top Performers; 85% of Comparators.)
 - In both cases, however, the percentages who offer the tiered structure have increased from last year—Top Performers 88% to 94%; Comparators 68% to 85%.)

Reward Achievability: Top Performer Sales Incentives

Special Rules for New Salespeople Top Performer Award



Tiered Structure for Maximizing Reach Beyond Top Performer Award



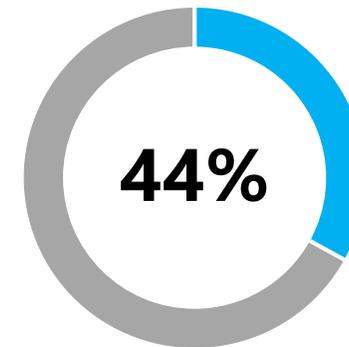
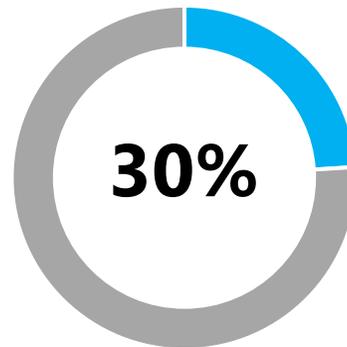
- Among both Top Performers and Comparators expect to take about a third of their salesforce on Top Performer incentive trips.
 - Top Performers expect approximately half (49%) to earn other types of tangible non-cash rewards with Comparators slightly lower at 44%.
- The percentage of salespersons expected to receive both incentive trips and non-cash incentives has increased among both Top Performers and Comparators since last year.
 - Top Performer incentive trips expected rose from 23% to 36%; Comparators rose from 24% to 30%.
 - Top Performer non-cash sales incentives rose from 29% to 49%; Comparators rose from 33% to 44%.

Reward Reach

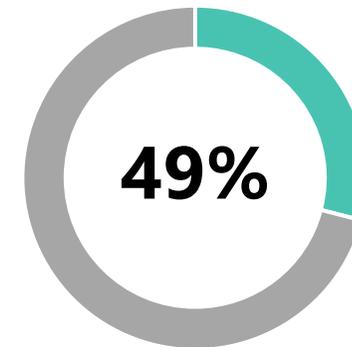
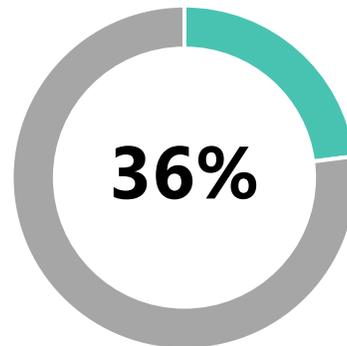
% Sales Reps Earning Trip

% Sales Reps Earning Reward Points,
Gift Cards, or Merchandise

Comparator Firms



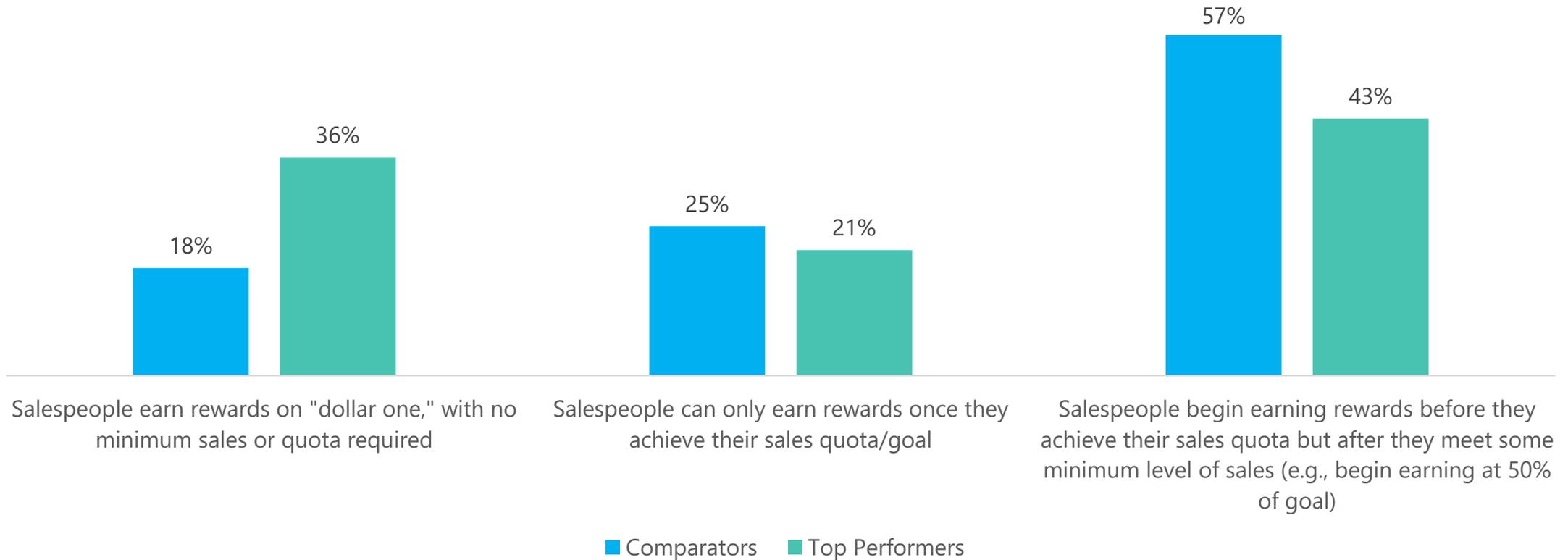
Top Performing Firms



Program Rules: Threshold to begin Earning Rewards

- Top Performers have a much higher percentage where salespeople earn rewards on 'dollar one' with no minimum sales or quota required (36% to 18%).
- Even though both Top Performers and Comparators are most likely to structure their sales incentive programs where salespeople begin earning rewards before they achieve their sales quota but after they meet a minimum level of sales, Comparators are more likely to engage in this practice compared to Top Performers by a 57% to 43% margin.
 - This finding does not differ significantly from last year's study.

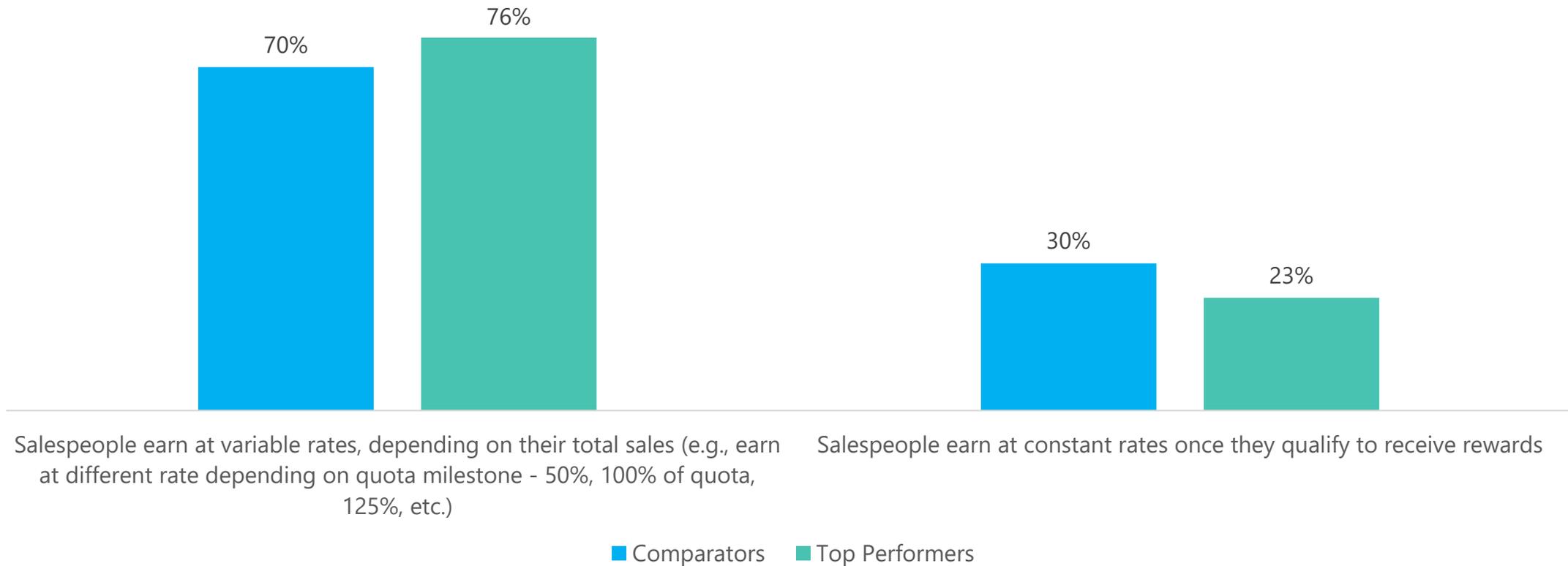
Program Rules: Threshold to begin Earning Rewards



Program Rules: Rate of Earning Rewards

- Top Performers have a slightly higher percentage of salespersons who earn rewards at variable rates compared to others (76% to 70%) vs. salespeople who earn at constant rates after qualification (23% to 30%).
 - These results do not differ significantly from the previous wave of the study.

Program Rules: Rate of Earning Rewards

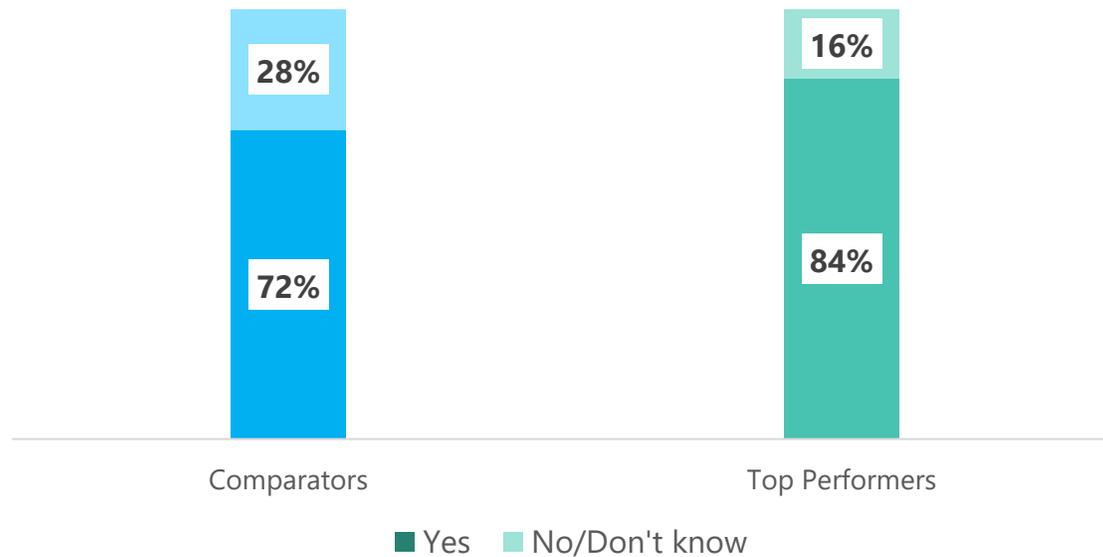


Reward Approach: Non-Travel Rewards

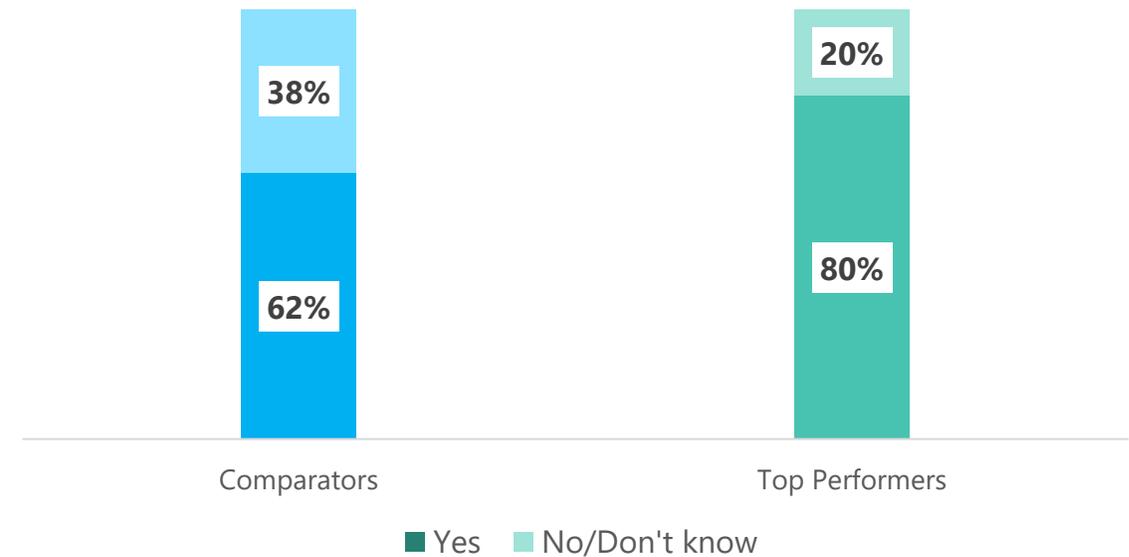
- The percentage who offer a 'fast start' program to new salespeople to quickly earn rewards jumped significantly for both Top Performers and Comparators since the previous study.
 - Top Performers offering a 'fast start' rose from 64% to 84% while Comparators rose from 67% to 72%.
- Similar shifts were seen in the percentages that did not have a 'top stop'—meaning the salespersons can earn unlimited awards.
 - Top Performers saw a big jump in the percentages that offered awards without earning limits—45% to 80%, while Comparators showed a more modest lift—54% to 62%.

