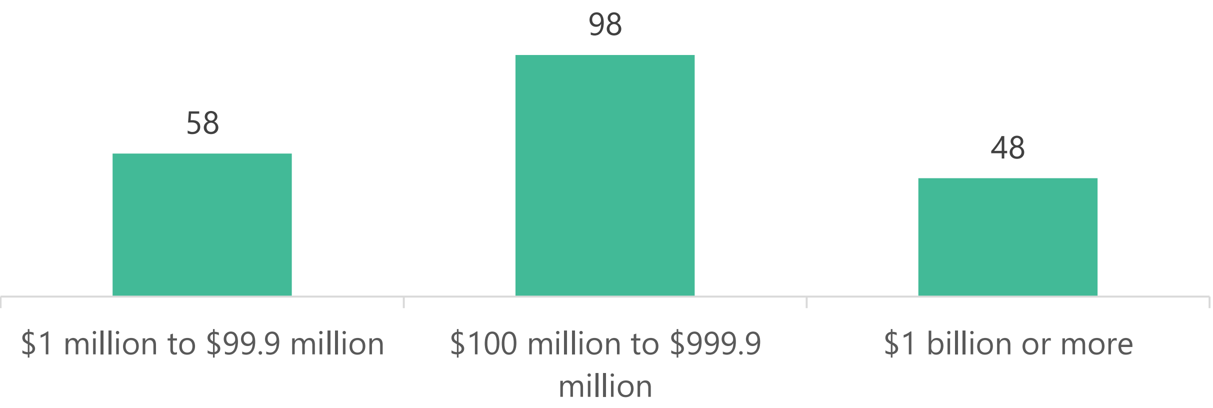
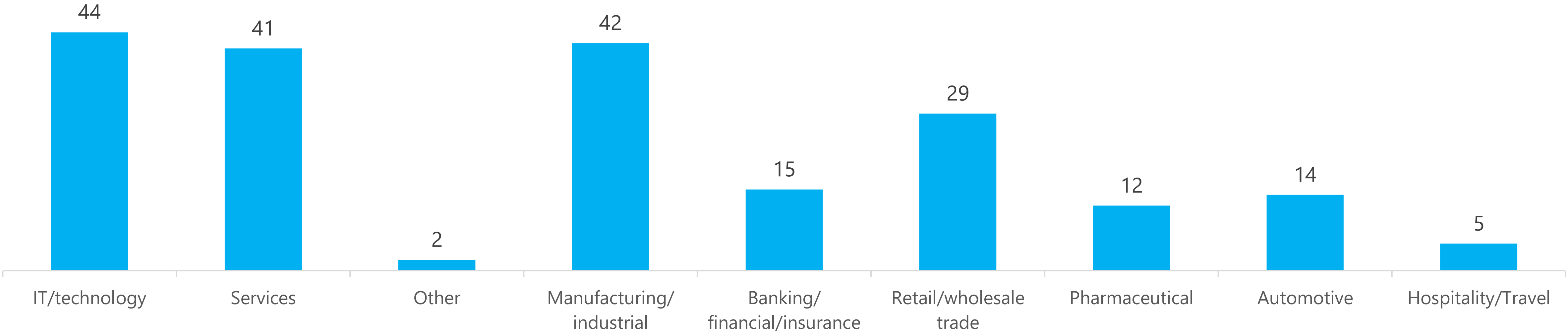
IRF Market Survey:
Reward & Recognition
Metrics of Success Reference Deck

April 2020

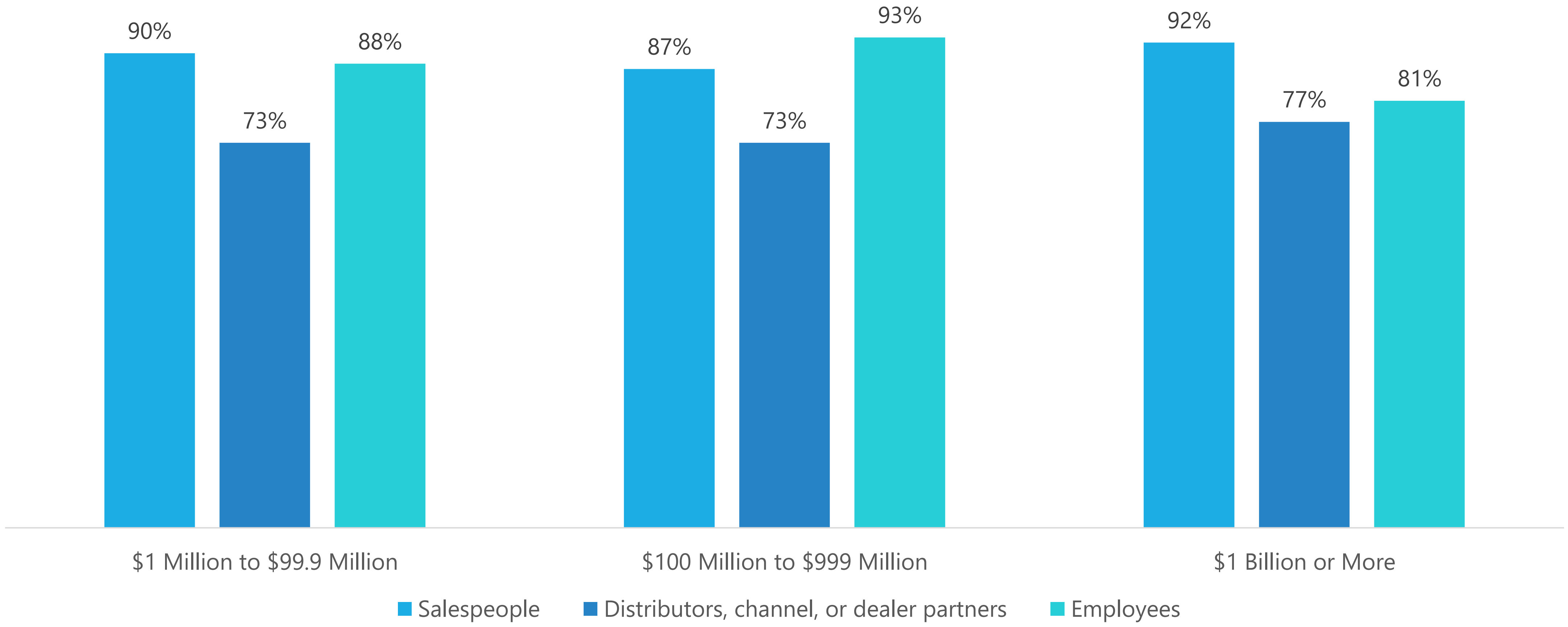
Respondents represent a range of company sizes and many industries

- 204 Respondents total
- Cross-section of US businesses with $1M or more in revenue
- Decision-makers for non-cash rewards programs
- Multiple industries represented





Respondents have responsibility for a broad range of non-cash reward and recognition activity*

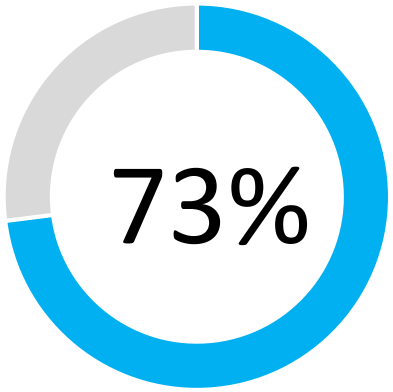


*Respondent has some level of responsibility for a program that exists within their company for sales, channel, or employee recognition

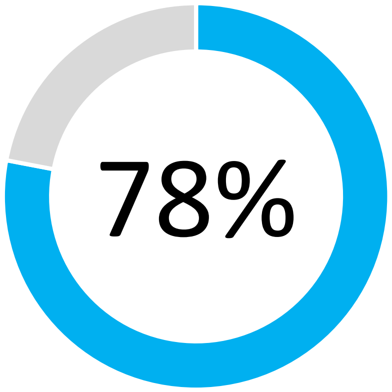
Overall Assessment of Program Success

Most program owners view their reward & recognition initiatives as successful*

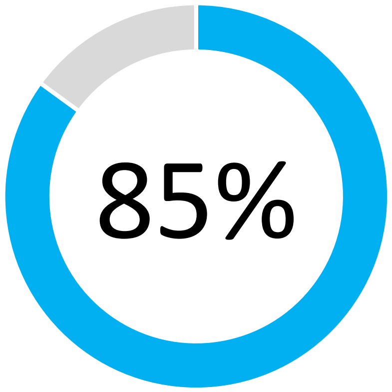
$1 Million to $99.9 Million



$100 Million to $999 Million



$1 Billion or More



Do you consider your program(s) successful?

* Percentage that responded 'yes''

Companies look at program satisfaction, participation, organizational culture and business outcomes to determine success

Participant satisfaction is growing in importance over mere participation:

- *Level of satisfaction among participants*
- *How many people talk about it and whether it is received positively*

Participation has always been a leading metric, but it is not mentioned as often as in the past.

