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Incentive & Events Industry Software Report: 2020

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TABLE OF CONTENTS

Introduction

Technology impacts virtually all aspects of the incentives, reward and recognition industry. The Incentive Research Foundation conducted research to help incentives professionals gain a better understanding of the incentive and events software landscape and the right tools and provider types for their businesses.

This is a broad topic, so for the purposes of this paper, "Incentive and Events Technology (IET)" encompasses any software, solution or platform aimed at assisting organizations with employee recognition, rewards fulfillment, employee engagement, incentive programs and reward design. IET also addresses events and meetings technologies, including software that automates event and meeting logistics, including venue and accommodations booking, event registration, badging, group air travel bookings and event apps. Within IET, we use the acronym IE in reference to Incentive and Engagement platforms, which also encompass solutions that use points and others that emphasize pure recognition.

Many IET solutions augment or complement other tools, such as performance management and learning and development systems. Accordingly, peripheral systems are discussed, mainly in terms of integration, data exchange, interoperability, and the emergence of "umbrella" solutions. Umbrella solutions are defined as those that integrate two or more types of related functionalities into one system. For example, an IE solution that also features a learning module.

The terms "consulting services-first" and "technology-first" are used throughout to differentiate incentive houses and reward design providers who offer technologies, but emphasize their professional services, versus others who lead with technology but may also offer consulting, advisory and/or analytics services.

The Research

The Incentive Research Foundation informally polled roughly fifty members of its advisory board and various committees to determine a range of questions the research should address concerning technology related to the incentives, reward and recognition field.

Twenty-seven individuals responded to the poll. The responses were used to focus the research on areas of most interest to IRF constituents. Respondents identified twenty-eight distinct questions corresponding to ten categories of interest:

- Technology Trends
- Types of Technology Available
- Implementation Options
- Integration Considerations
- Price & Purchasing
- Analytics & Reporting Capabilities
- Customer (end user) Expectations
- Results & Outcomes
- Technology Differentiators
- Potential Threats & Disruption.

This study summarizes what was learned from a series of forty-one detailed interviews with incentive program design consultants, reward providers, technology vendors, industry experts and end users (buyers) of the technology. Interviewees are founders, CEOs or senior personnel of incentive houses or technology providers, executives in end user firms or well-known industry experts. The study also features key insights from papers, reports, articles and case studies relevant to the topic.

We hope you find this report and guide useful. If you have any questions, please forward them to the IRF's Chief Academic Advisor, Allan Schweyer at: allan.schweyer29@gmail.com

Disclosures

The technology and software providers discussed in this report form only a small sample of the hundreds currently in the market. The IRF does not offer or sell any form of technology or software, nor hold any financial interest in any technology company. Though anonymous, several of the technology providers mentioned in this paper are current or past sponsors of IRF events and/or research. The IRF uses the meetings and events technology provided by one of the firms interviewed for this paper. Neither sponsorship, non-sponsorship, nor use of any technology discussed in the paper influenced the choice of who we interviewed for this paper, nor any of the content within the report.

Every interviewee was given opportunity, on two occasions, to review and revise the notes and/or quotes associated with their interview. A list of most of the interviewees (some requested anonymity) can be found in the acknowledgements at the end of this paper.

The opinions expressed in this paper do not necessarily reflect the views of the Incentive Research Foundation.

Executive Summary

Over the past two decades, incentive programs have undergone major transformations. Not long ago, most corporate incentive programs were managed manually, even in large firms. And back then, the emphasis was on reward fulfilment – giving and getting. In recent years, a more sophisticated, subtle and complex approach to rewards has emerged: one focused on the earning of the reward and how firms can use incentives creatively and more transparently to influence employee behaviors.

It is clear that technology has played and continues to play a critical role in the transformation of the industry. For example, in the IRF's 2019 *Top Performers Study*, a benchmarking survey of 399 firms across the manufacturing, financial services and technology sectors, almost 90% of respondents either agreed or strongly agreed that they effectively leverage technology within their incentive, recognition and reward programs.

The incentives, recognition and engagement technology landscape consists of an innovative and dynamic milieu of traditional, new and, in many cases, highly-creative solutions providers. Competitors in the space are as likely to be incentive services and consulting firms with proprietary or white-labelled solutions as native software providers who have added strategic consulting and professional services to their offerings. Points-based recognition and reward fulfilment platforms mix with survey and engagement-driven systems. Others emphasize goals-management, learning and performance.

Sales, and especially channel incentives technologies, tend to stand apart. As one interviewee told us: *"Employee incentives technology is very different from sales incentives, and especially channel incentives technology, which is a completely different thing. In channel incentives, the technology is different, it's far more complex, a lot of it is in the way companies need to capture data and the point scoring logic against that data."*

A small, but growing number of providers bring several of the elements above together in one "umbrella" solution, including some that envision an end-to-end platform that includes all people-related technologies. Traditional approaches to incentives and rewards compete with technologies built on motivation theory, behavioral sciences, and a range of consulting and change management methodologies.

The events, travel and meeting technology arena is also innovative but far less crowded. Many potential customers exist for these tools, but a subtle network-effect may favor first movers. Moreover, aggressive acquisitions and a fast adoption cycle for the technology has led to consolidation. In terms of the scope of events and meetings technology addressed in this paper (the many dozens of "in-event" technology providers are not discussed), market share is concentrated in just a few providers. These factors likely act as barriers to new entrants.

Whether for incentives or events, the overwhelming majority of technology (spreadsheets not included) today is licensed or purchased, not built in-house. This is especially true of events technology, newer engagement platforms, and umbrella solutions. Incentive firms – at least those not focused on channel incentives – tend to license, purchase or partner for some or all of the technology they offer to their clients. Likewise, the great majority of engagements for software are for those offered in the cloud – Software as a Service (SaaS).

Though some firms require installed applications, even large, data-sensitive organizations have moved to the cloud or plan to do so shortly. SaaS is now a 30-year old offering and cloud data, computing and other services have been available since 2006. Both have moved into the late-majority/laggard adoption stage of the technology lifecycle (see Figure 1 on page 8).