Reward Approach: Non-Travel Rewards

Special Rules for New Salespeople Non-Travel Rewards



Any Programs without Earning Limits?

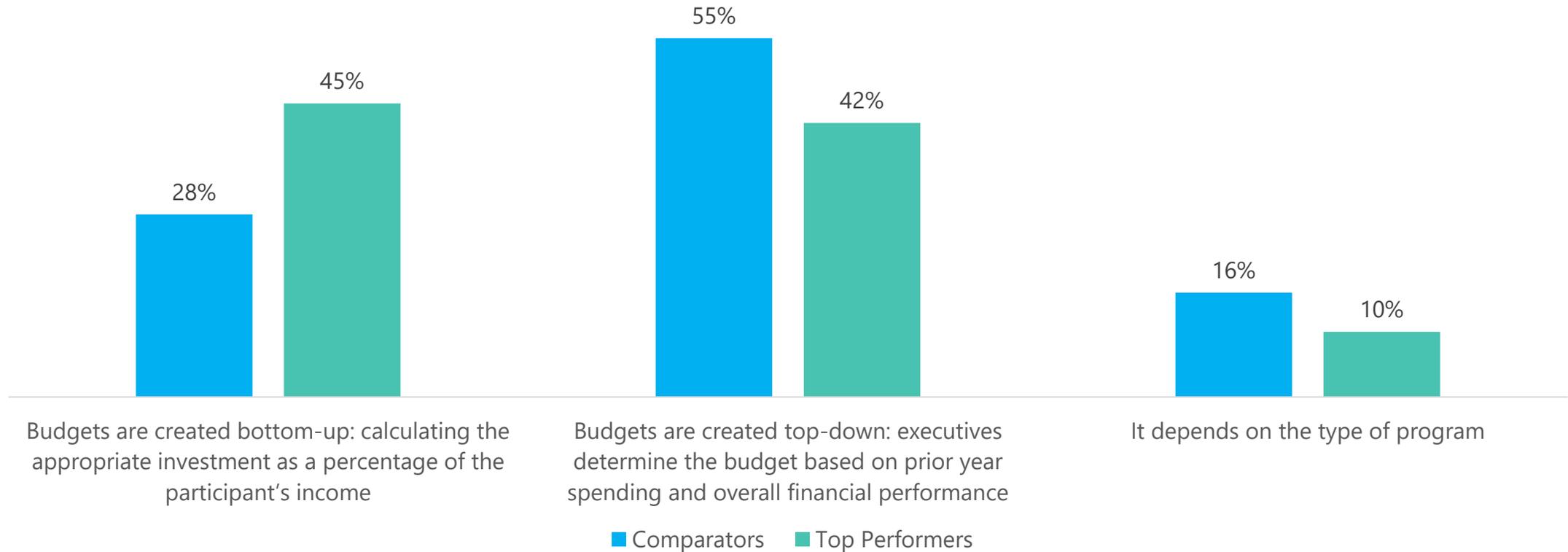


Regarding award points, gift cards, and merchandise rewards, does your non-cash sales incentive program have a "Fast Start" that allows new salespeople to quickly earn, giving them early "wins" to boost their motivation?

Do you operate any non-cash sales incentive programs that do not have a "top-stop" - meaning the sales person can earn unlimited awards based on the amount of product/service they sell?

- While there were some slight shifts in the percentages, the results are similar to the previous wave where Top Performers have a greater percentage of budgets created bottom-up (calculating the approximate investment as a percentage of the participant's income) vs. others (45% to 28%).
 - Comparator companies, by contrast, are more likely to create top down budgets based on prior year spending and overall financial performance (55% to 42%).

Budget Approach

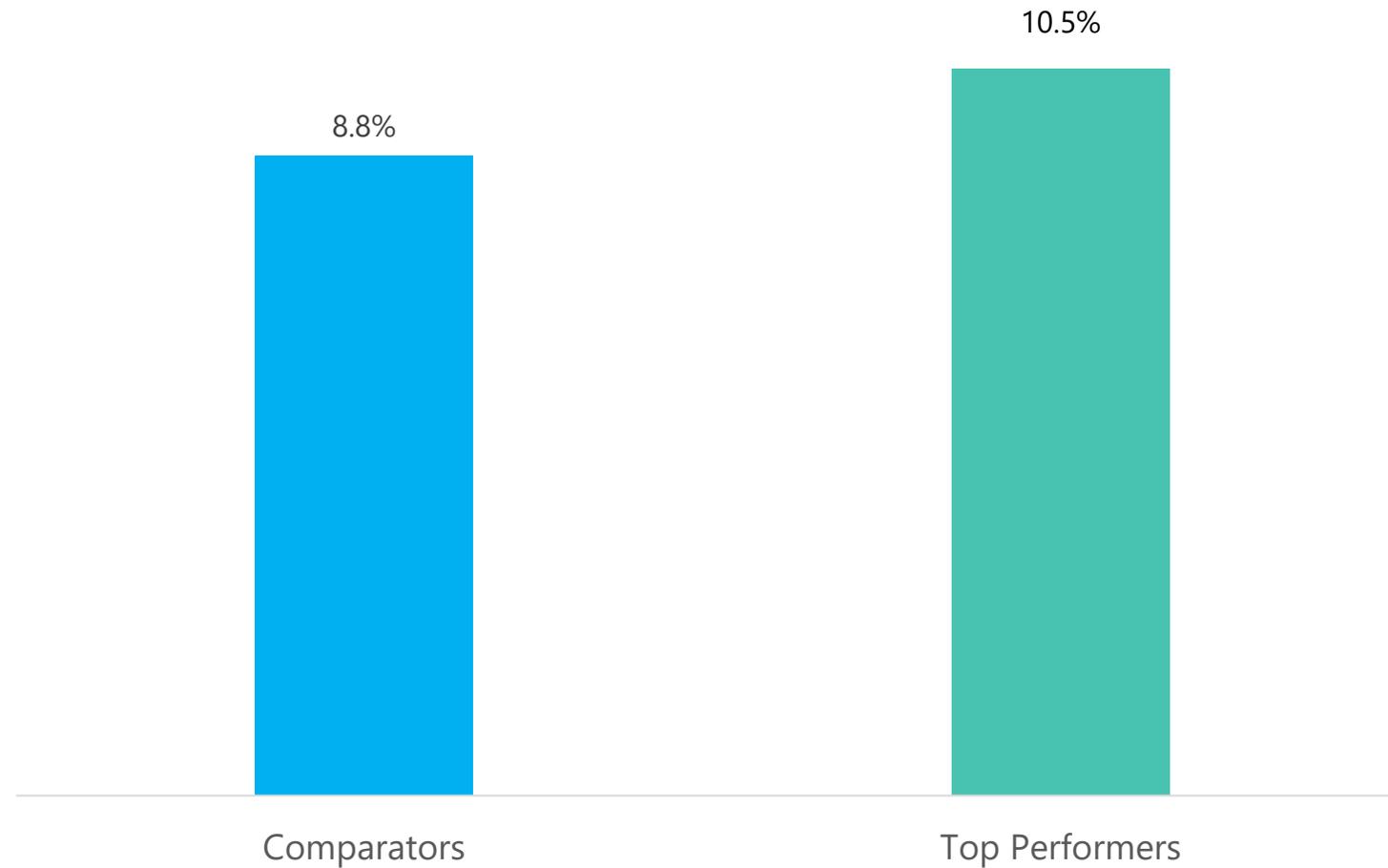


Which of the options below best describes your company's approach to budgeting for your sales incentive programs?

Bottom-Up Budgeting Rate

- In the previous wave, both Top Performers and Comparators reported a similar spend on non-cash rewards and recognition based as a percentage of income (e.g., Top Performers 7.4%, Comparators 7.4%).
 - This year, both Top Performers and Comparators have reported greater percentages (10.5% for Top Performers and 8.8% for Comparators) so that Top Performers now have a greater percentage of income spend on non-cash rewards.

Bottom-Up Budgeting Rate

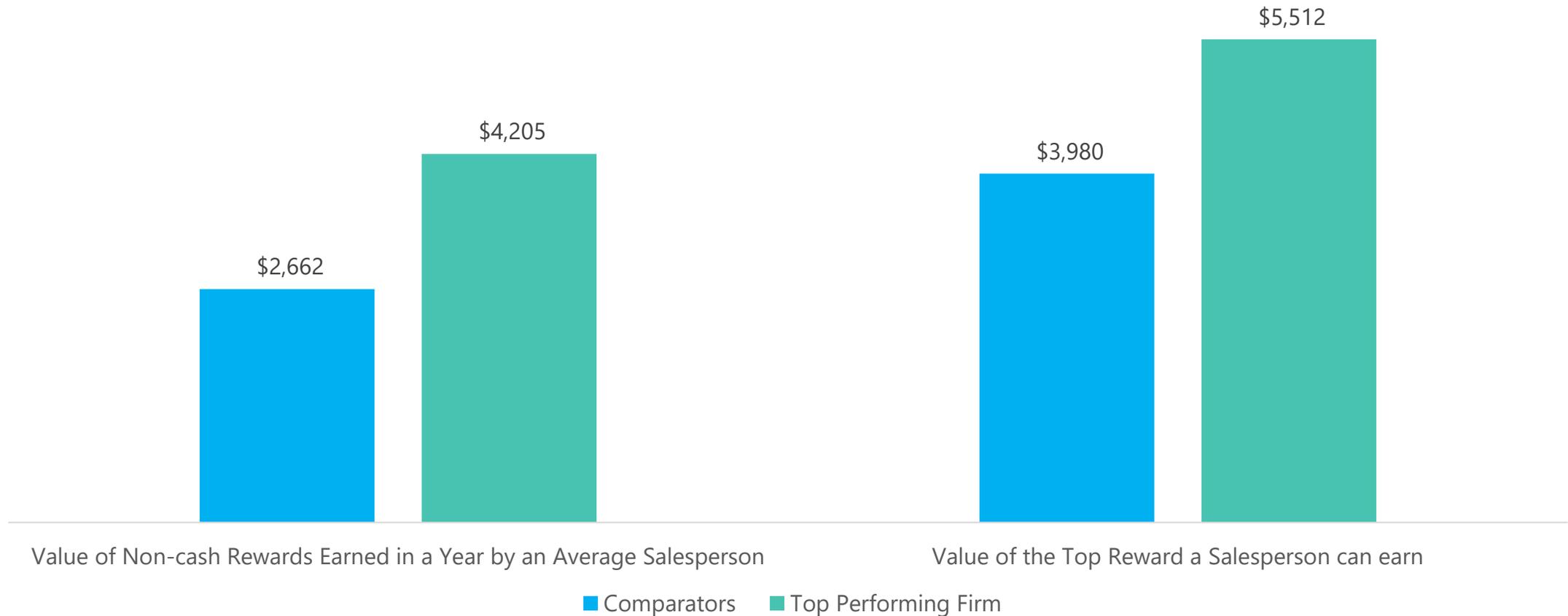


AS A PERCENT OF THEIR INCOME, what is the approximate annual spend for non-cash rewards and recognition for your salespeople?

Average & Top Dollar Values: Award Points, Gift Cards, & Merchandise

- The data suggest that Top Performers have significantly increased the amount spent on non-cash rewards for salespeople, while Comparators are spending just slightly more.
 - Average amount spent by Top Performers went up from \$2570 to \$4205, while Comparators only went up from \$2459 to \$2662.
 - The value of top awards went up from \$3582 to \$5512 for Top Performers, the value of Comparator top awards went up from \$3773 to \$3980.