- *If people are excited to participate*
- *If it motivates the desired participation*

Many companies look at the overall **organizational culture**:

- *Morale; Motivation; Employee engagement or satisfaction*
- *Employees feel recognized, appreciated, and valued*

Some refer to **business outcomes** (although these tend to be referenced in non-specific terms):

- *Overall revenue or sales*
- *Growth*
- *Productivity*
- *Individual performance*

There can be consequences if programs are not considered successful, but often there is no impact at all if results cannot be demonstrated

Program is changed based on lack of results:

- Budget is decreased
- Redesigned
- Possibly “scrapped” altogether

Due either to the high perceived success rate of programs or wide latitude from executive sponsors, most companies report **no impact** to programs due to lack of results:

- Nothing; no consequences

What happens if your program is not successful? Are there any consequences?

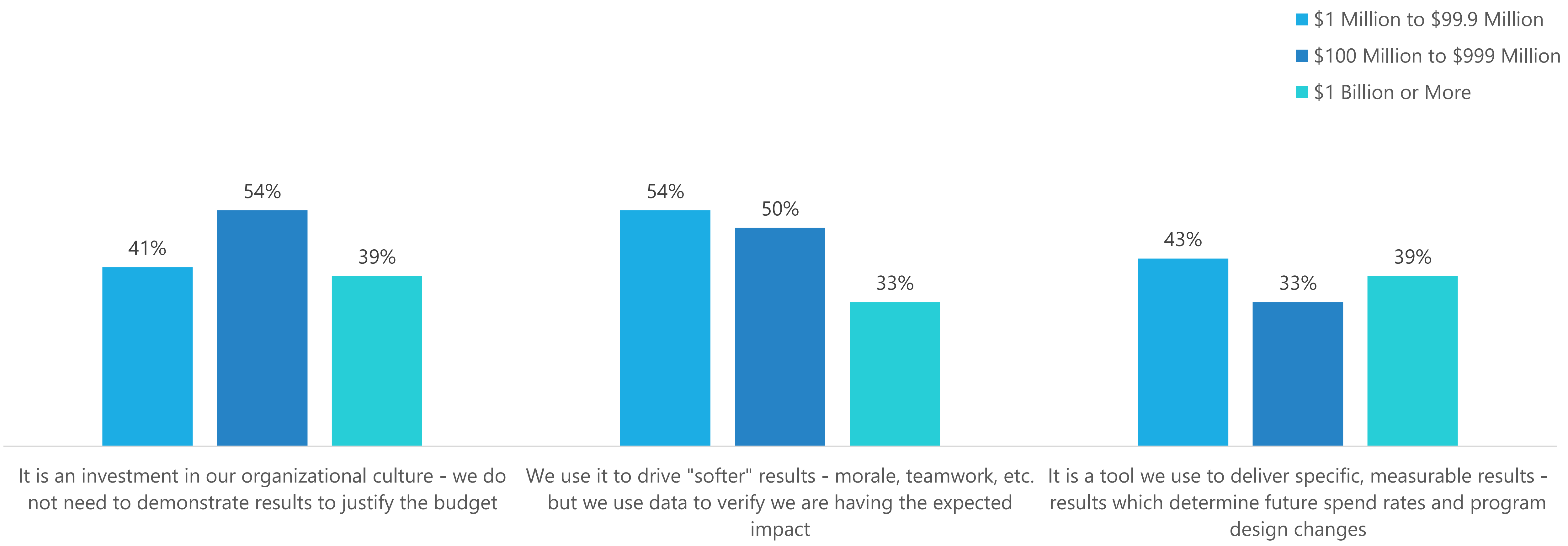
Executives' Approach toward Programs

Key Findings

- The percentage of large companies ($1B or more) who say hard metrics are unnecessary to justify their investment in sales incentive programs has dropped from 57% to 39%, suggesting that Metrics may be growing in importance for these larger firms and they are no longer as willing to accept program value on faith.
  - Similarly, the percentage of $1B+ companies who say they monitor specific results increased from 26% to 39%.
- Similar results were shown for executive attitudes toward channel and employee non-cash incentive programs, suggesting that greater 'hard' accountability is being required to support the value of non-cash incentive programs.

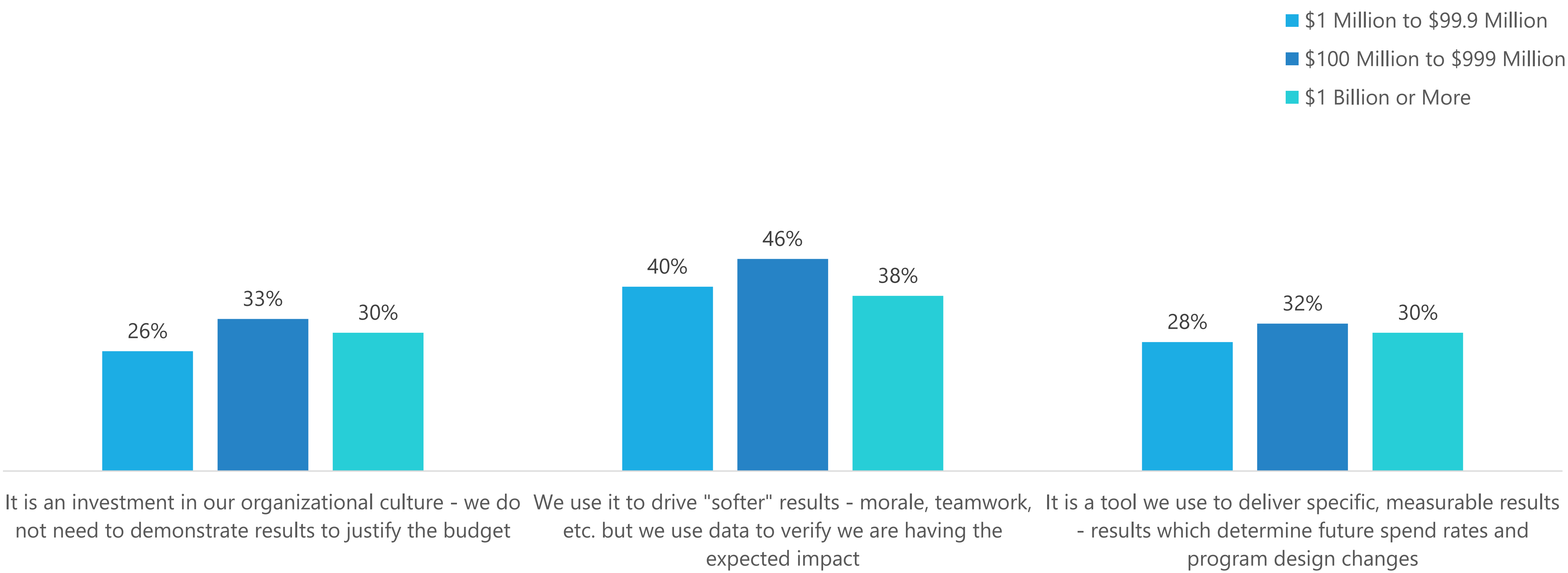
test

A growing number of executives are using metrics to determine budget in sales R & R programs



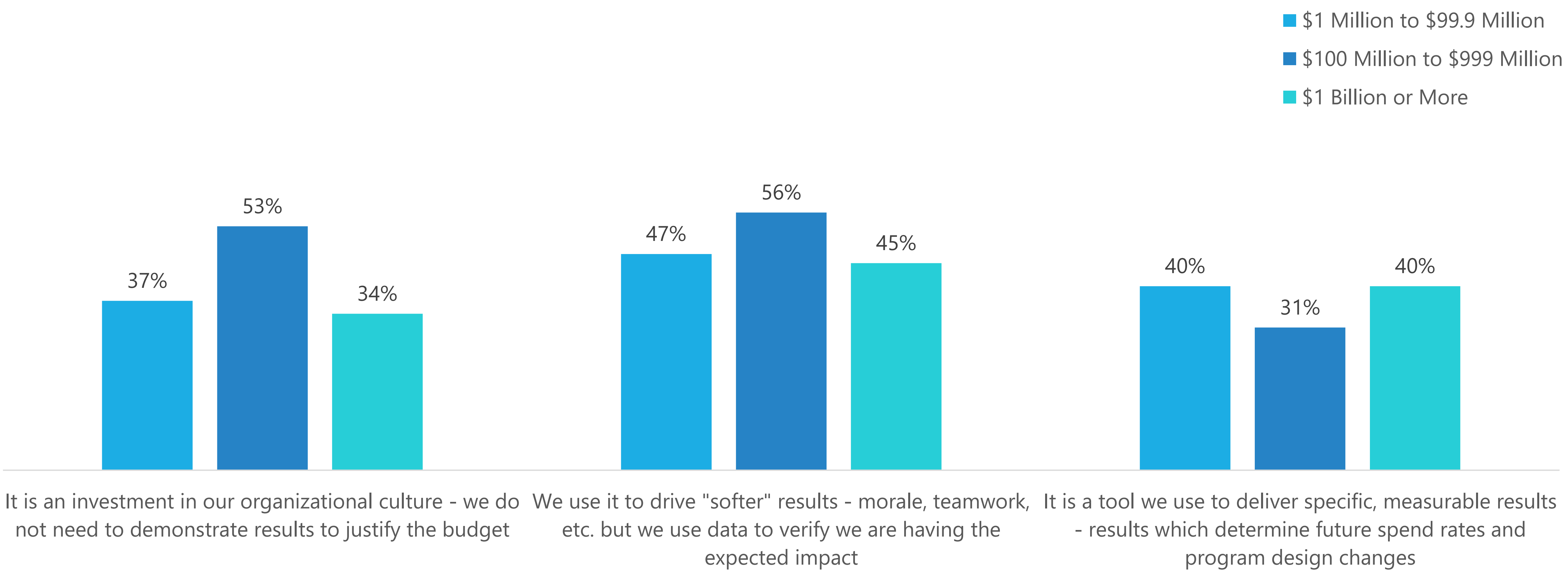
Which of the options below BEST describes how your company's executives view their investment in non-cash reward and recognition activities for your salespeople?

