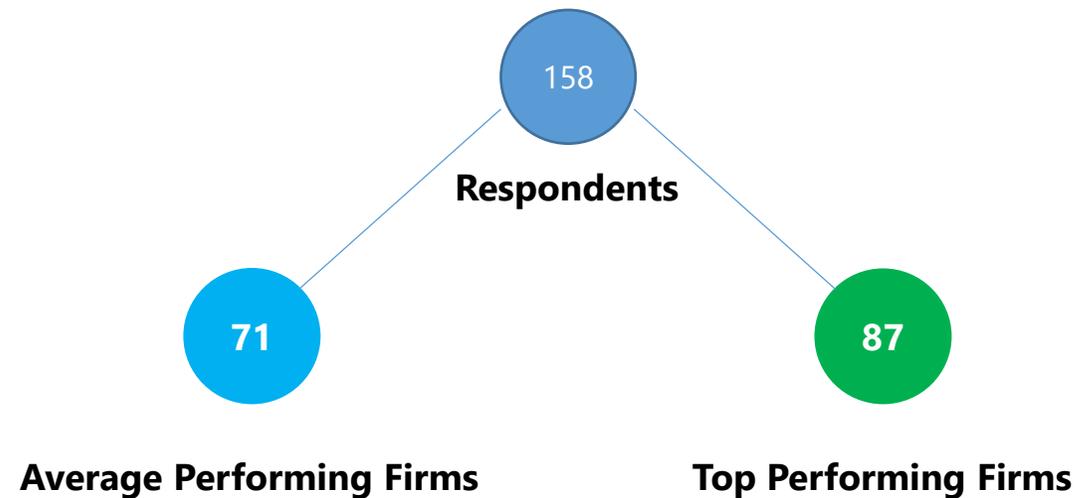


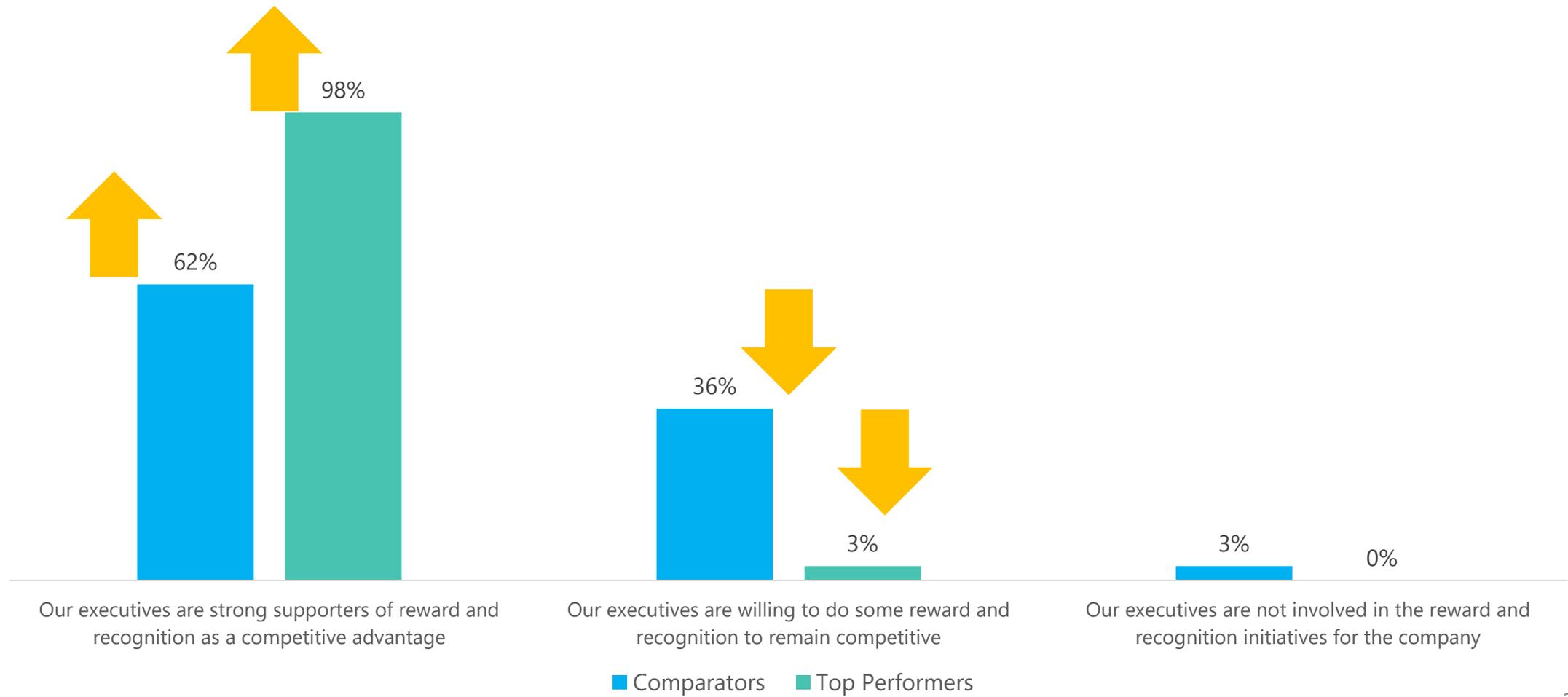
MANUFACTURING SECTOR FINDINGS



Executive Sponsorship Key Findings

- While there is still a large gap between Top Performers and Comparators, both groups have increased in the percentage who say their executives are 'strong supporters of reward and recognition as a competitive advantage' (e.g., Top Performers increasing from 81% to a 98% and Comparators moving from 39% 62%.)
- These data suggest near universal recognition that top performing executives see reward and recognition as a competitive advantage.

Executive Sponsorship

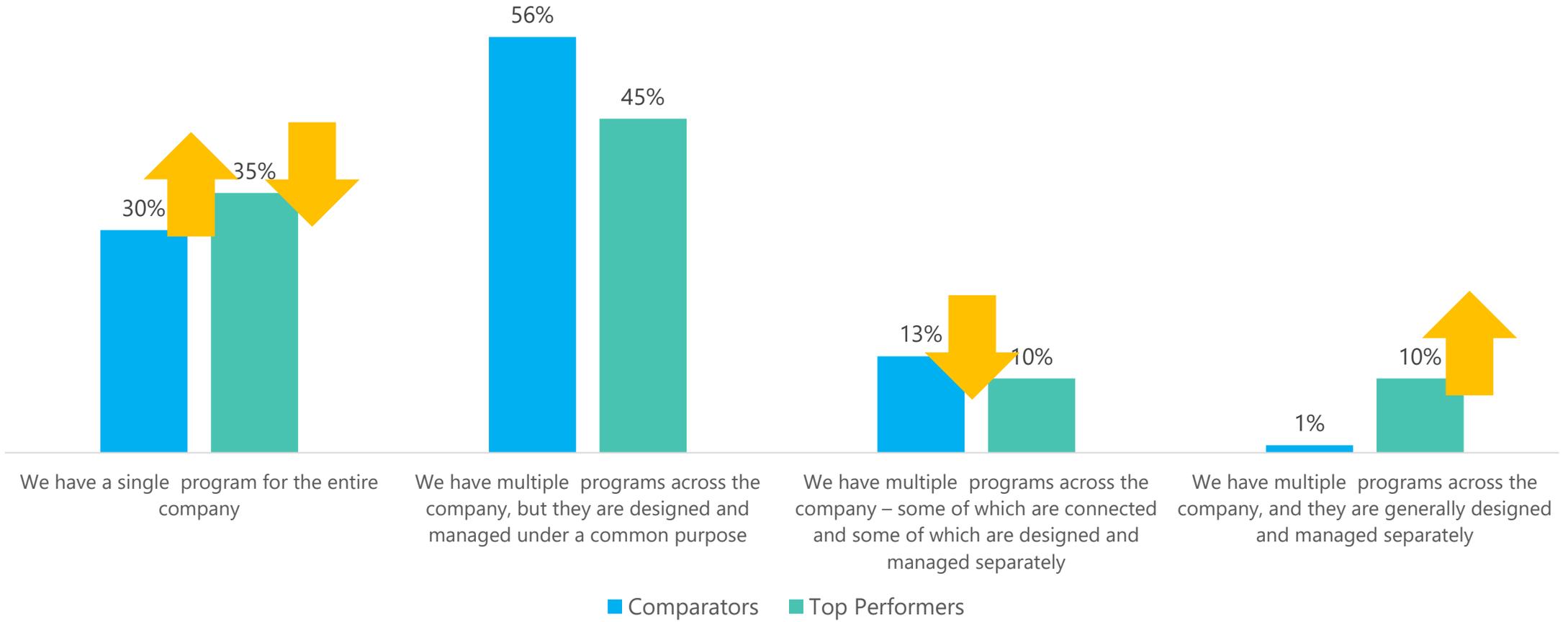


Which of the below best describes the executive sponsorship of reward and recognition programs in your company?

Program Connectivity

- In last year's study, only 17% of the Comparator group had a single recognition program for the entire company. The number has now increased to 30%.
 - Last year the percentage for Top Performers who had a single program was 44%; this year the percentage is 35%.
 - While this decline is within the margin of sampling differences from the previous wave, this type of decline is consistent across the broader findings.

Program Connectivity

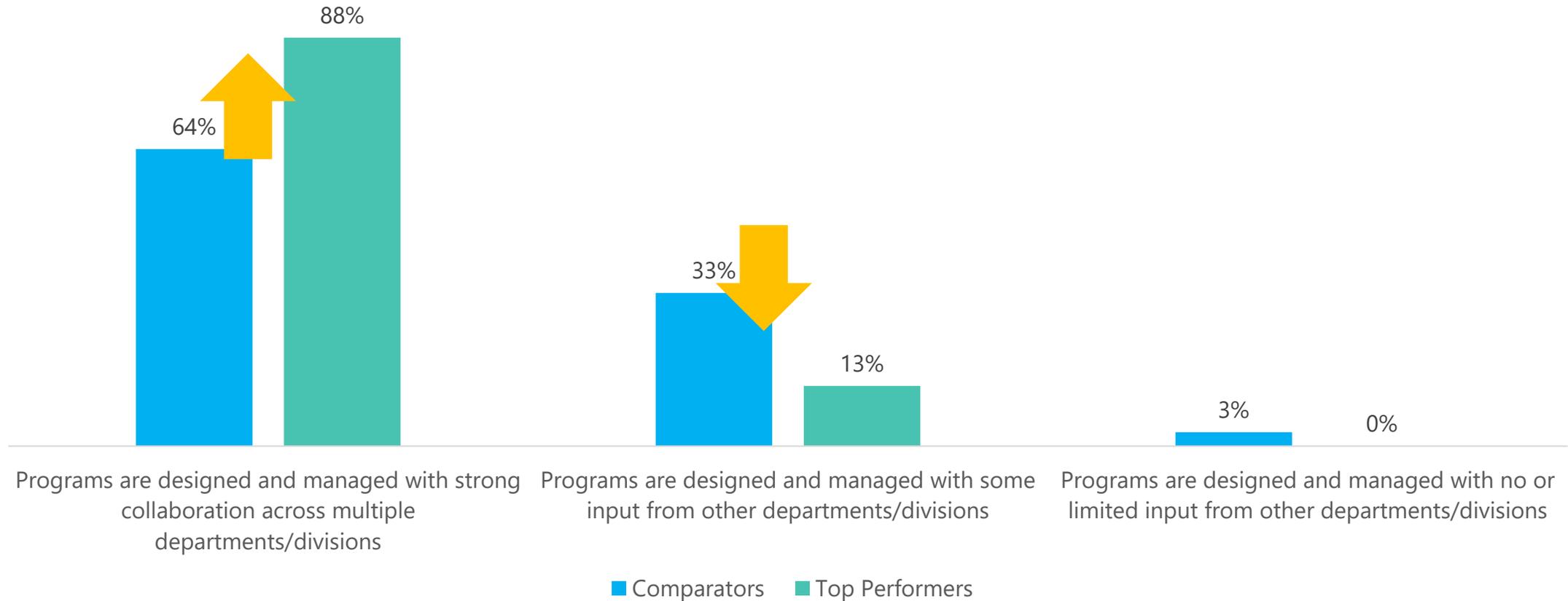


Which of the descriptions below best describes your programs?

Program Design Collaboration

- The percentage of Comparators who design programs with strong collaboration across multiple departments has increased since last year from 39% to 64%, while the percentage of Top Performers who collaborate on design remained stable (e.g., 85% last year, 88% this year.)
- Program collaboration is still more associated with Top Performers than Comparators, but the gap is closing.

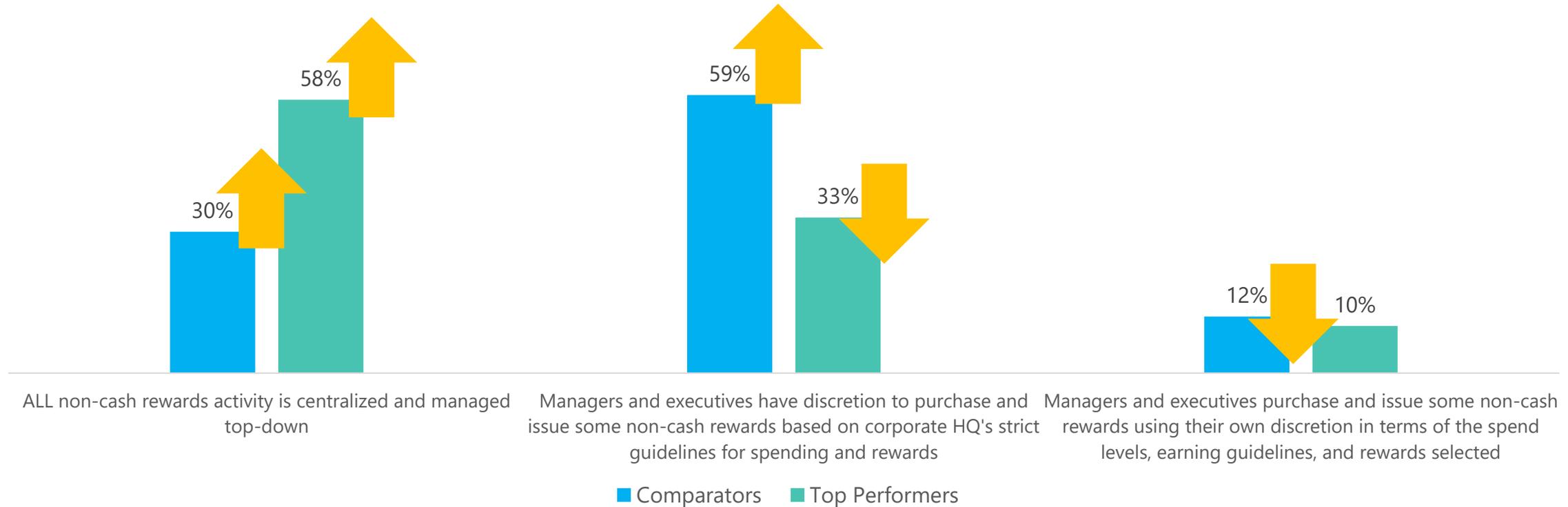
Program Design Collaboration



Program Command and Control

- The percentage who manage a centralized non-cash rewards program from the top down has increased for both Top Performers and Comparators.
 - Top down control increased for Top Performers from 45% to 58% and for Comparators from 21% to 30%.
 - Centralized program management is still associated more with Top Performers than Comparators.

Program Command & Control

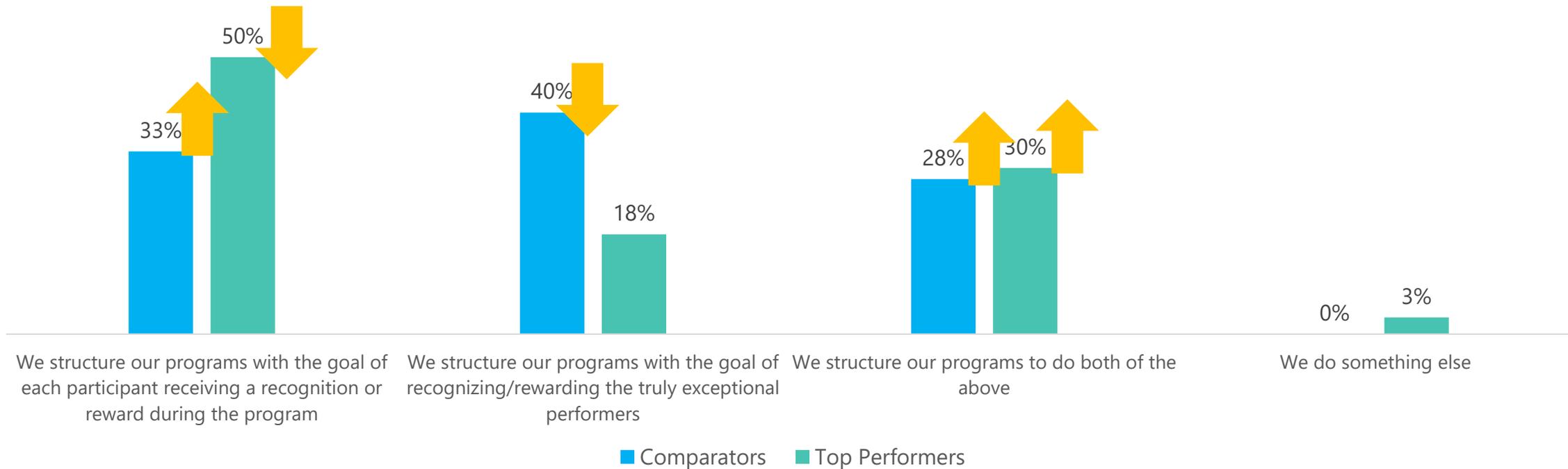


To the best of your knowledge, which of the below most accurately describes non-cash rewards activity at your company?

Program Reward Reach

- Within the manufacturing sector, more are structuring their programs with the dual purpose of both recognizing each participant as well as providing special recognition for truly exceptional top performers than the previous year.
 - Top Performers increased this dual-purpose reach from 8% to 30%, while Comparators raised this dual approach from 18% to 28%.
- By and large, however, there is a distinction between Top Performers and Comparators in that Top Performers are much more likely to structure programs with the goal of each participant receiving recognition and reward, while Comparators are much more likely to focus on only those truly top performers getting recognized and rewarded.