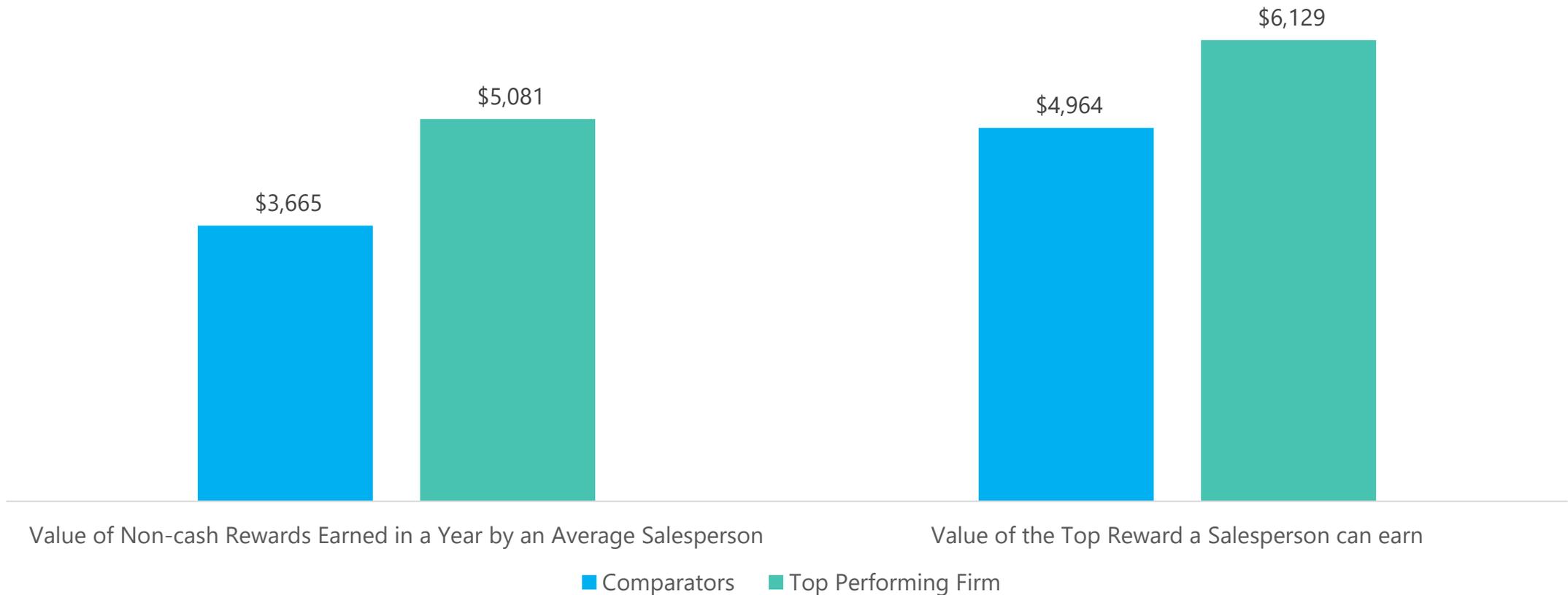
Average & Top Dollar Values: Award Points, Gift Cards, & Merchandise



Average & Top Dollar Values: Incentive Trips

- The average amount spent on incentive trips by Top Performers has risen significantly since the last wave, while the amount spent by Comparators has only risen slightly.
 - Average Top Performer spend on incentive trips has risen from \$3622 to \$5081; while average Comparator spend has increased from \$3432 to \$3665.
- The top amount spent for incentive trips by Top Performers and Comparators also rose slightly.
 - Top Performer top spend rose from \$5527 to \$6129; while the top Comparator incentive trip spend increased from \$4486 to \$4964.

Average & Top Dollar Values: Incentive Trips



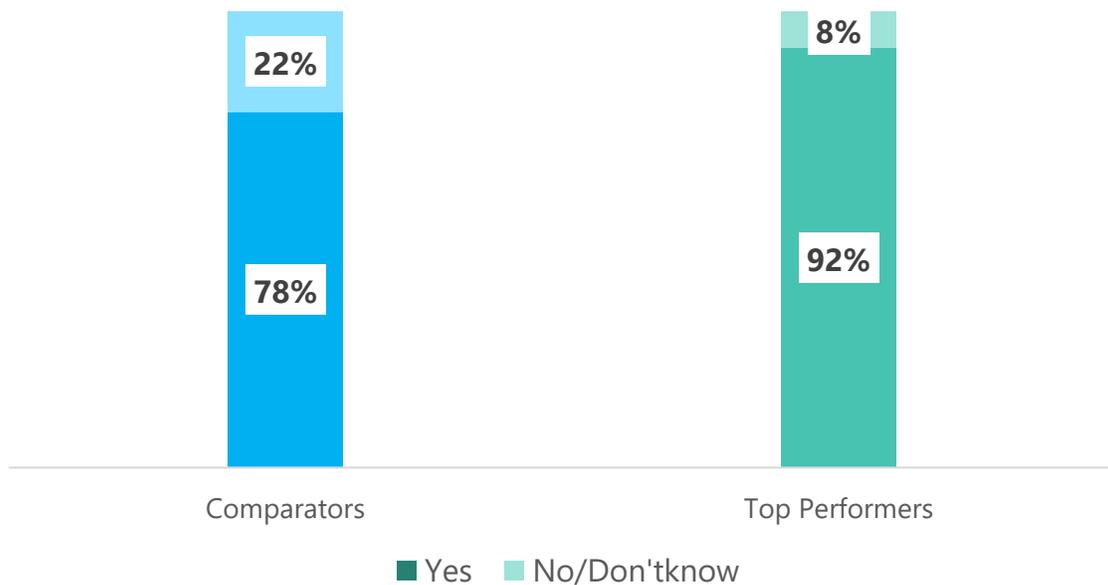
CHANNEL PROGRAMS

Top Performer Group Incentive Trips

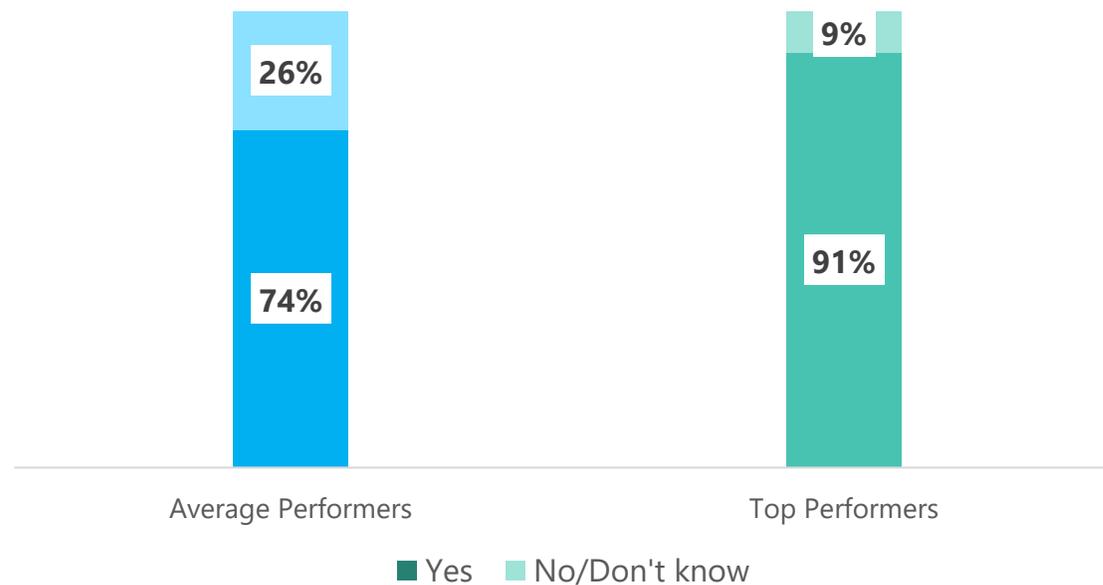
- The percentages who offer a 'Top Performer' award through their non-cash channel incentive programs has increased for both Top Performing companies and Comparators.
 - The percentage of Top Performing companies that offer a Top Performer award as part of their channel programs jumped from 63% to 92%.
 - Comparator companies offering Top Performer awards increased from 67% to 78%.
- Similarly, the percentages that offered group incentive trips as part of their Top Performer awards increased as well.
 - Top performing companies offering group incentive trips as part of a channel incentive program increased from 81% to 91% (50% of all Top Performing companies in the study), while Comparators offering group incentive trips through a channel incentive program increased from 64% to 74% (26% of all Comparator companies.)

Top Performer Group Incentive Trips

Program Includes Top Performer Award



Top Performer Award Includes Group Trip



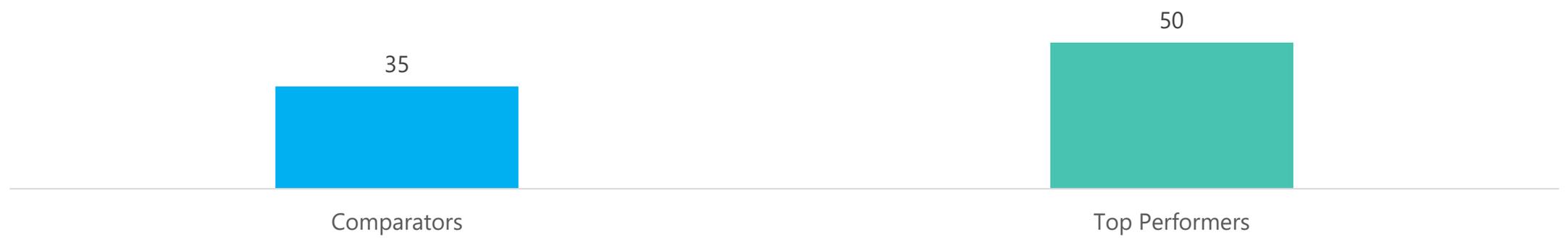
Average Number of Participants Earning Top Performer Incentive Trip

- While there is a lot of variation in the number of channel participants earning Top Performer Incentive trips both within both Top Performing companies and Comparators, Top Performers, on average, have a greater number of participants.
 - Number of participants among Top Performers range from 2 to 8900; median number of participants is 50, although the average number is 356.
 - Number of participants among Comparators range from 2 to 5000; median number of participants is 35, although the average number is 280.