Overall, non-cash reward programs are still most likely to be used for driving 'softer' results for channel partners



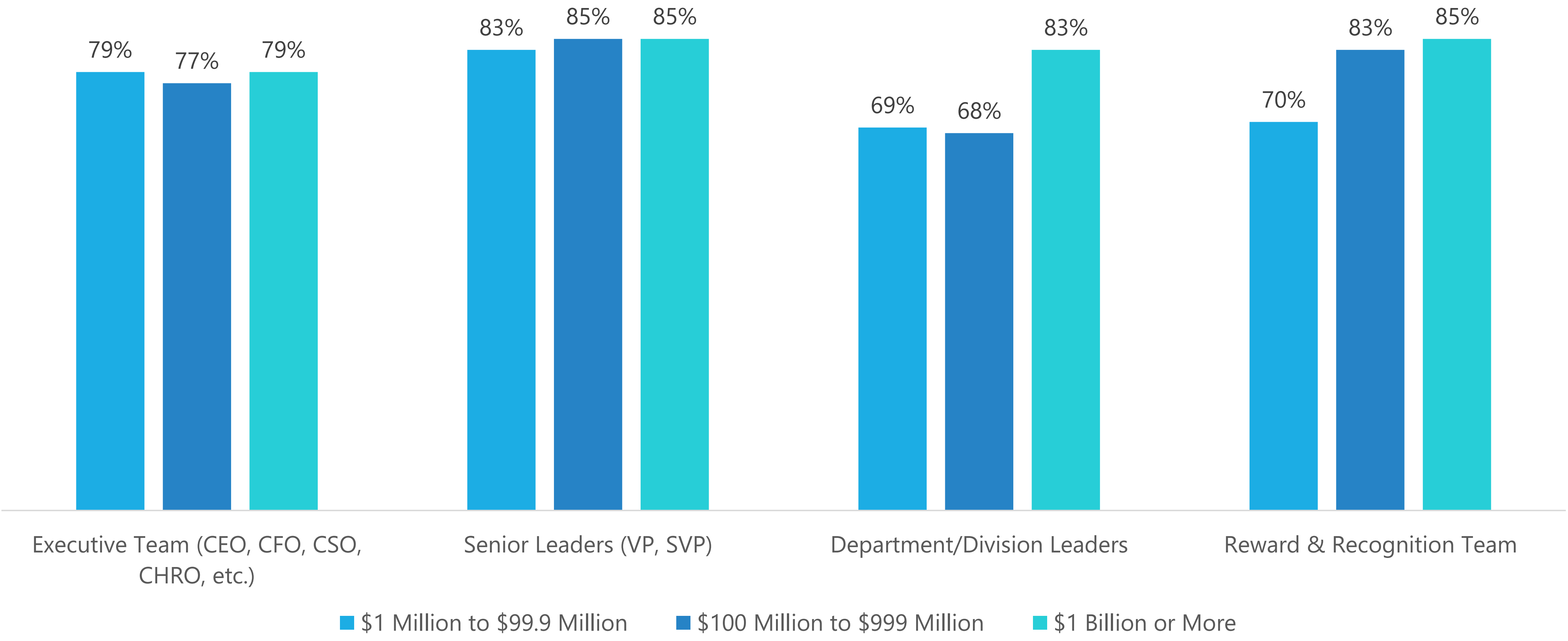
Which of the options below BEST describes how your company's executives view their investment in non-cash reward and recognition activities for your channel/distributor partners?

Driving 'softer' results tend also tends to be more the focus for employee programs



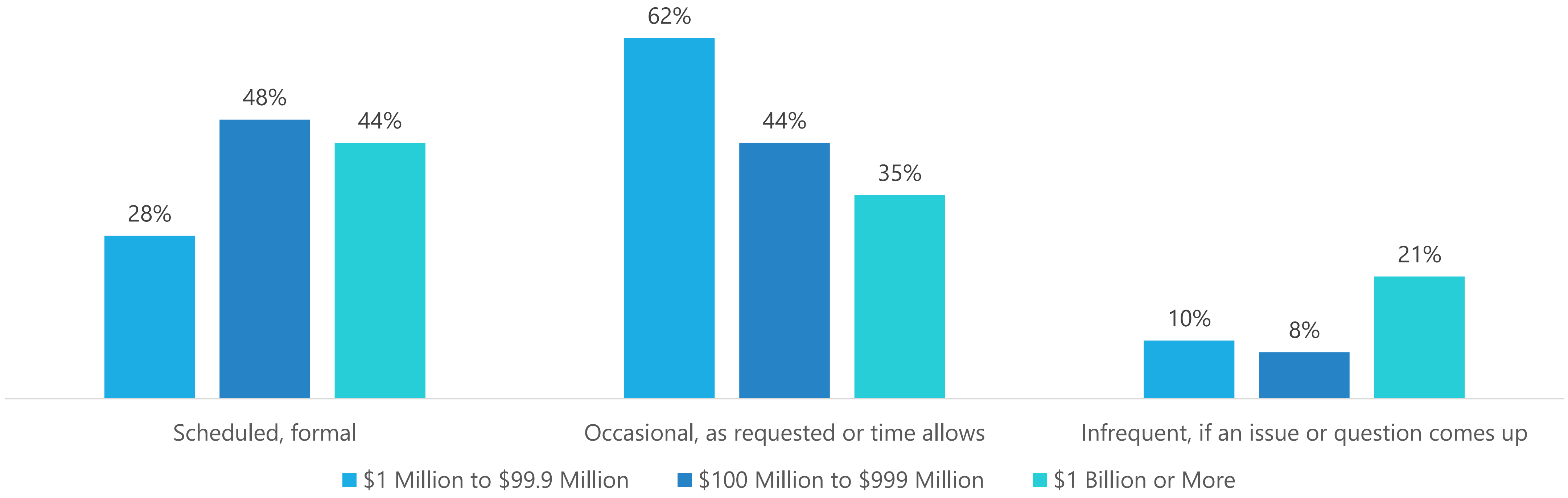
Which of the options below BEST describes how your company's executives view their investment in non-cash reward and recognition activities for your salespeople?

Compared to last year, the percentage of stakeholders at all levels appears to have risen, particularly for those making $1 billion or more.



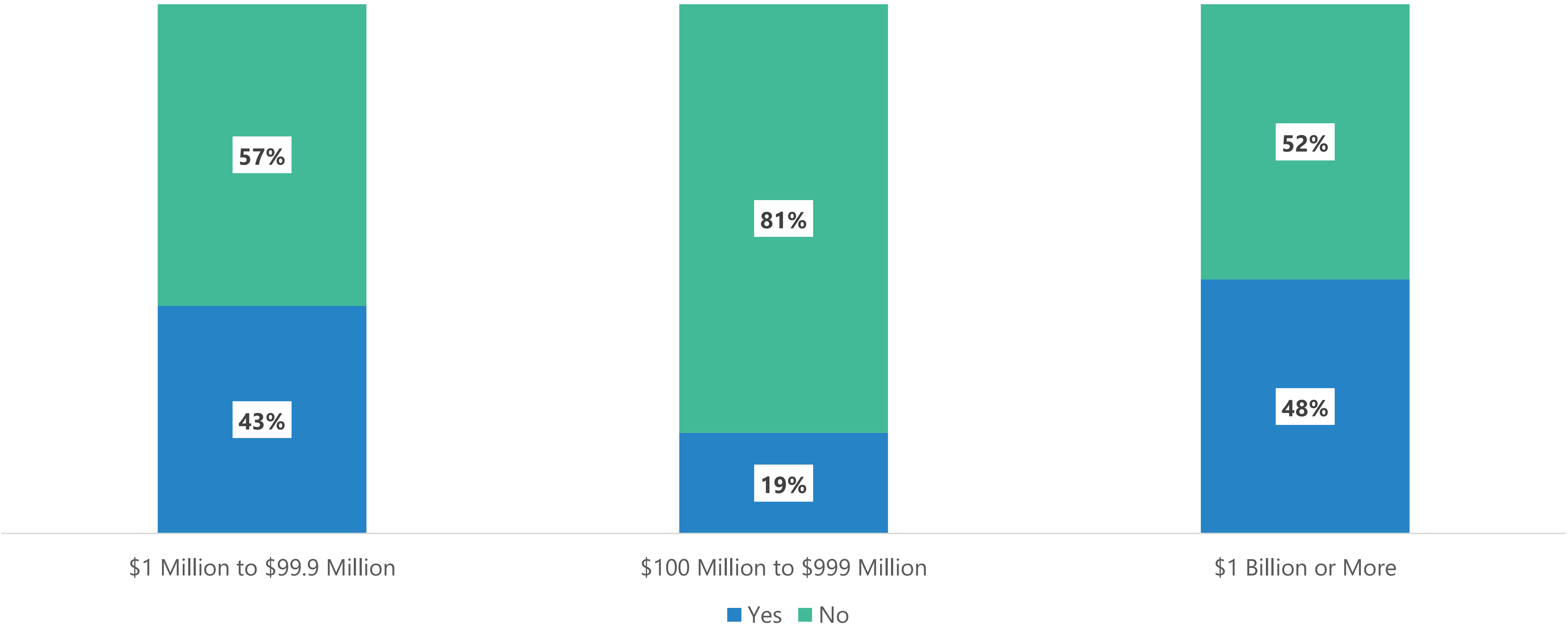
In your organization, who are the typical audiences for review of program analysis? (Percent 'always' or 'usually')

Companies are pretty evenly split between regular (41%) and ad hoc approaches (47%) to program review



Would you characterize your typical approach to program analysis and review of outcomes as...?:

Only 1/3 (33%) have been asked to reduce program budget



Have you ever been asked to reduce the budget for your non-cash reward and recognition program(s)?