Program Reward Reach

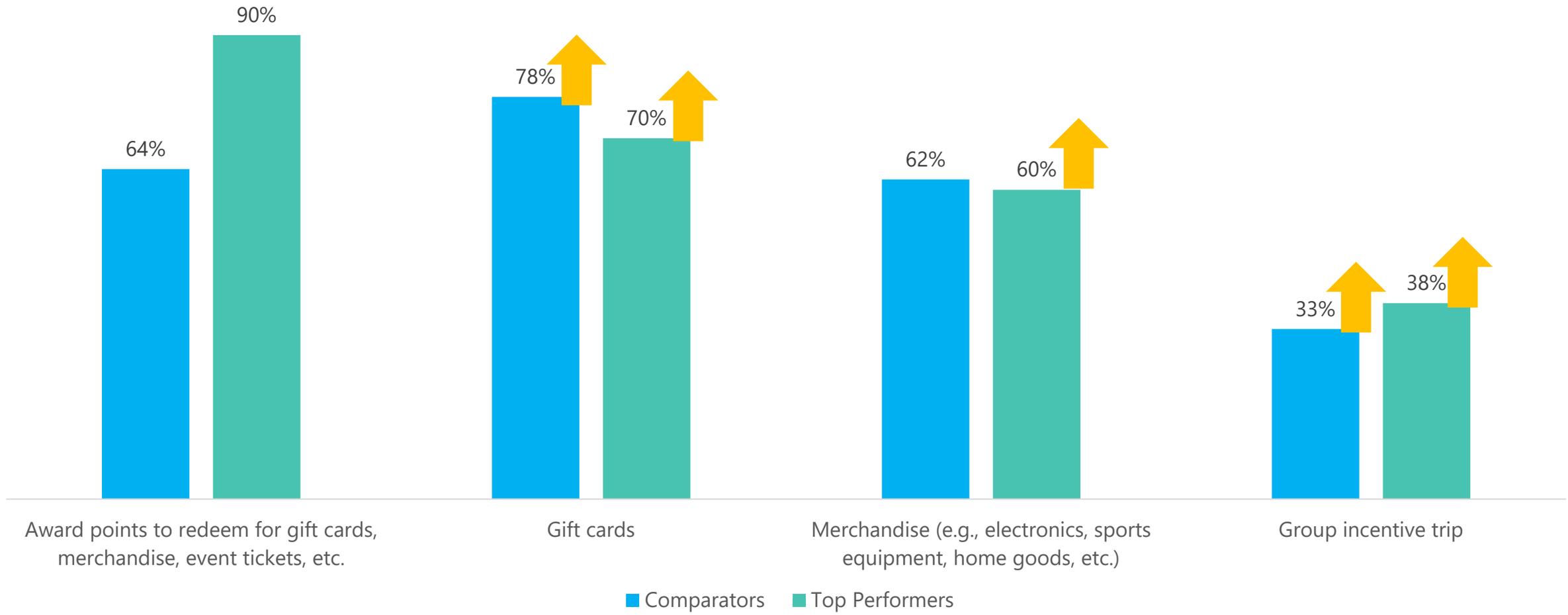


Which of the options below best describes your company's approach when designing the rules for your programs?

Reward Types

- Gift cards and group incentive trips have increased within the manufacturing sector for both Top Performers and Comparators.
 - The percentage of Top Performers offering gift cards increased from 47% to 70%, while the percentage of Comparators went up from 69% to 78%.
 - Top Performers offering incentive trips went from 20% to 38%, while Comparators offering incentive trips went up from 24% to 33%.
- Top Performers offering merchandise went up from 44% to 60%, while the incidence of Comparators offering merchandise went down slightly from 69% to 62%.
- Similar to the previous wave, the one area where Top Performers truly distinguish themselves is in offering award points.
 - 90% of Top Performers offer award points, compared to only 64% of Comparators.

Reward Types

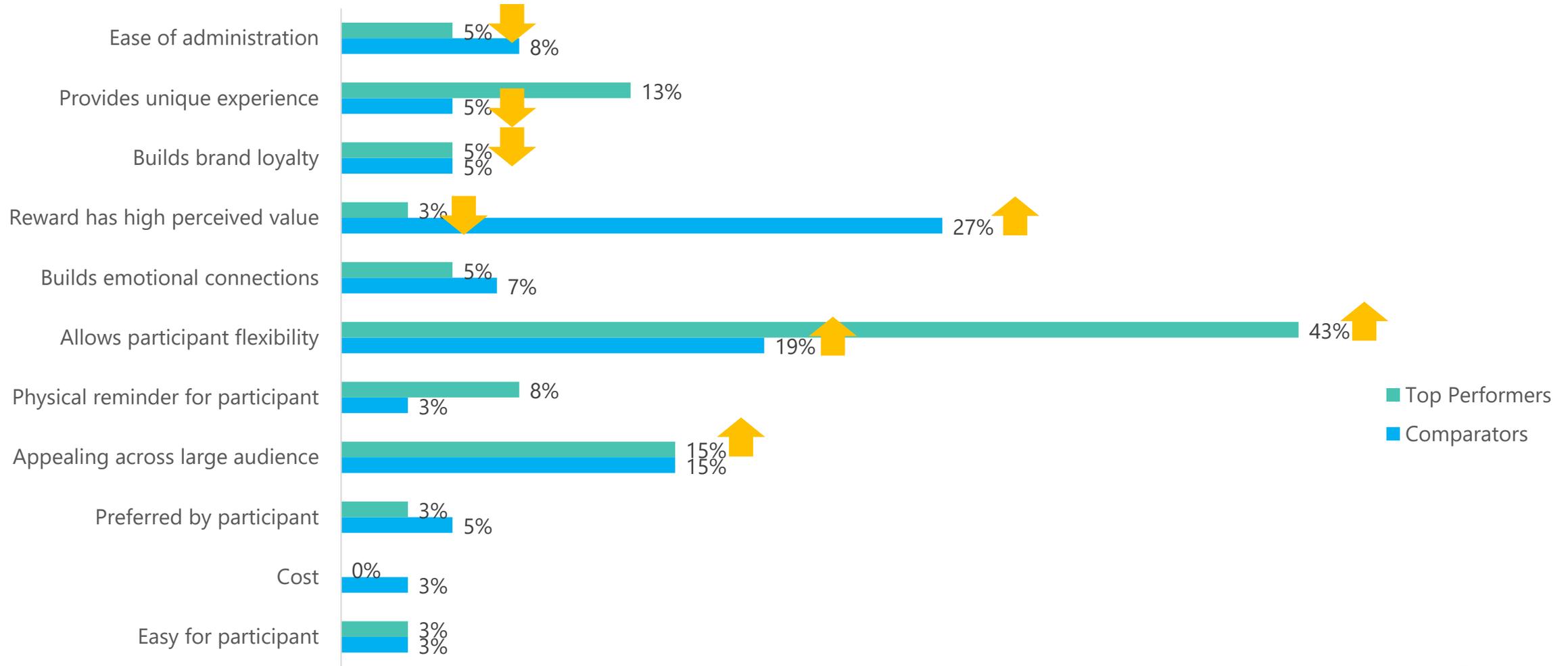


Which of the below are rewards participants can earn in your programs?

Priorities for Tangible Rewards

- A key differentiator between Top Performers and their Comparators is the priority placed on *flexibility* of tangible rewards.
 - Top Performers were nearly twice as likely to list this as their most important consideration (43%) when giving merchandise or gift cards vs. Comparators (19%).
 - Comparators were much more concerned that rewards had high perceived value as this was most likely to be named as their top priority (27%) compared to Top Performers (only 3%).
- The data suggest Top Performers understand that personal relevance of the reward is more important than the perceived cash value.

Priorities for Tangible Rewards

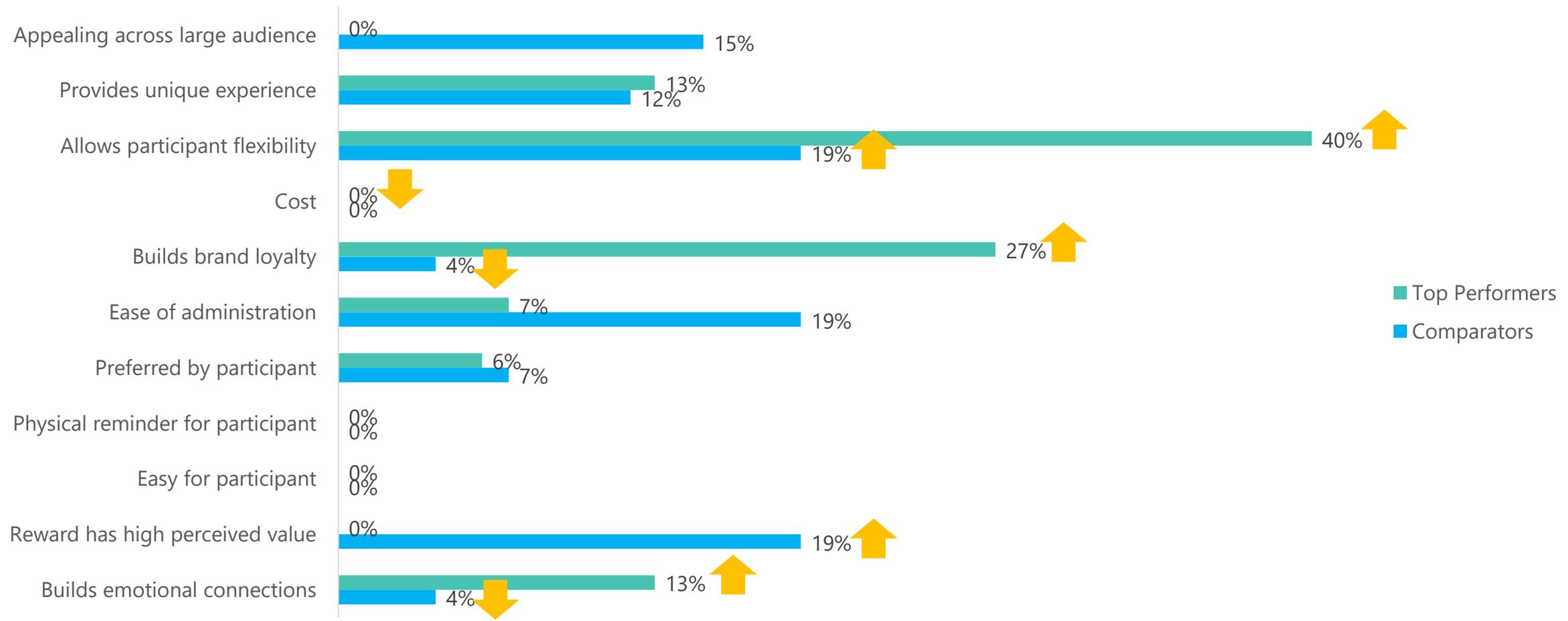


When selecting MERCHANDISE or GIFT CARD rewards for your programs, which of the below are the most important and least important?

Priorities for Incentive Travel

- Similarly, participant flexibility is a much greater priority for designing incentive travel programs, contrasting Top Performers with Comparators.
 - Participant flexibility was the top priority for 40% of Top Performers vs. only 19% of Comparators.
 - Once again, having high perceived value was the number one priority for 19% of the Comparators as opposed to only 0% of Top Performers.
 - Top Performers also place a much higher priority on generating brand loyalty through the incentive travel experience with 27% indicating this as their most important consideration as opposed to only 4% of Comparators.

Priorities for Incentive Travel

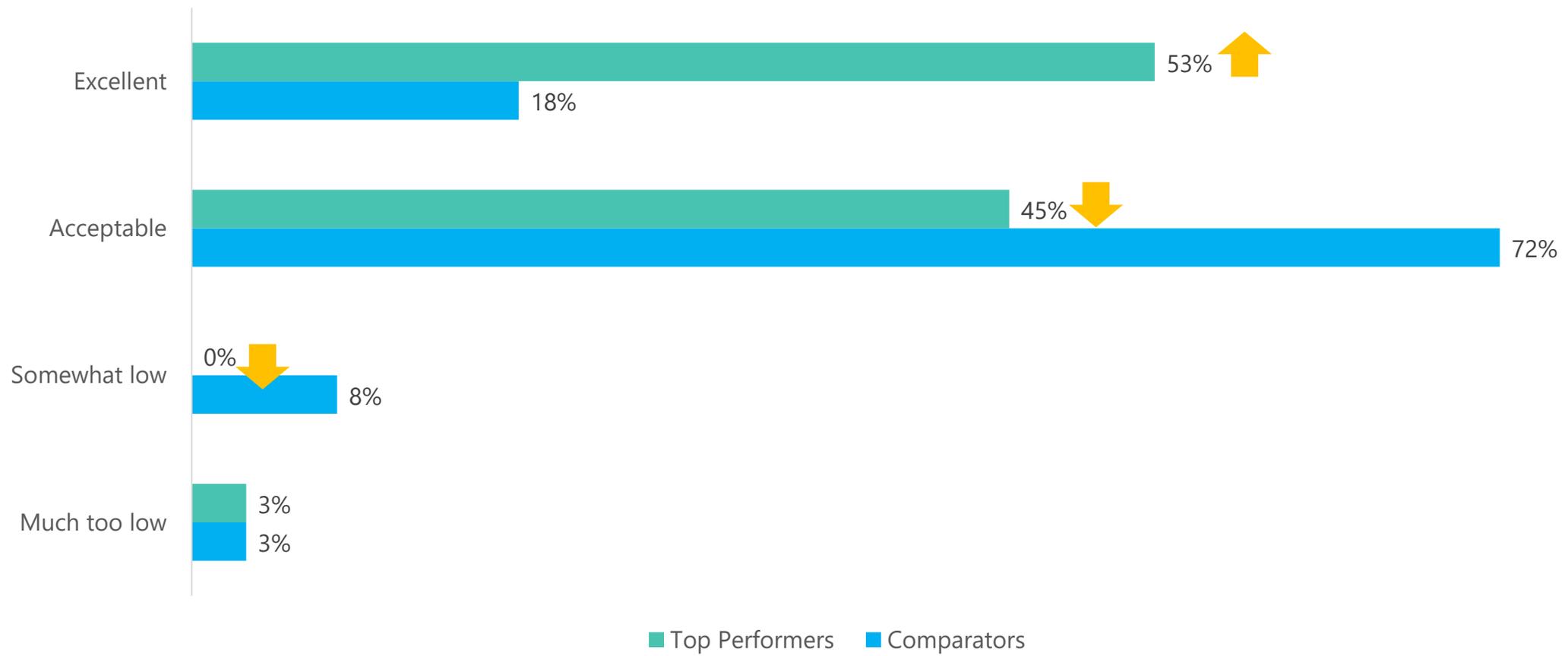


When designing GROUP INCENTIVE TRIPS for your programs, which of the below are the most important?

Program Assessment: Staffing to Support Program

- Top Performers are more than twice as likely as Comparators to rate the staffing support of their programs as excellent (53% to 18%)
 - This represents a significant increase from the previous wave when only 16% of Top Performers described staff support as 'excellent', and most (71%) described staffing support as 'acceptable'.

Program Assessment: Staffing to support program

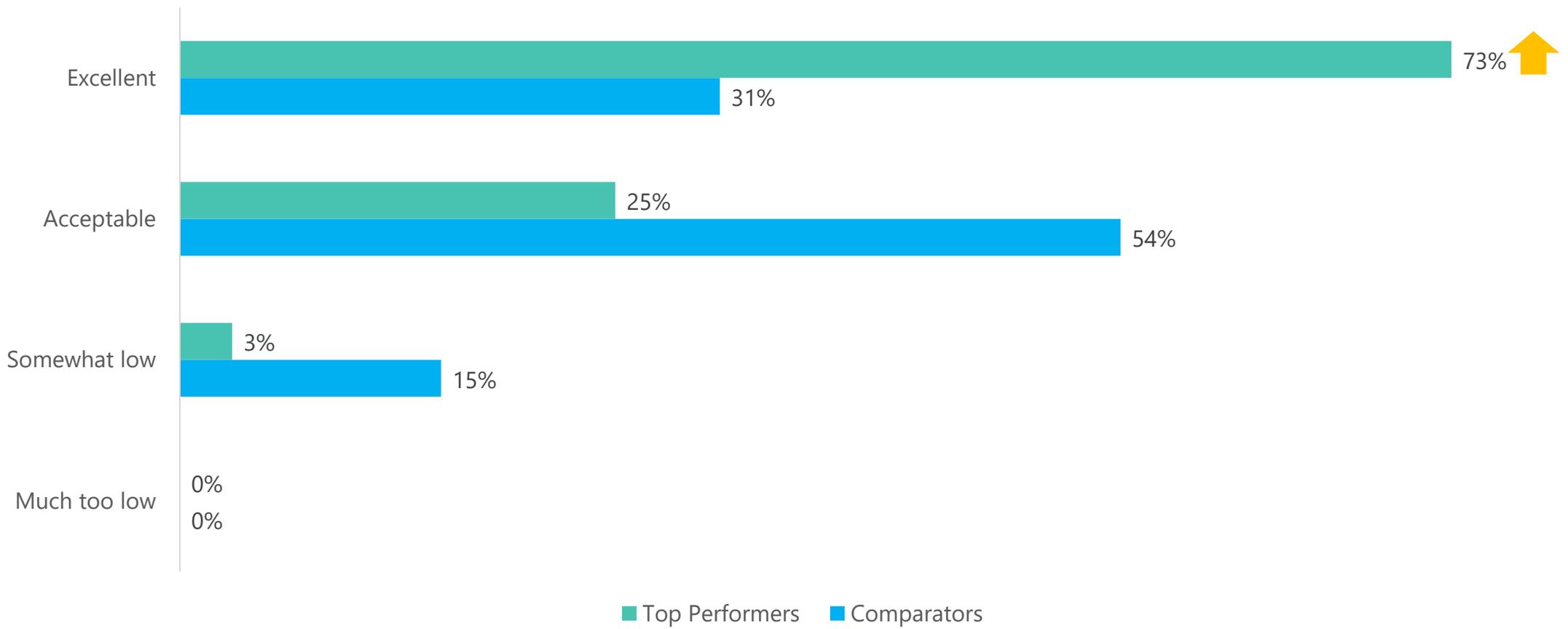


For each line item below, please indicate your assessment of your programs.