To a slightly lesser degree, Application Programming Interface (API) integration and single sign-on interoperability is now standard across solutions, though not always desired or needed by clients. Though integration capabilities vary, most providers publish APIs and have experience integrating their solutions for data transfer with major Enterprise Resource Planning (ERPs, i.e., SAP, Oracle), Human Resource Information System (HRIS) and other HR platforms, including ADP and Workday. Many also integrate with intranet-type tools including Slack, Sharepoint, MS 365, and even homegrown intranets.

Based on current and anticipated customer demand, most providers cite the expansion of data capture, analysis and insights capabilities as their main focus in the coming months and years. IET solutions, particularly peer recognition tools, capture and produce high volumes of data. Whether providers approach the market with consulting and services first, or lead with technology, most grasp the potential of data, even where their customers may not, or where their customers prove too busy to use the reports already on offer. Indeed, analytics-as-a-service promises to generate new revenue streams for industry providers, especially as Artificial Intelligence (AI), machine learning, predictive analytics and natural language processing capabilities enter the IET mainstream.

IET providers tend to differentiate in their emphasis on different aspects of worker motivation and performance (or in bringing several together). As would be expected perhaps, service-first firms differentiate very little on the technology and more on consulting capabilities and specialized expertise around worker motivation and engagement. With notable exceptions, few differentiate on price. The SaaS subscription approach dominates.

As the IET arena grows and, in some aspects, matures, customer expectations have evolved in parallel. First and foremost, customers want tools that are reliable, easy to use, streamlined, and embedded in the workflow (i.e., integrated with the tools they use daily). At the same time, they demand customization, interoperability and feature complexity, which in a SaaS-dominated world, means providers must make their tools more flexible and configurable – even customizable to a degree – while also leveraging common code to avoid excessive costs and complexity.

In the first decade or so of IET solutions, users have seen considerable benefits. Though employee engagement levels remain low in general across the US and global workforces, incentive, recognition and engagement solutions appear to contribute tangibly to better engagement scores and lower turnover. Some claim to predict attrition, others drive more and better employee referrals, all improving the bottom line. Intangibly, they may contribute to stronger workforce cultures of collaboration, appreciation and trust. Without question, one of the most exciting trends in IET technology are tools now available that are based on theories of motivation and behavior. The combination of established and empirically-tested motivational theory with powerful technology is one that will undoubtedly help transform traditional 20th century organizations into more progressively-managed, collaborative and innovative 21st century firms.

Though sales rely somewhat on economic conditions, IET solutions providers see a bright future for their tools based on the pace of new client acquisition and broader adoption trends in the industry. Most view improved data, analysis and insights – including machine learning and predictive analytics – as their development focus over the next several months to three years. Many also intend to improve integration and interoperability with other HR, ERP or travel-related technologies.

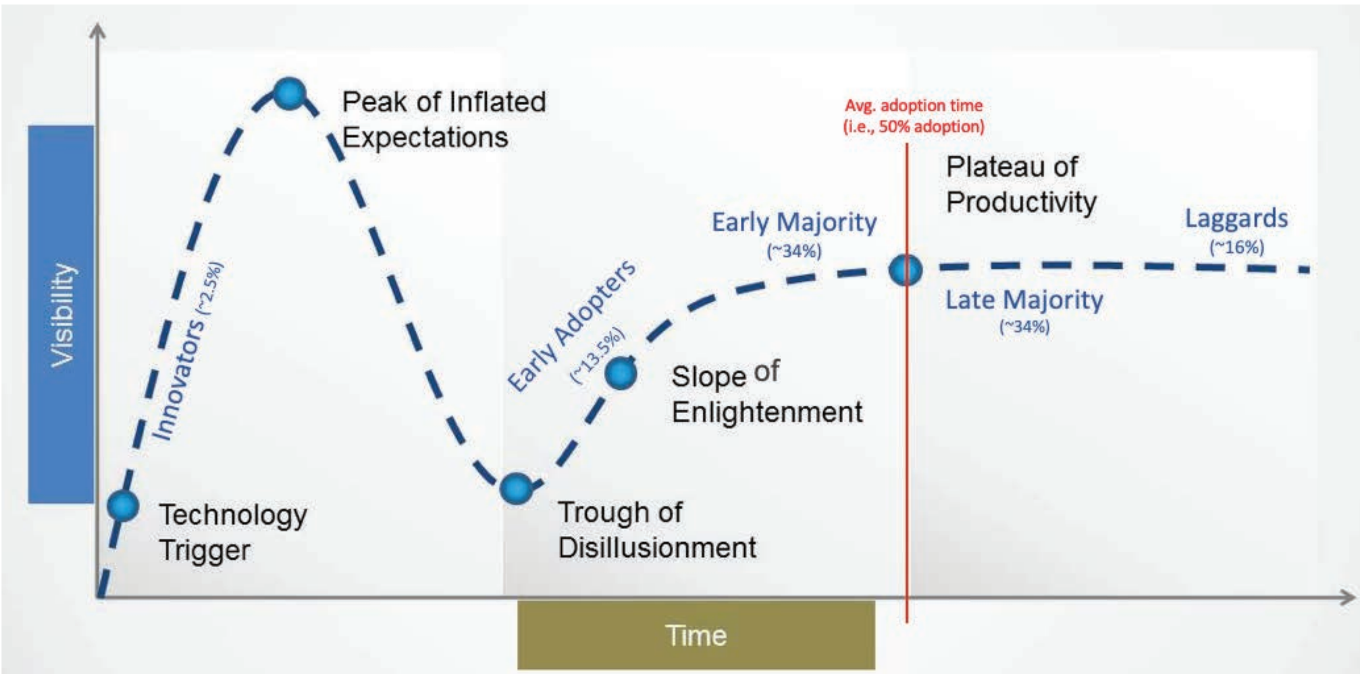
Overall, whether consulting service-first or technology-first, providers in the incentives and events/meetings industry can expect a highly-disruptive, fast-changing environment in the years to come. This includes higher stakes in the technology itself (i.e., faster, costlier upgrades to keep pace); downward pricing pressure, and a nascent consolidation trend that – along with higher costs and price constraints/sensitivity – appears certain to threaten small players, especially those who struggle to differentiate.