Companies reduce budget due to business conditions or perceived overspend on programs that didn't yield desired results

Many companies reduce non-cash reward & recognition budgets in response to **broader business considerations**:

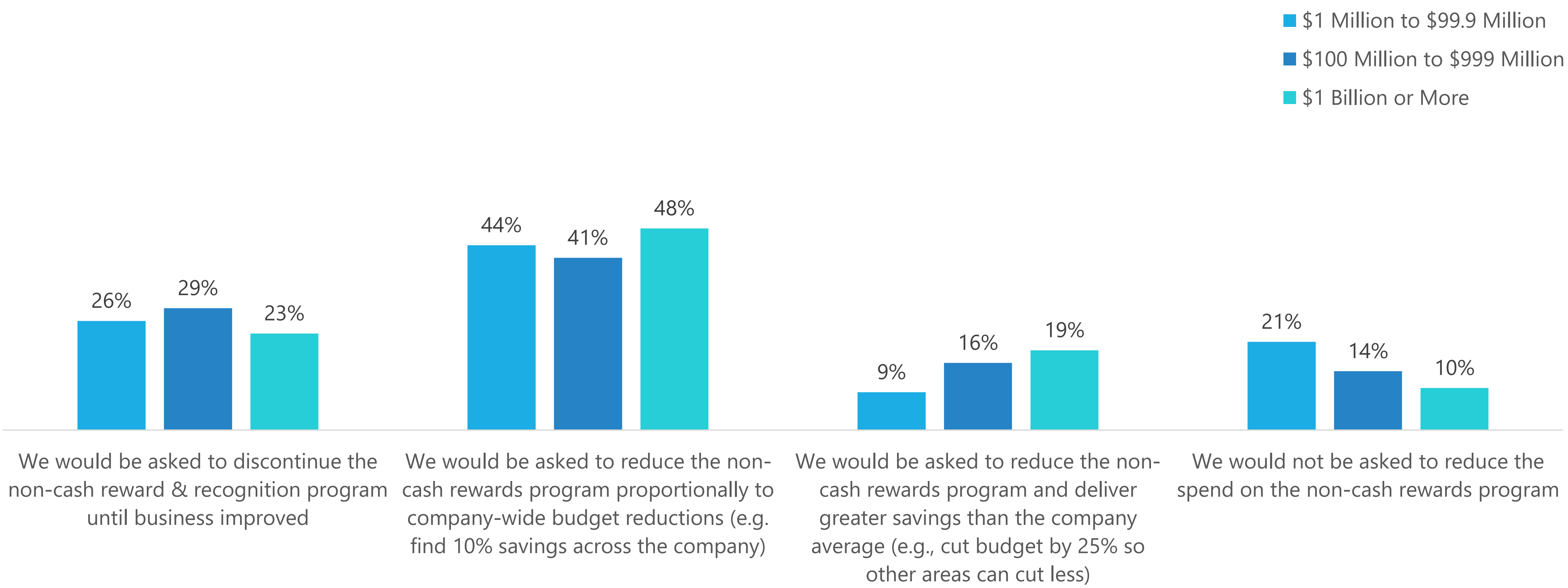
- *Company revenue/profit underperformed*
- *To keep the business out of debt*
- *Workforce reductions*
- *Recession*

Some companies reduce non-cash reward & recognition budgets in response to **perceived overspend**:

- *Budget was too high*
- *Spending too much on sales-related expenses to induce customers*
- *Too many incentives for the results*
- *Not enough people participated*

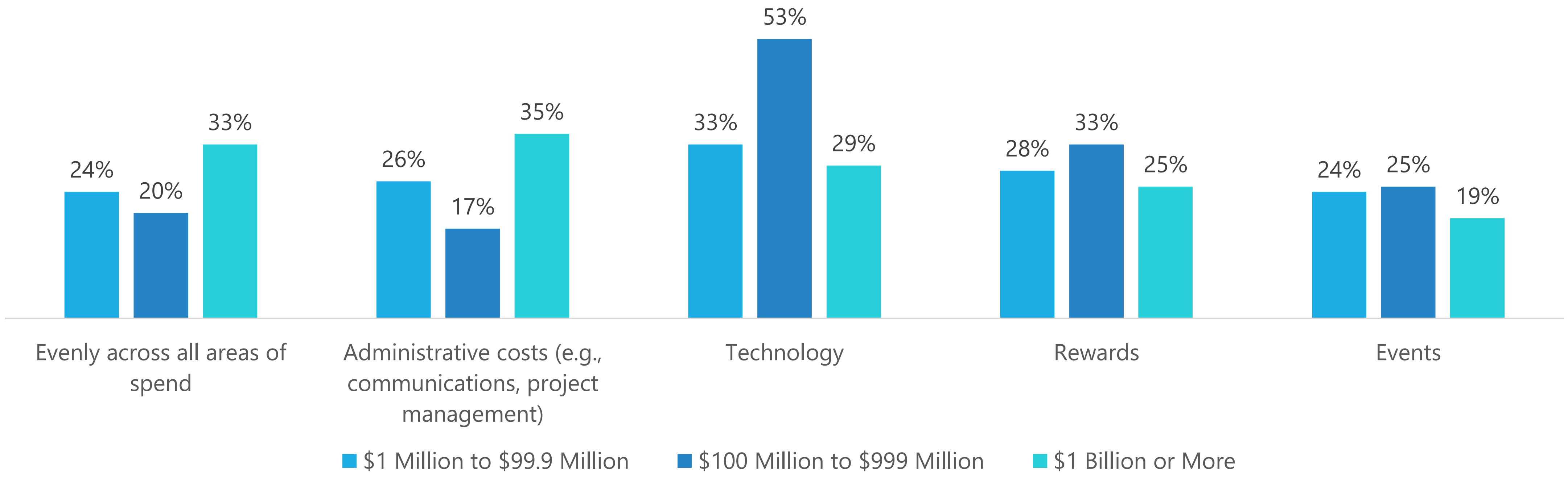
Why were you asked to reduce the budget?

The largest proportion (43%) would proportionately reduce program budgets to match company wide budget reductions.



If your company was required to significantly reduce spending due to an economic downturn, which of the following do you think would MOST LIKELY happen:

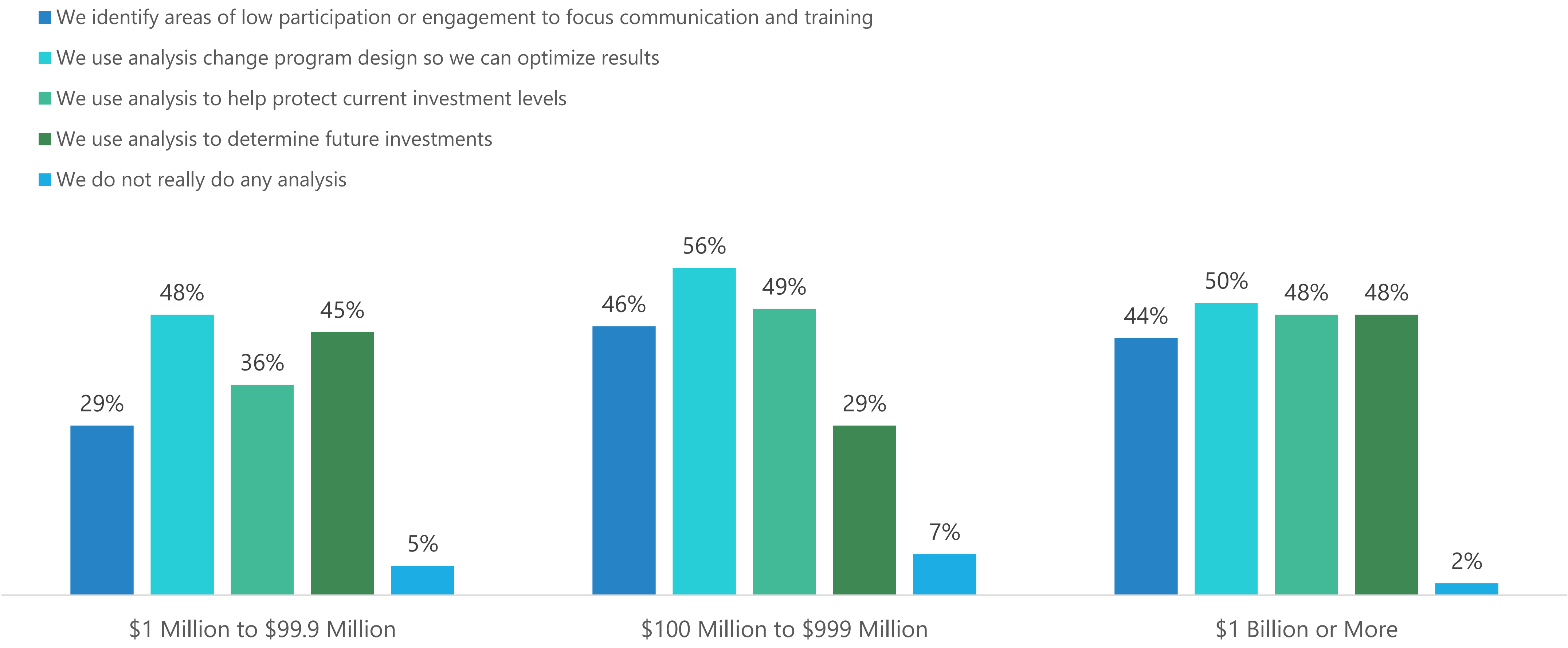
While companies would generally reduce evenly across a number of areas, technology would be the area targeted most overall (42%).