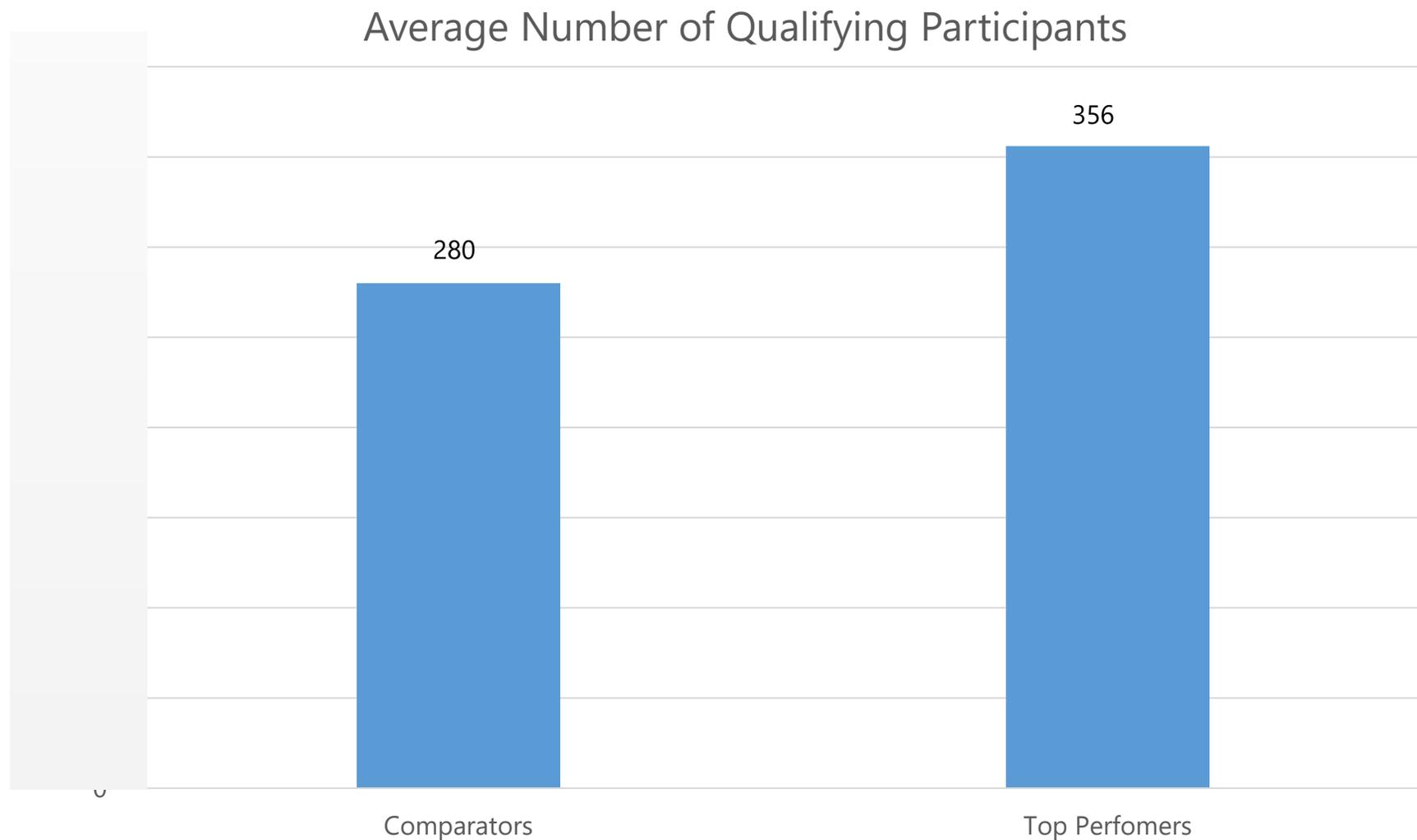


Median Number of Participants Earning Top Performer Incentive Trip

Median Number of Qualifying Participants



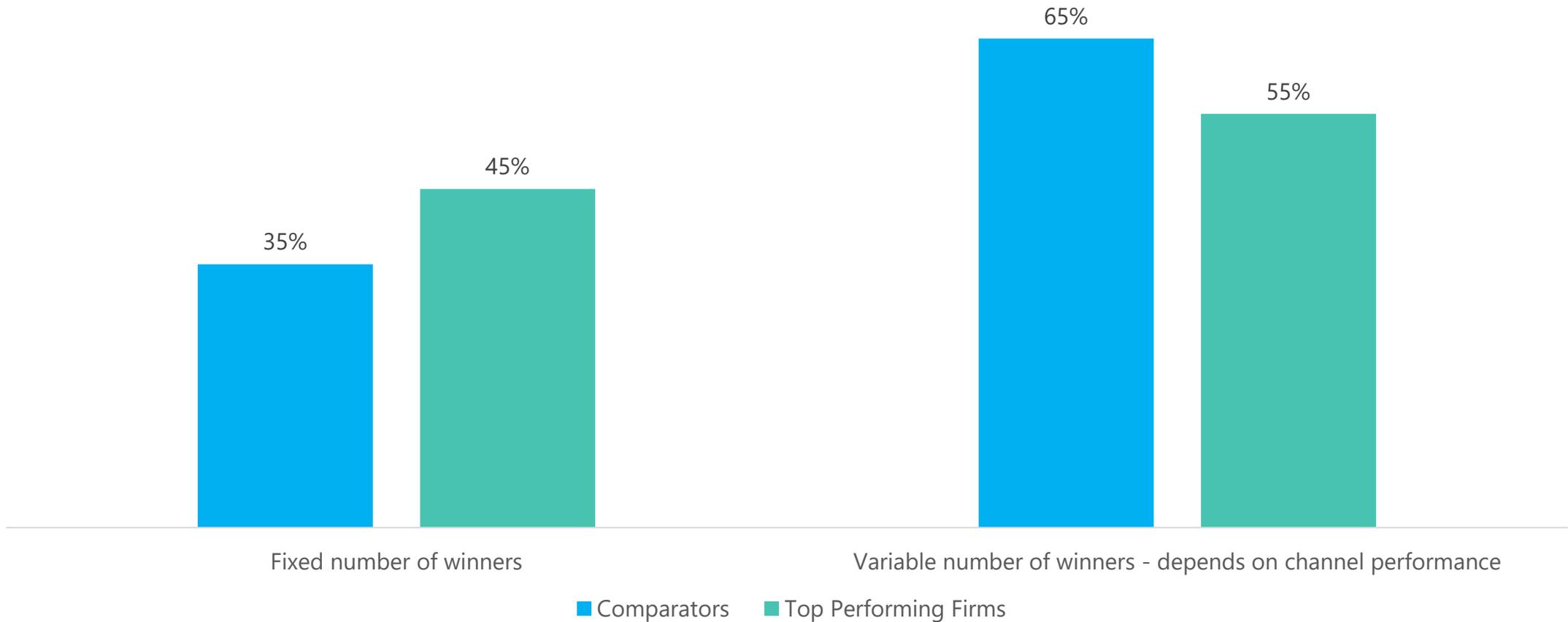
Average Number of Participants Earning Top Performer Incentive Trip



Limits on Number of Top Performer Trip Winners

- Top Performing companies in this study have a slightly higher incidence of having a fixed number of winners (45% to 35%) but in both cases, there are a higher number of situations where there are a variable number of Top Performer trip winners based on performance.

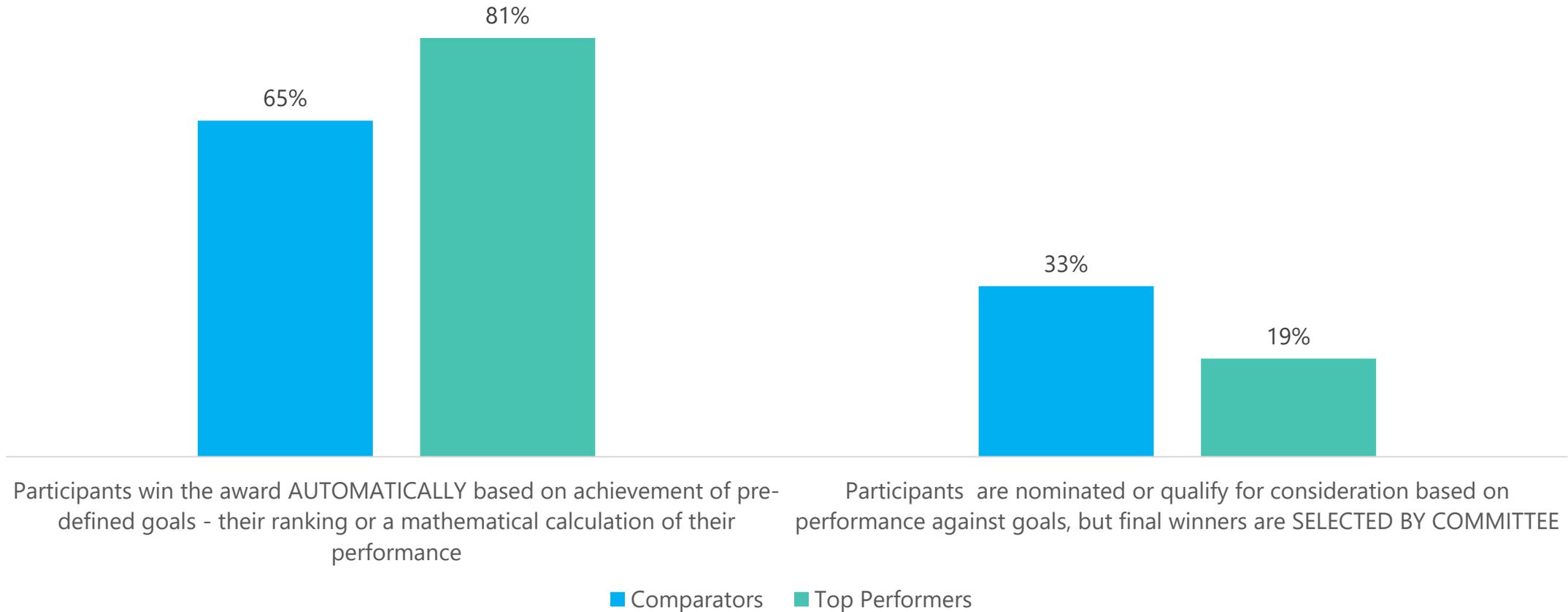
Limits on Number of Top Performer Trip Winners



Objective Qualification: Top Performer Incentive Trip

- Similar to last year, Top Performing companies have a higher percentage of incentive trip participants based on objective qualifications rather than having award trip participation influenced by a selection process.
 - 81% of Top Performing companies automatically award an incentive trip to channel partners who achieve a pre-defined goal compared to 65% of Comparators.

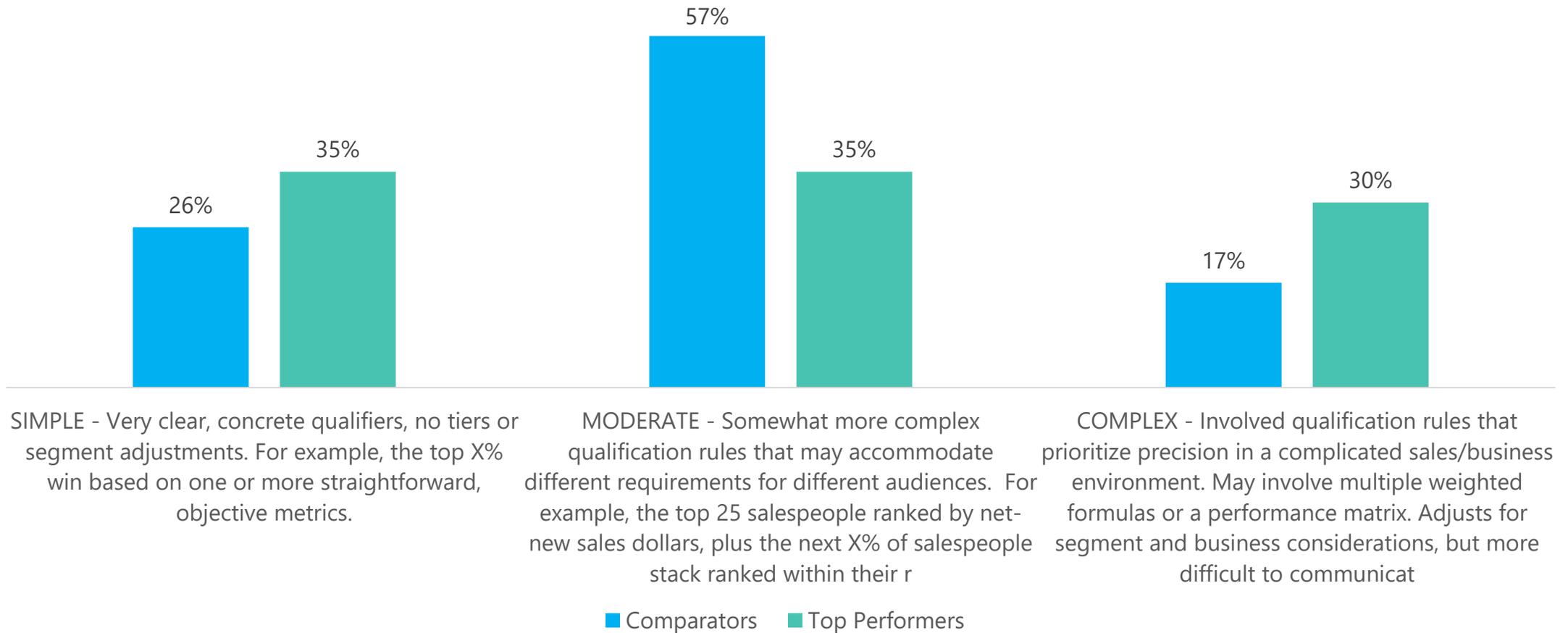
Objective Qualification: Top Performer Incentive Trip



Qualification Complexity: Top Performer Incentive Trip

- Qualification complexity for channel partner incentive trip awards is almost evenly divided for Top Performing companies with approximately one-third describing their qualification process as 'simple', 'moderate', or 'complex'.
 - The process may have gotten a bit more complex for some Top Performing companies as only 11% described the process as 'complex' a year ago.
- The qualification process for Comparator companies is more often than not, considered 'moderate', with 57% describing their qualification process this way.
 - Qualification complexity looks very similar to a year ago for these Comparator companies.