IET Categories of Interest

1: General Incentive and Events Technology Trends

Gartner and others have devised technology lifecycle methodologies that prove useful in gauging the progress of a technology from introduction to mainstream adoption. Garner's Hype Cycle maps the trajectory of new technologies, many of which do not survive the cycle or go through its early stages several times before experiencing mainstream adoption. The user adoption cycle maps to the hype cycle per Figure 1 below.

Figure 1: Gartner Hype Cycle and User Adoption Cycle



Sales and channel incentive solutions, though growing, are a mature and established technology, most likely in the late majority stage of adoption. There are new customers to be found outside of those who switch, but most existing firms that will use a sales and channel incentive technology, probably already do so. Switching may be driven by demand for platforms that combine sales and channel incentives with employee recognition and rewards, or to meet the demand for more extensive configurability or customization.

Employee incentive, recognition, reward and engagement platforms (IE) have not yet entered the mainstream, they are past the early adopter stage but a distance from the point of average adoption (red line in Figure 1). An observation from one of the providers we spoke with sums it up well: *"There are still a lot of spreadsheets to replace."*

For end user customers (the vast majority), events and travel technology is in the early adopter stage. It is nearing the late majority stage where incentive travel and events and meeting planners are concerned.

Finally, umbrella solutions are in the late innovator/experimental stage, perhaps on the downslope from the Peak of Inflated Expectations toward early adoption.

2. IET Technology Types

The employee recognition, engagement and rewards solutions space (IE) is the most crowded and vibrant of the three IET solutions-types explored in this report. There are at least 100, and perhaps as many as 200 or more competitors in the market. For example, the software review site Capterra lists 127 providers in what it terms the Employee Recognition Software arena. Sourceforge lists over 100 in its "Top Employee Recognition Software 2019" report. Most of the tools are aimed at the small and mid-market and restricted to recognition and engagement but without tangible reward components. Few have global capabilities and only a small minority are suitable for very large firms. Despite the number of players in IE, more are entering the field, and at a rapid pace.

Within the IE solutions category, a sub-category sometimes called "survey tech" but referred to as "engagement technology" in this report, has emerged. This includes the micro, or pulse-survey providers, but also includes many who are adding survey capabilities to their platforms – whether incentives, engagement or even events. Some in this sub-category leverage decades of motivation research into simple surveys and tools backed by powerful algorithms. Most provide tailored feedback to executives, managers and/or employees along with specific recommendations for action based on behavioral science research and/or a motivational theory that the founders subscribe to (or in some cases, invented).

Survey-based and many other recognition and engagement tools do not tend to embed points and Peer-to-Peer (P2P) recognition, rewards fulfillment, etc., instead they encourage actions – by executives, managers and individual employees – intended to increase engagement and intrinsic motivation. An executive from one – a software built on the tenets of Self-Determination Theory – told us, *"… they get a motivational profile that empowers them to be part of the solution to gain better engagement. The onus is not just on the manager who gets the aggregate team report, but also on each employee, so managers love it too."*

Events, meetings and travel technology is dominated by a few providers. While still dynamic in terms of new features and integration (e.g., with travel booking tools), the market appears to be restricted to perhaps a dozen providers. With rare exception, neither end user organizations nor incentive travel firms build their own events/meeting or travel technologies. These are licensed mostly from the dominant providers in the space and perhaps one or two others. Combined, the top two or three appear to capture at least 80 percent of the market.

Sales and channel incentive solutions fall in the middle, but much closer to events technology in terms of the numbers of providers in the market. The number of competitors is confused somewhat by providers who claim their tools work equally well for all employees, including internal sales and channel salespeople. Moreover, some providers offer light channel incentives platforms. Though there may be dozens of sales incentive solutions, there may be fewer than twenty robust channel incentives solutions in the market.

SaaS delivery, low subscription prices, and constant demand for upgrades make building and maintaining IET platforms an expensive proposition. Licensing them, on the other hand, has never been easier, nor the options so broad.

Many, maybe even most organizations, still run their incentives programs on spreadsheets, but when the time comes to automate, most elect not to build their own recognition, reward or engagement platforms but to license a technology instead. Fewer still build sales or channel incentives technologies (as these solutions, channel especially, are extremely complex). As above, very few firms appear to be building their own event/meetings software, though legacy home-grown solutions exist and remain in use.

Some consulting/advisory incentive design firms build and offer their own technologies, especially in the sales and channel incentives arena. Others license and white-label technology from partners to augment their consulting services. This is especially true in the IE arena where most solutions providers appear eager to find resellers (partners who white label their software).

SaaS delivery, low subscription prices, and constant demand for upgrades make building and maintaining IET platforms an expensive proposition. Licensing them, on the other hand, has never been easier, nor the options so broad. The CEO of an incentive consulting firm told us: *"Systems and administration once were significant annual investments. That was years ago and many fixed costs have had to come down since those days. It used to be the fixed systems costs were in the 10-15% range and the rest of the program budget was for awards, but now, with SaaS, Cloud and other incredible advancements, clients can enjoy lower systems fees and invest more of their budgets into awards."*

3. Implementation

In the IE space, HR is the main point of contact through which sales are made. In smaller customers, the founder or CEO may be the point of contact. For sales and channel solutions, the sales VP is the most likely purchaser, followed by the CFO. Events technology is mainly sold to those responsible for events and meetings in organizations – either end users or events/meetings services firms.

IET solutions in each of the three categories are delivered almost exclusively via SaaS (software as a service) and cloud computing. While some on premises installations still occur, they are the rare exception. Indeed, many suppliers provide SaaS installation only. Some interviewees who offer both told us they have not had a request for an on-premises installation in the past several years. SaaS implements more quickly, more seamlessly and less expensively. It also allows for more consistent mobile access, regular, remote updates and new features to the software without interruption and down time.

Most SaaS providers require 2-8 weeks implementation time depending on the complexity of integration, data transfer, modules licensed and, especially, communications requirements. Post-implementation, many offer some version of the account manager or "customer success agent" who continues to work with the client to maximize use of the tools.