If required, in what area(s) would you focus spending reductions relative to your non-cash reward and recognition program?

Program Analysis: Current State

Over half (52%) use analysis change program design to optimize results.



Which of the options below describe your company's use of analysis for your non-cash reward and recognition program(s)? Select all that apply.

Companies use feedback, activity and business outcomes to evaluate their programs

Participant feedback:

Survey analysis
Sales motivation
Customer feedback
Employee morale/engagement

Program activity:

Reward redemption
Program participation
Year-over-year activity metrics

Performance or business outcomes:

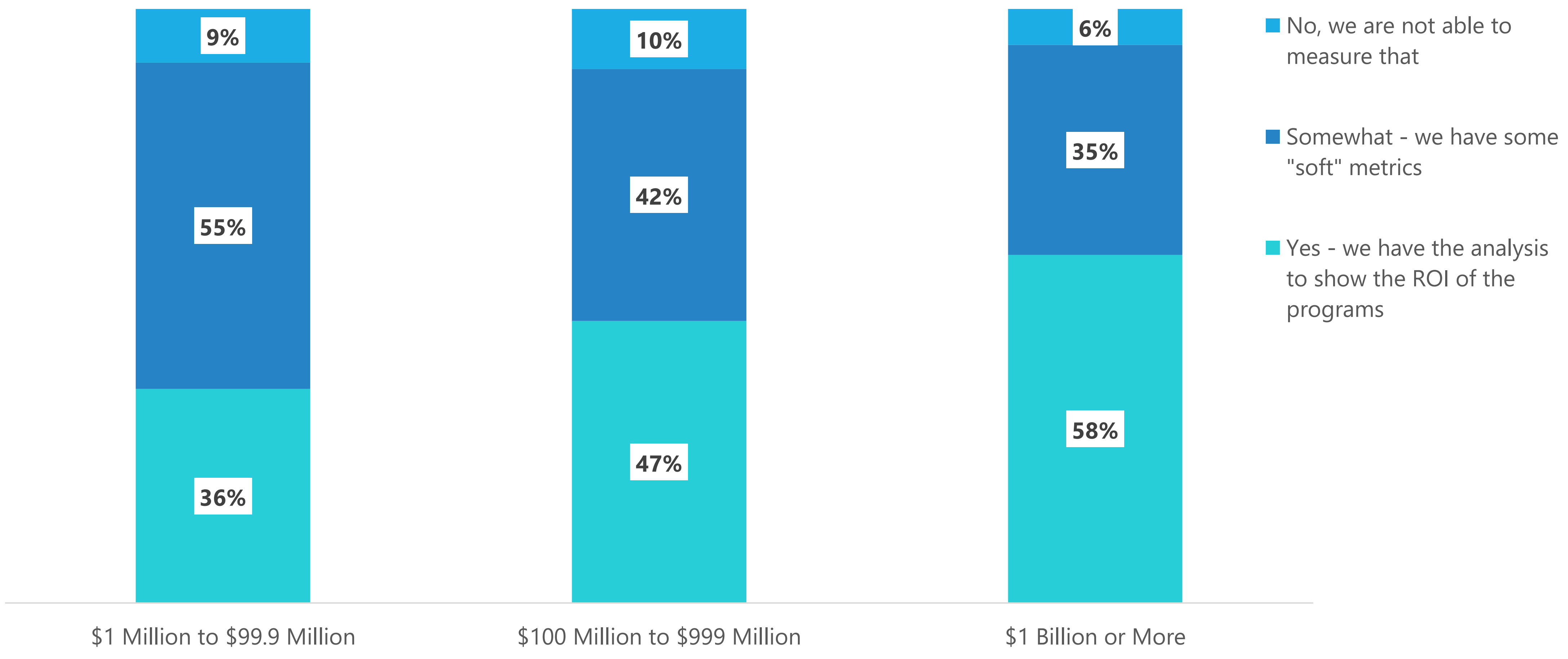
Sales productivity
Return on investment (cost of the program vs. employee productivity and sentiment
Overall, team, and individual performance
Performance evaluations
Incentive payout vs sales
Incentive payout vs referrals received
Overall sales analytics
Attendance/absenteeism
Productivity
Retention/tenure

What kinds of analysis do you produce and review?

Key Findings

- The percentage that have the analysis to show ROI of programs has increased at all levels from last year.
  - $1M-$99.9M increased from 32% to 36%
  - $100M-$999.9M increased from 38% to 47%
  - $1B+ increased from 40% to 58%
- This is consistent with the previously reported finding that demonstrating a ‘harder’ ROI story is becoming more important, particularly for the larger companies.
  - This is also consistent with data found in the IRF Outlook study.

Only 9% cannot show any type of measurable ROI story

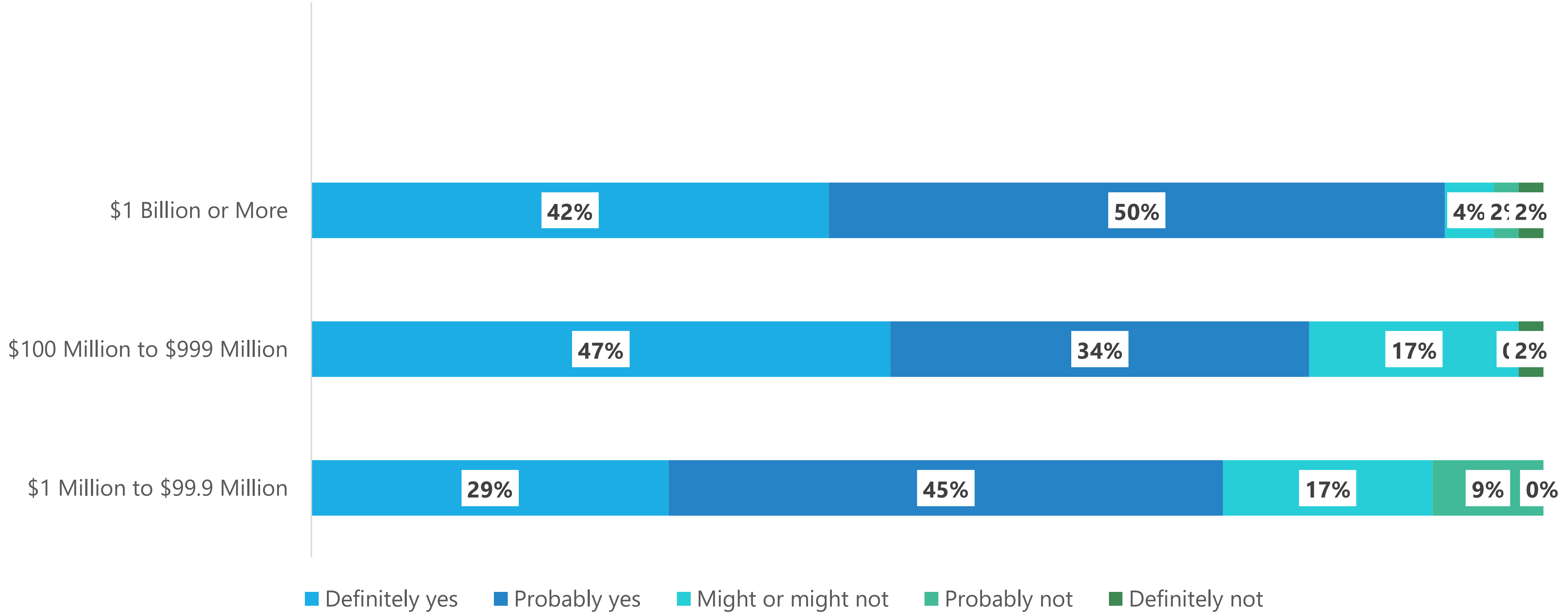


If asked, would you be able to show the ROI for your non-cash reward and recognition program(s)?

Key Findings

- Last year, only 67% of companies with revenues of $1B or more said they would ‘definitely’ or ‘probably’ an ROI story to guide program investment if they had it.
  - The percentage of these companies who would use an ROI story to guide investments has grown to 92%.
    - Smaller and medium-sized companies did not change from the previous year.

