

2020  
TOP PERFORMER



# **The IRF 2020 Top Performer Study:** *What Top Performing Companies Do Differently in Incentives and Rewards*

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# The IRF 2020 Top Performer Study

## What Top Performing Companies Do Differently in Incentives and Rewards

*There is a rising tide in the use of and engagement with incentive programs — particularly among top performing companies.*

The IRF's signature study *The 2020 Top Performer Study* shows that the most successful companies have increased their support for incentive programs on numerous levels since the previous study was conducted approximately a year earlier. While companies identified as 'Top Performers' show an increased advantage in their engagement with incentive programs, 'Comparator' companies have increased their involvement with their corporate incentive programs, at least in some areas.

While it is difficult to establish whether having a strong belief and investment in incentive programs is the primary driver of successful business performance, or whether successful business performance creates more wealth and therefore, leads to a greater amount of rewards and incentives, there is a clear relationship between incentives and business success. It is most likely that the two go hand in hand with one another.

## The Study

The study included 400 participants, all of whom played a key role in overseeing the incentive programs of companies earning at least \$100M in revenue. The survey participants were taken from three distinct sectors:

1. Technology (38%)
2. Financial services (32%)
3. Manufacturing/automotive (30%)

To qualify as a 'Top Performer,' a firm had to report strong overall performance across several areas, but the most important requirement for classification as a Top Performer was financial growth as all companies fitting this classification had to experience more than 5% growth in revenue within the past year. The additional criteria for qualifying included:

### **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

### **Strong performance with employees**

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

Using these criteria, 38% of participating firms qualified as Top Performing companies. The purpose of these survey questions and the ultimate classification as Top Performer or Comparator was 100% opaque to respondents – they did not know they were assigned to a performance group.

## Top Performers Increased Their Support for Incentive Programs

Top Performing companies reported dramatic increases in their support of incentive programs over last year. The most notable increase was in “excellent ratings” of *staffing to support program* which nearly tripled from 2019 to 2020 (excellent ratings increased from 19% in 2019 to 53% in the 2020 report). Similarly, Top Performers reported increases in “excellent” ratings in additional key areas including:

- *Participation* increased by 81%
- *Alignment to corporate goals* increased by 54%
- *Manager buy-in* increased by 52%
- *Budget* increased by 26%
- *Executive support* increased by 29%

Top Performing firms reported higher rates of “excellent ratings” than Comparators in all of these categories as well. The areas with the greatest difference and where Top Performers were more likely than Comparators to give an “excellent” rating were *staffing to support program* (Top Performers 152% more likely), *manager buy-in* (77%), and *budget* (73%).

The level of support within Comparators did not change significantly except for *alignment to corporate goals* (23% increase over 2019) and *participation* (32% increase). However, Comparators are making some positive strides. For example, the Comparator firms that reported their programs are designed and managed with strong collaboration across multiple departments and divisions have increased by 27% since last year. While Top Performers still maintain a strong advantage on collaboration, the gap has closed considerably.

## Program Reach Is Expanding for Both Top Performers and Comparator Companies

The percentage of Top Performers who design programs with the dual goal of both reaching all participants, while also recognizing truly exceptional achievers, has doubled within the past year, going from 10% to 22%. Similarly, Comparators with this dual goal increased from 15% to 25%. Consistent with the previous year, Top Performers are still more likely to have broad-ranging recognition programs (54%), and Comparators are more likely to structure programs that reward top achievers (40%).

## Both Top Performers and Comparator Companies Are Offering a Greater Variety of Rewards

The mix of reward types was fairly consistent when comparing Top Performers to Comparators. The use of gifts cards and merchandise was the same for both segments. Top Performers were 16% more likely than Comparators to use award points and 18% more likely to offer group incentive trips.

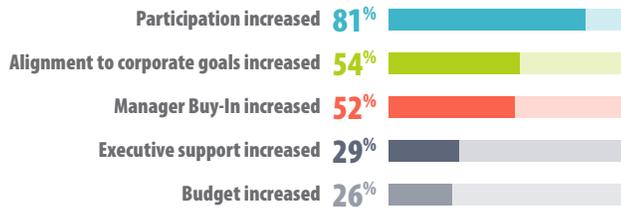
More companies overall offer incentive trips compared to the previous study. The percentage of Top Performers that offer incentive trips more than doubled, increasing from 22% in 2019 report to 45% in this year’s report. The percentage of Comparators offering incentive trips increased from 24% to 38%.