Program Assessment: Executive Support of Program

- Top Performers that described executive support as 'excellent' increased from 58% to 73%, further widening the difference between themselves as Comparators, among whom only 31% described executive support for non-cash incentive programs as 'excellent.'

Program Assessment: Executive support of program

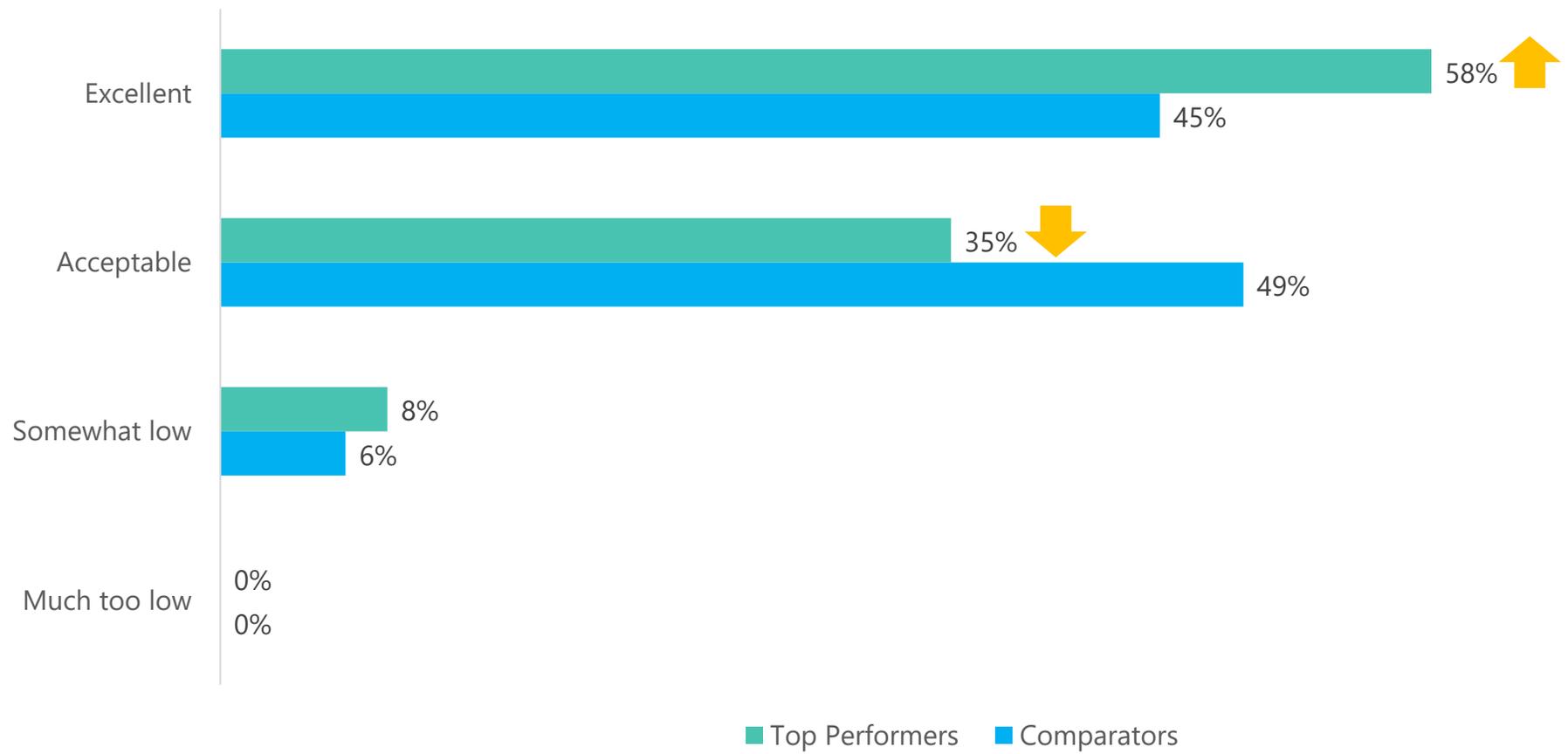


For each line item below, please indicate your assessment of your programs.

Program Assessment: Alignment to Corporate Goals

- This is another area on which Top Performer ratings jumped significantly this year.
 - Last year, 35% described their program's alignment to corporate goals as 'excellent, improving to 58% this year.
 - The gap between Top Performers and Comparators continues to widen as only 45% of Comparators rated alignment to corporate goals as 'excellent.'

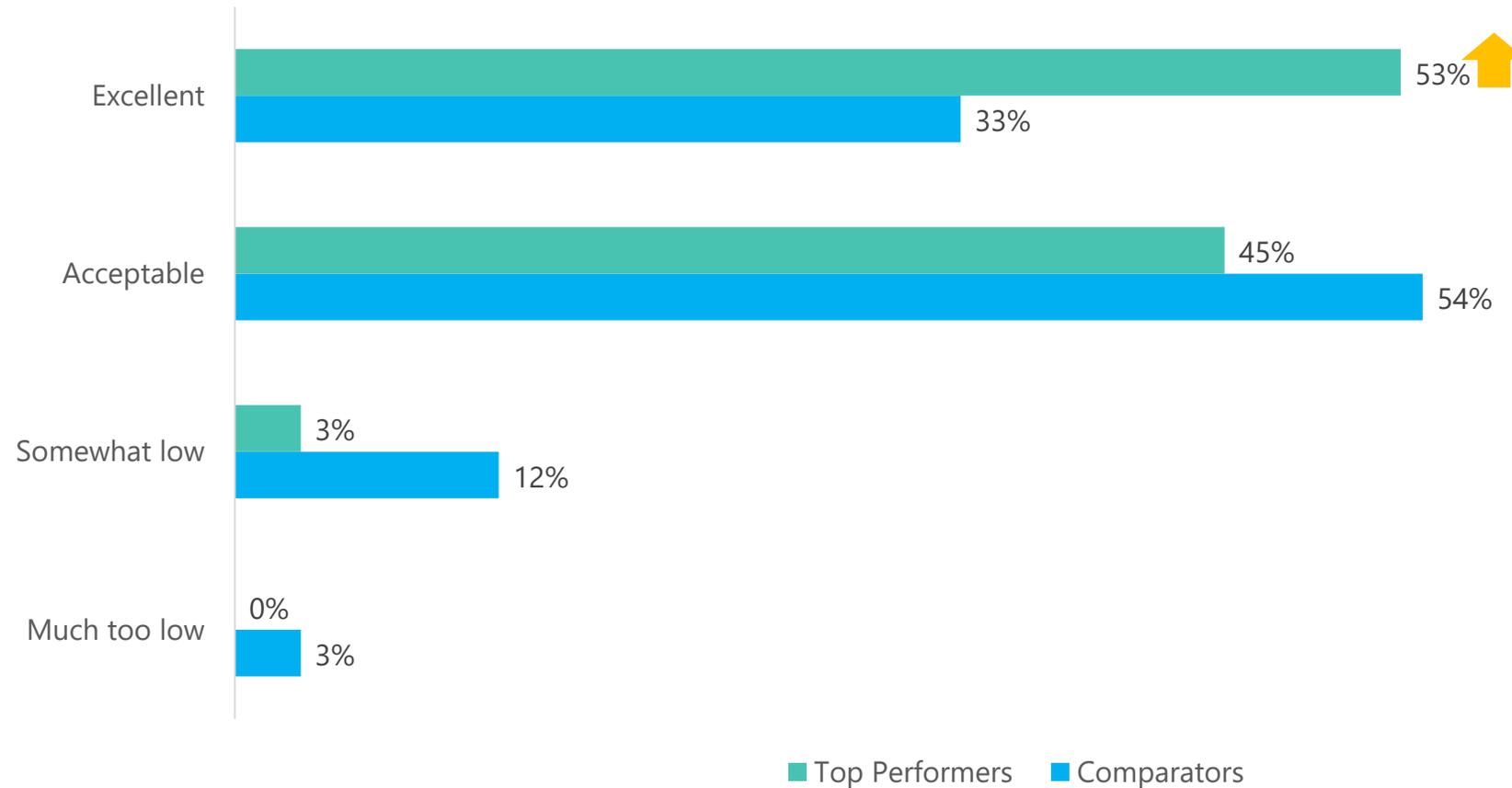
Program Assessment: Alignment to corporate goals



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

- The percentage of Top Performers rating program budget as 'excellent' increased from 43% to 53%, further widening the gap with Comparators, 33% of whom rated their budget as 'excellent', similar to last year's 31%.

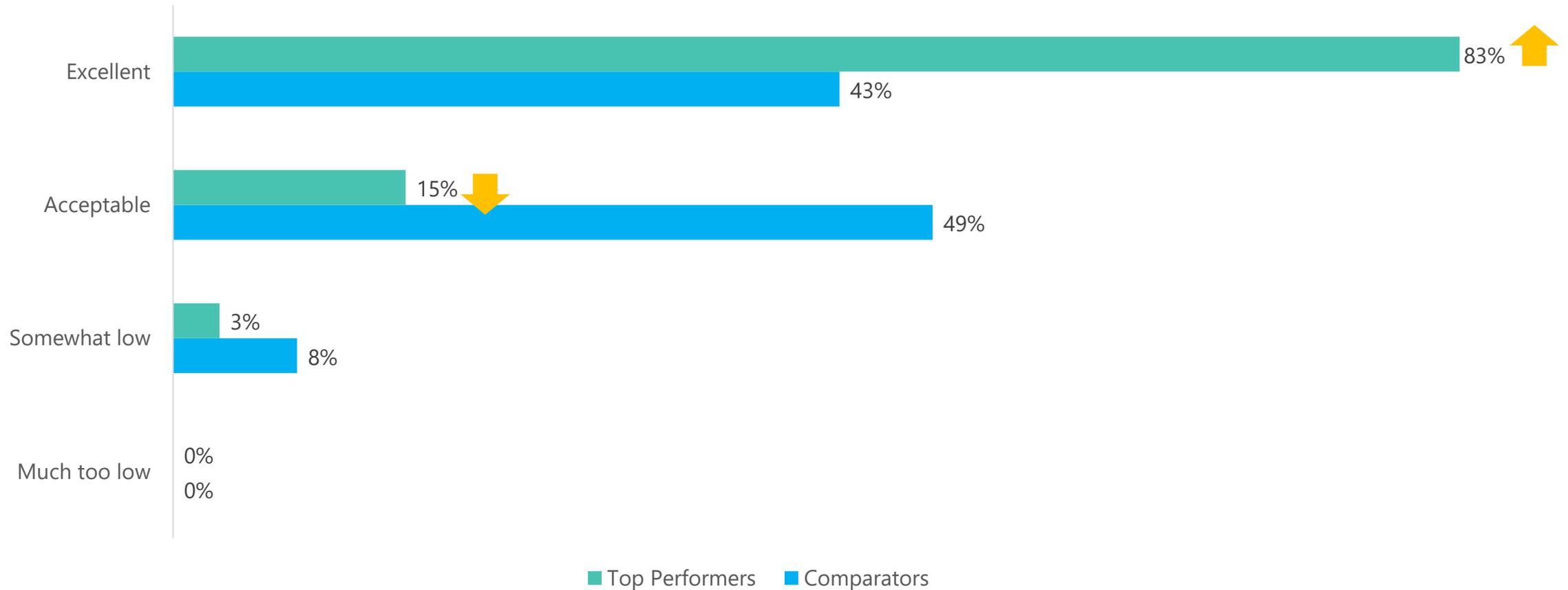
Program Assessment: Budget



Program Assessment: Participation

- Of all the measured increases from the previous year, participation among Top Performers was the largest, with the percentage describing the participation as 'excellent' increasing from 39% to 83%.
 - The increase in Comparators' participation was a bit more modest increasing from 38% to 43% who described participation as 'excellent'.

Program Assessment: Participation

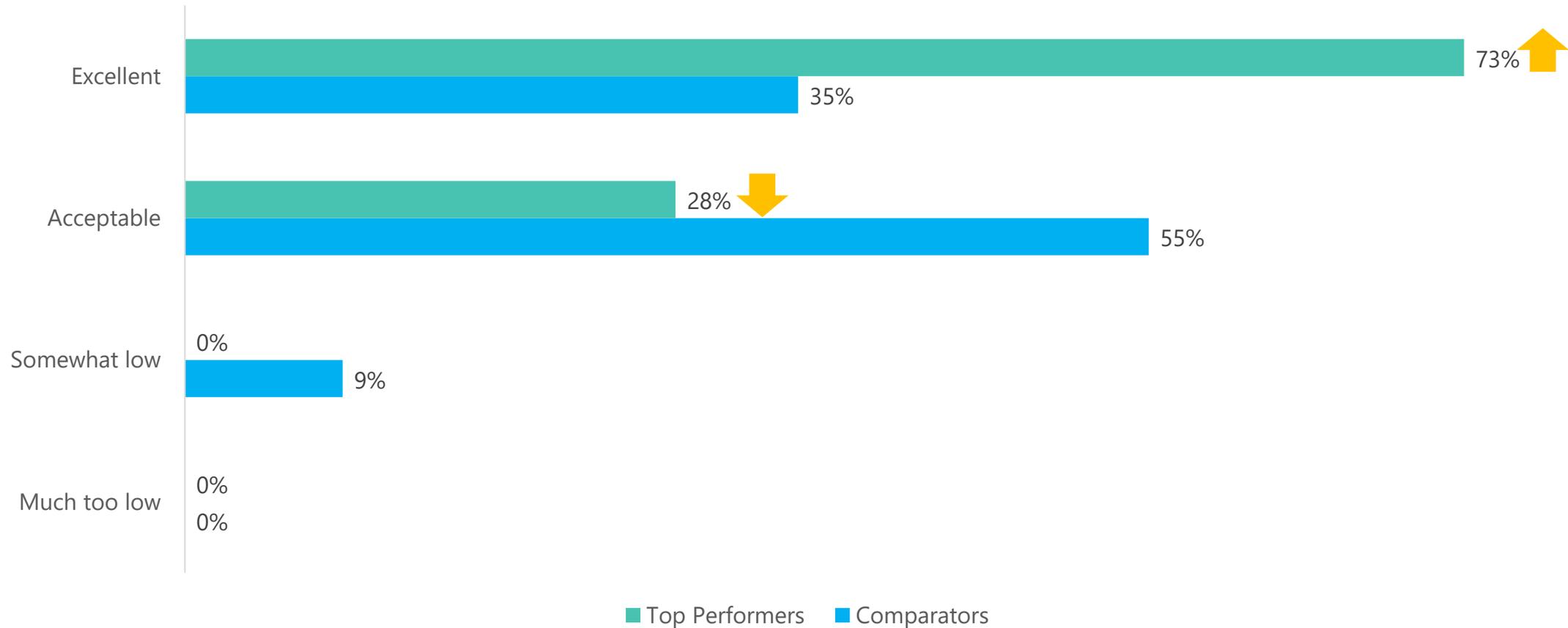


For each line item below, please indicate your assessment of your programs.

Program Assessment: Manager Buy-in

- Manager Buy-in also increased significantly for Top Performers, with the percentage rating manager buy-in as 'excellent' rising from 47% to 73%, while the percentage of Comparators rating manager buy-in as excellent remained relatively stable (39% in 2018, 35% in 2019.)

Program Assessment: Manager Buy-in



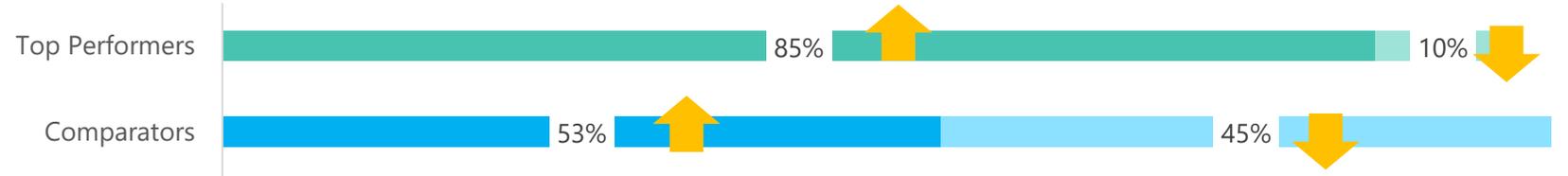
For each line item below, please indicate your assessment of your programs.

Reward and Recognition Perspectives

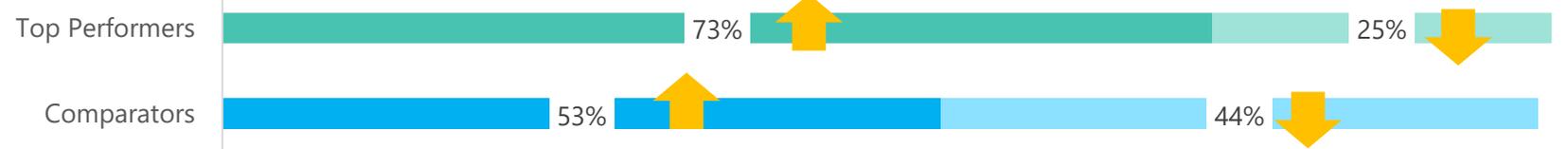
- Top Performers were more likely to hold positive beliefs regarding reward and recognition compared to others.
 - 85% of top performing companies 'strongly agreed' that their executives believed reward and recognition were a critical component to driving company performance compared to only 53% of others.
- One cautionary note, however, is that Top Performers were also more likely to 'strongly agree' that they run some or all of their programs because 'that is what we've always done' compared to others (60% to 36%).
 - This suggests that even top performing companies will sometimes accept their programs because they are simply part of the culture, rather than re-evaluating them each year.