Qualification Complexity: Top Performer Incentive Trip

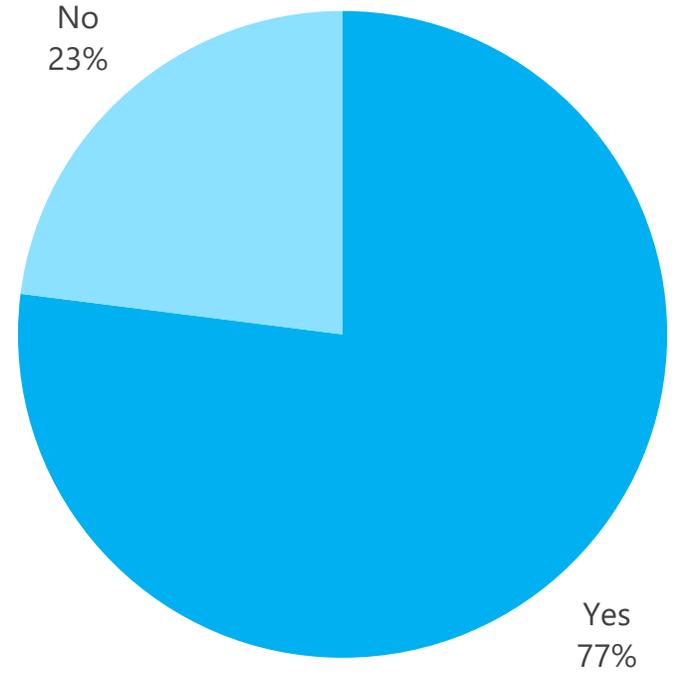


Sales Targets for Channel Participants

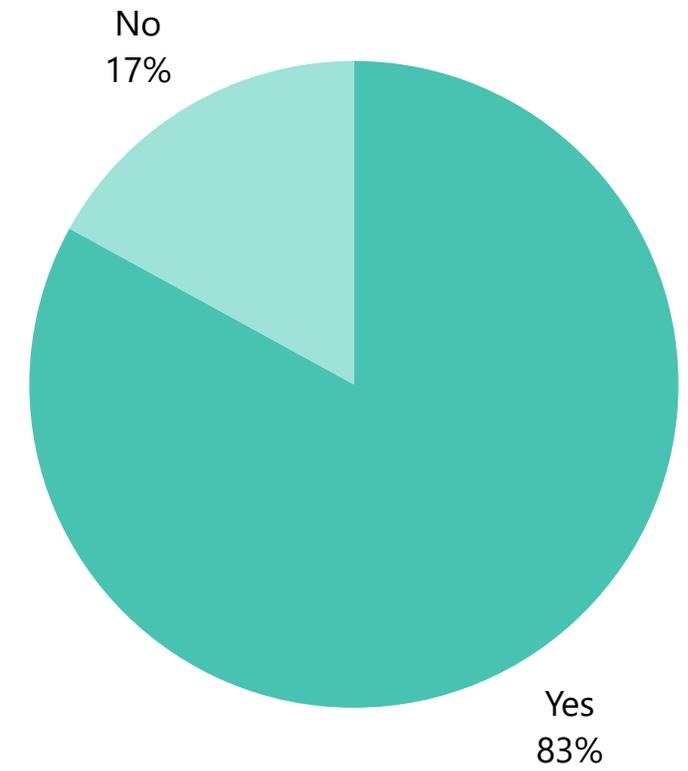
- There has been a substantial increase in the percentages of channel participants who have defined sales targets as part of non-cash incentive programs. This is true among both Top Performing companies and Comparator companies.
 - The percentage of Top Performing companies with defined sales targets for channel partners increased from 59% to 83%, while Comparators with defined sales targets for channel partners increased from 64% to 77%.

Sales Targets for Channel Participants

Comparator Firms



Top Performing Firms



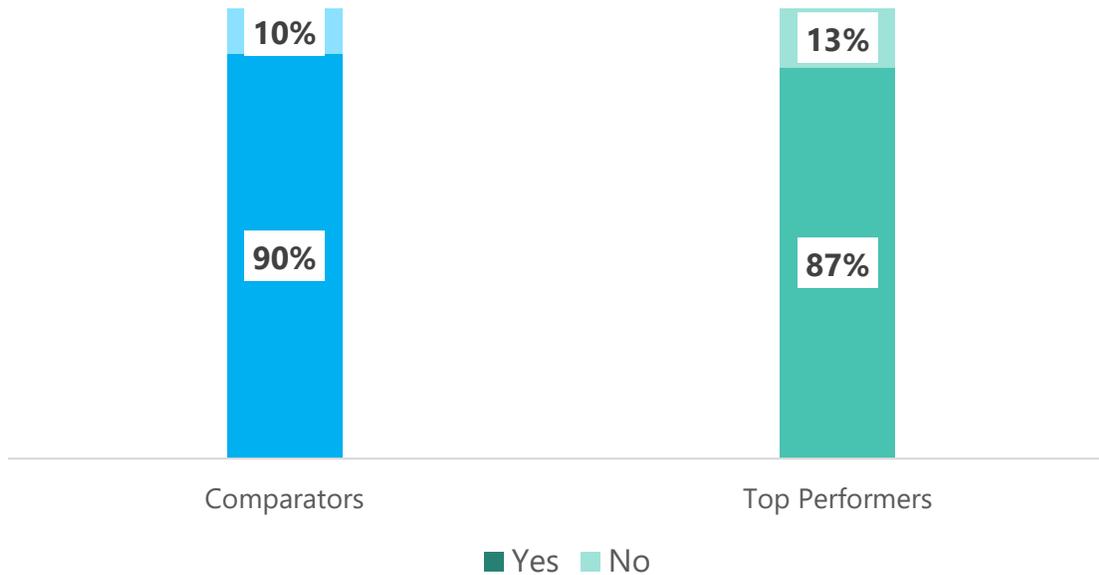
Do your channel participants have defined sales targets as part of your non-cash incentive program?

Reward Achievability: Top Performer Channel Incentives

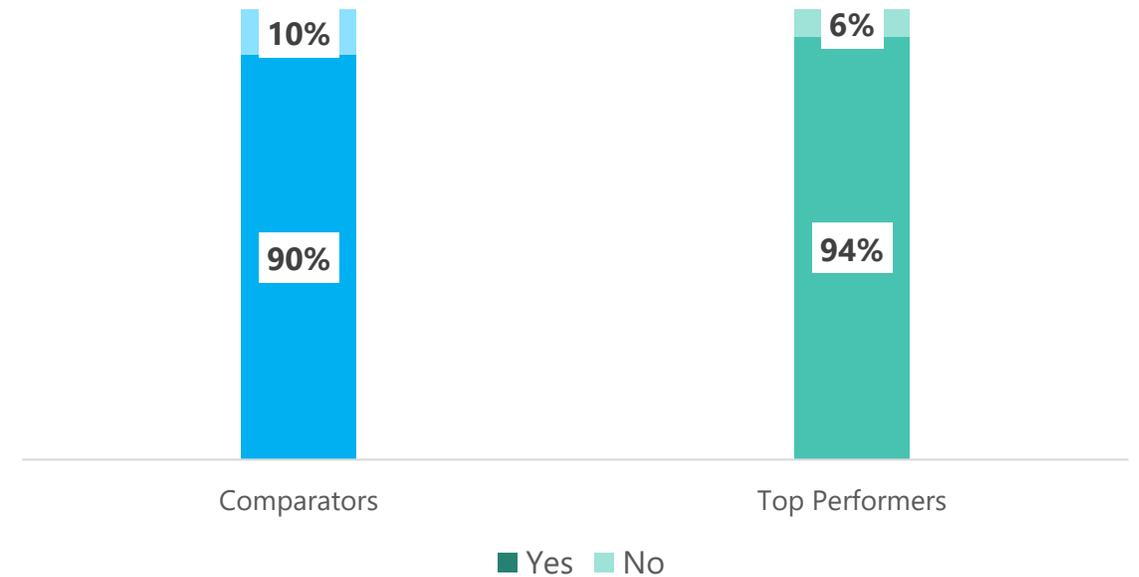
- Nine-out-of-ten of Top Performers and Comparators, had both special rules for new channel partners and a tiered structure for maximizing reach beyond the Top Performer award.
 - The only meaningful change from last year was an increase among Top Performers who had special rules for new channel partners, going from 79% to 87%.

Reward Achievability: Top Performer Channel Incentives

Special Rules for New Channel Participants Top Performer Award



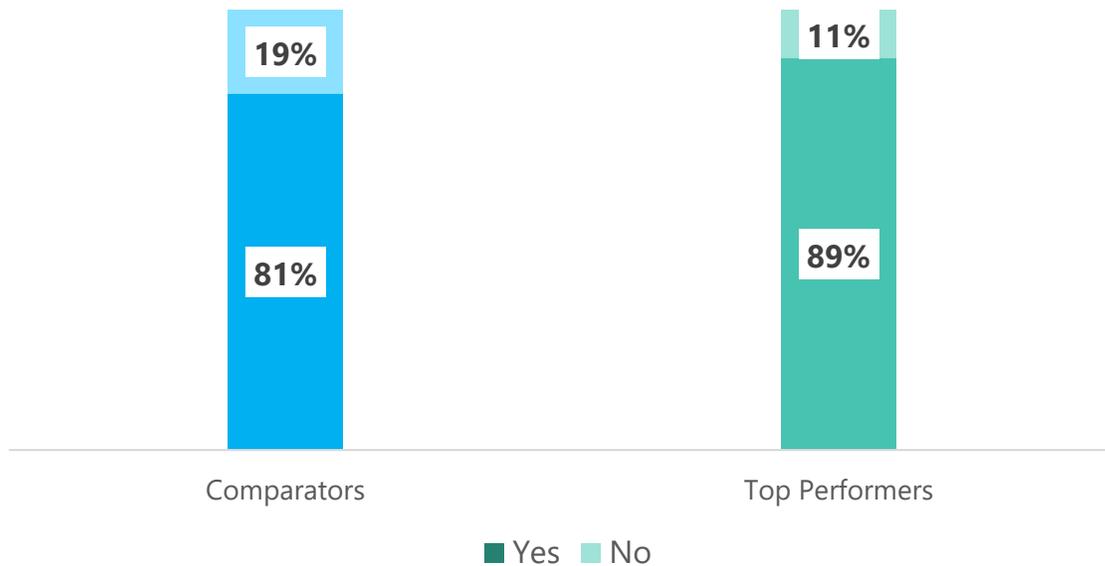
Tiered Structure for Maximizing Reach Beyond Top Performer Award



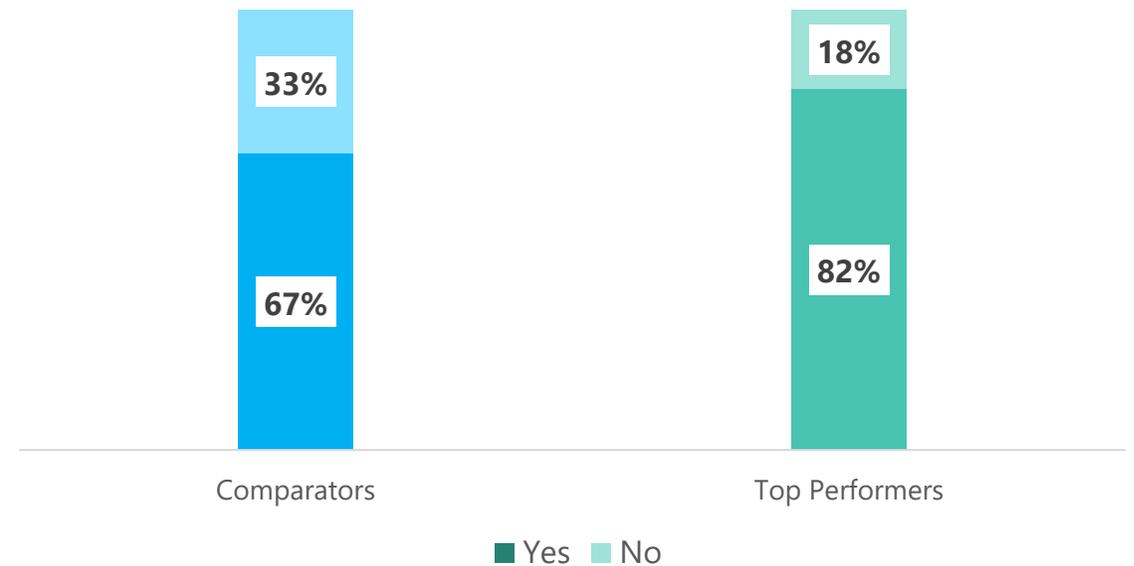
- Both Top Performing companies and Comparators largely offer a 'fast start' opportunity that allows newer channel participants to earn quickly, giving 'early wins' to boost their motivation.
 - While the percentages were similar to last year for Comparators that offer this option, the percentage of Top Performers jumped significantly from 64% to 89%.
- Similarly, the percentage of Comparators that do not have an earning limit was identical to last year (67%) but there was a large jump in the percentage of Top Performers that didn't have an earning limit on non-travel awards—moving up from 56% to 82%.
 - It is noteworthy that Top Performing companies are now less likely to cap earnings vs. Comparators.

Reward Approach: Non-Travel Rewards

Fast Start Option for New Channel Participants Non-Travel Rewards



Any Programs without Earning Limits?



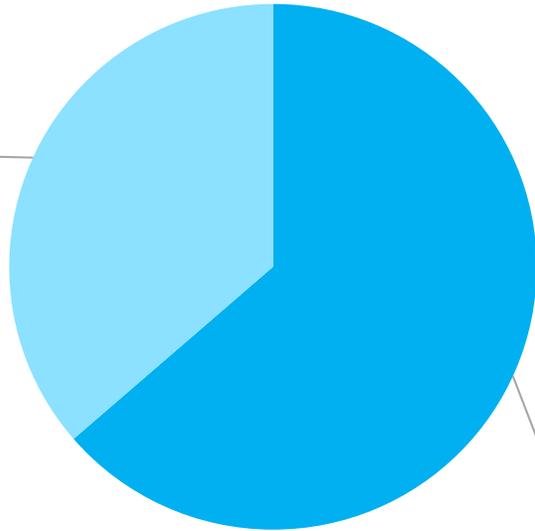
- Regarding award points, gift cards, and merchandise rewards, does your non-cash channel incentive program have a "Fast Start" that allows newer channel participants to earn quickly, giving them early "wins" to boost their motivation?
- Do you operate any non-cash channel incentive programs that do not have a "top-stop" - meaning channel participants can earn unlimited awards based on the amount of product/service they sell?