There were also large increases in the percentages that offer gift cards as a reward. Companies offering gift cards rose 38% year over year for Top Performers and 19% for Comparators.

## What Top Performing Companies Do Differently in Incentives and Rewards

### SUPPORT FOR INCENTIVE PROGRAMS IS UP FOR TOP PERFORMING COMPANIES

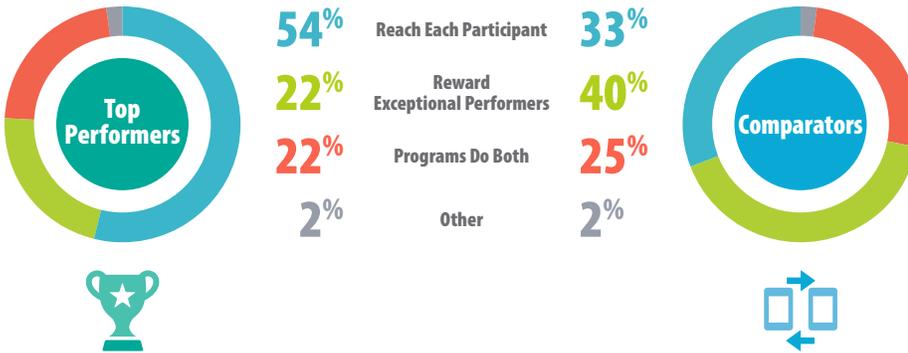
Top Performing companies reported increases in “excellent” ratings since last year in key areas:



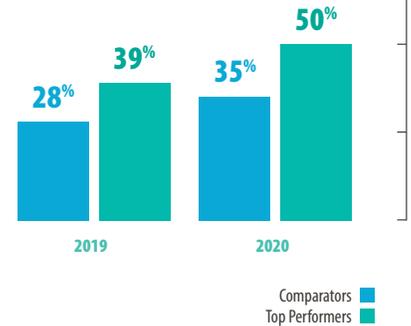
The most notable increase was in “excellent ratings” of *Staffing to Support Program* which nearly *tripled* from 2019 to 2020