Eight-in-ten (82%) would use ROI to guide program investment – if they had it

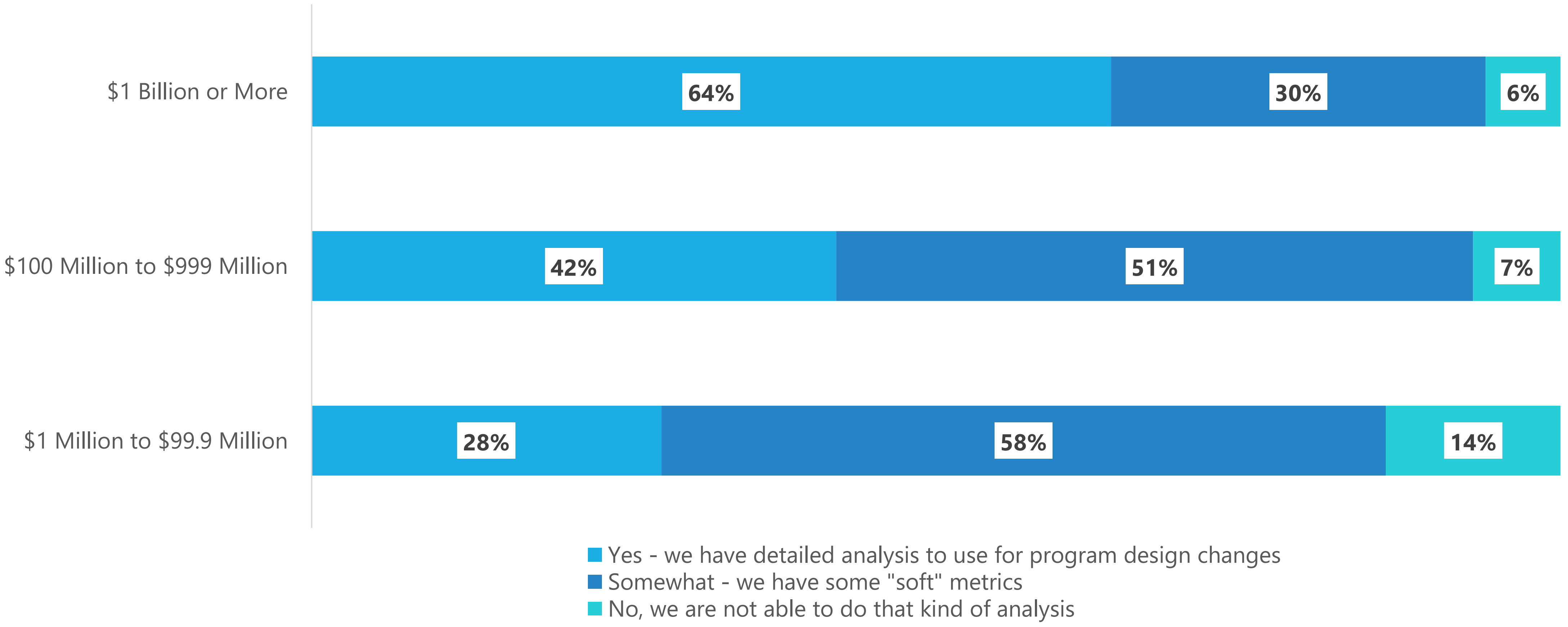


Would your ability to provide a clear ROI impact the degree of investment moving forward?

Key Findings

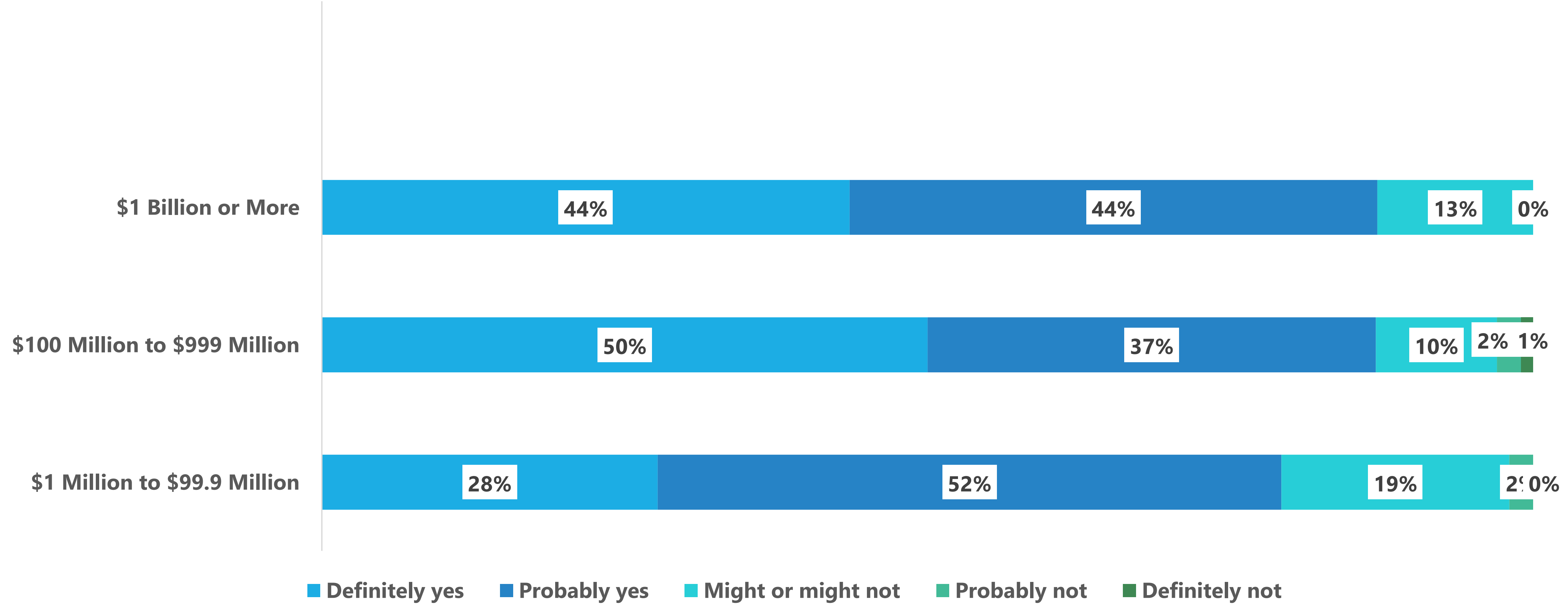
- Similarly, the number of large companies ($1B+) that say they have detailed analysis to use for program design changes has grown from 40% to 64%, while less than half of smaller and medium-sized companies have strong data to guide design considerations.

Two-thirds of large companies feel they have strong data to guide design considerations



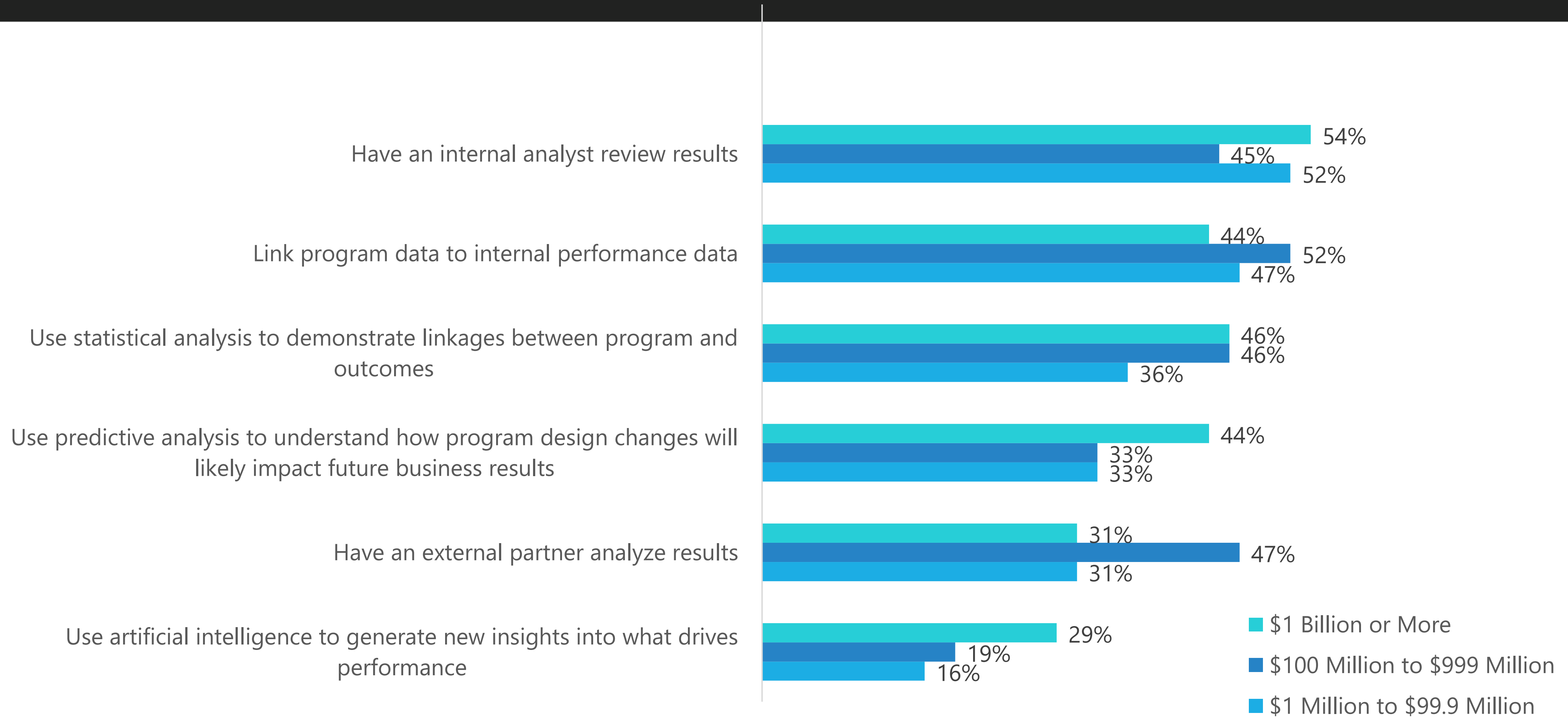
If asked, would you be able to provide detailed analysis that shows how the design of the program needs to be changed to improve results?

