



What Top Performing Manufacturing Companies Do Differently for Incentives and Rewards

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As of 2016, 84% of U.S. businesses utilize non-cash incentives and rewards as a method of retaining and engaging their employees, salespeople, channel/dealer partners, and clients. As the body of evidence supporting best practices and optimal program design continues to grow, businesses are increasingly looking to outside partners for expertise on how to most effectively structure their reward and recognition initiatives. The research presented in *The IRF Top Performers Study* series was designed to fill a gap by objectively identifying the non-cash rewards strategies and tactics used by top performing companies, providing benchmarks and best practices for organizations.

Most of today's research benchmarking "top performing companies" leverages pre-existing lists – for example, the Fortune 500 or Best Places to Work. The research collected for *The IRF Top Performers Study* series was designed to use a national cross-section of firms with at least \$100 million in revenue, collecting data to objectively classify each firm as "top performing" or "average."

To qualify as "top performing," a firm had to demonstrate strong performance in 2018. The most important requirement for classification as a top performer is financial growth: **more than 5% growth in revenue or stock price.**

Top performers also were required to demonstrate *both* of the following:

Strong performance with customers

- 90% or higher in customer satisfaction or loyalty, or
- Customer acquisition rates higher than 5%

Strong performance with employees

- 90% or higher in employee satisfaction, or
- Loss rate of less than 5% per year among high-performing employees

The purpose of these survey questions and the ultimate classification as "top performer" or "average" was 100% opaque to respondents – they did not know they were assigned to a performance group.

This report summarizes findings from data collected across 400 firms including multiple manufacturing firms. Of the 158 manufacturing firm respondents, 71 were classified as average performing manufacturing firms and 87 were classified as top performing manufacturing firms. The report first presents key overall findings, then drills down to results for sales reward programs, channel partner reward programs, and employee reward programs at manufacturing firms.

Overall Findings for Top Performing Manufacturing Firms

Executives at top performing manufacturing firms reported high levels of support for their reward and recognition programs compared to executives at average performing manufacturing firms.

- Executives at top performing manufacturing firms were more than twice as likely as those at average performing manufacturing firms to regard their reward and recognition programs as a competitive advantage.

- They were 27% more likely to consider reward and recognition programs to be effective recruitment tools.
- They were 44% more likely to consider reward and recognition programs as critical tools in managing the performance of the company.

Big Differences Between Top Performers and Average Performers

Top Performers Have More Control: Top performing manufacturing firms are more than twice as likely than average performers to centralize and manage all non-cash rewards activity top down.

Top Performers Collaborate More: Top performing manufacturing firms are more than twice as likely than average performers to design and manage programs with strong collaboration across multiple departments/divisions.

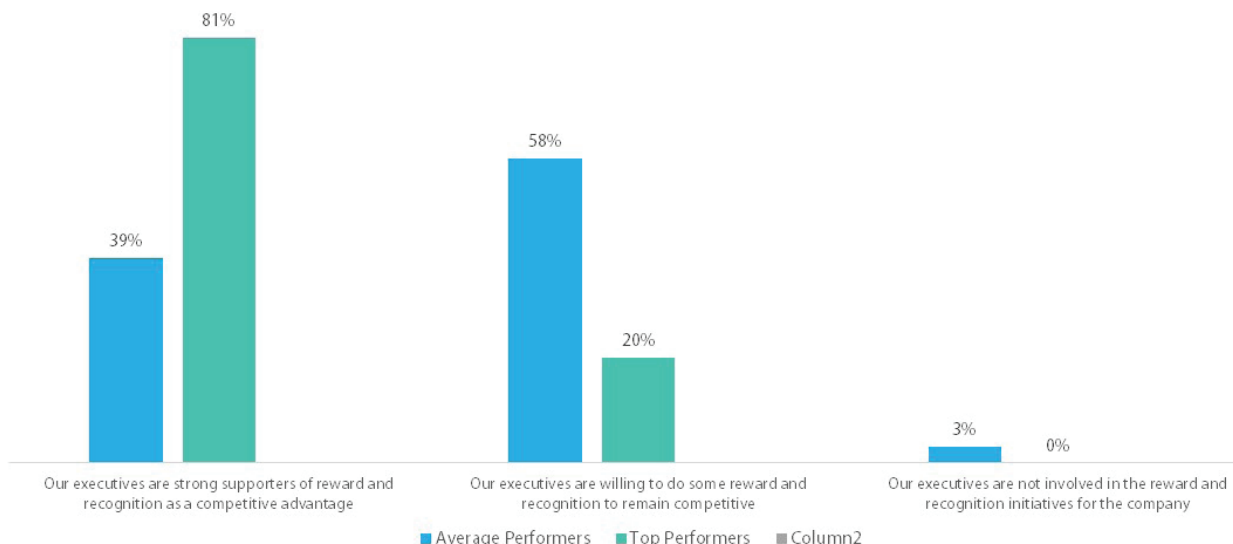
Top Performers Consolidate More: Top performing manufacturing firms are significantly more likely (44%) than average performers (17%) to have a single reward and recognition program for the entire company.