One provider told us they use the agile approach to implementation where just a minimally viable product (MVP) is implemented at first, followed by frequent add-ons. This approach acclimates the client to the technology and avoids overwhelming them with the full platform all at once. For example, we heard several variations of what one technology prover said: *"Clients want something very quick, they don't expect to wait for several months to implement, so you have to be agile, you can't run quarterly development cycles, – developing universal and client-specific features at same time. So it's about being flexible."*

4. Integration

Though further and deeper integration with complementary solutions is a key focus area for most suppliers, many of their clients are still satisfied with daily or even weekly data file transfers between systems. However, most interviewees report that customers are rapidly changing their expectations as demand for data and ease of use grows. Increasingly, buyers want more and tighter integration so that their IET systems work with other HR tools as well as with CRM and intranet platforms. This has led to growing demand for API and single sign-on capabilities, and an emerging interest in multi-purpose or umbrella solutions (see Figure 2). Umbrella solutions sidestep some integration challenges by performing several or all components of the recognition-reward-survey-engagement-goals-learning-performance continuum in one platform. For events technology, an umbrella system would automate bookings (venue, hotel *and* air travel), registration, badging, dynamic events apps and perhaps some of the niche in-event technologies, like smart screens that recognize attendees as they approach and tailor their message accordingly.

Multiple integrated solutions platforms (umbrella systems) also offer advantages in ease of use and in collecting and generating usable data because several related solutions exist on one system. One umbrella provider we spoke with said: *"When you have all these different silos, you have to bounce between them. When you have one system you get higher utilization, so we have 75% uptake. You are given access to everything, so even in small companies we have enormous data generated."*

Figure 2: A Potential Umbrella Solution

It is safe to say that basic integration through FTP (file transfer) and APIs has become standard. Single sign-on capabilities, especially in employee recognition, reward and engagement platforms is widespread. Increasingly, customers expect their vendor to offer at least this minimal level of integration and interoperability. Some even prefer it to tighter integration for a variety of reasons, for example, because tight integration takes time and resources, and can lead to challenges, especially where legacy systems connect to modern solutions.

As employees in more firms connect to communications and collaboration tools – i.e., SharePoint, Slack, Office 365, etc. – it will be become more important for IET solutions to reside within (be fully integrated with) intranet tools where employees do their work. Forcing users to sign into separate systems is a sure recipe for low usage. Soon, an inability to reward a peer from email, chat or other common work tools may put a provider at a disadvantage.

5. Data, Analysis & Insights

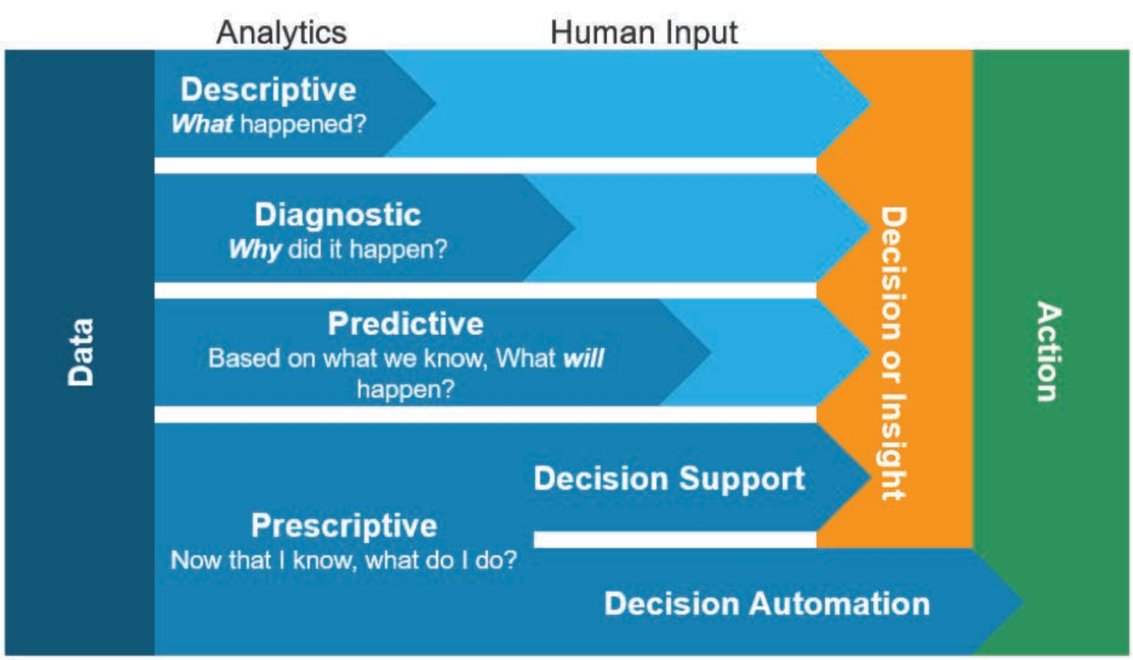
Nothing is in greater demand in the IET world than improved analytics, reporting and insights. Paradoxically, most end users are not good at analyzing and drawing insights from data because they do not have the in-house expertise and/or the time to do it well. Accordingly, customers are turning to their solutions providers for analytics services. Not surprisingly, almost every technology provider interviewed plans to invest in better analytics.

Currently, leading providers in IET use executive and manager/team leader dashboards to display KPIs and key metrics, including gauges broken down by division, team and supervisor, displayed in close to real-time. This allows leaders to act quickly when key numbers change. Many offer highly configurable reporting options.

It is not a stretch to predict that in the near future, some incentive services (i.e. consulting-first) companies and some technology-first providers will evolve into analytics-first firms, especially as AI, Big Data and predictive analytics go mainstream to offer deeper, more actionable and individualized insights (Figure 3).

Large service providers may have a distinct advantage when it comes to aggregating customer data for benchmarking and the deeper insights that can only come from voluminous, constantly flowing and varied data.