R&R Perspectives

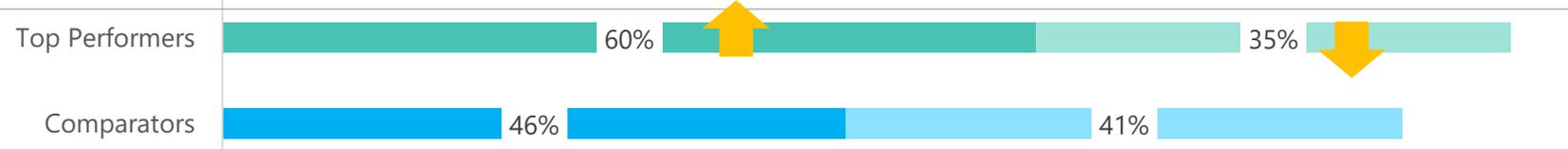
Our executives believe that rewards and recognition are a critical tool in managing the performance of the company.



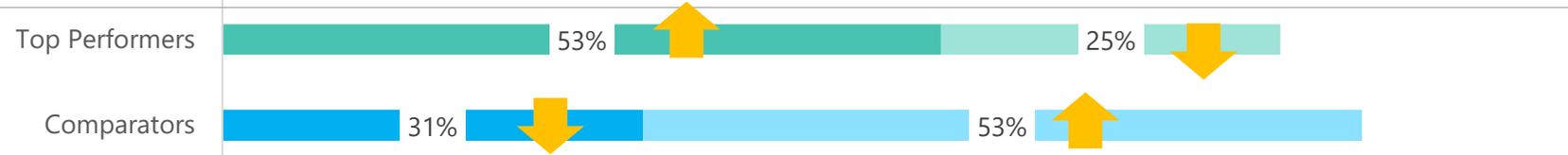
The reward and recognition programs we design and run reflect who we are as a company.



Reward and recognition programs are expected in our industry.



Non-cash rewards are more memorable than cash.



We run some or all of our programs because that is what we've always done.



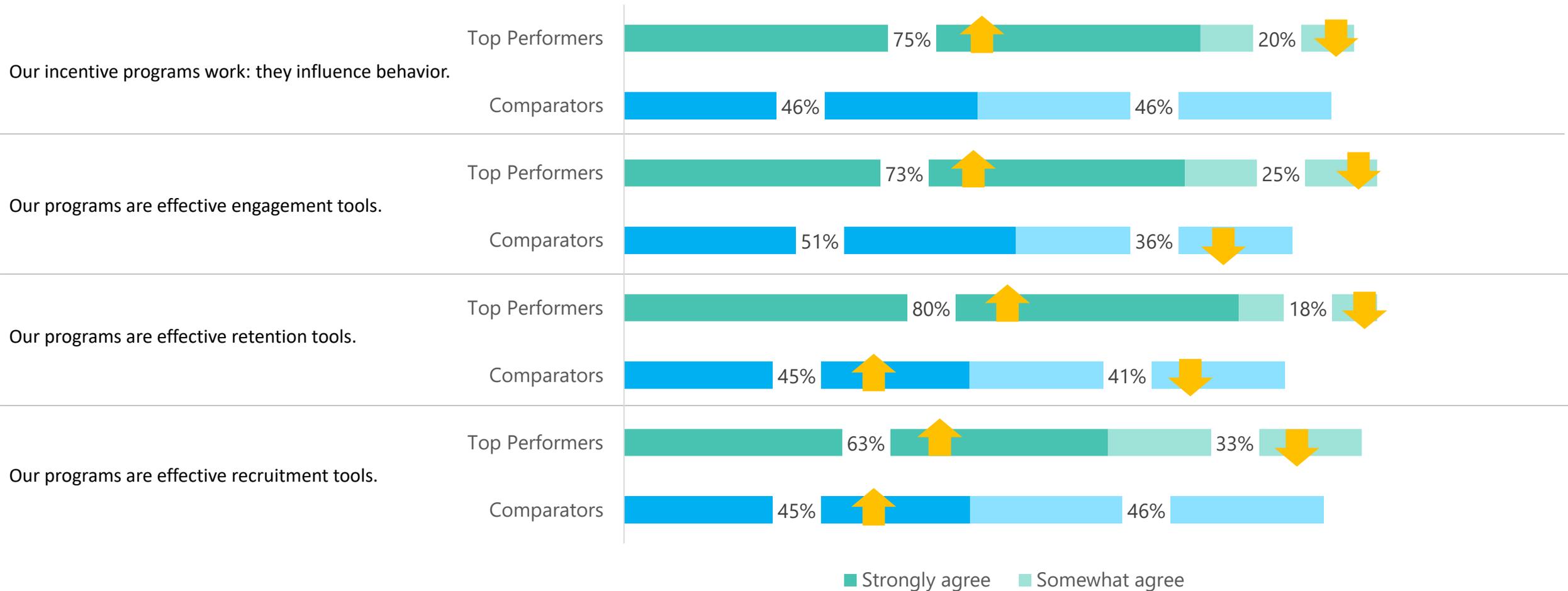
Strongly agree Somewhat agree

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

Reward and Recognition Effectiveness

- Top Performers show large positive gaps compared to Comparators relative to how well they evaluate program effectiveness.
 - The data show that attitudes toward reward and recognition programs have become even more positive for Top Performing manufacturing companies since last year.
 - While Comparators made some gains in program effectiveness, perceptions of effectiveness lag quite a bit behind Top Performers.

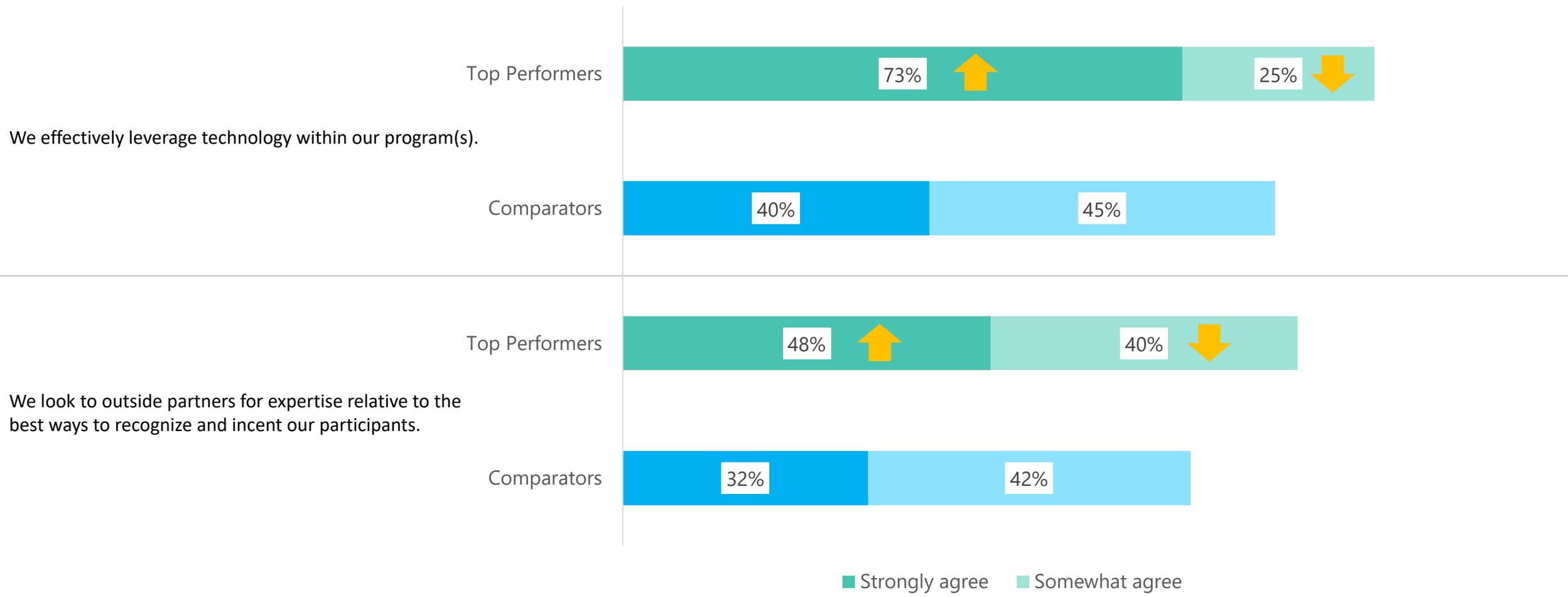
R&R Effectiveness



Reward and Recognition Leverage

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

R&R Leverage



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

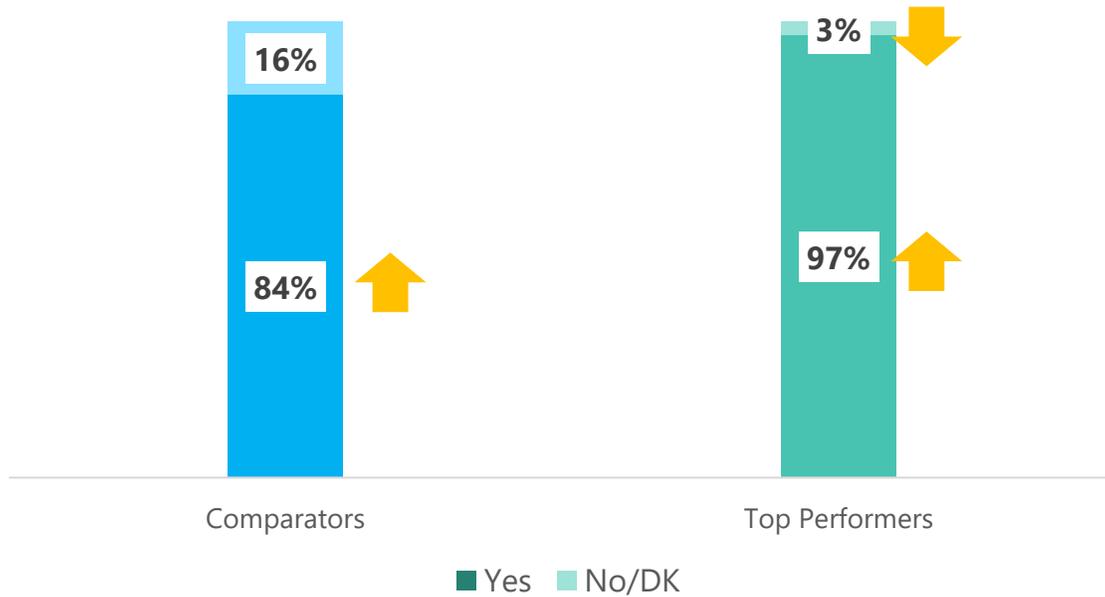
SALES PROGRAMS

Top Performer Group Incentive Trips

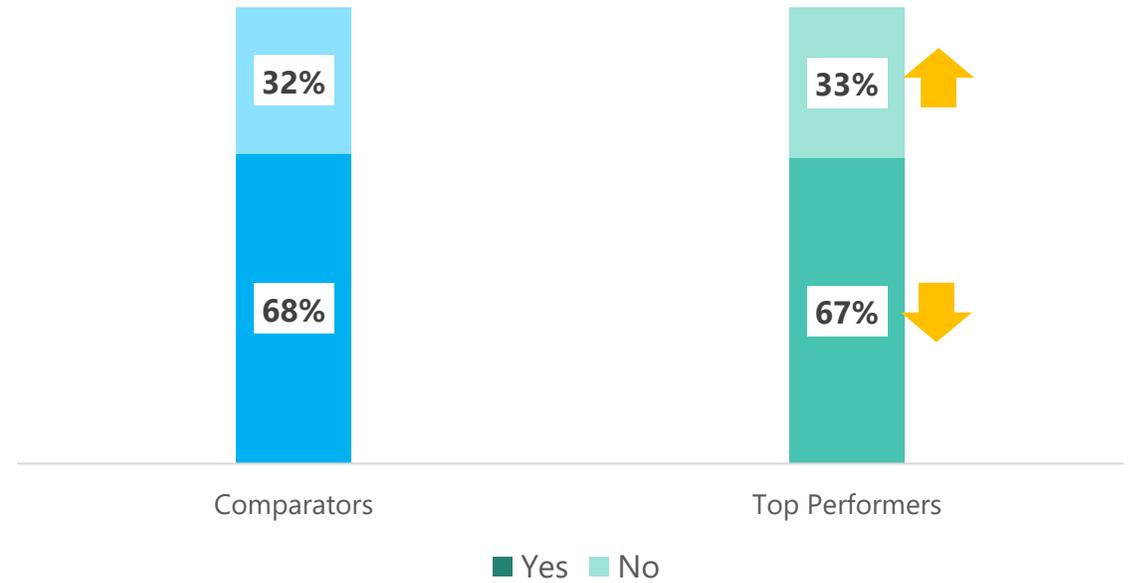
- Last year, there was a relatively even split between Top Performing manufacturing companies (74%) and Comparators (72%) on whether they offered a top performer award to their sales professionals.
 - Although the percentage of Top Performer awards has grown for both, the similarity between groups last year has evolved into an advantage for top performing companies, with 97% of these companies offering a Top Performer award, compared to 84% of the Comparator companies.
 - Within top performer awards, equal numbers of Top Performers and Comparators offer incentive trips (67% Top Performers, 68% Comparators)
 - This means 65% of top performing companies offer their top performing sales professionals an incentive trip, compared to 57% of Comparators.

Top Performer Group Incentive Trips

Program Includes Top Performer Award



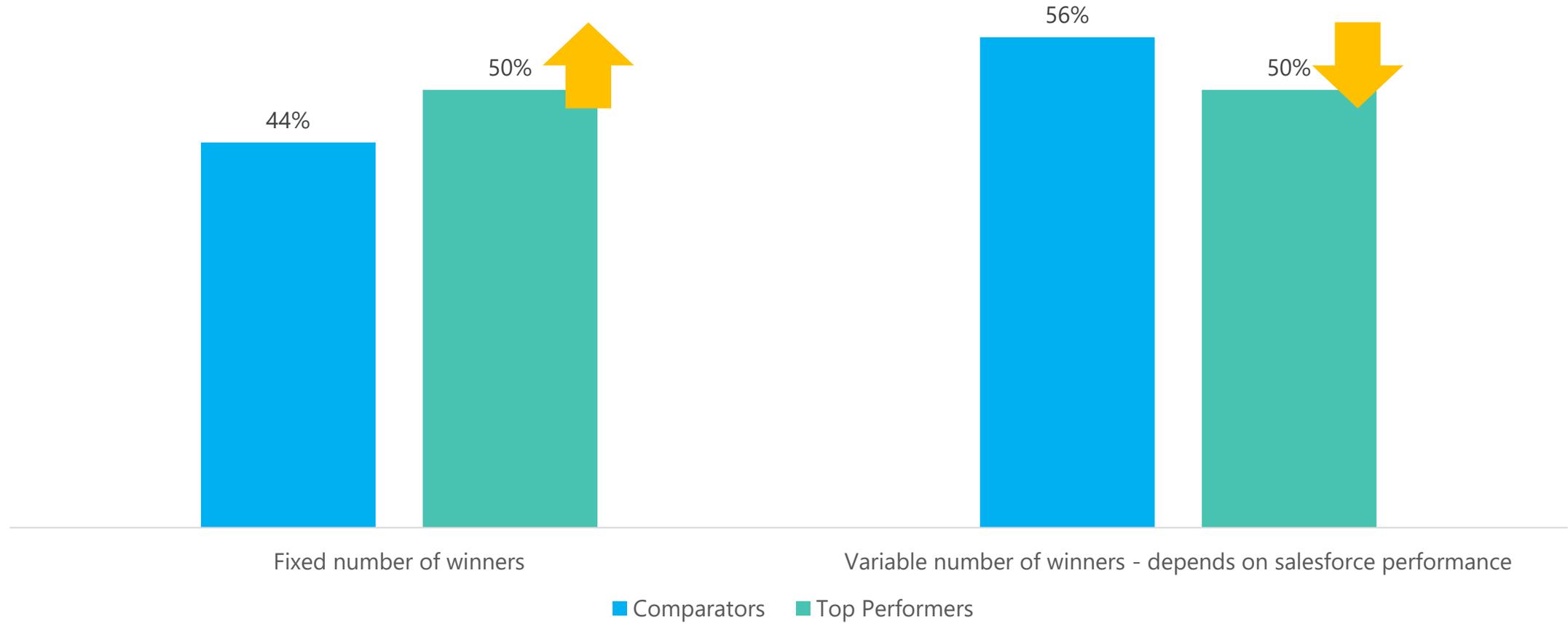
Top Performer Award Includes Group Trip



Limits on Number of Top Performer Trip Winners

- The percentage of 'fixed' winners went up for Top Performers from 41% to 50%.
 - Changes for Comparators were slight, with the percentage of fixed winners going down from 50% to 44% and variable numbers of winners moving from 50% to 56%.
 - Essentially, there is a fairly even split between those who have a fixed number of winners vs. variable winners.