Different Approaches to Reward Reach: Top performing manufacturing firms are three and a half times more likely to structure programs with a wide reach, the goal of each participant receiving recognition or a reward. Average performing manufacturing firms are three and a half times more likely to structure their programs with the goal of recognizing top performers.

Differences in Reward Type: Awards points is the most used reward type used by top performing manufacturing firms, with 87% of top performers using award points. Average performing manufacturing firms use gift cards and merchandise (both at 69%) at higher rates than top performers.

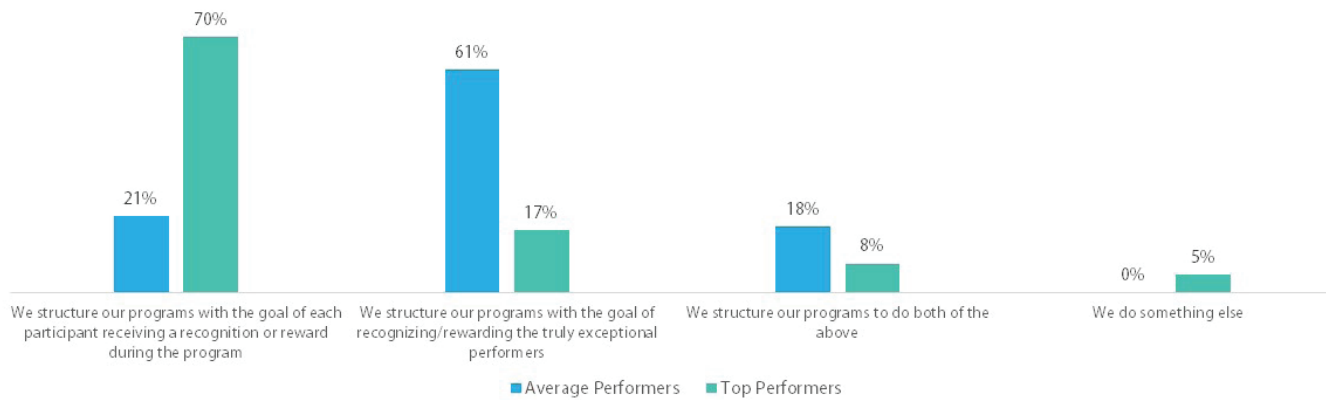
Differences in Priorities: The top priorities of top performing manufacturing firms for incentive travel programs are appealing across a large audience, providing a unique experience, and allowing participant flexibility (18% for all three). Average performing manufacturing firms prioritize building brand loyalty as the highest priority for incentive travel programs (29%, compared to top performers at 12%).