Figure 3: Gartner Data Analysis Levels (2015)



Adapted from Gartner Report July 2015

6. Price and Pricing Models

Most pricing models for IET follow the typical SaaS subscription model: Per user, per month (or year) fees. Given the number of competitors, especially in the IE space, it is a buyer's market. Fees are surprisingly low in some cases, even where providers take no margin from reward redemption and absorb professional services fees. Umbrella solutions may offer even better prices because they combine tools that each demand a subscription fee if purchased separately.

> ***Given the number of competitors, especially in the IE space, it is a buyer's market…pricing models are trending toward transparency in which providers charge fees for consulting and other professional services, technology use and points redemption.***

Low prices offered by startups may be a temporary loss leader to attract greater market share – this has become standard procedure in many startups. Otherwise, pricing models are trending toward transparency in which providers charge fees for consulting and other professional services, technology use and points redemption. Fewer providers appear to be "throwing in the technology" or hiding their fees in steep reward redemption margins. Larger employees – those with 10,000 or more employees – often resist the per user, per month subscription model. In these cases, some of the vendors interviewed offer alternative pricing models.

Many providers have veered away from adding margins to rewards as this may discourage recognition activities in firms, and/or breed resentment (i.e., because employees can easily price compare online). The CEO of a firm that has been in the business for more than two decades told us: *"With Amazon it's easy for anyone to compare prices. If you charge $1600 in reward points for someone to get a $1000 TV, you'll get a lot of questions and raw feelings. But the other $600 covers the uncharged costs of all the technology, communications and professional services. You have to get your revenue somewhere. All of that has changed though, it has shifted to where we are transparent."*

Many providers have eliminated so-called "breakage bonanzas" which occur when employers buy blocks of points from their providers, do not use them all, and their suppliers pocket the difference. In emerging models, the provider gives the money back or credits the client. The founder of one of the largest recognition platform providers said: *"[Some providers] also benefit from 'breakage' of unused points. We think that's a bad business model. Why discourage activity? You want to maximize recognition. They sell you the currency upfront. If you say you have 100 users and want them to have 1000 points each per year, they ask you to buy 100,000 points and when they aren't used the vendor gets to pocket it. That feels bad, and we've had people switch because of it. A more transparent pricing model is emerging though, and most are switching to it. We just pass on the reward at face value to the company and never absorb breakage."*

7. Customer Expectations

Not surprisingly, customers continuously expect and want more from their IET systems. Paradoxically, buyers/users expect the ease of use of a Facebook or Amazon, yet often demand extensive customization/configuration capabilities. Suppliers must balance these demands by developing flexible yet streamlined off-the-shelf solutions capable of extensive configuration, if not full customization. Flexibility and configurability, bordering on full customization, allows some smaller players to compete with larger technology providers, who often prove reluctant to modify their code and platforms as extensively.

On the whole – though based on only a few interviews conducted with buyers (end users) – users are most focused on integration/interoperability, analytics, configurability, and ease of use. Buyers also exhibit a nascent interest in umbrella solutions that connect IET to related tools for learning and performance management/reviews. Demand for umbrella systems will probably increase as they become better known and prove themselves. On the other hand, many buyers will resist them because they prefer to license the best solution in each category and then integrate them. This proves a far more complex and expensive approach but pays off in quality.

In terms of specific features, today's buyer expects, if not assumes, the following:

- According to virtually every incentive services and events/meeting planning firm interviewed, good IET offerings are now assumed by customers working with services/ consulting-first incentive houses and events planning and incentive travel firms.
- Mobile user interfaces for viewing and interacting with IET solutions, including dashboard access, points redemption, reports, etc., have become a standard capability. To accomplish this seamlessly, solutions providers appear to be using responsive web design than apps in most cases.
- Gamification in IET – now more than a decade old – has matured into a "take it or leave it" type tool. According to several interviewees, some of the shine has worn off gamification. For others, gamification proves a key differentiator and a major reason for licensing one system over another. Some providers say they differentiate on the depth and sophistication of the gamification tools they provide and that these features are developed on demand from their clients. Either way, providers should offer some degree of gamification in their incentive technologies – leaderboards and badges, for example – perhaps especially in sales and channel tools.
- As above, a sophisticated ability to integrate is largely taken for granted. Beyond supporting FTP data file transfer, providers should publish and be capable of using APIs to integrate more seamlessly. Similarly, single sign-on capabilities are standard as more customers demand even closer interoperability, such as being able to use IE tools from within SharePoint, email and other everyday employee tools.

Most interviewees also cite communications (traditional and technology-enabled) as critical in the successful implementation and sustainability of incentive, reward and engagement programs, whether for employees, salespeople or, perhaps most importantly, the channel. In channel incentives programs, it is often difficult to communicate because the employees are someone else's and the competition for their attention is usually distributed among several competitors. One provider told us: "*You need to develop a relationship to motivate people who don't work for you. It's hard enough to do that with a direct sales team. It is even harder with dealers, contractors and distributors. It requires more than incentives, it requires engagement, enablement and loyalty. You have to communicate directly with them to build that relationship and incentivize them to change behavior.*"

Communications also extends to employees themselves in the IE space. Based on client demand, providers are building in more social recognition tools so that reward-earners can share their experiences, and recognition stories can be posted to the intranet. Integration with social media takes it even further to private corporate Facebook accounts, for example. In each case, social recognition generates more "buzz" about programs, it reinforces organizational values, and signals the behaviors most important to the firm.

One end user said that employee incentive/reward solutions *"Ought to also be performance management systems in the sense that they should capture everything about a person through the year for performance reviews."* In fact, many providers already offer seamless integration with performance management tools. Some go further to help replace the often-burdensome annual review process with ongoing performance data and insights at the individual employee level.

Another provider described their solution as follows: *"One way it is used is to improve the quality of performance reviews. We have a profile page where a manager can put in the date parameters and drag in all the peer recognition data from that period to see what they worked on and who recognized them. It also reveals the values they embodied in the work they were recognized for. It helps mitigate some of the problems with performance reviews, like recency bias, where the manager can only remember the past few weeks. We help them see over the past 6-12 months."*

8. Results and Outcomes to Date

According to several of the incentive, recognition/reward and engagement solutions providers we interviewed, clients experience significant improvements in engagement scores within about six months of implementation. Some measure ongoing employee sentiment as well, providing early warning of potential impact on engagement. Others measure and claim improvement in employee retention and participation in wellness programs based on use of their tools. Some take it one step further by using the data their platform generates to predict attrition, one told us: *"These systems create an abundance of data, so you're able to apply machine learning to predict such things as flight risk and promotability."*

Others attempt to correlate use of the technology with absenteeism and performance, but most agree these measures are impacted by many factors, making it impossible to credit the technology alone.