Limits on Number of Top Performer Trip Winners

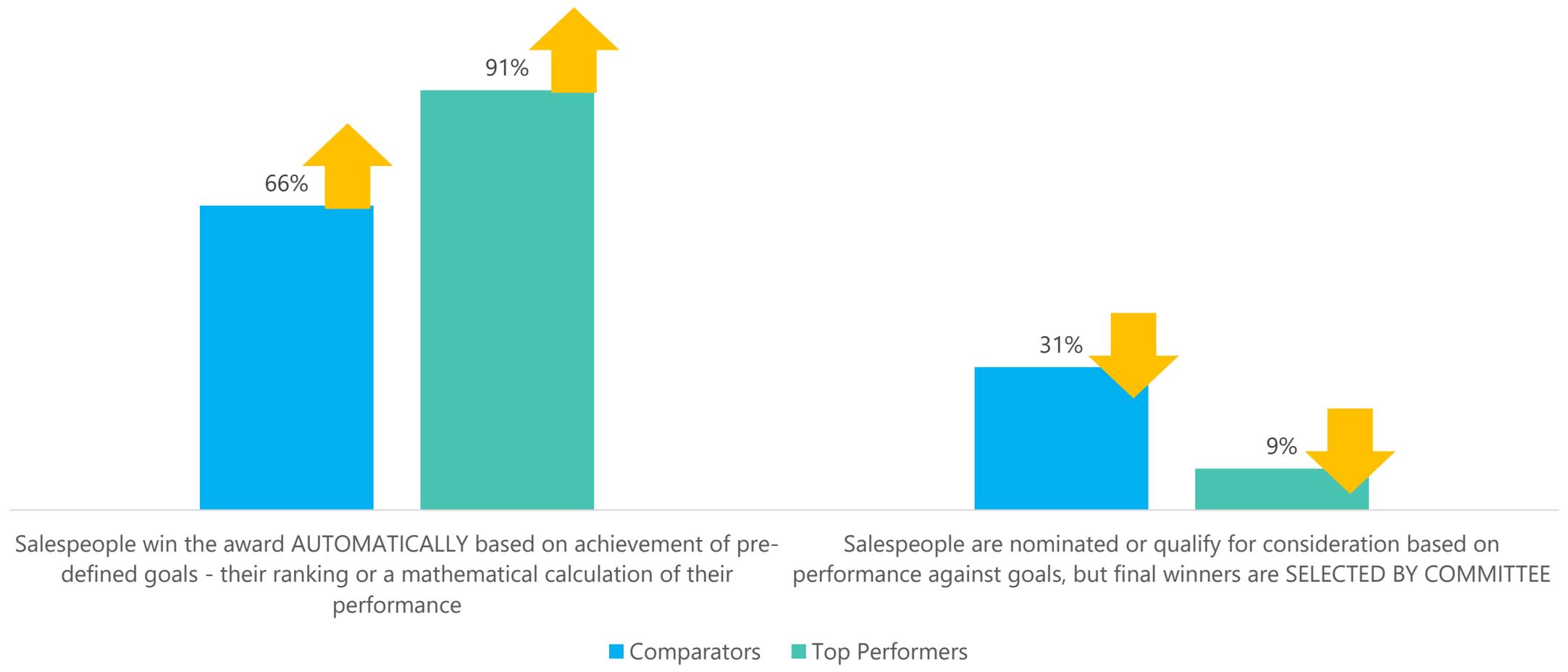


Is the number of Top Performer trip winners set in advance, or does it vary based on the performance of the salesforce?

Objective Qualification: Top Performer Sales Incentive Trip

- Among Top Performing companies, 91% automatically win sales incentive awards based on achievement of pre-determined goals, compared to only 66% of Comparator companies.
 - Both groups increased the percentages who automatically win based on pre-defined criteria, moving more away from selection by a committee.

Objective Qualification: Top Performer Incentive Trip

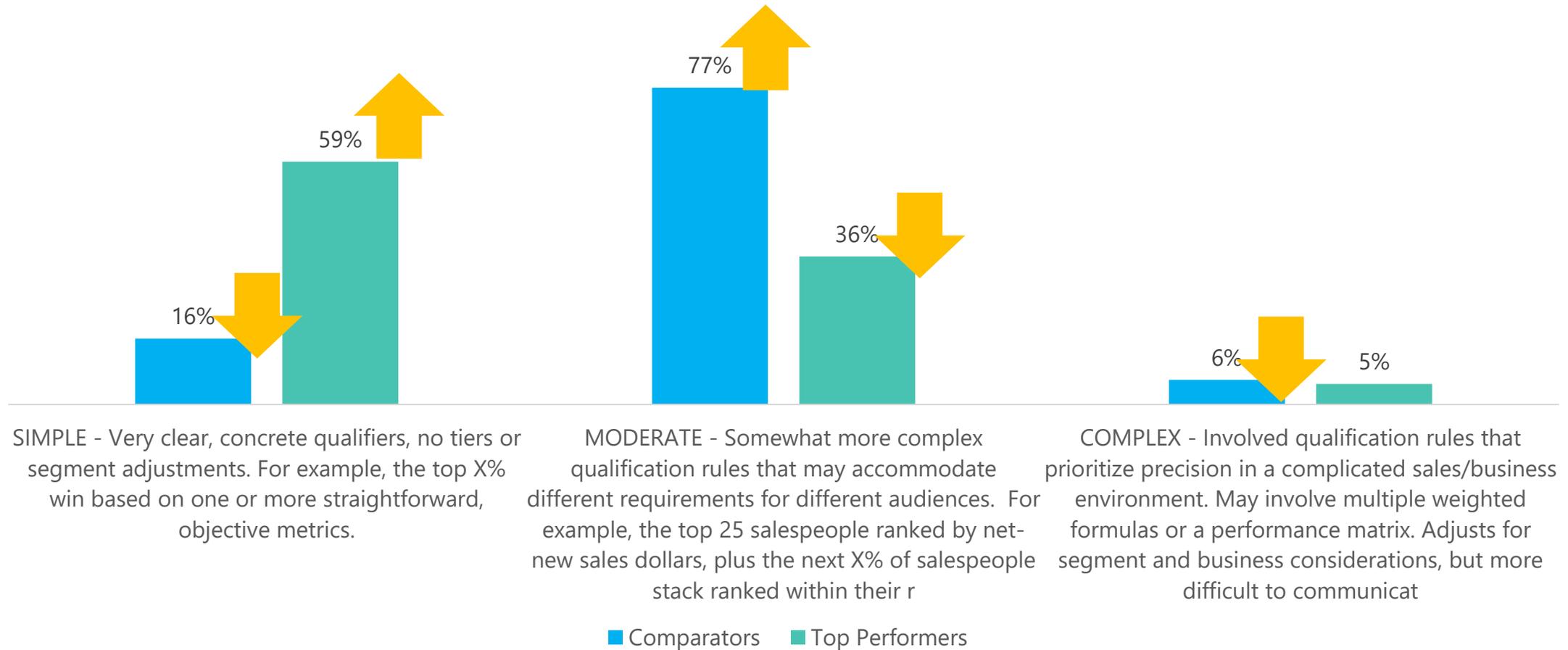


Which of the below BEST describes the qualification process for the sales Top Performer incentive trip?

Qualification Complexity: Top Performer Sales Incentive Trip

- In contrast to other sectors, the qualification criteria for Top Performing manufacturing companies is getting simpler rather than more complex.
 - The percentage of Top Performers with 'simple' qualifying criteria increased from 47% to 59%.
 - Comparator qualification criteria appears to be getting slightly more complex, with the percentage describing qualification criteria as 'simple' declining from 27% down to 16%, and the percentage describing the process as having 'moderate' complexity, going up from 58% to 77%.

Qualification Complexity: Top Performer Incentive Trip



Which of the following best describes your qualification criteria for the Top Performer incentive trip?

Sales Quotas: Top Performer Sales Incentive Trip

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

Sales Quotas: Top Performer Sales Incentive Trip

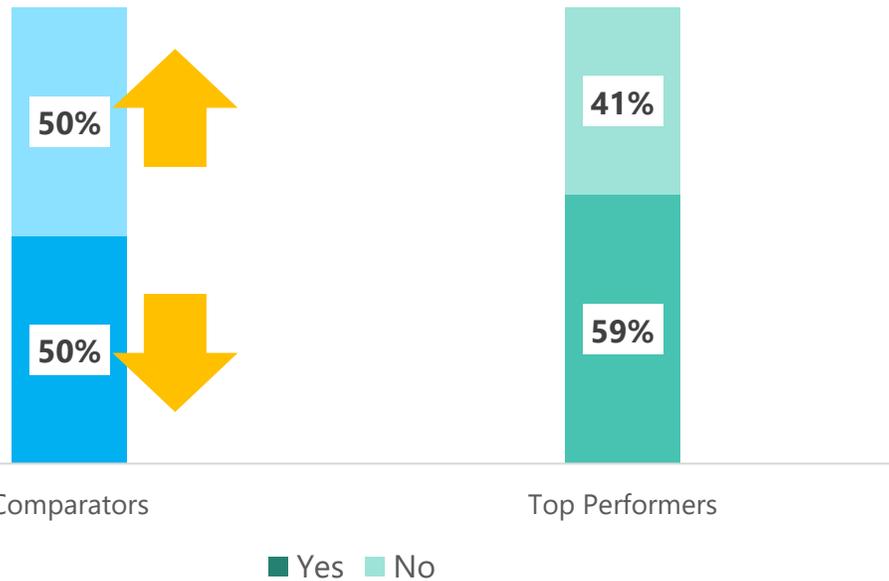


Reward Achievability: Top Performer Sales Incentives

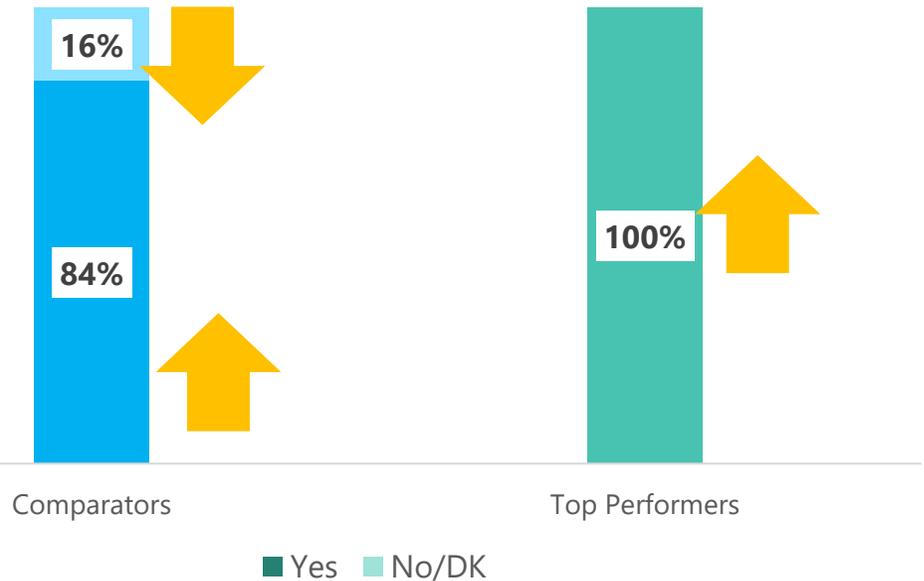
- Top Performers appear to have a higher percentage who allow 'special rules' for new salespeople (59% to 50%).
- 100% of Top Performers in the study have a tiered structure that allows salespeople who didn't qualify for a top performer award to earn other awards.
 - 84% of Comparators also have a similar tiered structure, up from 69% from last year.

Reward Achievability: Top Performer Sales Incentives

Special Rules for New Salespeople Top Performer Award



Tiered Structure for Maximizing Reach Beyond Top Performer Award



Do you have special rules for new salespeople that allow them a better chance to earn a place on the trip?

Is your Top Performer award program tiered - allowing salespeople who don't qualify for the trip to earn other rewards, such as award points, gift cards, or merchandise?

Program Rules: Threshold to begin Earning Rewards

- Top Performers and Comparators show similar levels of program rules where salespeople earn rewards on 'dollar one' with no minimum quota or requiring them to achieve a sales quota before earning rewards.
- Both Top Performers and Comparators show a decline on the percentages who allow salespeople to begin earning rewards before they achieve their sales quota, but after they meet some minimum level of sales (Top Performers down 47% to 38%; Comparators down 54% to 46%) even though this still remains the most common approach to structuring awards.

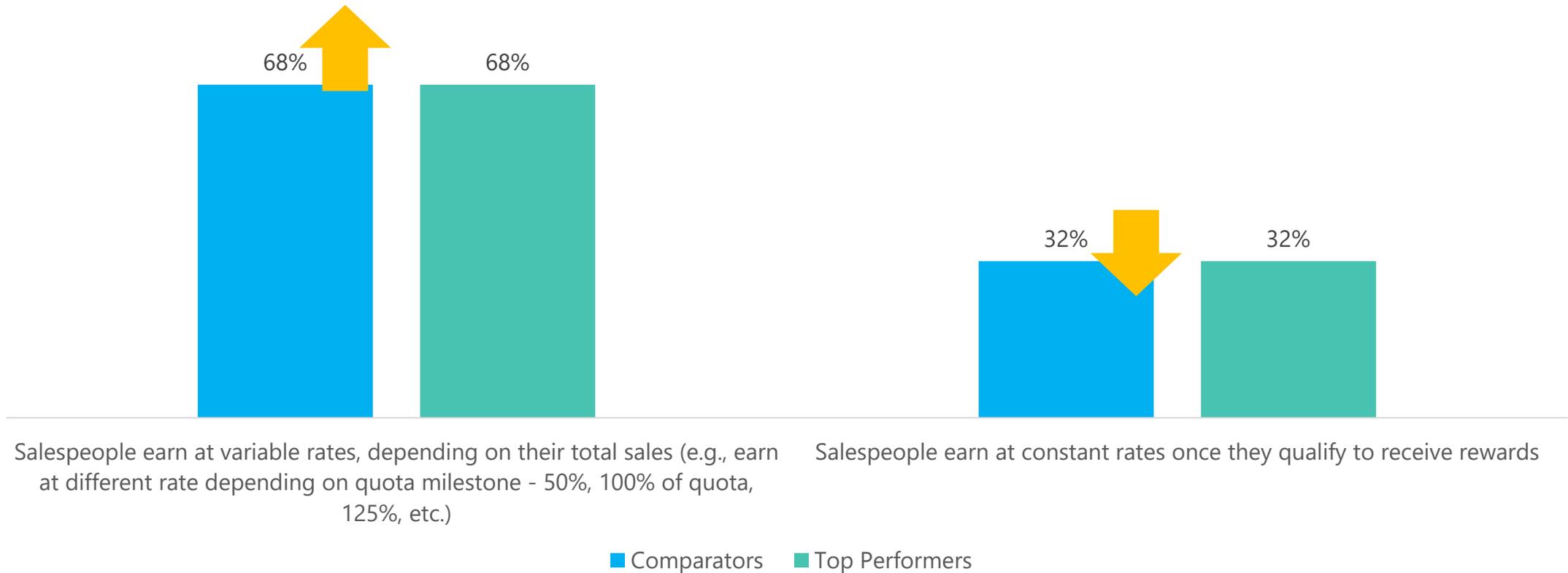
Program Rules: Threshold to begin Earning Rewards



Program Rules: Rate of Earning Rewards

- There is no difference between Top Performers and Comparators on whether they earn rewards at constant or variable rates.
 - Sixty-eight percent (68%) of each earn rewards at variable rates.

Program Rules: Rate of Earning Rewards



Salespeople earn at variable rates, depending on their total sales (e.g., earn at different rate depending on quota milestone - 50%, 100% of quota, 125%, etc.)

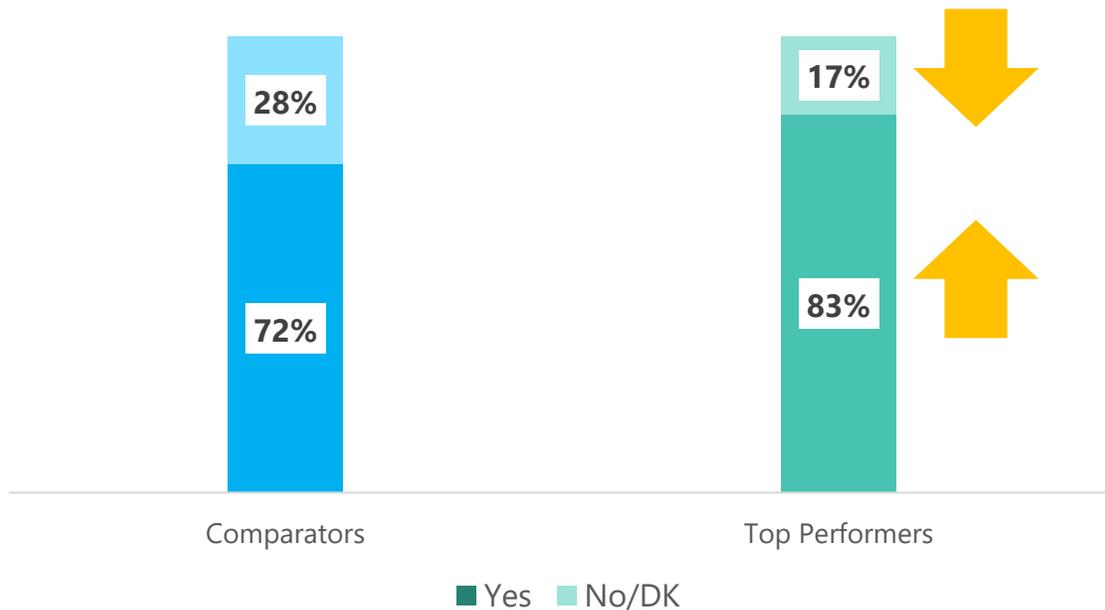
Salespeople earn at constant rates once they qualify to receive rewards

Reward Approach: Non-Travel Rewards

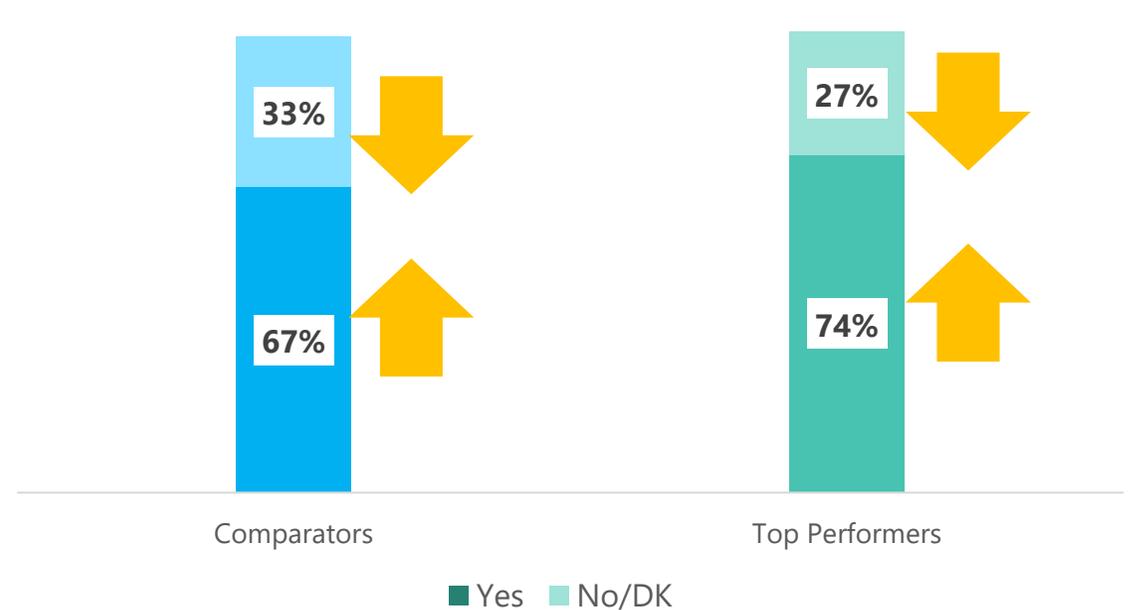
- The percentage who offer a 'fast start' program to new salespeople to quickly earn rewards jumped significantly for Top Performers since the previous study.
 - Top Performers offering a 'fast start' rose from 63% to 83% , widening the gap with Comparators (72%).
- Increases were seen in the percentages that did not have a 'top stop'—meaning the salespersons can earn unlimited awards.
 - Top Performers saw a big jump in the percentages that offered awards without earning limits—47% to 74%, while Comparators showed a more modest lift—56% to 67%.