Executive Sponsorship



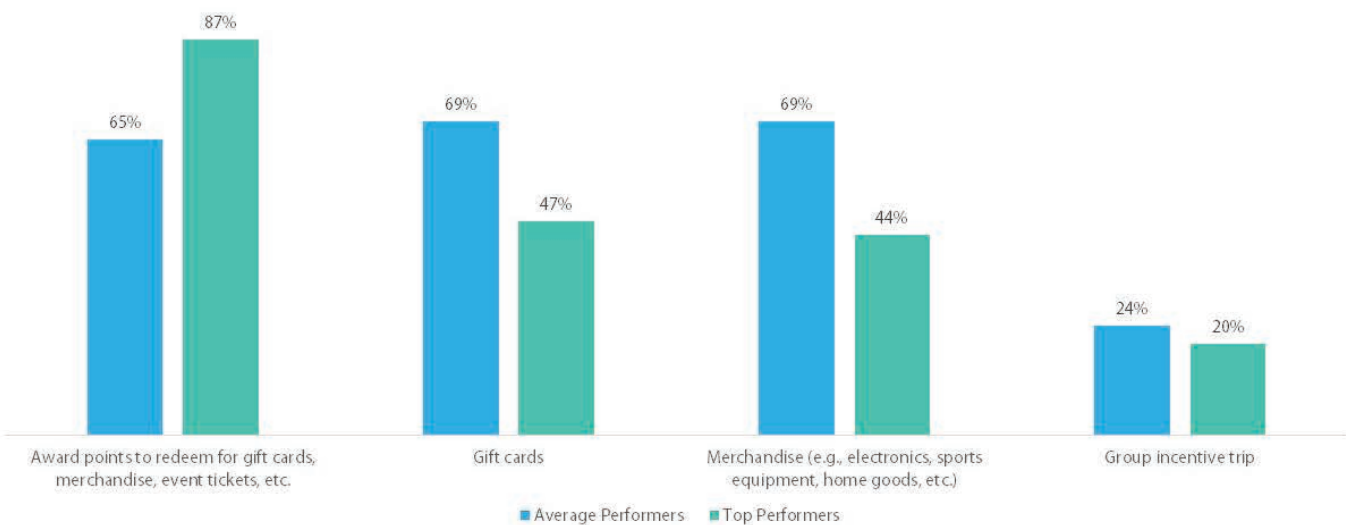
Which of the below best describes the executive sponsorship of reward and recognition programs in your company?

Program Reward Reach



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

Program Reward Types



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

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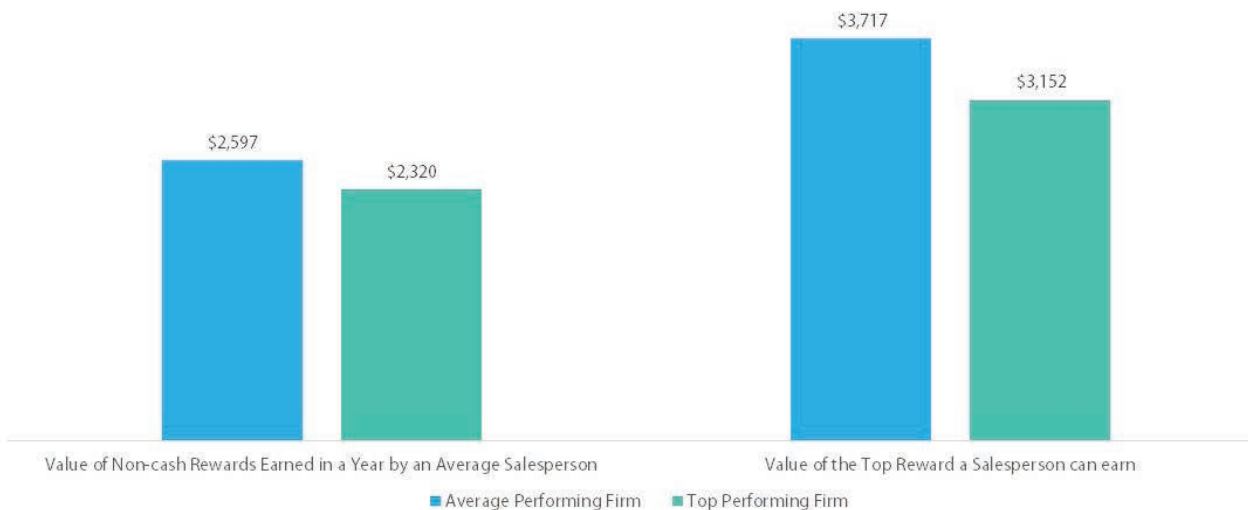
Sales Incentive Programs at Top Performing Manufacturing Firms

On average, top performing manufacturing firms reported the following benchmarks in award value for sales incentive and reward programs:

- Bottom-Up Budgeting Rate:** Top performing manufacturing firms calculate 7.3% of participant income as appropriate annual spend for non-cash rewards and recognition. Top performing manufacturing firms are nearly three times as likely to create bottom-up budgets for sales incentive programs.
- Merchandise, Gift Card, and Point Award Values:** Top performing manufacturing firms award a value of \$2,320 on average to their top performing individuals and \$3,152 to their average performers in award points, merchandise, and gift cards. These average values were higher for average performing firms (see chart below).