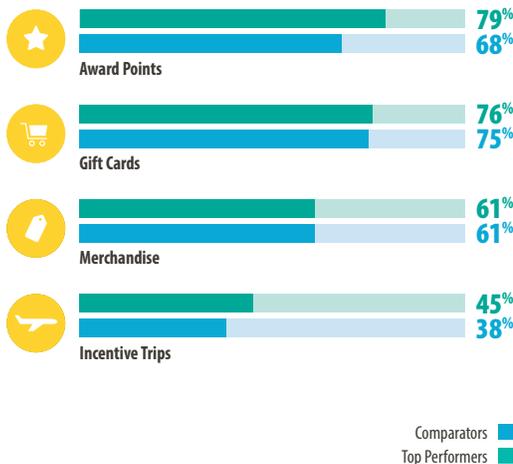
### TOP PERFORMERS FOCUS ON PROGRAM REACH



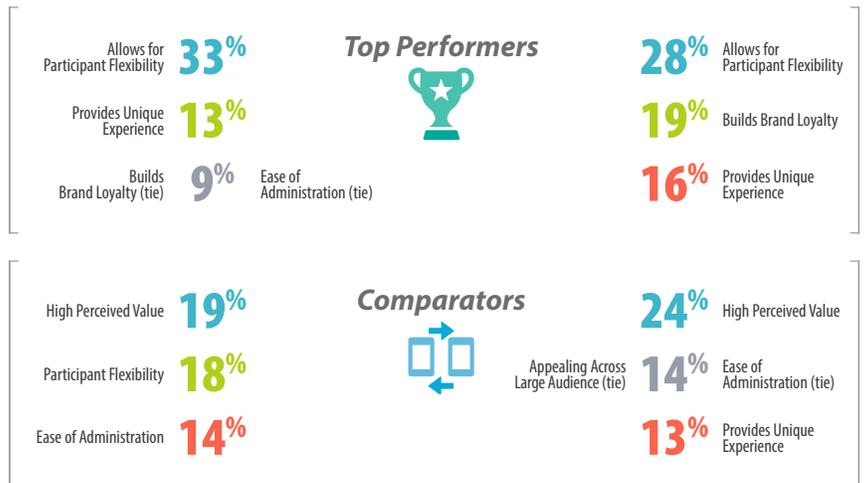
### MORE EMPLOYEES EXPECTED TO RECEIVE NON-CASH REWARDS



### SOLID MIX OF REWARD TYPES OFFERED



### TOP PRIORITIES FOR TANGIBLE REWARDS



### TOP PRIORITIES FOR INCENTIVE TRIPS

## Top Performers Understand the Importance of Flexibility & Relevance of Rewards

When examining the priorities of both Top Performers and Comparators on tangible rewards and incentive trips, there are some notable differences. Perhaps the biggest 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 *flexibility* as their most important consideration (33%) when giving merchandise or gift cards (Comparators reported 18%). By contrast, 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%). These data suggest that Top Performers understand that the personal relevance of the reward is more important than the perceived cash value.

There are similar findings when looking at the priorities Top Performers place on their incentive trips. Once again, *participant flexibility* was the top priority for 28% of Top Performers versus only 9% of Comparators. Like the findings related to tangible rewards, having *high perceived value* was the number one priority for incentive trips among 24% of the Comparators as opposed to only 1% of Top Performers. Another distinction is that Top Performers 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.

## More Incentive Trips Are Being Awarded Based on Objective Qualifications

Last year, Top Performers were more likely than Comparators to automatically award incentive trips based on achievement. The same is true this year, but the percentage of 'automatic' award winners has increased across both groups. Firms that automatically award salespeople an incentive trip based on predefined goal increased from 73% in the 2019 report to 84% this year for Top Performers, and from 55% to 66% for Comparators. This trend is consistent for both sales incentive and channel partner incentive trips, although the shift toward automatic qualification is more profound for Comparators when it comes to channel partners.

## Incentive Trip Qualification Criteria Has Gotten More Complex Within Many Top Performing Companies

Although meeting certain criteria is more likely to automatically qualify a salesperson for either a sales or channel partner incentive trip, the complexity around the qualification criteria seems to be increasing within Top Performing companies. Among the Top Performing companies, the percentage that said qualification criteria for the Top Performer sales incentive trip was 'complex' jumped significantly from 7% in the 2019 study to 24% this year. Qualification complexity for channel partner incentive trip awards also jumped dramatically for Top Performers (11% in 2019; 30% in 2020).

## More Employees Expected to Earn Rewards

Sales professionals and channel partners were not the only ones reaping the rewards from an improved incentive culture in the past year. In the 2019 report, 35% of employees that worked for Top Performers were expected to earn non-cash rewards, with 28% of Comparator employees expected to achieve these rewards as well. In the 2020 study, the percentage of employees in both Top Performing and Comparator firms expected to earn non-cash rewards jumped significantly with half (50%) of employees at Top Performing companies expected to earn non-cash rewards, along with 39% of employees at Comparator firms.

## Summary and Key Insights

*The 2020 Top Performer Study* portrays a very positive outlook for the non-cash reward and incentive travel business. The data consistently shows high levels of engagement, support, and spend with non-cash incentives among Top Performing companies. While the use of non-cash incentives is likely not the sole cause of corporate success, there is a very clear relationship between the two. As companies achieve success in areas such as profitability, customer satisfaction, and employee engagement, they further this success through the implementation of successful reward strategies.

While Top Performers show a clear advantage over their Comparators relative to the effective use of non-cash rewards, Comparators are doing better, in many ways, than reported in the previous Top Performer Study. A wider variety of different types of rewards is being used within these Comparator companies, there is greater alignment to corporate goals, higher participation in non-cash reward programs, and more employees are being recognized, just to name a few enhancements among Comparators.

An area where Top Performers seem to really 'get it' is a greater recognition that 'one size does not fit all' when it comes to both non-cash incentives and incentive trips. While Comparators place the greatest emphasis on the 'value of the reward,' value is in the eye of the beholder. By focusing on 'flexibility' of the incentive experience, Top Performers recognize the value in personalization. It is not just about what something costs, or its equivalent cash value, but rather the personal significance of the reward to the individual.

Incentive Research Foundation studies have shown that both participants and program owners are scrutinizing the value of incentive experiences more closely. Top Performers seem to have a better understanding and hold their programs to high standards. The fact that incentive flexibility represents such a high priority for Top Performers causes these programs to be more successful, thus motivating performance and perpetuating these companies as Top Performers. Effective incentive programs play a role in differentiating the successful from the less successful. It is for this reason, Top Performers recognize these programs as performance enhancers, rather than cost centers, and are most likely to continue to stay the course on incentive investment.