Reward Approach: Non-Travel Rewards

Special Rules for New Salespeople Non-Travel Rewards



Any Programs without Earning Limits?



■ Yes ■ No/DK

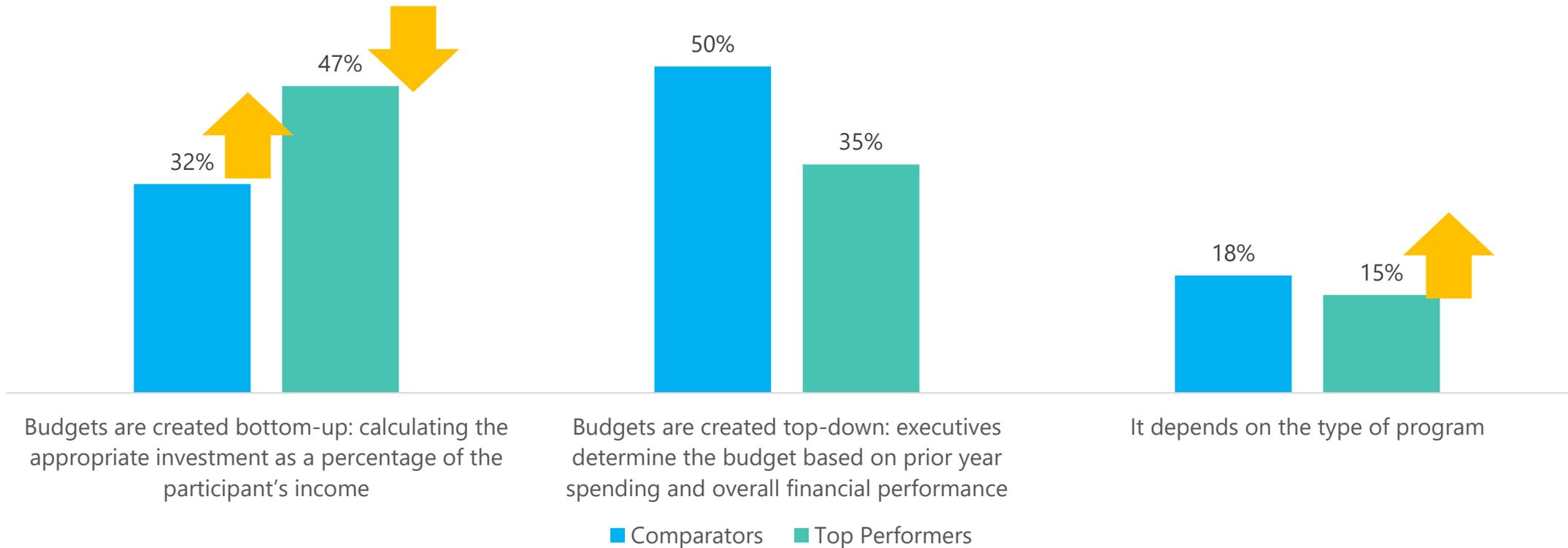
■ Yes ■ No/DK

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

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

- While there were some slight shifts in the percentages, the results are similar to the previous wave where Top Performers have a greater percentage of budgets created bottom-up (calculating the approximate investment as a percentage of the participant's income) vs. others (47% to 32%).
 - Comparator companies, by contrast, are more likely to create top down budgets based on prior year spending and overall financial performance (50% to 35%).

Budget Approach

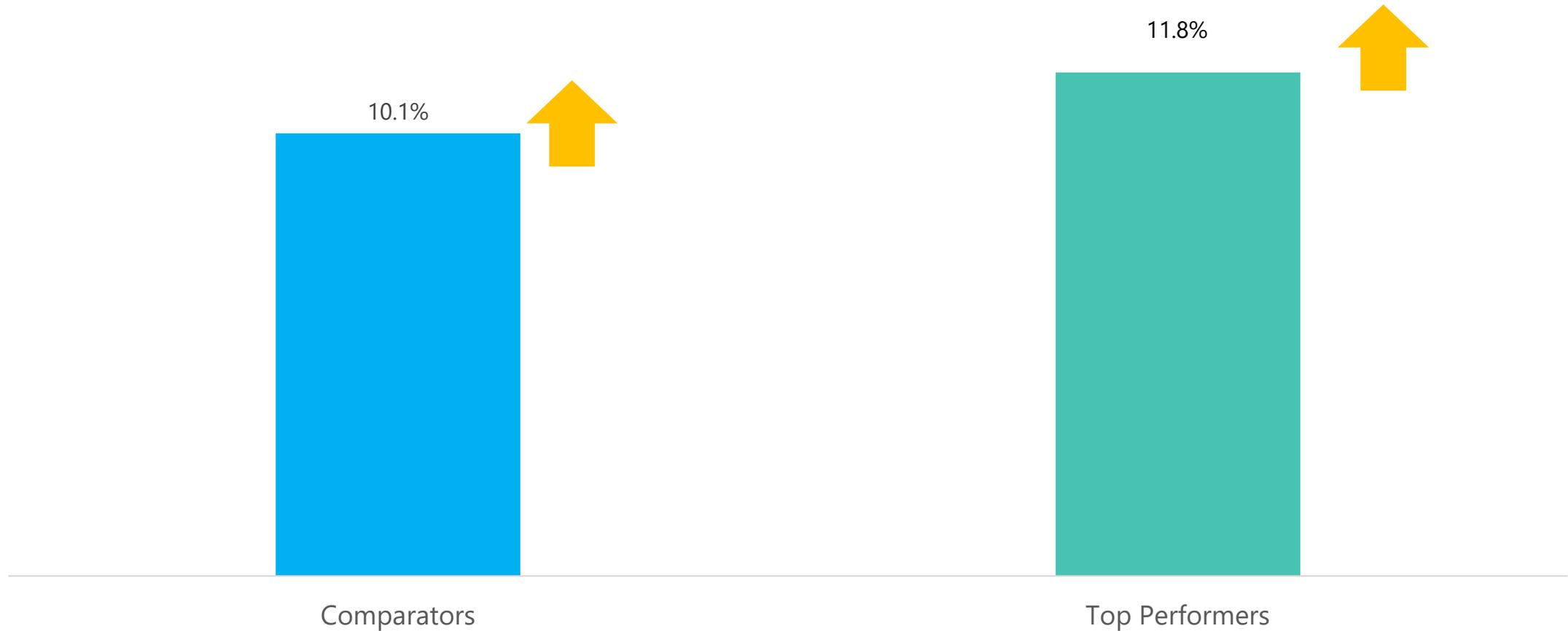


Which of the options below best describes your company's approach to budgeting for your sales incentive programs?

Bottom-Up Budgeting Rate

- This year, both Top Performers and Comparators have reported greater percentages (11.8% for Top Performers and 10.1% for Comparators) with Top Performers spending a greater percentage of income on non-cash rewards.
 - In the previous wave, the gap was less between Top Performers and Comparators relative to spend on non-cash rewards and recognition based as a percentage of income (e.g., Top Performers 7.3%, Comparators 7.0%).

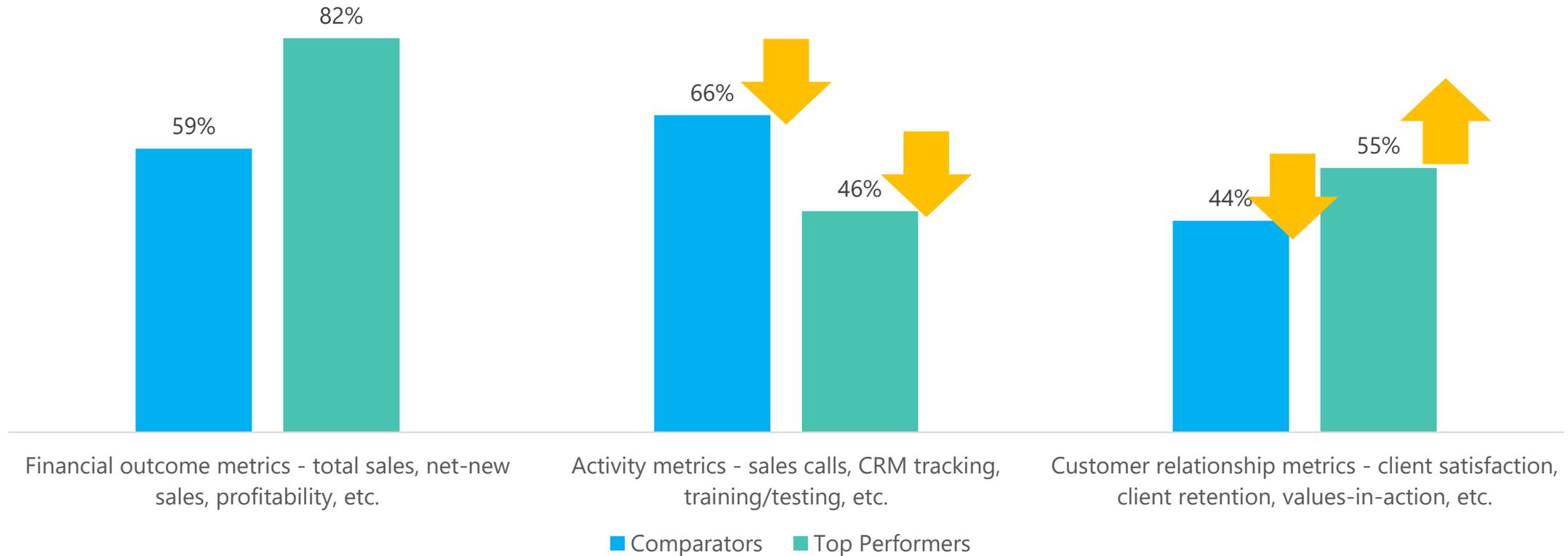
Bottom-Up Budgeting Rate



Qualification Metrics: Top Performer Incentive Trip

- Top performing companies are much more likely to use financial metrics for their Top Performer incentive sales trips compared to others, with 82% of Top Performers using financial criteria compared to 59% of Comparators.
- Comparators are much more likely to use activity metrics as qualification metrics for incentive trips (66% vs. 46% of Top Performers), although the use of activity metrics has declined for both.
- Top Performers are more likely to use customer relationship metrics compared to Comparators (55% to 44%.)

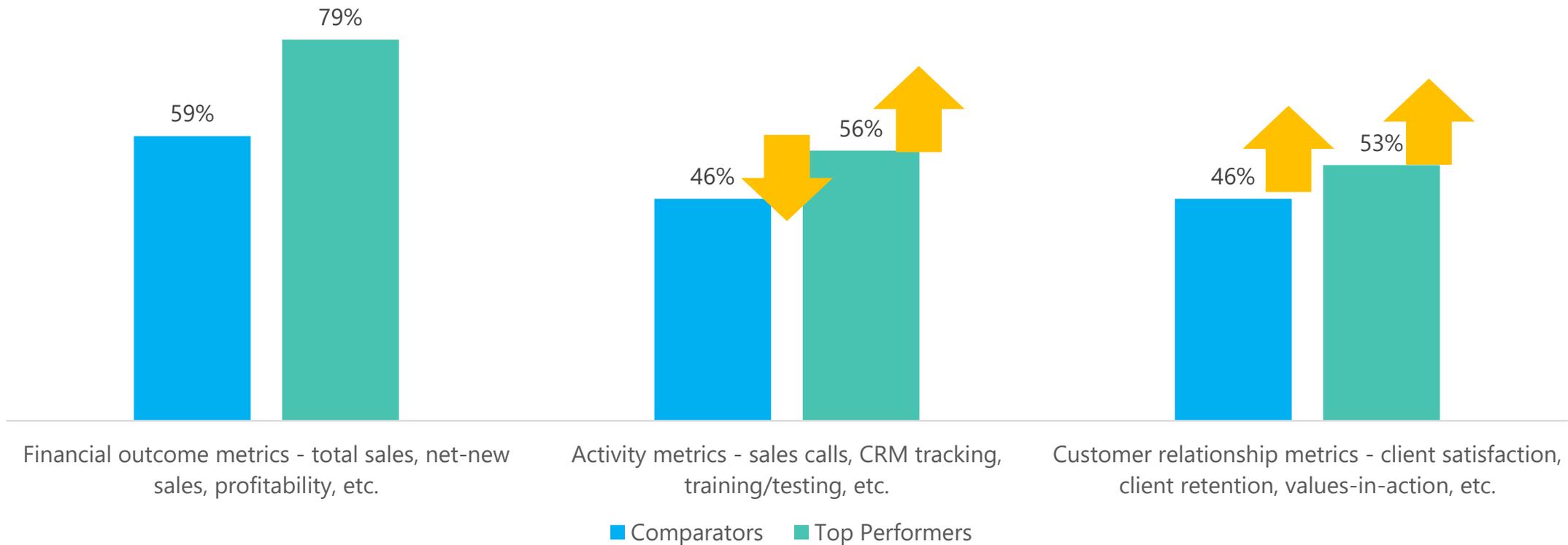
Qualification Metrics Top Performer Incentive Trip



Qualification Metrics: Award Points, Gift Cards, & Merchandise

- Similar to qualification metrics used to determine incentive trips, Top Performers were much more reliant on financial outcome metrics to determine award points, gift cards and merchandise vs. Comparators (79% to 59%).
 - Both Top Performers and Comparators gave more awards for customer relationship metrics compared to the previous year (Top Performers up 37% to 53%; Comparators up 35% to 46%.)

Qualification Metrics: Award Points, Gift Cards, & Merchandise



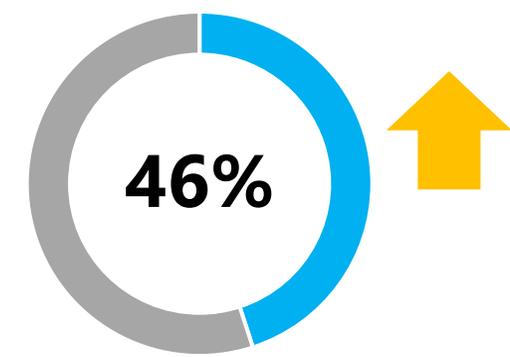
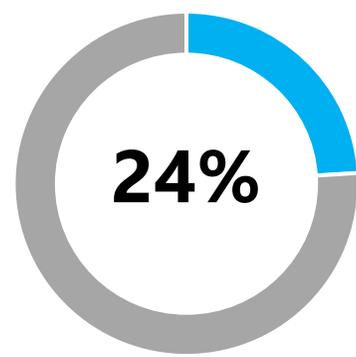
- Among both Top Performers and Comparators expect to take about a quarter of their salesforce on Top Performer incentive trips.
 - Top Performers expect approximately half (51%) to earn other types of tangible non-cash rewards with Comparators slightly lower at 46%.
- While the percentage of manufacturing salespersons expected to receive incentive trips was similar to last year, other non-cash incentives have increased among both Top Performers and Comparators.
 - Top Performer non-cash sales incentives rose from 26% to 51%; Comparators rose from 35% to 46%.