- There has been an increase for both Top Performing companies and Comparators with regard to the percentage that approach budgeting for non-cash channel incentives by tying to overall sales vs. net income from the previous year.
 - The percentage of Top Performers who tied budgeting to overall sales went from 65% to 74% while Comparators went from 50% to 63%, indicating a shift overall in how non-cash channel incentives are budgeted.

Budgeting Approach Non-Cash Channel Incentives

Comparator Firms

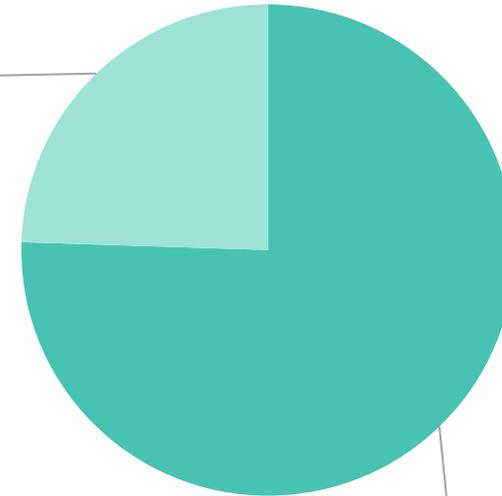
Tied to net
income from
previous year (a
% of net
income goes to
fund program)
36%



Tied to overall
sales (a % of
each product
sold goes to
fund program)
63%

Top Performing Firms

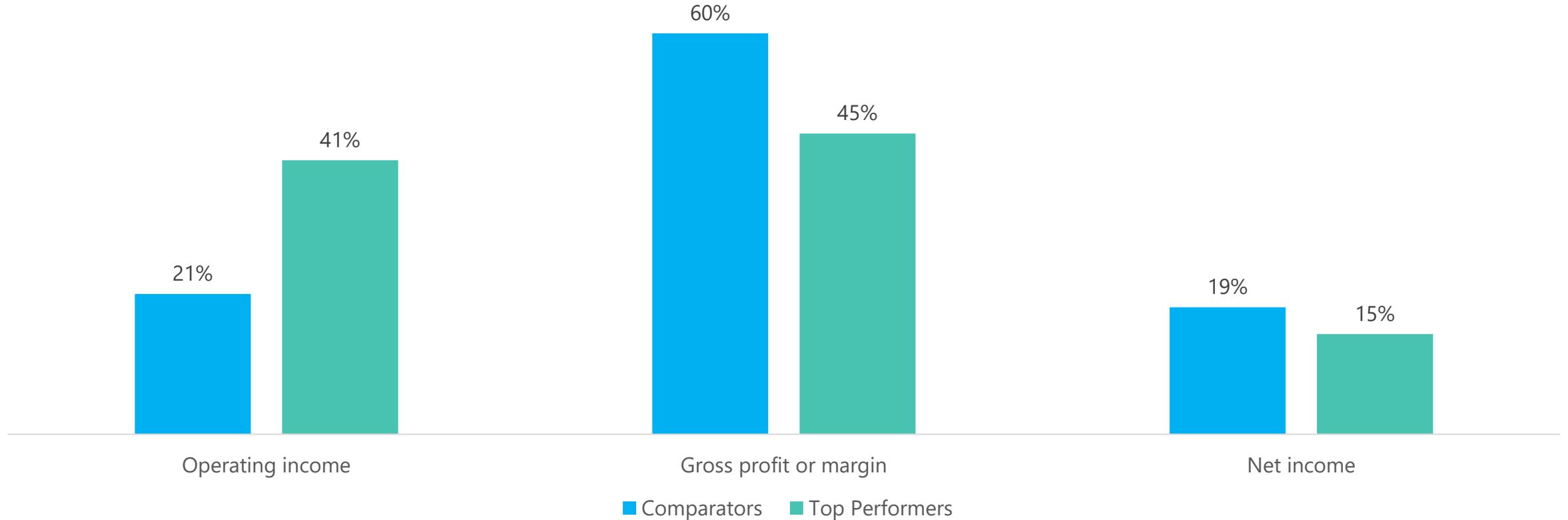
Tied to net income
from previous year
(a % of net income
goes to fund
program)
24%



Tied to overall sales (a
% of each product
sold goes to fund
program)
74%

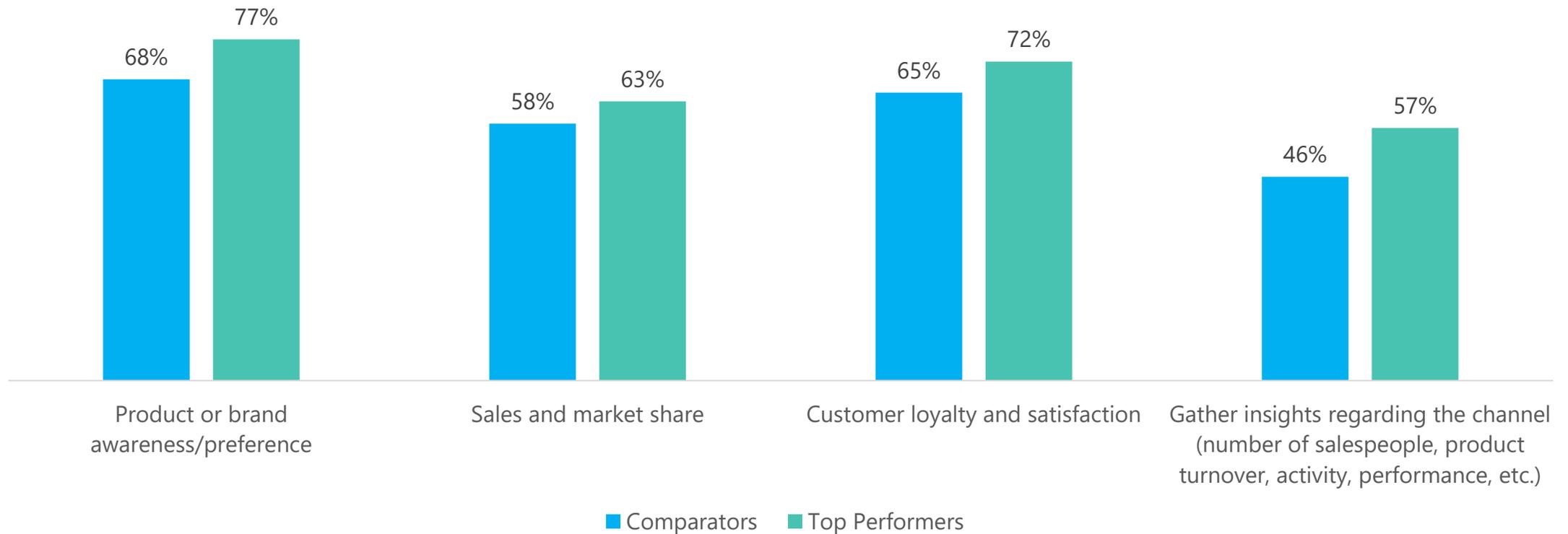
- The biggest differentiator between Top Performing companies and Comparators is that operating income is twice as much of an influence for Top Performers (41%) to Comparators (21%) while gross profit is a more important influence to Comparators (60% to 45%).
 - Similar patterns were observed last year, although the distinctions have gotten larger.
 - Comparators influenced by operating income declined from 28% to 21%, while Top Performers influenced by gross profit went from 52% down to 45%.

Budget Influencers Non-Cash Channel Incentives



- While the most prevalent business objective for both Top Performing companies and Comparators for their channel incentive programs is product or brand awareness/preference, Top Performers are placing much more focus on customer satisfaction/loyalty and gathering insights regarding the channel than in the previous study.
 - The percentage of Top Performers identifying customer loyalty/satisfaction as a business objective has increased from 55% to 72%, while Top Performers focusing on gathering insights has increased from 28% to 57%.
 - In both instances, Top Performers lagged behind Comparators last year, but have now passed Comparators relative to setting these business objectives around their channel programs.

Business Objectives Channel Reward & Recognition



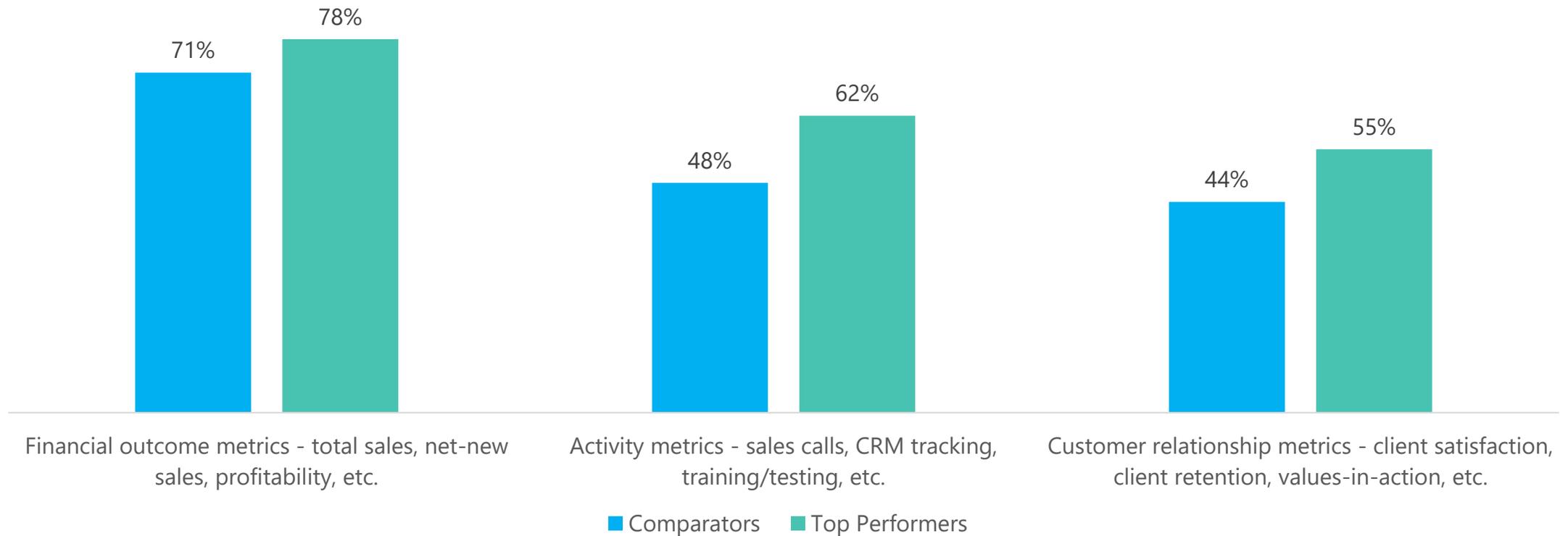
Qualifying Metrics

Top Performer Channel Incentive Trip

- There are some observed shifts in the percentages who use the various qualifying metrics for Top Performer Incentive trips.
 - The percentage of Top Performers who rely on financial outcome metrics has declined from 93% to 78% within the past year.
 - The percentage of Comparators who rely on activity metrics has declined from 75% down to 48%.
 - The percentage of Top Performers who rely on customer relationship metrics has increased from 41% to 55%, while the percentage of Comparators focused on client satisfaction has declined from 58% to 44%.
- While speculative, this pattern suggests that Top Performers are focusing more on customer relationships, while Comparators are moving away from metrics other than financial outcomes.