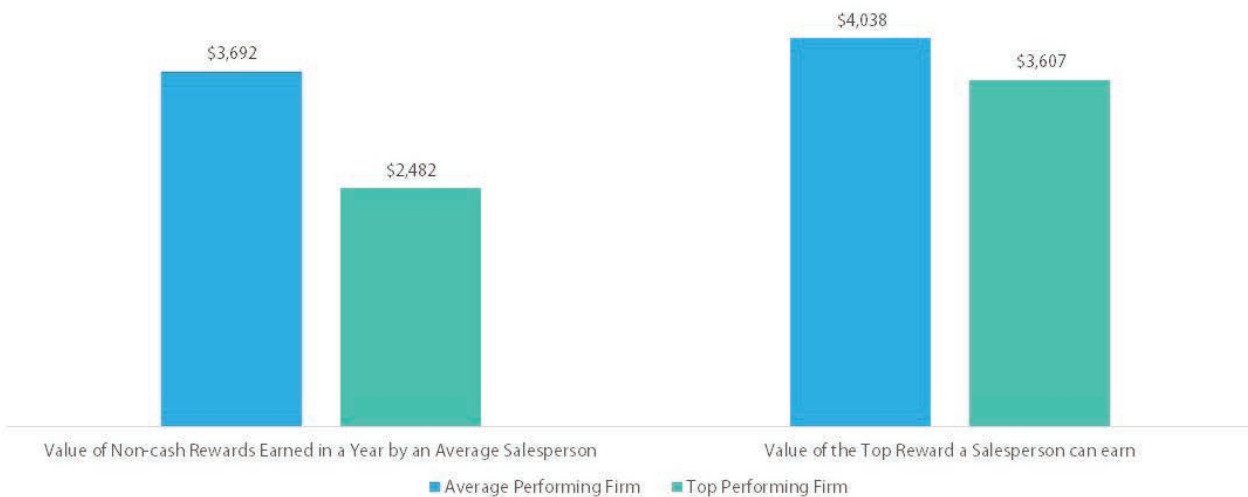
- Incentive Trip Values:** The average award value is \$2,482 for average salespeople and \$3,607 for their top performer sales incentive trip earners at top performing manufacturing firms. These average values were also higher for average performing firms (see chart below).

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



Using your best approximation, what are the AVERAGE and TOP reward values for your sales rewards?

Average & Top Dollar Values: Incentive Trips

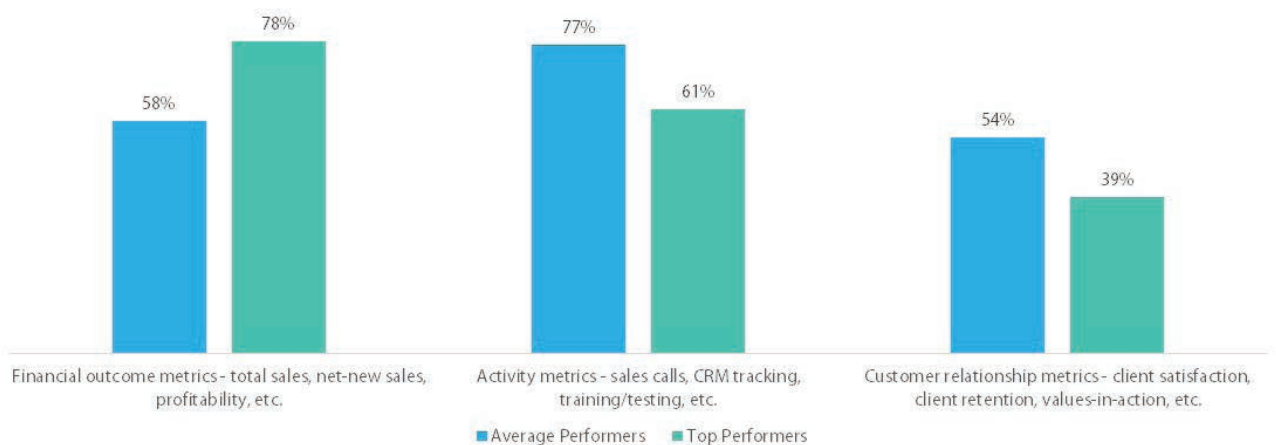


Using your best approximation, what are the AVERAGE and TOP reward values for your sales incentive trips?

Sales incentive programs at top performing manufacturing firms were more likely than those at average performing firms to have:

- **Hit and Win:** Top performing manufacturing firms were more likely to automatically reward salespeople based on achievement of pre-defined goals, versus committee selection intervention (66% more likely). Their qualifications were also more likely to only include achieving 100% of the pre-defined goal to qualify for trip, versus requiring their salespeople to exceed their goal (48% more likely).
- **Simple Qualification Criteria:** Programs at top performing manufacturing firms were nearly twice as likely to have clear, concrete qualifiers, with no tiers or segment adjustments.
- **Qualification Metrics:** Sales incentive programs at top performing manufacturing firms were more likely than those at average performing firms to use financial outcome metrics (e.g., total new sales, net-new sales, profitability etc.) as incentive trip qualifiers (34% more likely) and award points, gift cards, and merchandise qualifiers (44% more likely).