Overall, eight-in-ten (82%) say detailed analysis would guide investment decisions, if available



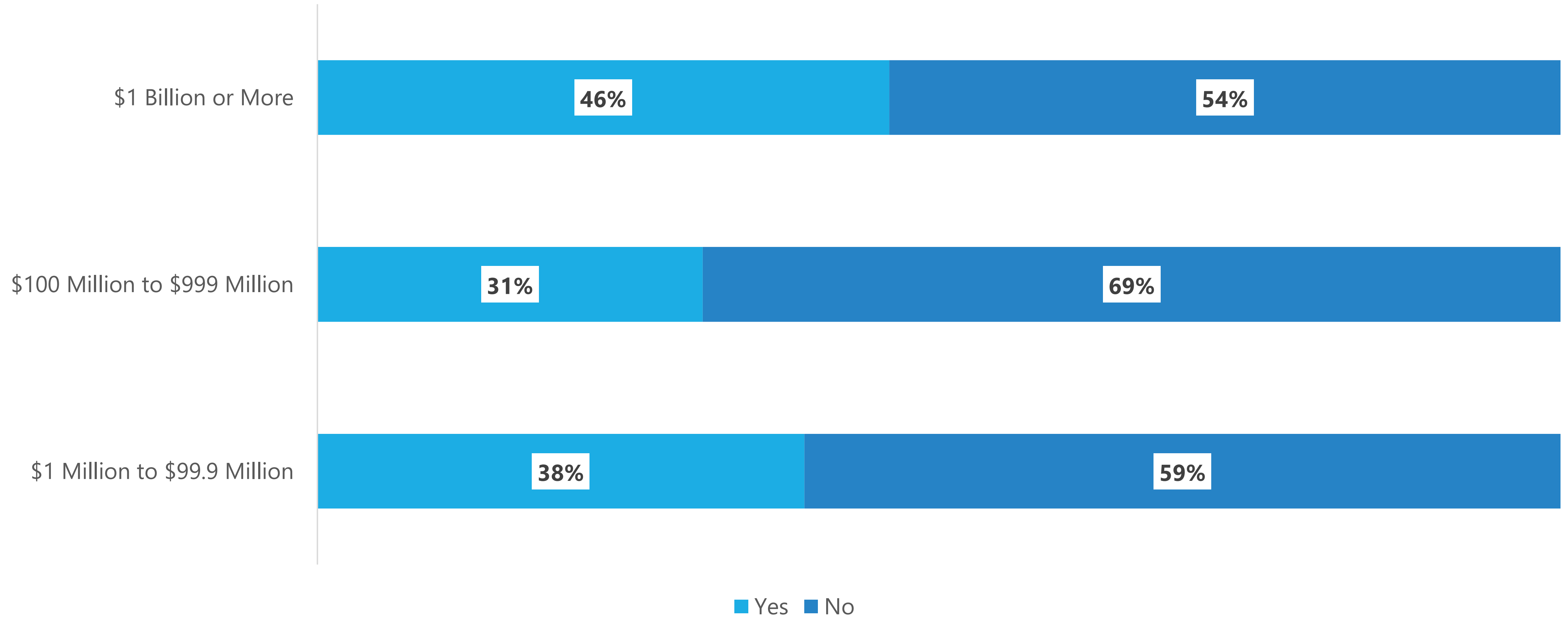
Would your ability to provide this detailed analysis convince executives to invest more in the program, if needed?

While companies take a variety of approaches to producing analysis, they are most likely to have an internal analyst review results and link to internal data



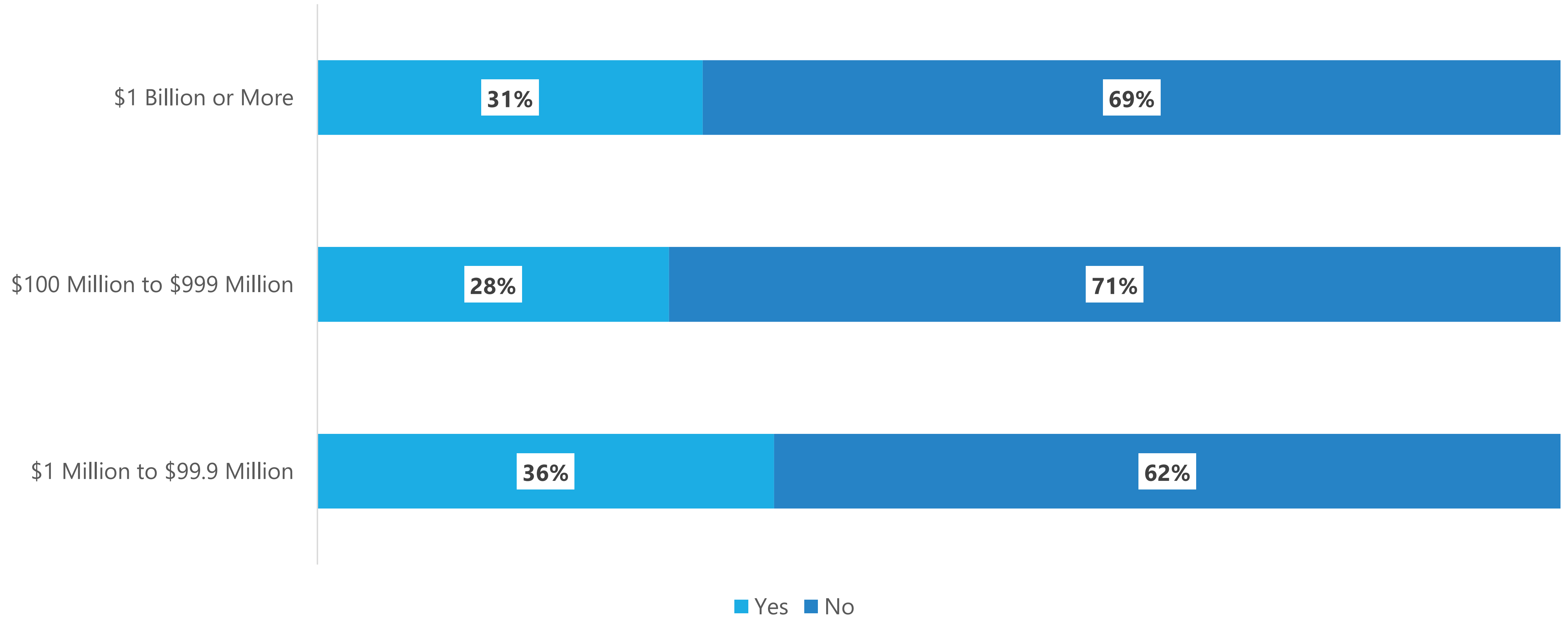
Which of the following do you do as part of evaluating your program? Select all that apply.