Reward Reach

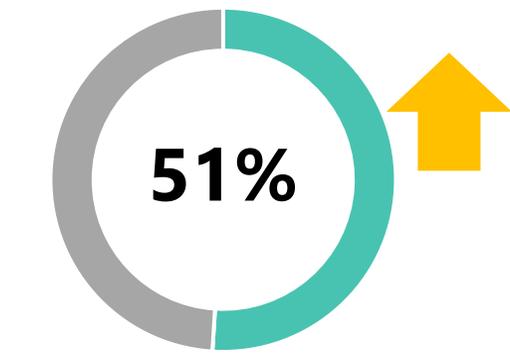
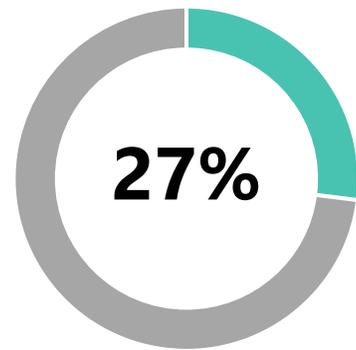
% Sales Reps Earning Trip

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

Comparator Firms



Top Performing Firms

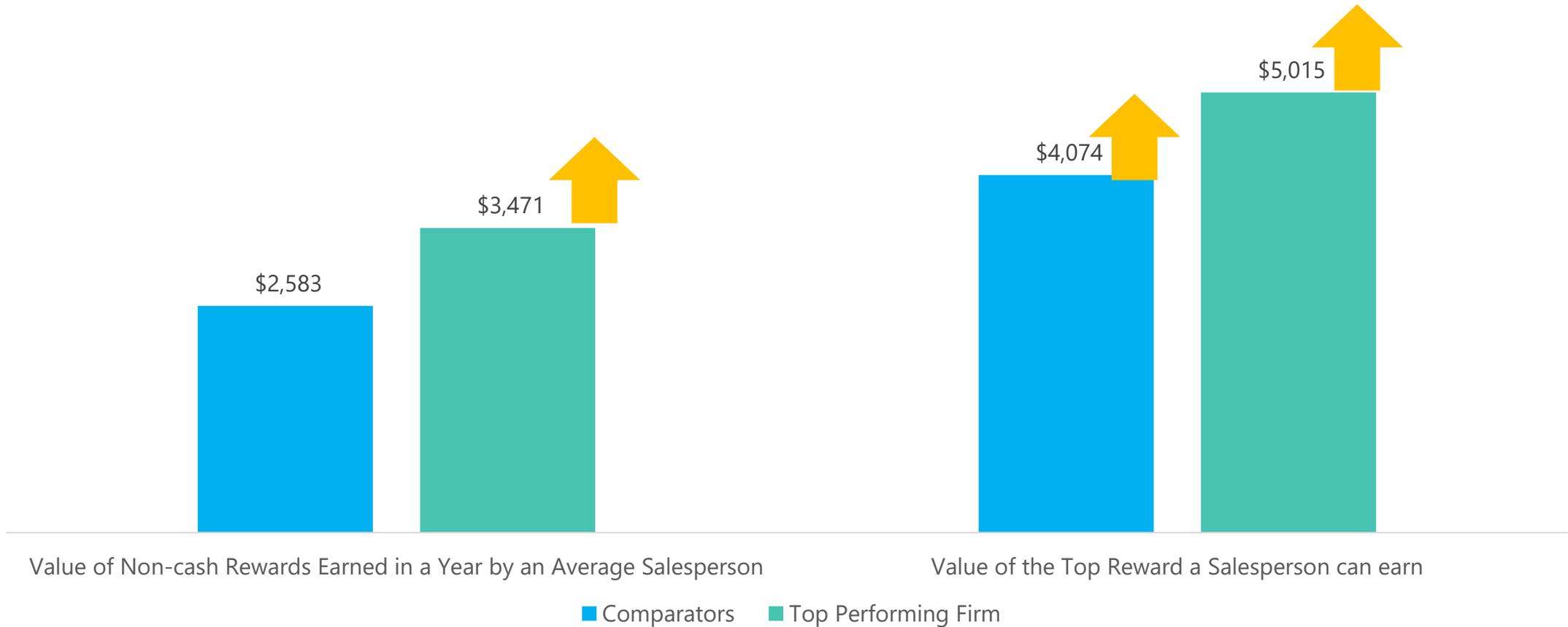


*Approximately what percent of your sales representatives do you take on the Top Performer incentive trip?
Regarding rewards other than group incentive travel, what percent of your salesforce do you expect to earn award points, merchandise, or gift cards in 2018?*

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

- The data suggest that Top Performers have significantly increased the amount spent on non-cash rewards for salespeople, while Comparators are spending just slightly more.
 - Average amount spent by Top Performers went up from \$2320 to \$3471, while Comparators remained constant (\$2597 last year to \$2583 this year).
 - The value of top awards went up from \$3152 to \$5015 for Top Performers, the value of Comparator top awards went up from \$3717 to \$4074.

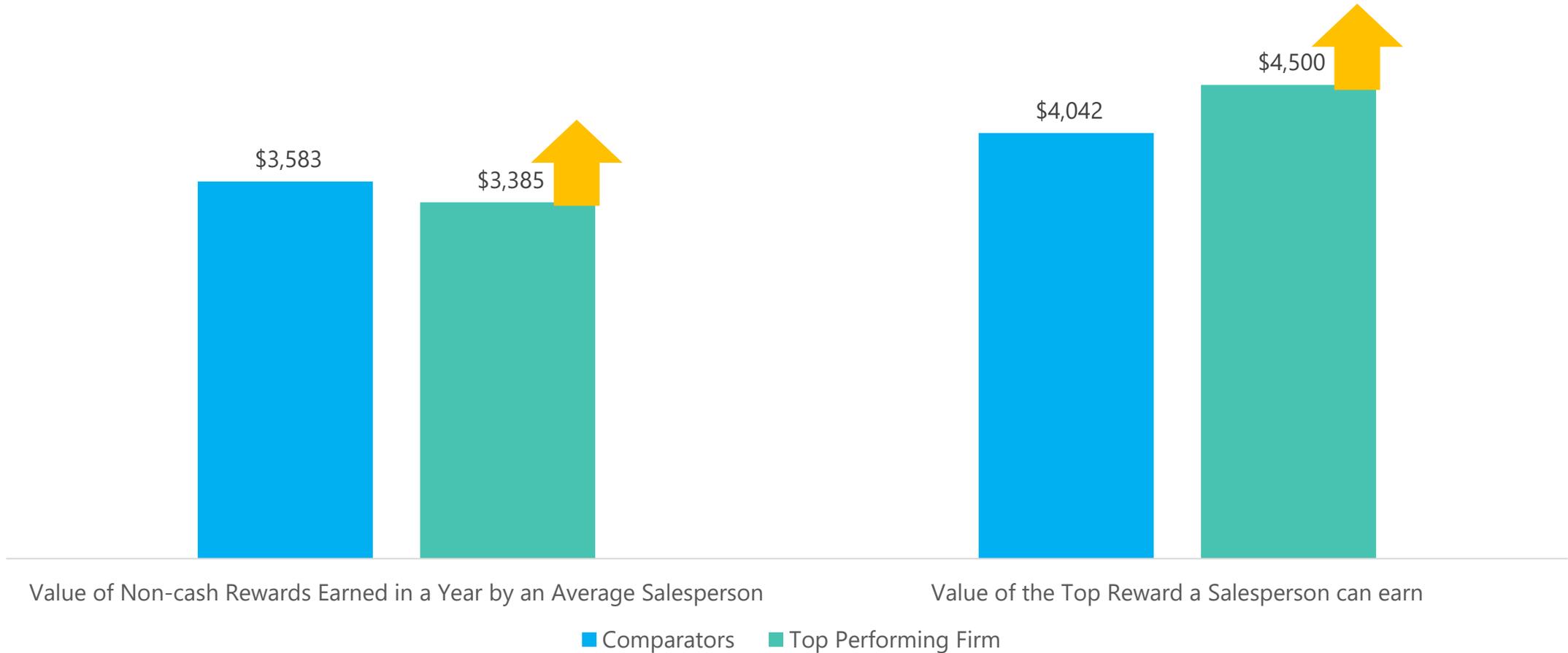
Average & Top Dollar Values: Award Points, Gift Cards, & Merchandise



Average & Top Dollar Values: Incentive Trips

- The average amount spent on incentive trips by Top Performers has risen significantly since the last wave, while the amount spent by Comparators has remained constant.
 - Average Top Performer spend on incentive trips has risen from \$2482 to \$3385; while average Comparator spend has increased from \$3692 to \$3583.
- The top amount spent for incentive trips by Top Performers rose by quite a bit while the top spend by Comparators remained constant.
 - Top Performer top spend rose from \$3607 to \$4500; while the top Comparator incentive trip spend remained constant (\$4038 last year to \$4042 this year).
- Thanks to the increases by Top Performers, they have now 'caught up' to Comparators, as in the past their reported spend was less.

Average & Top Dollar Values: Incentive Trips



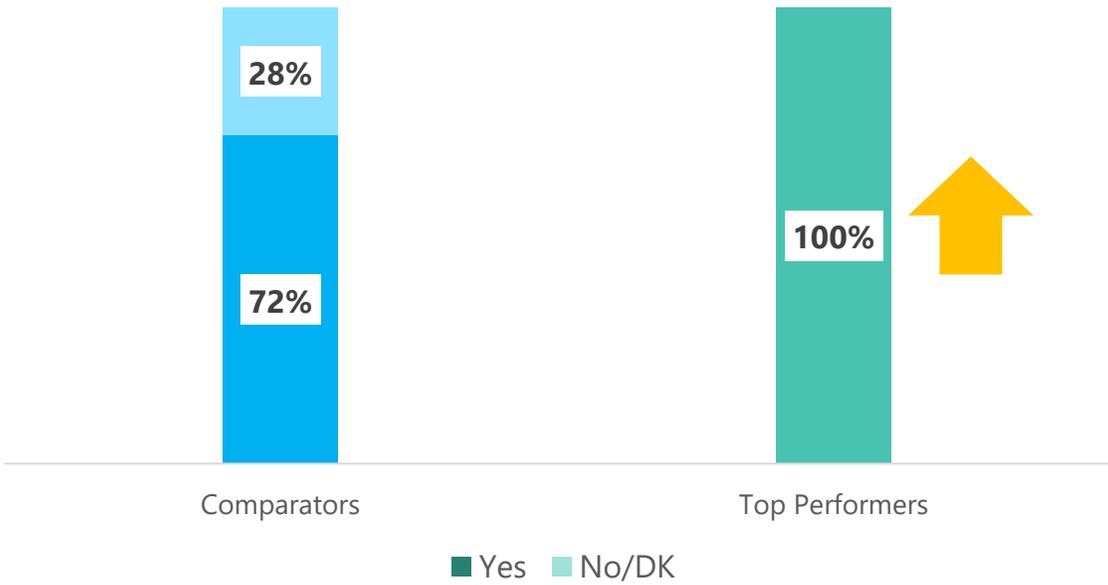
CHANNEL PROGRAMS

Top Performer Group Incentive Trips

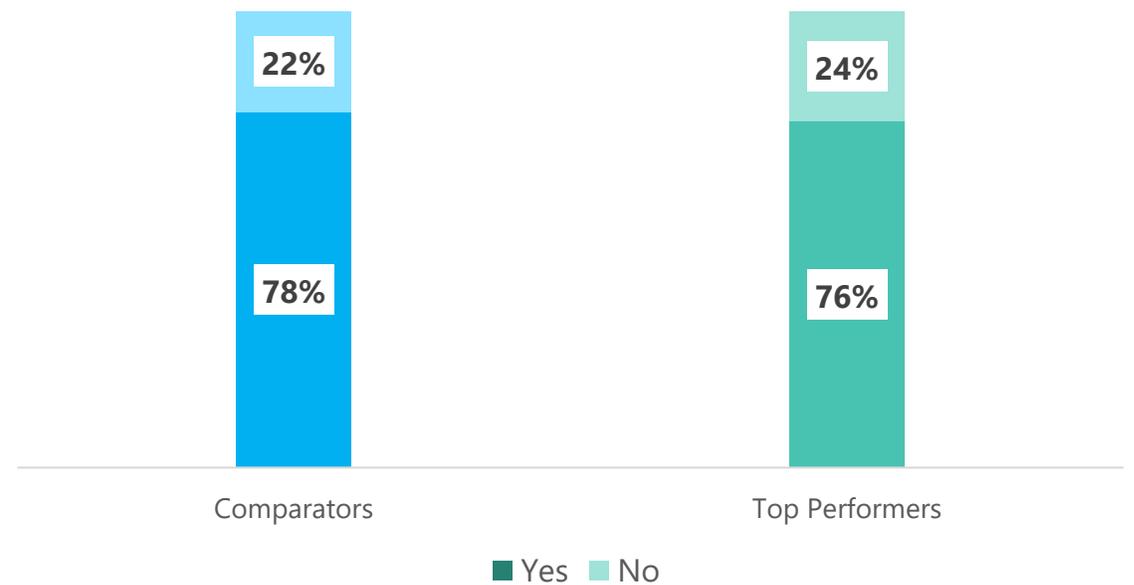
- The percentage who offer a 'top performer' award through their non-cash channel incentive programs has increased to 100% for Top Performers within the manufacturing sample (up from 63%).
- The percentages that offer an incentive trip as part of the top performer award remained constant, although the overall percentage of incentive trips increased for Top Performing manufacturing companies as a result of the overall increase in top performer programs (76% overall up from 45%.)

Top Performer Group Incentive Trips

Program Includes Top Performer Award



Top Performer Award Includes Group Trip

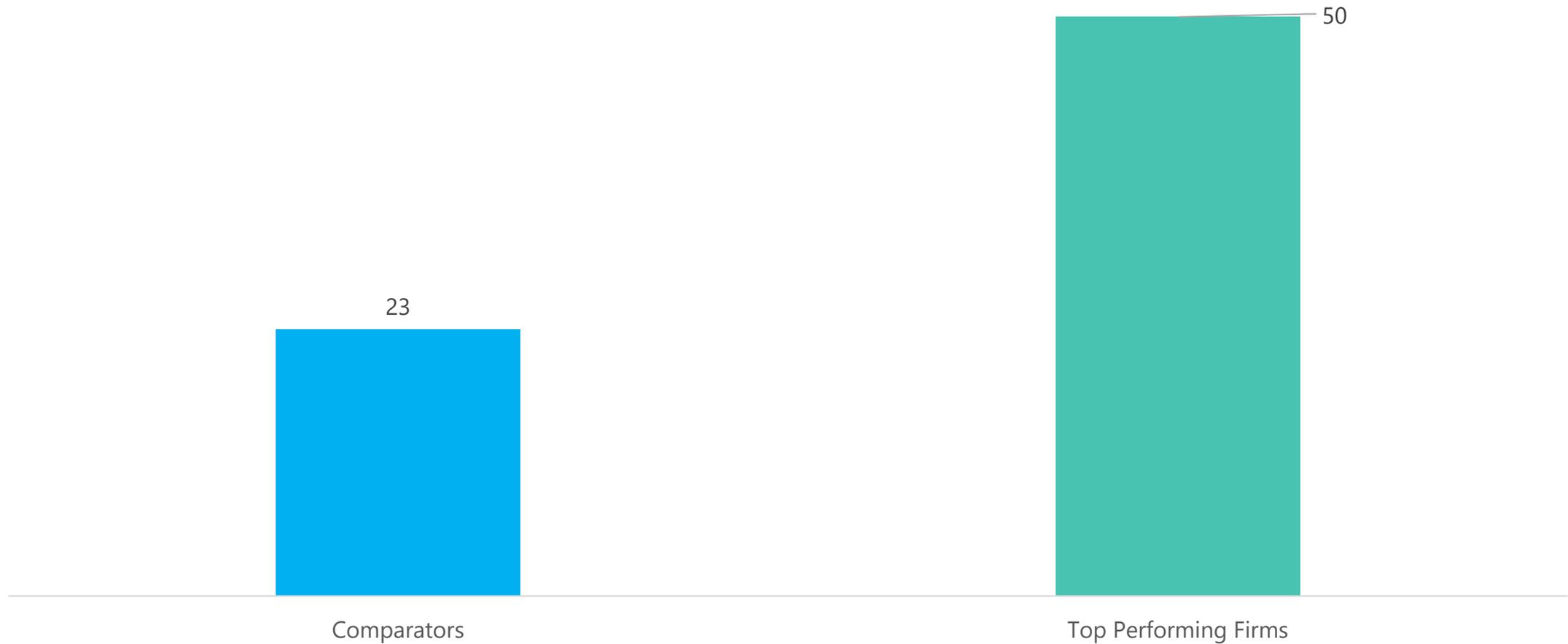


Does your non-cash sales incentive program include a Top Performer award?
Does your Top Performer award include a group incentive trip?

Average Number of Participants Earning Top Performer Incentive Trip

- While there is a lot of variation in the number of channel participants earning Top Performer Incentive trips both within both Top Performing companies and Comparators, Top Performers, on average, have a greater number of participants.
 - Median number of participants among Top Performers range from 3 to 300; median number of participants is 50.
 - Median number of participants among Comparators range from 4 to 5000; median number of participants is 23.

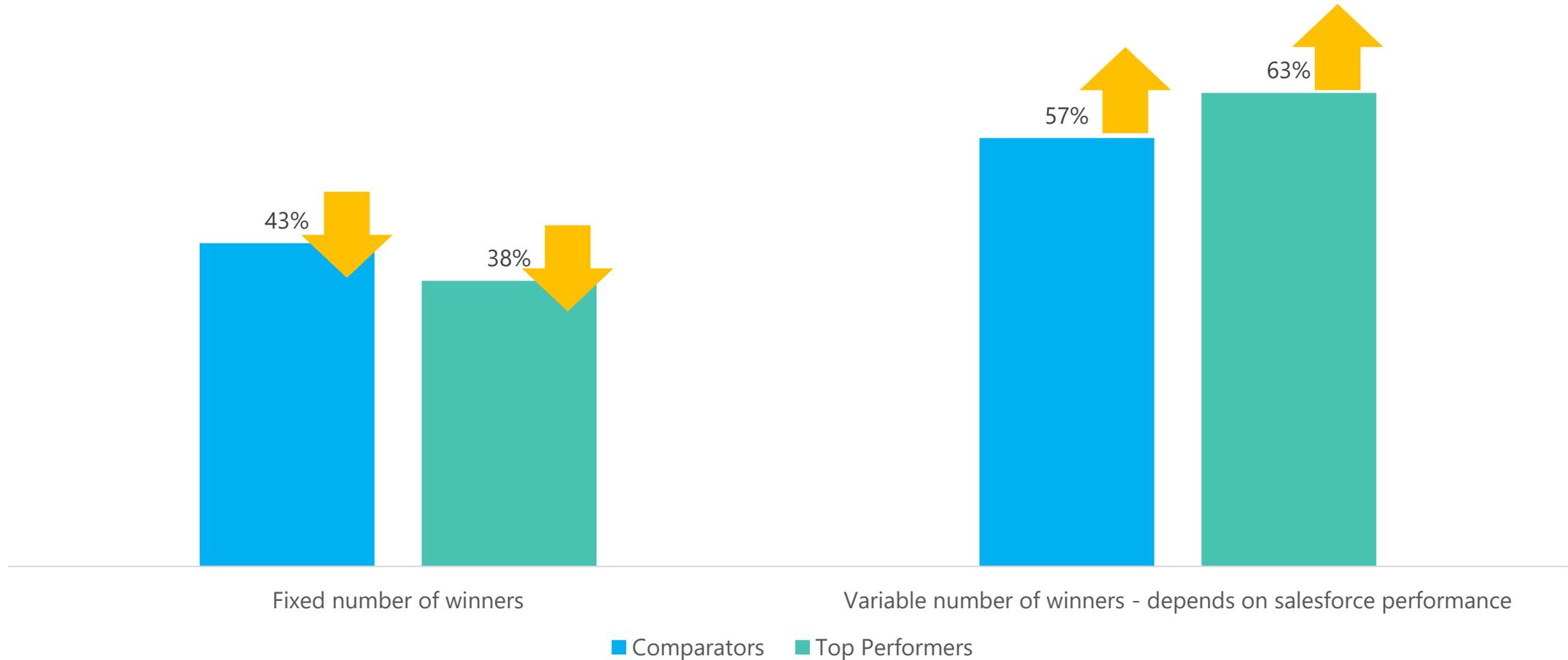
Median Number of Trip Attendees



Limits on Number of Top Performer Trip Winners

- Overall, there are more top performer programs with a variable number of winners by about a 2 to 1 margin.
 - The data look completely different from the prior year when 85% of Comparators offered programs with a fixed number of winners, along with 56% of Top Performers.
 - The percentages of variable winners increased for both Top Performers and Comparators compared to last year.
 - Variable winners increased from 44% to 63% for Top Performers and from 15% to 57% for Comparators.