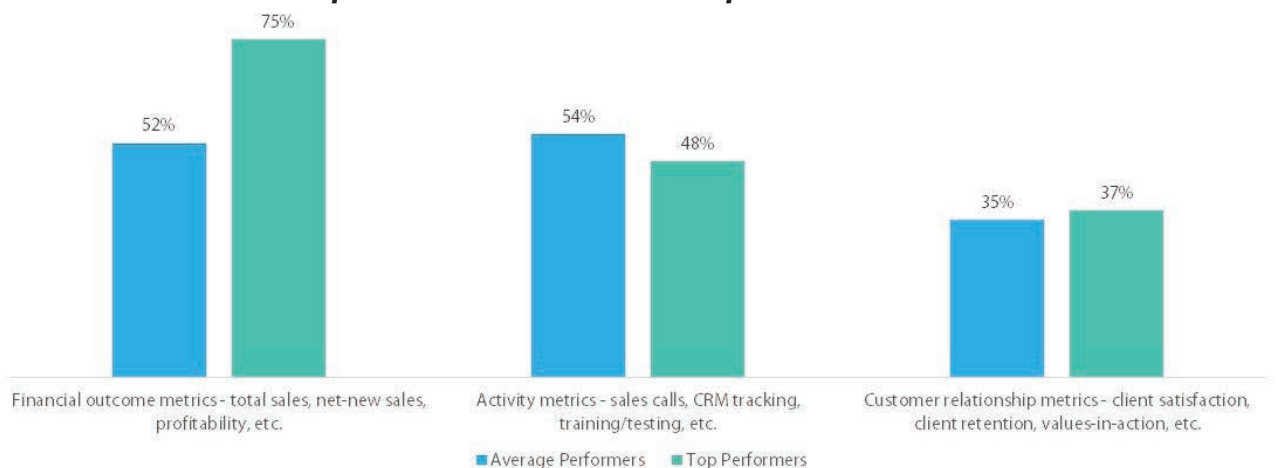
Qualification Metrics Top Performer Incentive Trip



Which of the below best describes the metrics used to qualify salespeople for the Top Performer incentive trip?

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Qualification Metrics Top Performer Incentive Trip



Which of the below best describes the metrics on which salespeople can earn award points, gift cards, and merchandise?

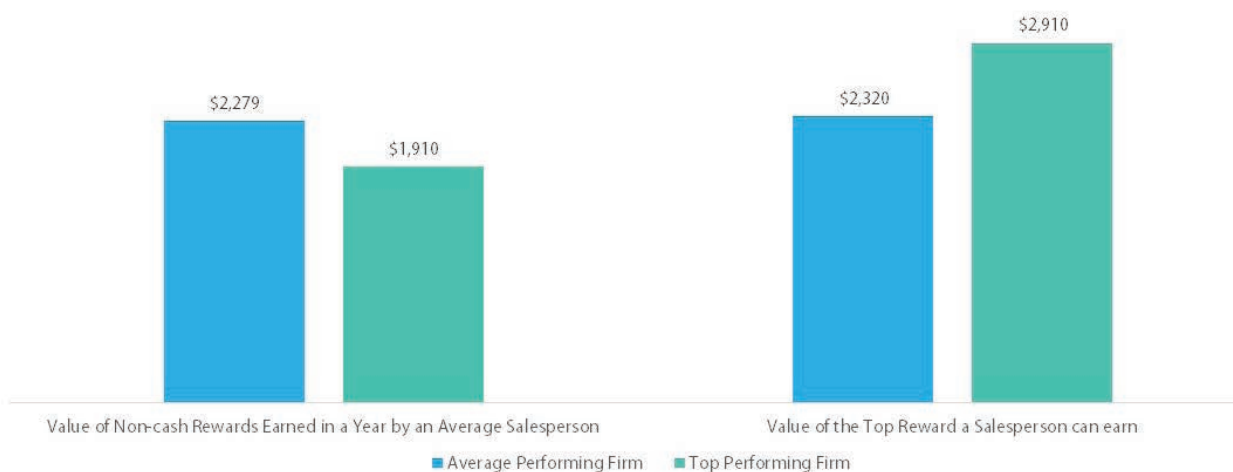
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Benchmarking Channel Partner Incentive Programs at Top Performing Manufacturing Firms