A few providers help customers use their IE platforms to drive employee referrals. One remarked, *"You should use the rewards program to incentivize referrals, but also, you should distribute job postings to employees who have been recognized in the past for the same skills, experience, etc. needed in the job vacancy. They may know people who are good at the same things and can refer them. Then your system should recognize and reward them for the referral – all tied in. And when you get recognized, append that to the performance management system to inform performance reviews. With integration to annual or semi-annual performance reviews, managers get all the data they need on recognition."*

In the channel, providers report significant improvements in incentive program participation following implementation of the technology, as well as improvements in meeting incentive plan goals, such as increases in sales of incentivized products tightly correlated with use of the solution.

9. Differentiation

Across IET, little feature differentiation exists. Even among those who build proprietary technologies, many services-first interviewees believe that little and fleeting competitive advantage is gained by adding new features, because new features are typically easy to reverse engineer and copy. A veteran of the space told us, for example, *"In my experience there has been little differentiation in the technology: they all do almost all the same things. They track and reward points, connect to a catalogue, send emails, configure rules and scripts, and some might be able to do responsive sites. I've done enough demos to know that if you do more than a few in a day you forget who does what because they all do more or less the same thing."*

Many small incentive services firms have found their niche through white-label partnerships with technology providers willing to license their IET to resellers. This allows them to focus entirely on services. In some cases, technology providers allow their resellers (and even their end-user clients) to access API and source code for integration purposes and even to perform limited customization of the solution depending on customer needs.

> ***"In my experience there has been little differentiation in the technology… I've done enough demos to know that if you do more than a few in a day you forget who does what because they all do more or less the same thing."***

Where competitive advantage remains for in-house owners of technology, it lies largely in having control over the code. As above, several incentive services firms interviewed have found a niche because they are willing to offer more extensive configuration or customization than a typical off-the-shelf SaaS tool provider. This justifies developing, maintaining and improving their own technologies. The advantage proves important as it allows small firms to compete with much larger providers who emphasize robust but less flexible off-the-shelf solutions.

The CEO of a channel sales incentive firm said, *"If your program isn't too complex, ok, but when you have caps and qualifying conditions, tiers, bonuses, and multipliers, etc., some of the software just can't do it. So our niche is as an incentive solutions provider first and then a technology provider; we customize that technology for the very complex needs of our customers."*

Other technology-first firms have also staked their differentiation on an ability and willingness to tailor their solution to each customer, beyond what typical SaaS configuration offers. One told us: *"The ability to integrate with internal systems, whether third-party platforms or 'home-baked' tools, differentiates us. We provide out-of-the-box solutions and rapid deployment and can easily develop custom modules not always found within standard SaaS offerings. For instance, tracking sales, rebates, commissions, and payouts from ERP/Finance systems that in turn translate into incentive point rewards; or aggregating online sentiment and social reviews that mention specific employees or teams for rewards in the hospitality industry."*

Another provider interviewed differentiates and competes based on the depth of integration it offers within a customer's intranet, offering not only single sign-on, but such deep interoperability that everything in it is searchable from inside the intranet. In effect, it becomes part of the intranet, whether a customer uses a home-grown solution, SharePoint or another tool. *"The*

API-connected systems say they are seamless, but they aren't really. If you are on your intranet, we become browsable, searchable content, so when people need to learn something — say how to do a product launch – they will find people who did product launches, were successful, were rewarded, etc. They can read their story and then contact them, get help, and then turn around and recognize the person(s) who assisted them. This adds to the power – the virtuous cycle ¬– of the system, while also building a better workplace culture."

A select few providers have differentiated on the type of reward offered. In one case, due to unsatisfactory past experiences in being rewarded as employees, the founder of a technology-first vendor built his solution to avoid points accumulation and P2P recognition in favor of grander, more buzz-worthy time and experience rewards for bigger accomplishments. He believes that meaningful rewards presented at the time of the accomplishment have longer, more memorable impact. His team has built an impressive network of unique-experience providers worldwide. Employees get their reward voucher and can then search a database of experiences from which to choose.

This firm's philosophy around experiential rewards is rooted in research. It attracts many clients with youthful, hard-charging cultures – from Silicon Valley startups, to giants like Google. Moreover, the data it has begun to collect reveals intriguing insights. The CEO of the firm says: *"It's interesting, for example, that in higher pressure, boiler room, cultures we see a high rate of employees choosing massages and other low key experiences. In progressive-management cultures, people are more likely to choose high output experiences. For example, hiking and lake adventures."* Though its offerings are currently focused on individual and family travel, it is starting to break into the group travel business too. But not through group travel, rather by offering what it considers a better alternative for President Club and Top-Performer program winners – experiential, customized, individual travel.

Another provider we spoke with competes, in part, on offering a rewards program unlimited in its flexibility. Literally anything can be made into a reward redeemable for points. *"The number one or two reward employees often redeem for with their points, across our customer base, is using their points to buy more points so they can recognize more of their colleagues! The great thing about our rewards catalog is that you can add anything to it, you can have a person in the company that organizes peoples' desks and if he volunteers, you can make that a reward, for example. But if you are making margins off tangible rewards, it discourages the flexibility of the platform and impacts how customers create a recognition culture."*

Some providers expect to compete, at least in part, on the pure sophistication and power of their technology. In these cases, AI and machine learning capabilities are most often mentioned. Many are drawn by the potential of AI and machine learning to personalize rewards and drive better incentive program design. We heard from a provider who said that soon his platform will "*… have so much data that a machine will be able to start recommending things you should do, who you should target to, and what behaviors are optimal under what circumstances to drive the best results."*

Others plan on forming partnerships so that they can offer predictive analytics and related data services. Some see AI as a more powerful sentiment and mood analysis tool that can understand engagement factors down to each employee. Others forecast the integration of reward and recognition technologies with tools like Alexa so that managers and peers can issue points by voice command. One describes a new aspect of their technology as follows: *"We've developed* *a biometrics app with an algorithm that measures emotional stress. Most monitors like this are designed for athletes to measure physical stress. We look at emotional and psychological stress that we correlate with our engagement data. The individual controls the data; it's not shared with the client. We're also primed to collect data from smart office sensors that collect ambient data from the office itself, so we're becoming a data company first."*

Surprisingly, technology-first firms appear most advanced in carving out niches based on philosophies and theories of worker motivation and engagement. Several emphasize behaviors over rewards by emphasizing motivation theory or change management methodologies.