Qualifying Metrics

Top Performer Channel Incentive Trip

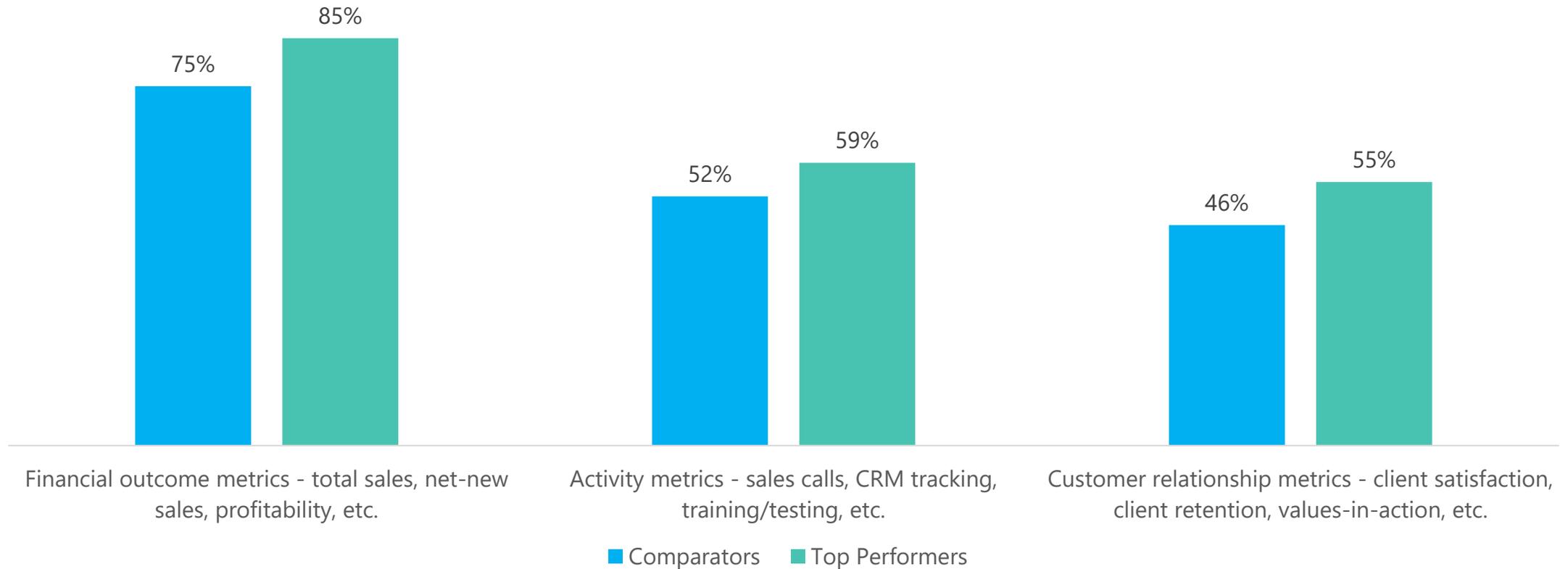


Qualifying Metrics

Top Performer Channel Rewards

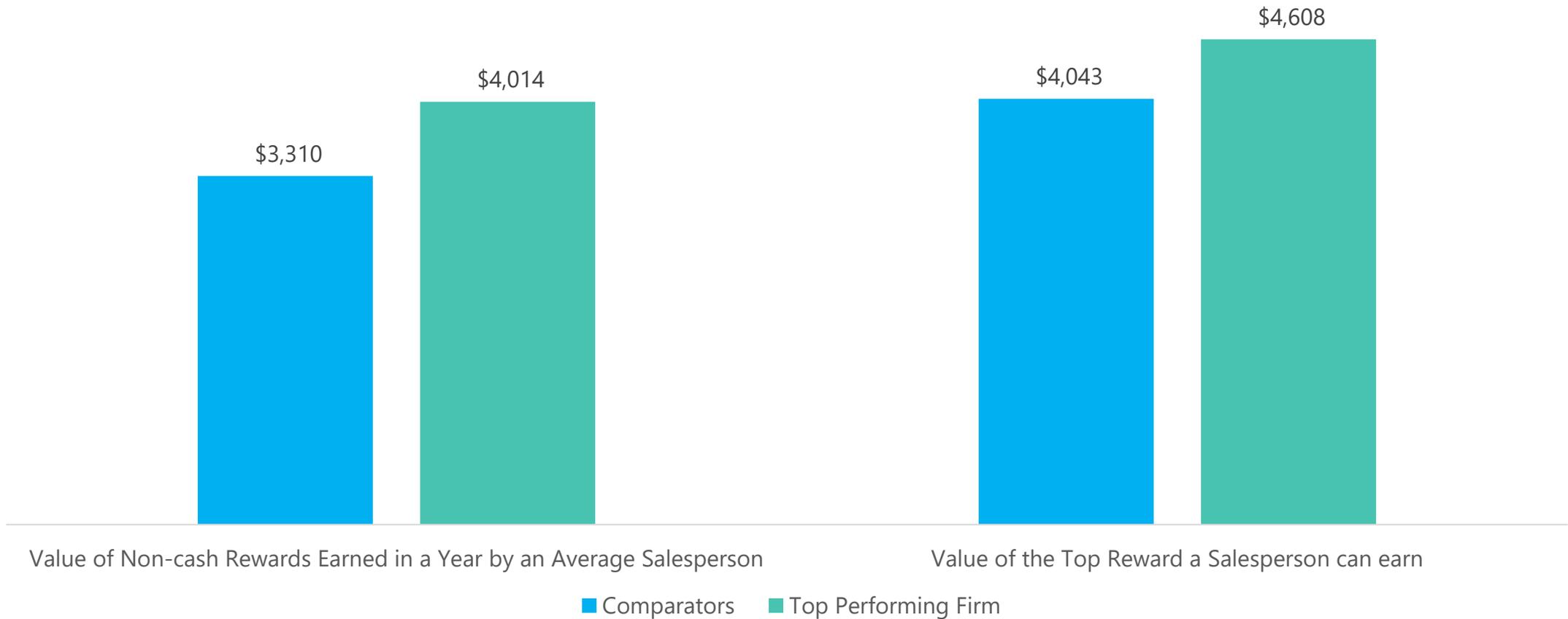
- While the data suggest that more Top Performing companies may be looking at metrics other than financial to determine award trip qualifiers, financial metrics remain the focus for channel partners to achieve other rewards.
 - The percentage of Top Performers using financial metrics to determine channel rewards increased from 70% to 85%
 - The percentage of Comparators using financial metrics also increased from 62% to 75%.
 - The percentage of Top Performers looking at customer relationship metrics also increased from 37% to 55%, consistent with the idea that customer relationship metrics area becoming increasingly important to channel reward programs.

Qualifying Metrics Top Performer Channel Rewards

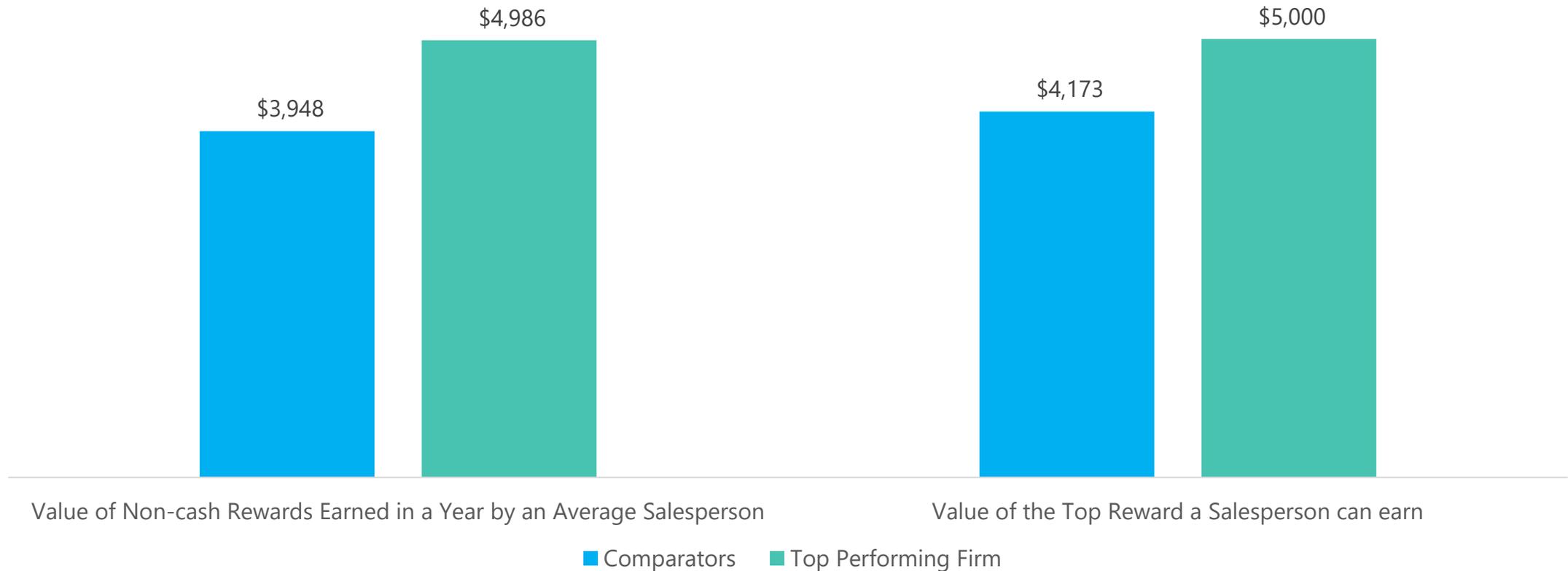


- On average, Top Performing companies spend more on their channel partners relative to both non-cash merchandise and incentive trips.
 - This result is different than last year when, on average, both Top Performers and Comparators spent about the same amount.

Average & Top Dollar Values Award Points, Gift Cards, & Merchandise



Average & Top Dollar Values Incentive Trips

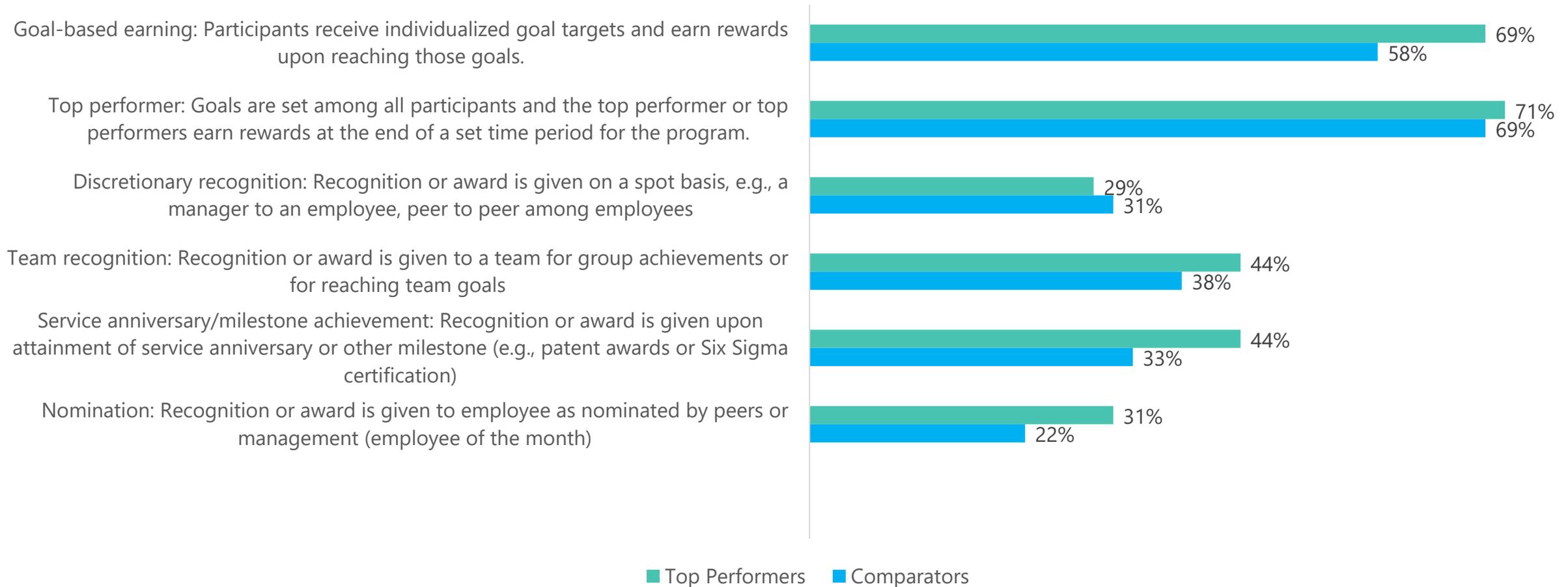


EMPLOYEE PROGRAMS

Program Structures Employee Reward & Recognition

- Overall, Top Performing companies have a higher percentage of recognition program structures compared to Comparators.
 - The biggest gaps between Top Performers and others are in the following areas:
 - Rewards based on goal achievement—Top Performers 69%; Comparators 58%
 - Service anniversary/milestone achievement awards—Top Performers 44%; Comparators 33%
 - Rewards by nomination—Top Performers 31%; Comparators 22%