Top performing manufacturing firms on average reported the following benchmarks in award value for their channel partner/dealer programs:

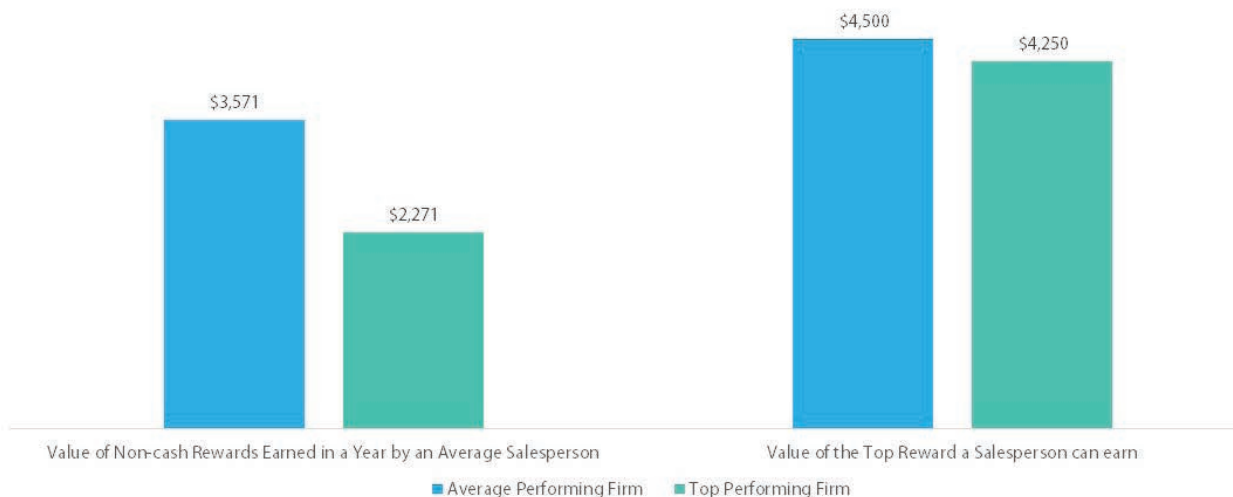
- **Merchandise, Gift Card, and Point Award Values:** Top performing manufacturing firms award a value of \$2,910 on average to their top performers and \$1,910 to their average performers in award points, merchandise, and gift cards.
- **Incentive Trip Values:** The average award value was \$2,271 for the average salesperson and \$4,250 for top performer channel incentive trip earners.

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



Using your best approximation, what are the AVERAGE and TOP reward values for your channel rewards?

Average & Top Dollar Values Incentive Trips

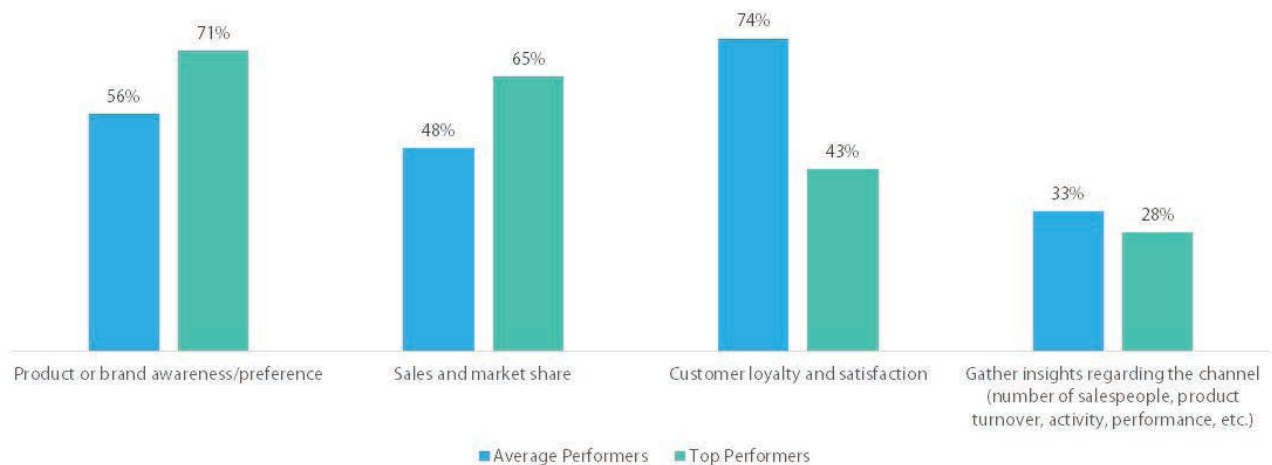


Using your best approximation, what are the AVERAGE and TOP reward values for your channel rewards?