Only 1/3 (36%) work with an outside agency to support incentive/rewards programs



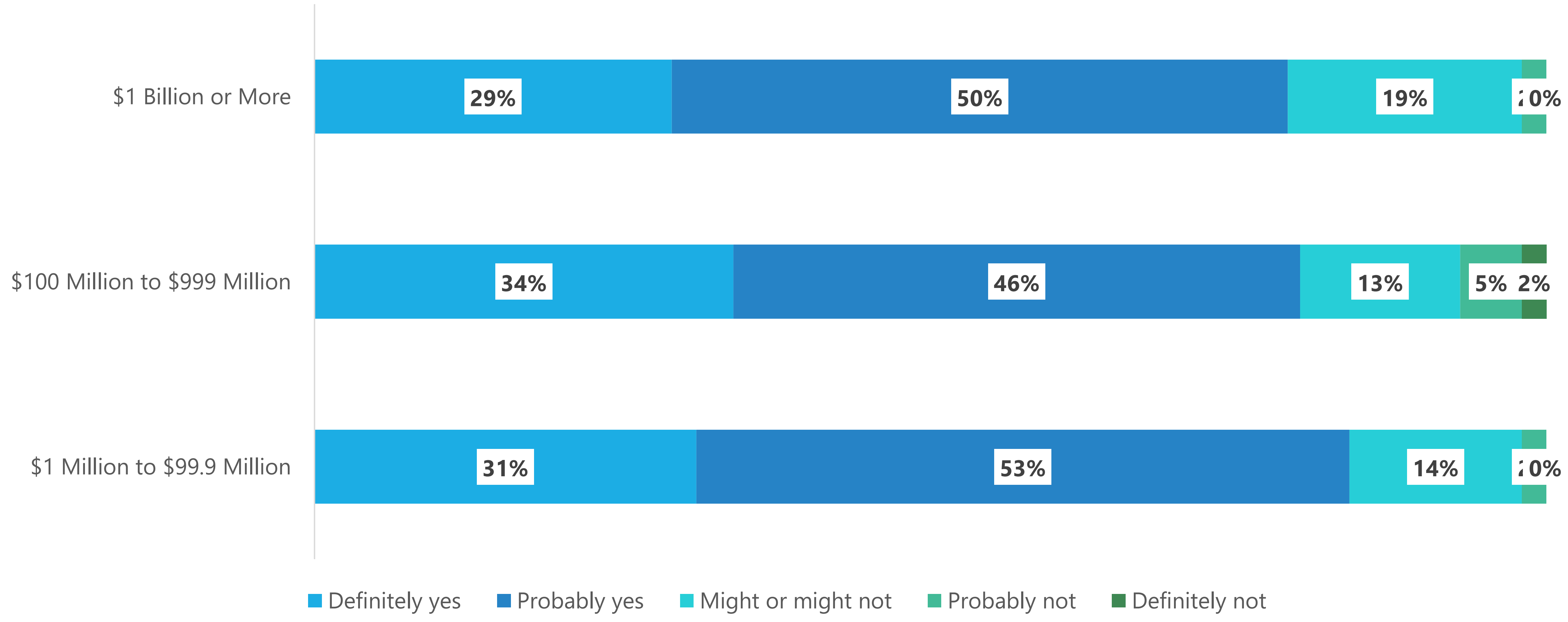
Do you work with an outside agency to support your incentives/rewards programs?

Similarly, only 1/3 (31%) of companies work with external consultants to evaluate their programs



Do you currently work with an external consultant or agency to help with the analysis of your non-cash reward and recognition program(s)?

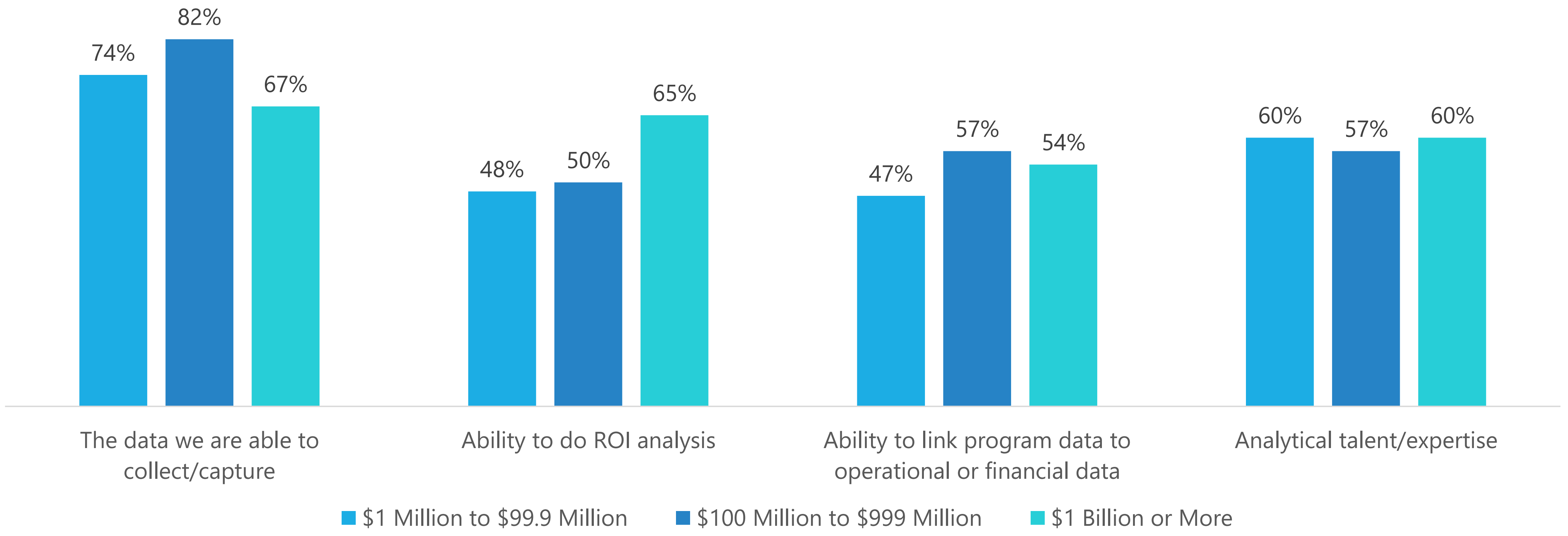
Despite relatively low usage, eight-in-ten (81%) believe an external partner could produce insight to improve program results



Do you believe an external partner is able to provide analysis and insights that improves the results from your program?

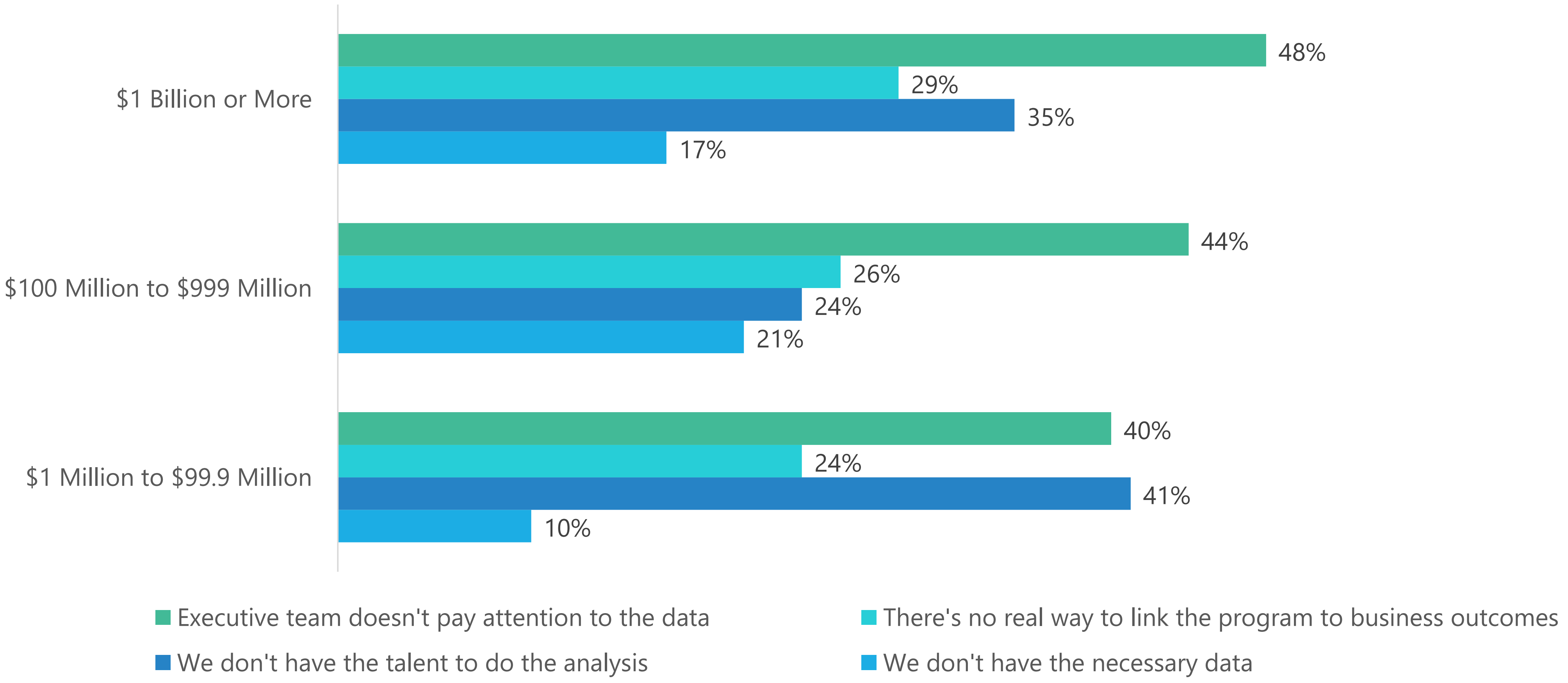
Program Analysis: Challenges & Opportunities

While companies see many areas of opportunity for improvement in their program analysis, 76% would like to improve the data they collect/capture.



Which of the areas below would you like to improve for the programs you run? (Select all that apply.)

Lack of executive attention is the biggest challenge across company size (44%); similar to last year



What are the main challenges you have when it comes to measuring the success of these programs?

IRF
Incentive Research Foundation

While there is no consensus answer, companies are interested in a number of more specific measurement capabilities

Productivity

Sick/late days

Impact of changing the benefit levels

Morale/ engagement

Turnover rate

Employee feelings about the program

"Award costs vs. vacancy rate"

Performance evaluations

Customer relationships

ROI

In addition to the data and analysis you're able to produce today, what other analysis would be MOST HELPFUL to you and your company?