Program Structures Employee Reward & Recognition

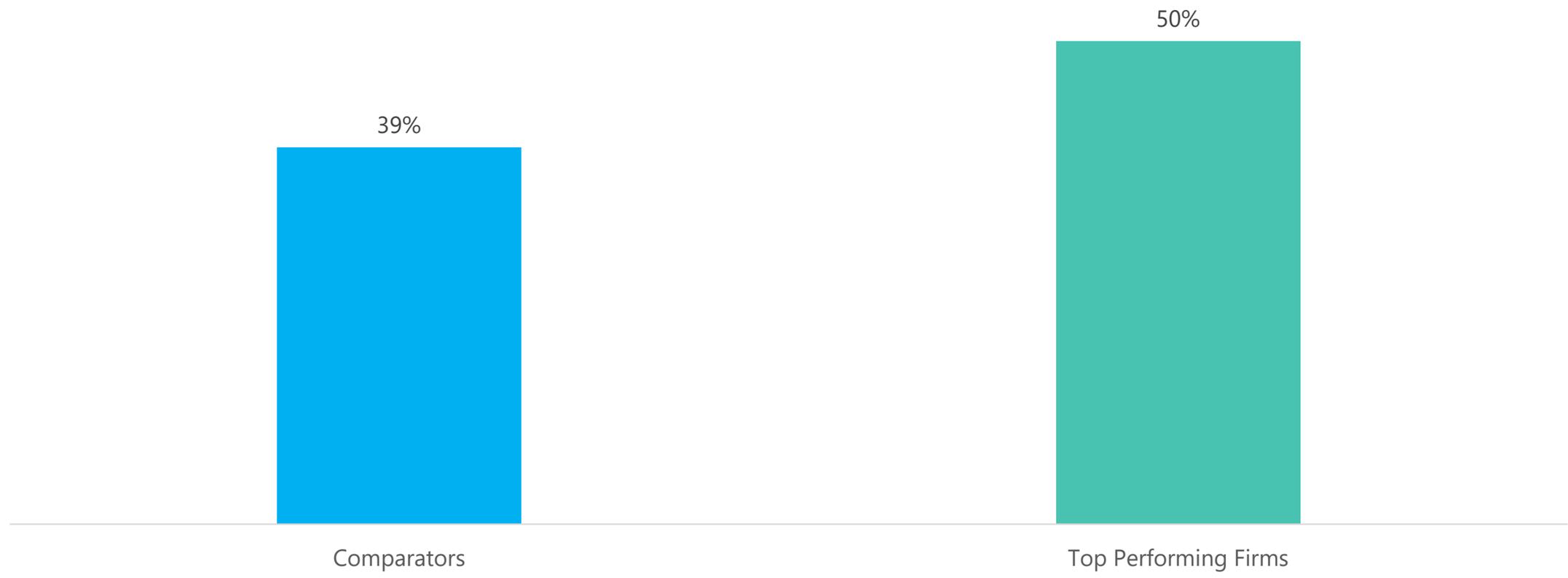


Percent of Employees Earning Rewards

- While Top Performers have a higher percentage of employees expected to earn non-cash rewards compared to others (50% to 39%), the percentages for both groups went up from last year.
 - The expected percentage of employees earning rewards from Top Performers went up from 31% to 50%, while the percentage of Comparators went up from 29% to 39%.



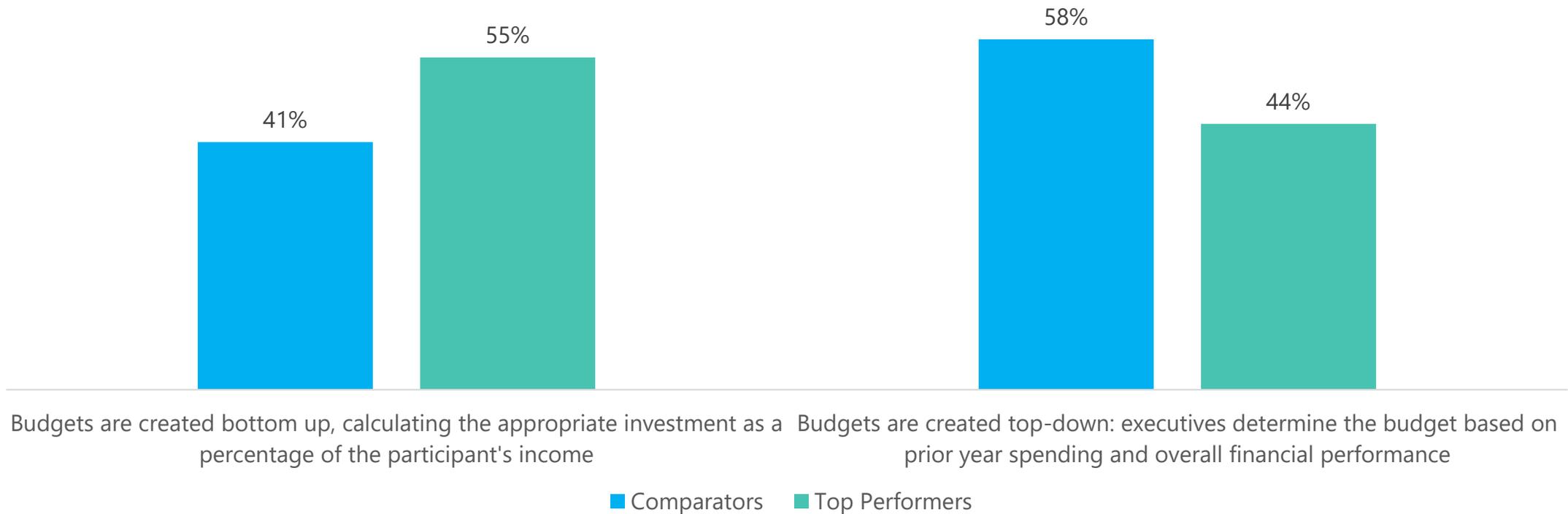
Percent of Employees Earning Rewards



What percent of your employees do you expect to earn non-cash rewards (merchandise, gift card, or trip) during 2019?

- Top Performers and Comparators are almost mirror opposites of one another in their approach to budgeting.
 - The majority of Top Performers (55%) create their budgets from the bottom-up, calculating the appropriate investment as a percentage of the participant's income, while the majority of Comparators (58%) create their budgets from the top-down, based on prior year spending and overall financial performance.

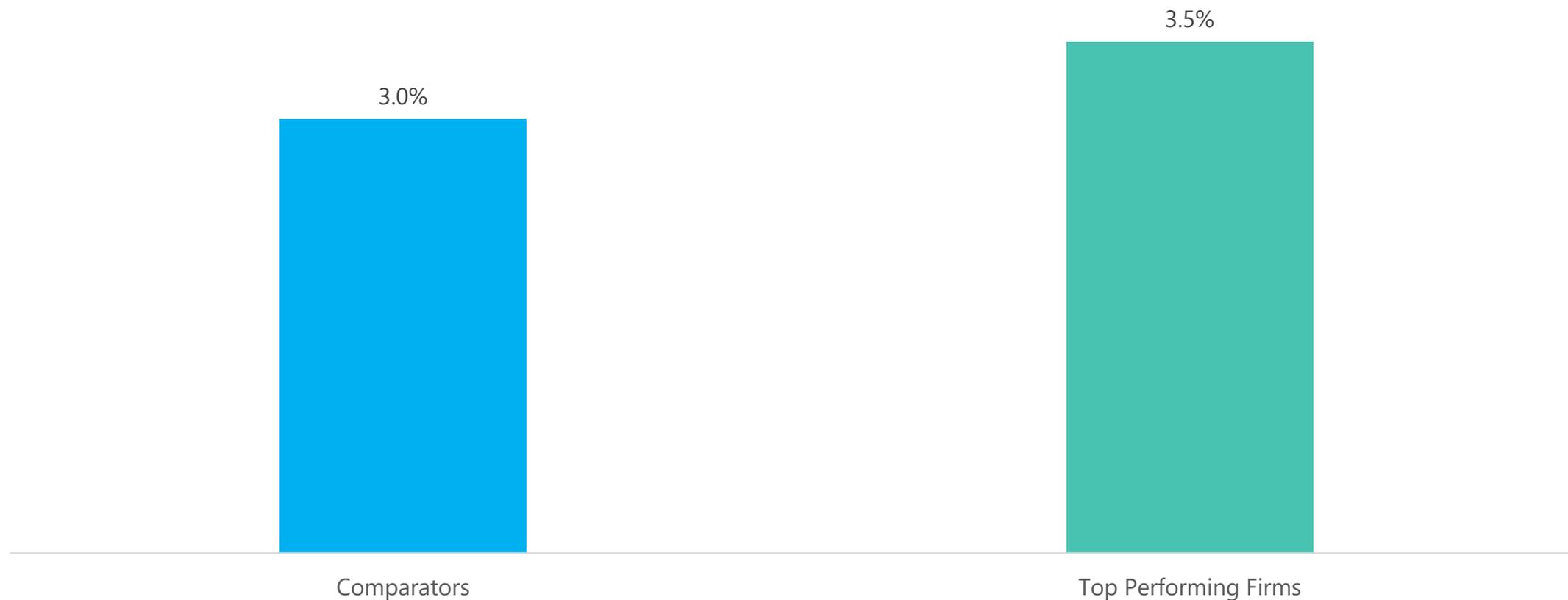
Budget Approach



Bottom-Up Budgeting: Percent of Payroll for Reward & Recognition

- There has been a reported increase in the percent of payroll used for reward and recognition among Top Performing companies.
 - Last year, there was no difference between Top Performers and others, with each reporting they use 3% of payroll for reward and recognition.
 - This year, however, Top Performers, on average, have increased the percentage of payroll to 3.5% while others have remained at 3%.

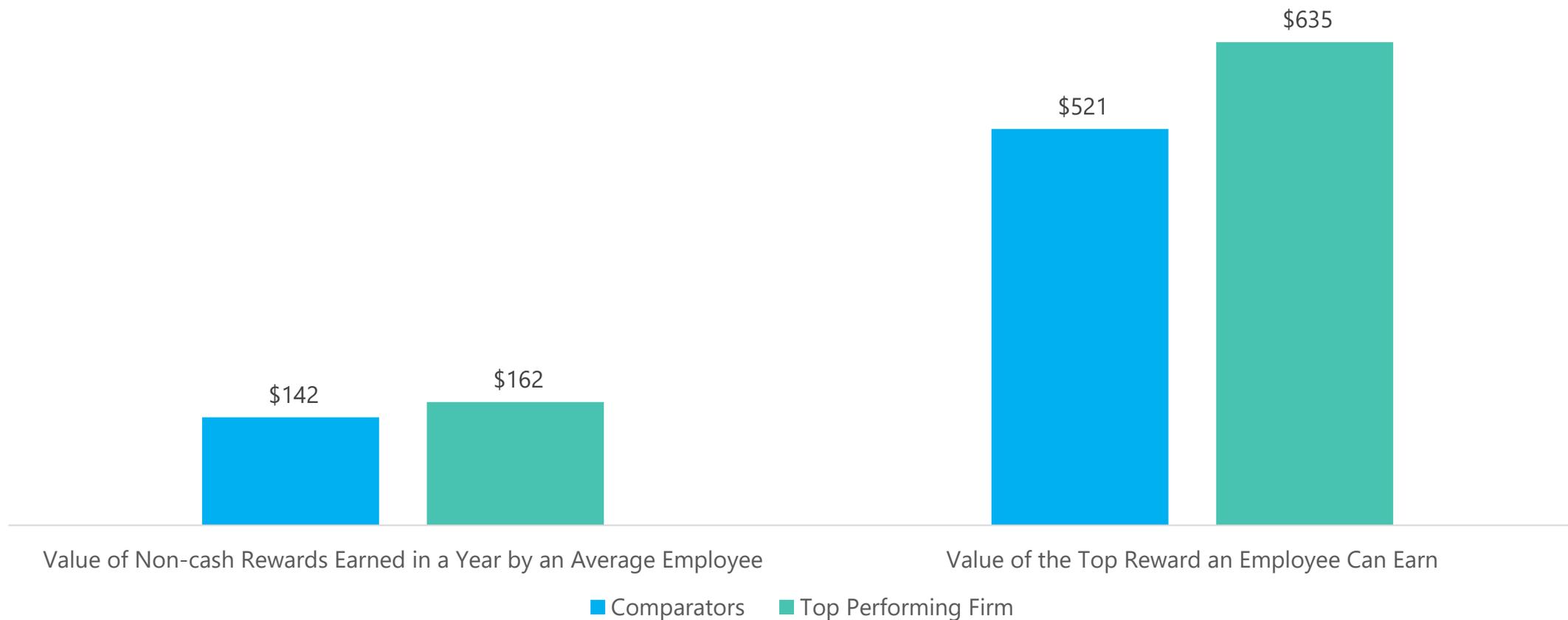
Bottom-Up Budgeting: Percent of Payroll for Reward & Recognition



Average and Top Dollar Spent

- While Top Performers outspend others on both employee non-cash rewards and incentive trips, the amounts spent by both have increased since last year.
 - Average spent by Top Performers on non-cash rewards has risen from \$109 to \$162; Comparator spend has risen from \$107 to \$142
 - Top spent by Top Performers rose from \$406 to \$635; top spent by others has risen from \$415 to \$521.
 - Value of non-cash incentive travel in a year by an average employee of a Top Performing firm rose from \$137 to \$166; average Comparator spend on employee incentive trips rose slightly from \$124 to \$136.
 - Top spend on incentive trips rose from \$509 to \$704 for Top Performers; top spend rose from \$450 to \$619 for Comparators.

Average & Top Dollar Values Award Points, Gift Cards, & Merchandise



Average & Top Dollar Values Incentive Trips