Interviewees describe solutions based on self-determination theory, on meta-analysis of peer-reviewed motivation and incentive research, on the Harvard 4-Drive Model, on change management methodologies, the "7 drivers of engagement," experiential-only incentives, and even on personal philosophies based on prior experience earning rewards.

Increasingly, philosophy-based incentive, reward and engagement technologies are structured around behavior change as opposed to rewarding employees for outcomes only. In some cases, behaviors are values-based. In other words, rewards are used to encourage behaviors that align with the organization's values. One, for example, uses behavioral science-based "nudges" to subtly encourage certain manager and employee behaviors. This provider says: *"Users can respond, or not, to every nudge they get. Nudges are designed to add value to the employee experience in a way that builds trust and transparency—employees know that they are receiving nudges and are reminded that they can opt out at any time. Remarkably few do."*

This firm also differentiates in attempting to understand each team and each individual's need for recognition. By examining how a team and how a person responds to appreciation, the system (through a balance of algorithms and human observation) gains awareness and issues nudges accordingly.

Surprisingly only a few solutions differentiate based on their suitability for global deployment and use. Privacy regulations such as GDPR in the European Union, and state or country-specific rules, such as those in Germany and California, present one barrier. Language, currency, reward fulfillment, legal and tax compliance, and cultural considerations are examples of others. Interestingly, none of those interviewed placed developing global capabilities among their priority investments in the next three years. This could signal a concession to big, established providers where enterprise and very large customers are concerned, and an emphasis – at least for the time being – on the small and mid-size markets. It may also be distorted by consulting service-first firms who white-label technologies that manage global needs for them. An interviewee told us, *"Security is key for many, GDPR and PCI compliance is important, some of our clients face big potential exposure, and we are 100% compliant so people know they are compliant when they work with us. When smaller incentive houses don't have the resources in house, but they still want to compete with the big boys on the same plain, we can help them with that."*

Finally, there is significant evidence from the interviews that providers who differentiate successfully, whether in technology (rare), customization (more common), or in philosophy and/ or services (most common) can both charge more and attract a higher than average number of customers.

10. Potential Threats & Disruption

Consulting services-first incentive companies appear committed to remaining so, offering technology, in most cases, as a second priority. As the founder of an incentive travel design group we interviewed put it: *"… what's good for business is still to know people and build relationships with firms, that's part of being in the business for 30 years..."* Though clients take for granted that broad-service incentive firms will offer feature-rich IET technologies, an interviewee told us that technology has become mere "table stakes," even for service-first incentive consulting firms.

Nonetheless, several of the incentive service providers we interviewed see an eventual threat to their business from IET technologies. For example, event technologies are now marketed directly to end users. The leaders offer certification programs in the advanced use of their tools. At the same time, others believe event technology firms are more eager than ever to pass services off to events and meetings firms. One told us: *"Our events technology provider refers clients to us. It advises them that there are all sorts of functionality in the tools that they need a deeply experienced partner to help them with."* Some believe that for now at least, event technology interfaces and tools prove so difficult to use that upgrades in user-friendliness are necessary before end-user firms might operate the tools effectively on their own. Even when that occurs, many event and meetings professionals believe the myriad options and negotiation strategies behind selecting venues and achieving cost/benefit are too complex for a less experienced planner, even if they are certified in powerful events technologies.

Regardless, incentive and event technology providers are placing great emphasis on DIY interfaces, including for analytics and insights, making the design and operation of an incentive program at least *appear* easier. Experienced incentive services and events/meetings firms bring expertise and value, they will continue to do so. But that does not matter if clients perceive them differently. Consulting services first firms will be under increasing pressure to demonstrate the value they add.

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Only a few incentive services firms expect technology and automation to displace staff, at least in the short term. Most, however, expect employees will require more technical skills as they and their clients become more reliant on technology. This is especially true of analytics skills.

Technology-only and technology-first firms are not generally considered a significant threat by consulting services-first IET providers. Services first firms do not expect technology startups to invest in developing full consulting capabilities. However, several technology-first IET providers already offer incentive/reward consulting services and several told us they are expanding those capabilities. The CEO of a decades-old firm that started with technology but has since added consulting services told us: *"The technology isn't as big a differentiator these days as it was, it's more a check the box, they want to know how you can improve their programs in innovative ways to reach the Millennials and keep Generation Z, and how you can excite and engage people. I see clients coming more today for strategy and advice because they just assume we have the technology."*

In the channel incentives space, where program design, governance, professional services, and the technology are more complex, disintermediation may be less a threat, even in the long-term.

Interviewees described other differences in the channel, including rewards that must be tailored to the business owner, ranging from access to conferences to discounts on business tools, for example. Others cite the even greater need for integrated learning solutions in the channel. Channel salespeople, like internal salespeople, must learn or at least review new products before they can sell them successfully, yet they are more difficult to reach and influence. Thus, channel reward systems should integrate with and reward the use of learning content.

Despite these factors, several channel incentives technology providers told us they aim to make their channel sales incentive tools more self-service capable. Each claims their technology is already beginning to reduce the need for professional services and may even eliminate it in future.

Other threats may arise from consolidators. However, outside of the events technology arena, there appears to be minimal acquisition activity. The current emphasis remains on integration and interoperability. One provider has built their channel incentives technology in Salesforce code, for example, making it fully integrated with all of Salesforce's native tools, including learning and behavioral incentive modules. All of its customers are Salesforce users.