Channel partner incentive programs for top performing manufacturing firms were more likely than those at average performing firms to have:

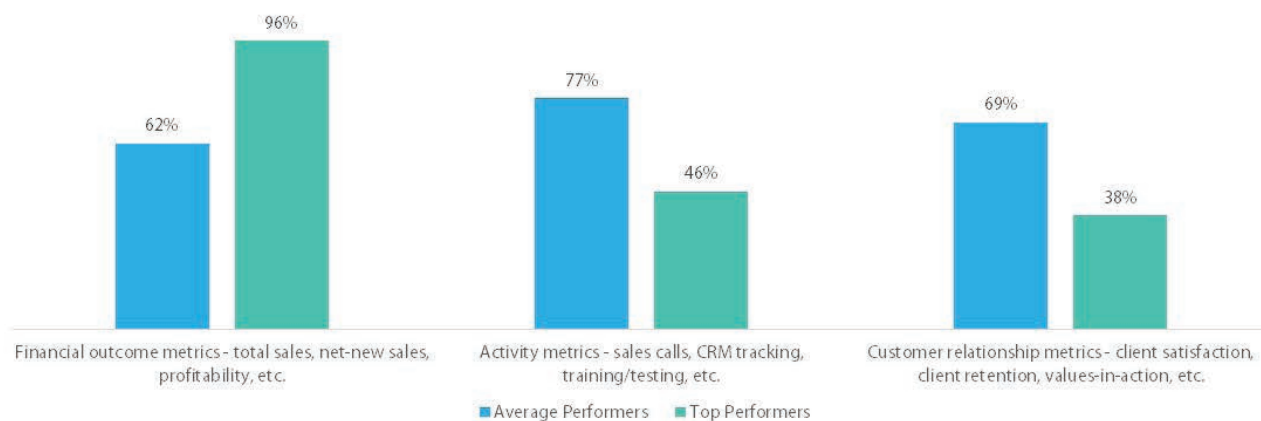
- **Variable Number of Winners:** Channel partner incentive programs at top performing manufacturing firms nearly three times as likely as those at average performing firms to award a variable number of trip winners based on salesforce performance.
- **Hit and Win:** Top performing manufacturing firms were nearly twice as likely to automatically reward channel partners based on achievement of pre-defined goals.
- **Budget Influencers:** For non-cash channel incentive programs, top performing manufacturing firms were nearly twice as likely to cite operating income as having the most impact on budget changes to incentive programs year over year.
- **Business Objectives:** Product or brand awareness was ranked by 71% of the top performing manufacturing firms as the top business objective for channel incentive programs. (The top business objective for average performing manufacturing firms was customer loyalty and satisfaction, at 74%).
- **Qualification Metrics:** Channel partner incentive programs at top performing manufacturing firms were more likely than those at average performing firms to use financial outcome metrics (55% more likely) to award top performer incentive trips.

Business Objectives: Channel Reward & Recognition



Which of the following business issues do your company's dealer/partner reward and recognition strategies address?