Though few, some strategic acquisitions *have* taken place, such as in LinkedIn's purchase of Glint to create an integrated umbrella platform capable of a broader range of functions (e.g., a platform on MS 365 that integrates users' LinkedIn activity, including learning, with IET and performance management). Augeo's recent purchase of MotivAction and the combination of YouEarnedIt with Highground (to form Kazoo) are also examples of the strategic combination of tools to create broader, more valuable platforms that may also compete on lower fees for more functionality.

Mergers and acquisitions (i.e., consolidation) are likely to increase even though most interviewees do not expect to see the market dominated by end-to-end solutions in the near-term future. In other words, engagement platforms might come together with incentives/reward solutions and integrate with WorkDay, for example. Full umbrella systems with L&D, performance management, recruiting, workforce planning, etc. combined with IET are available but still nascent and unproven. They do not constitute a trend … yet.

In terms of consolidators posing threats, our interviewees were of mixed opinion. Some have no worries, others are wary. Perhaps the latter have a better sense of what has happened in similar industries, including most of HR, and in the CRM space, where point solutions once dominated. Consolidation, within reason, appeals to buyers, therefore it appeals to private equity and venture capital firms who have a long history in purchasing discrete but complementary solutions and businesses, and then combining them for efficiencies, data and broader offerings. More threatening still, large platform players like SAP, Oracle, WorkDay and others may choose to build IET solutions into their broader business application suites, adding another group of formidable competitors.

While many technology providers are adding professional services to their offerings, only a few foresee a time in the not-to-distant future when, with AI, machine learning, predictive analytics and NLP, the technology will be so easy to use, powerful and adaptable that professional services in the incentives space will significantly decline or disappear. Nevertheless, the use of

AI, machine learning, predictive analytics, sentiment and mood analysis, and natural language processing (NLP), has passed the early innovator stage and resides somewhere in the late Trough of Disillusionment stage (Figure 1) where IET is concerned. Skeptics are now more than matched by cautionary enthusiasts and early adopters, indeed, in some industries, the use of AI to personalize experiences and/or content, has gone mainstream. Many of those interviewed plan significant investments in one of more of these capabilities over the next three years – a wise plan given the progress AI-type tools are making in other fields.

The rise of incentive services firms offering specialty expertise in discrete elements of design, such as governance, communications, rules and regulations may also put pressure on full service incentive services firms if buyers begin to combine IET technologies with specialized services as needed (as opposed to retaining a full service consulting firm on an ongoing basis).

The most immediate threats and disruptions are likely to come from providers – whether technology or consulting services-first – who differentiate on service quality, capabilities, analytics and insights, and in building tools based on human motivation philosophy and theory. These latter providers offer a unique and intriguing value proposition. As customers become more sophisticated, suppliers who demonstrate an understanding of behavioral science and motivation, and who emphasize culture-change toward collaboration and innovation, are likely to displace those who offer traditional programs – including those who lack differentiation – and especially any that continue to emphasize points and fulfillment (i.e., the carrot approach) over behavior change.

It is certain that the technology portion of the industry will continue to change quickly. Whether for incentive services providers with their own software, or technology-first providers, pressure to keep up and the costs of doing so will only mount. Customers demand tools that are easier to use, cheaper, more feature-rich and flexible, capable of full integration and rich in their ability to produce analytical insights and personalization. As in other industries, this will prove a tall order for all but the biggest providers. Advanced integration and interoperability capabilities are already table stakes. Umbrella solutions may already have reached the early adopter stage. And the signals that indicate a trend to consolidation, though weak right now, appear certain to strengthen as they have in virtually every other maturing field.

Appendix 1: Survey Questions

1. What are the most popular & requested technologies/SW/platforms? Broadly, who are the main competitors?
2. What impact are mergers and acquisitions (consolidation) having in the industry?
3. Who are the potential disruptors in IET?
4. Are traditional incentive houses becoming software technology firms?
5. What are companies using for engagement platforms - how many companies are really using their own engagement platform versus just white labeling it?
6. What are the costs and implications of using in-house engagement platforms versus off-the-shelf tools?
7. What types of software are available and out there in the incentive industry right now?
8. What tech delivers or supports experiences/experiential rewards and incentives?
9. What are the pros and cons of SaaS technology platforms vs Custom incentives, Reward and Recognition technology solutions?
10. What systems do the platforms typically integrate with?
11. Do the systems work globally (outside the US and Canada)? If so, how does that work?
12. Have any of the companies' integrations involved partners as well? Do they integrate with multiple partners to encourage collaborative efforts?
13. What is the typical support offered after implementation?
14. How do providers differ in their approach to selling/licensing their technology?
15. What kind of lead time or setup time is required to implement the solutions?
16. How do the tools integrate with the many stand-alone systems out there like CRM, Salesforce, ERP, HRMS, Slack/Sharepoint-type tools, plus the travel, recognition, engagement tools?
17. What is the current state of analytics, measurement and reporting in incentive and event technology?
18. What do clients of traditional incentive houses expect from the tech? What are the needs of and expectations of technology, and what do best-in-class solutions look like for them?
19. How important has the technology become to the industry? How often does technology become the primary driver in client decision-making? Do customers look at technology as the first component of what they are buying? What other factors are they weighing with technology to make their purchase decisions? How heavily are they weighting technology in the final purchase decision?
20. What are the top components of tech being used, requested by clients and touted by experts, etc.?
21. When purchasing off-the-shelf software, how important is it to be highly configurable/ customizable?
22. Who makes the decisions to buy the technology?
23. Are customers demanding things like AI, Machine Learning and gamification?
24. How are mobile apps changing the landscape?
25. How are traditional incentive houses transitioning? Are they outsourcing? Building in-house technology capacity? Buying COTS tools?
26. When buying 3rd party tools, how do traditional incentive houses choose?
27. Is technology replacing people in the industry. If so where, under what circumstances, and what are the trends (e.g., more/less work, lower/higher labor costs, etc.)?
28. How tech savvy do operations people have to be in the industry today?

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