Qualifying Metrics: Top Performer Channel Incentive Trip



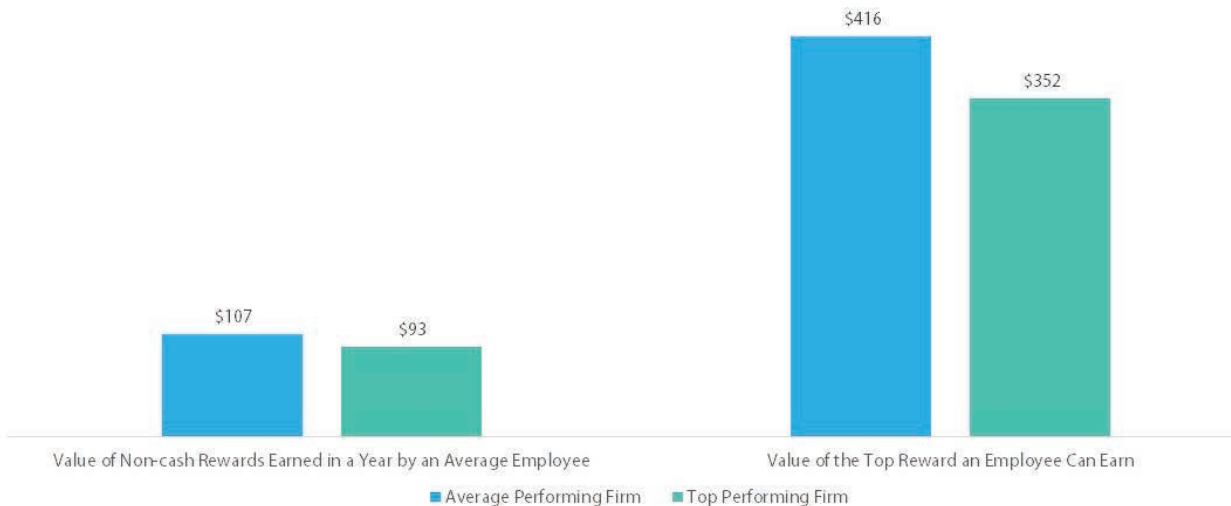
Which of the below best describes the metrics used to qualify channel participants for the Top Performer incentive trip?

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Benchmarking Employee Reward & Recognition Programs at Top Performing Manufacturing Firms

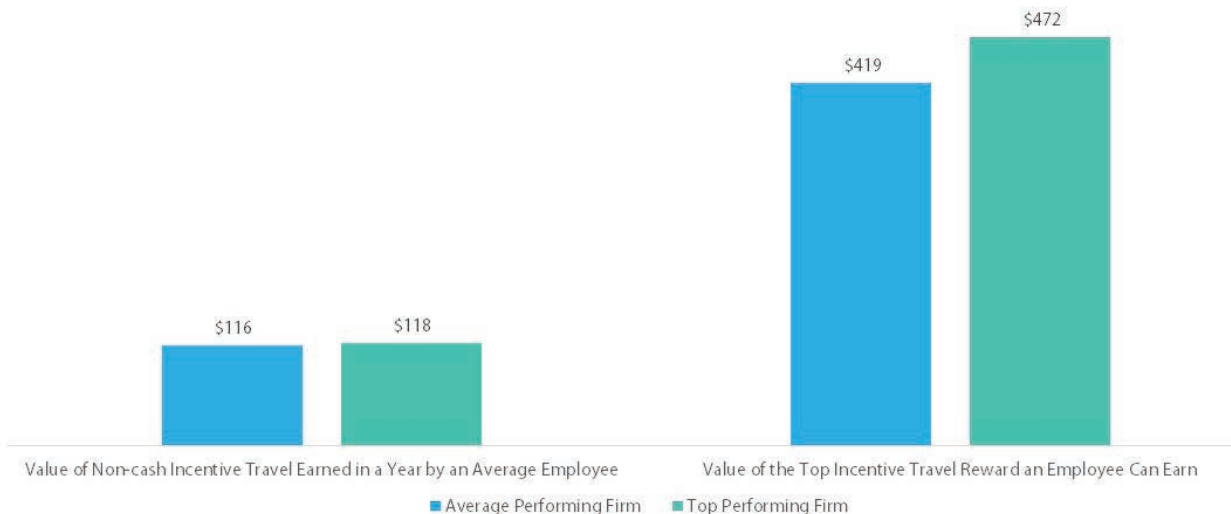
- Employee reward and recognition programs for top performing manufacturing firms are 34% more likely than those at average performing firms to use goal-based earning, with individualized goal targets.
- Program owners at top performing manufacturing firms estimated that 27% of employees would earn non-cash rewards that year (compared to 32% at average performing firms).
- Top performing manufacturing firms are nearly two and a half times as likely as average performers to create bottom-up budgets for employee incentive programs, with 3% of annual income considered appropriate annual spend for non-cash rewards and recognition.
- Excluding incentive travel, top performing manufacturing firms invest \$93 in non-cash rewards on an average per employee and \$352 per top performer. Average performing manufacturing firms spend more: \$107 on average employee and \$416 on top performers.
- Top performing manufacturing firms spend \$472 on incentive travel for top performing employees, compared to \$419 by average performing manufacturing firms.

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



Using your best approximation, what are the AVERAGE and TOP reward values for your employee rewards?

Average & Top Dollar Values Incentive Trips



Using your best approximation, what are the AVERAGE and TOP reward values for your employee rewards?