Limits on Number of Top Performer Trip Winners

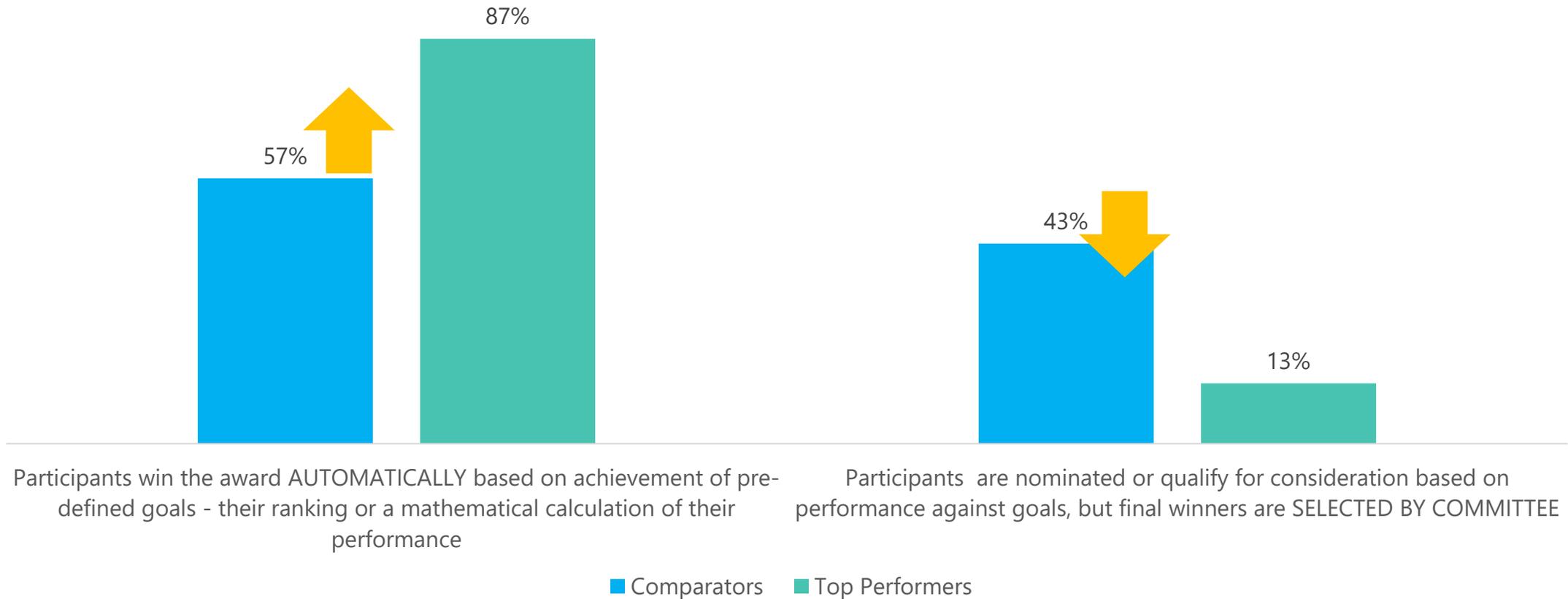


Is the number of Top Performer trip winners set in advance, or does it vary based on the performance of the channel?

Objective Qualification: Top Performer Incentive Trip

- Similar to last year, Top Performing companies have a higher percentage of incentive trip participants based on objective qualifications rather than having award trip participation influenced by a selection process.
 - 87% of Top Performing manufacturing companies automatically award an incentive trip to channel partners who achieve a pre-defined goal compared to 57% of Comparators.

Objective Qualification: Top Performer Incentive Trip

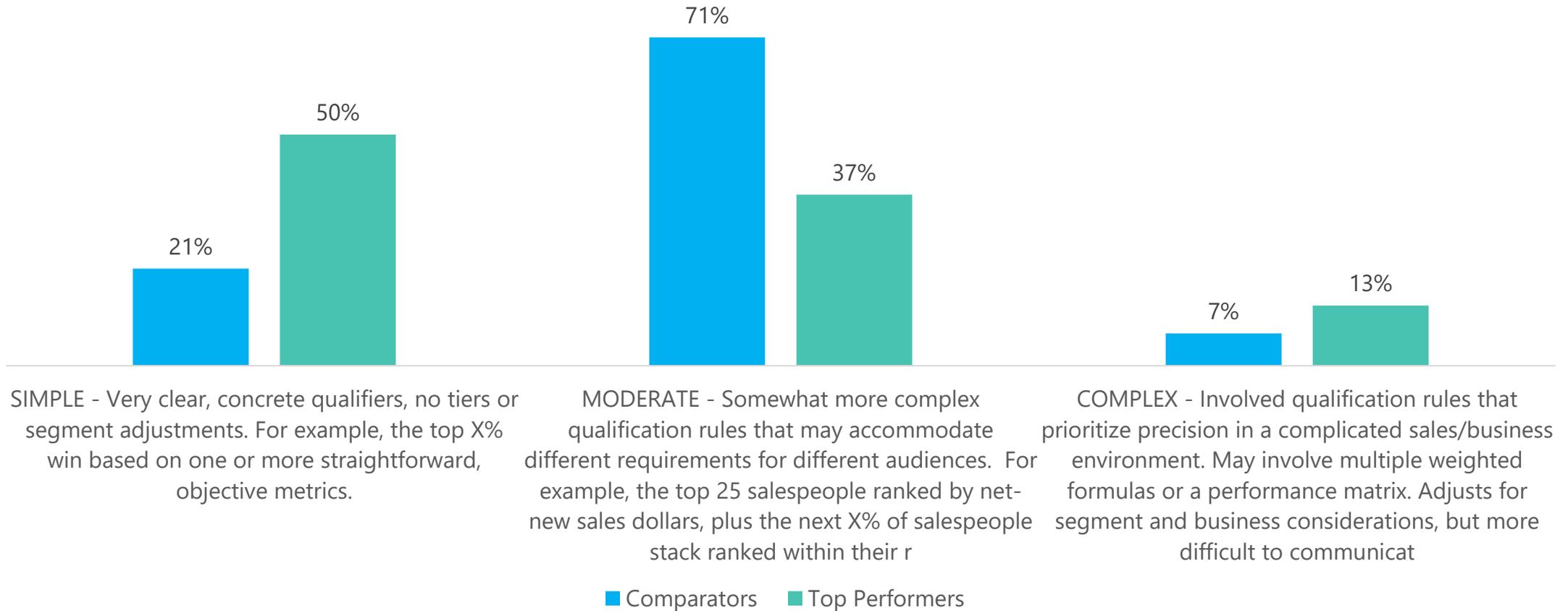


Which of the below BEST describes the qualification process for the channel Top Performer incentive trip?

Qualification Complexity: Top Performer Incentive Trip

- In the manufacturing sector, qualification complexity for channel partner incentive trip awards tends to be simpler among Top Performers, with 50% describing the process as 'simple' vs. only 21% of Comparator companies.
- The qualification process among Comparators is most likely considered to be 'moderately' complex, with 71% describing the qualification process in this manner.
- Qualification complexity looks very similar to a year ago for these Comparator companies.

Qualification Complexity: Top Performer Incentive Trip

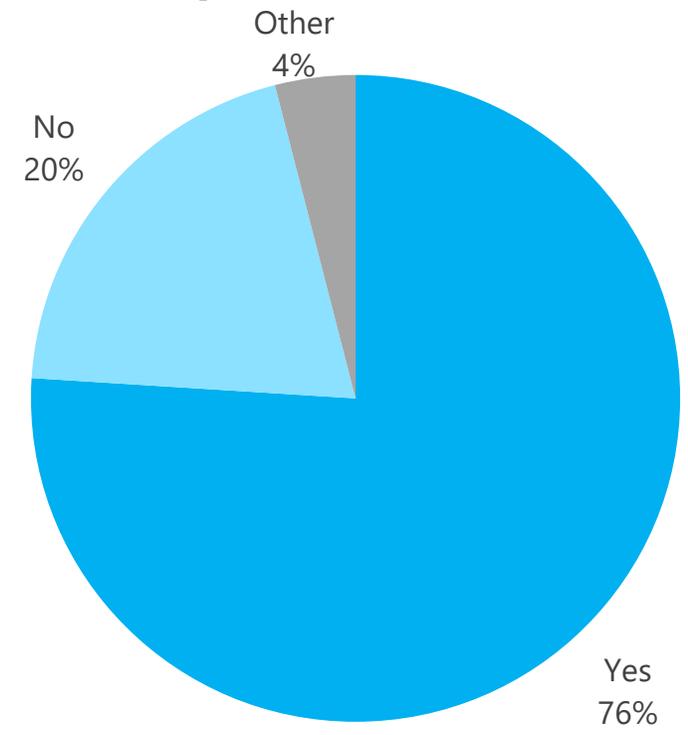


Sales Targets for Channel Participants

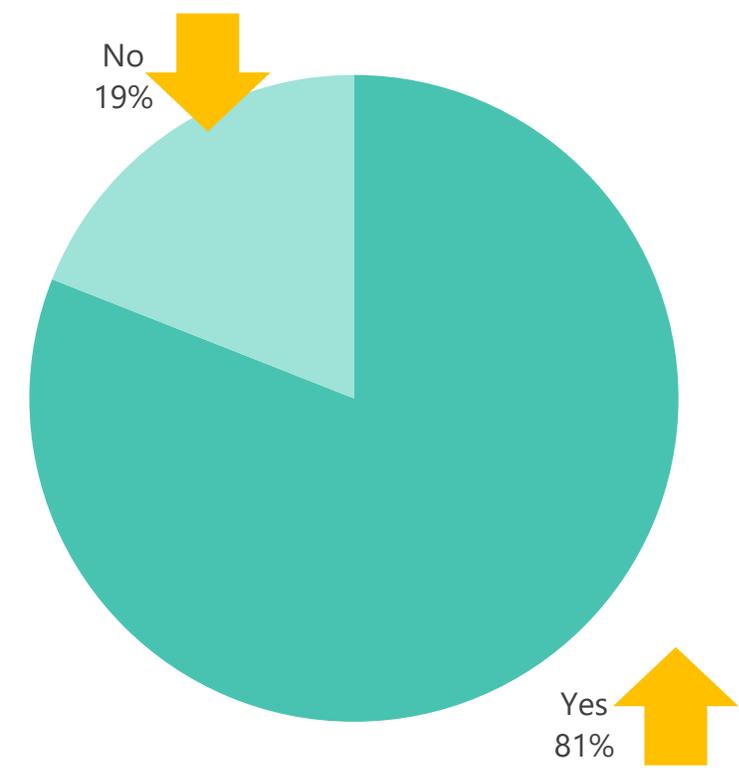
- There is not a great deal of difference between the percentage of Top Performers (81%) and Comparators (76%) who have defined sales targets for channel participants.
 - The percentage of Top Performers with defined sales targets, however, has jumped quite a bit since last year (55% to 81%).

Sales Targets for Channel Participants

Comparator Firms



Top Performing Firms



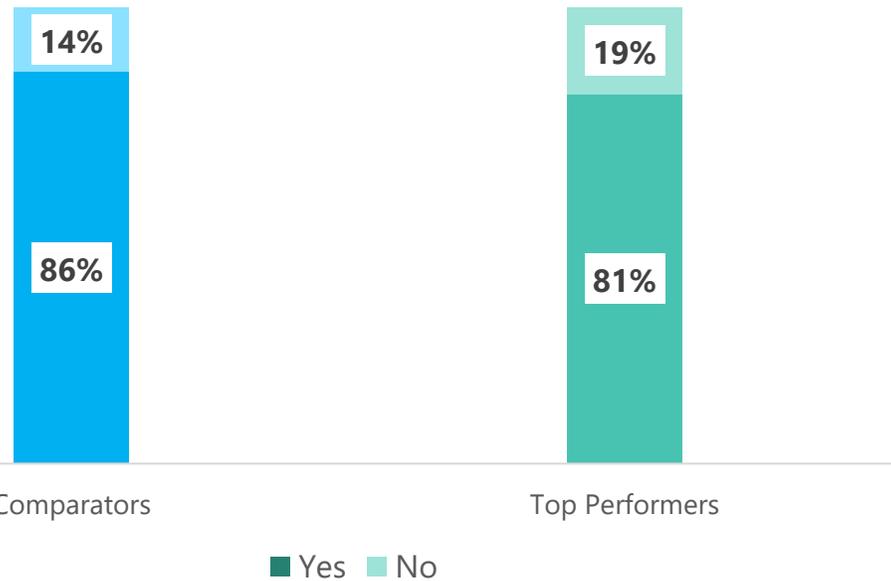
Do your channel participants have defined sales targets as part of your non-cash incentive program?

Reward Achievability: Top Performer Channel Incentives

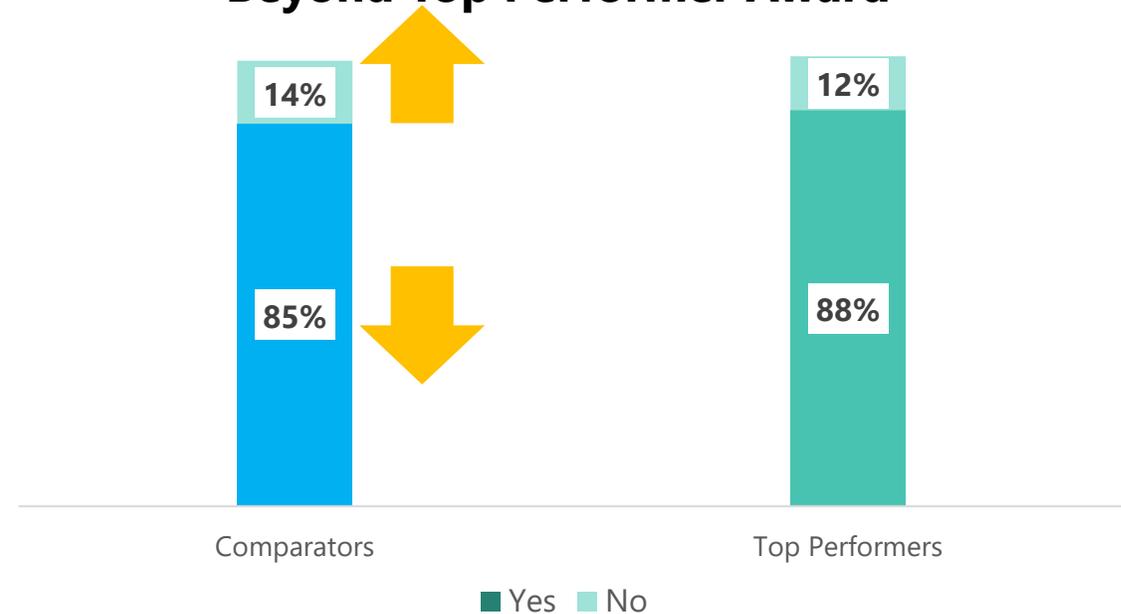
- The vast majority of Top Performers and Comparators had both special rules for new channel partners and a tiered structure for maximizing reach beyond the Top Performer award.
 - There was not much distinction between the two groups on either of these aspects of reward achievability.

Reward Achievability: Top Performer Channel Incentives

**Special Rules for New Channel Participants
Top Performer Award**



**Tiered Structure for Maximizing Reach
Beyond Top Performer Award**

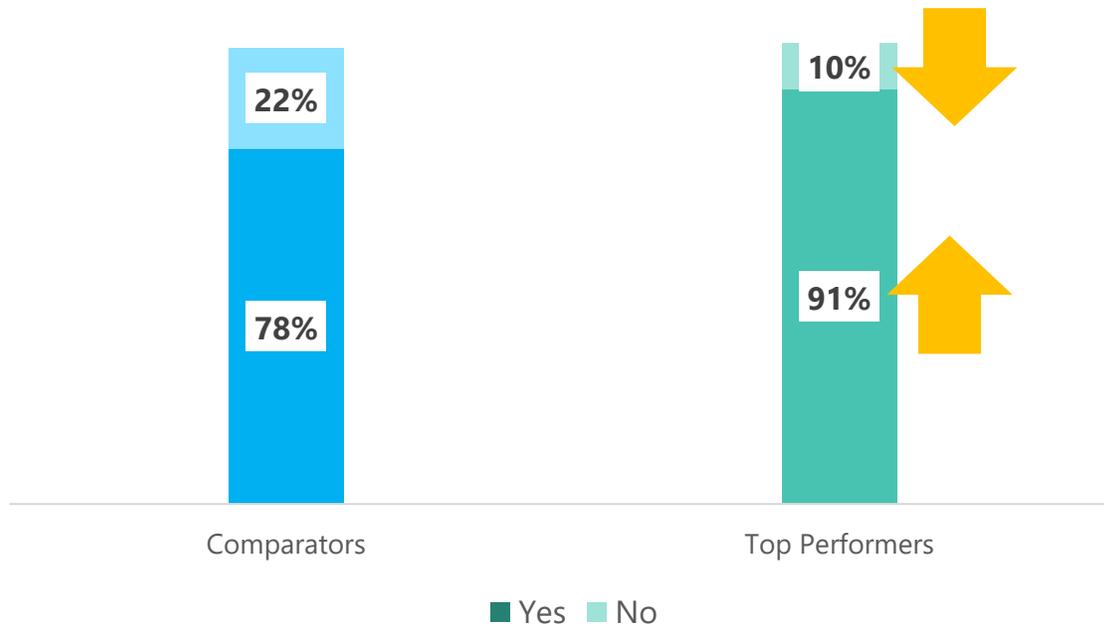


- *Do you have special rules for new channel participants that allow them a better chance to earn a place on the trip?*
- *Is your Top Performer award program tiered - allowing channel participants who don't qualify for the trip to earn other rewards, such as award points, gift cards, or merchandise?*

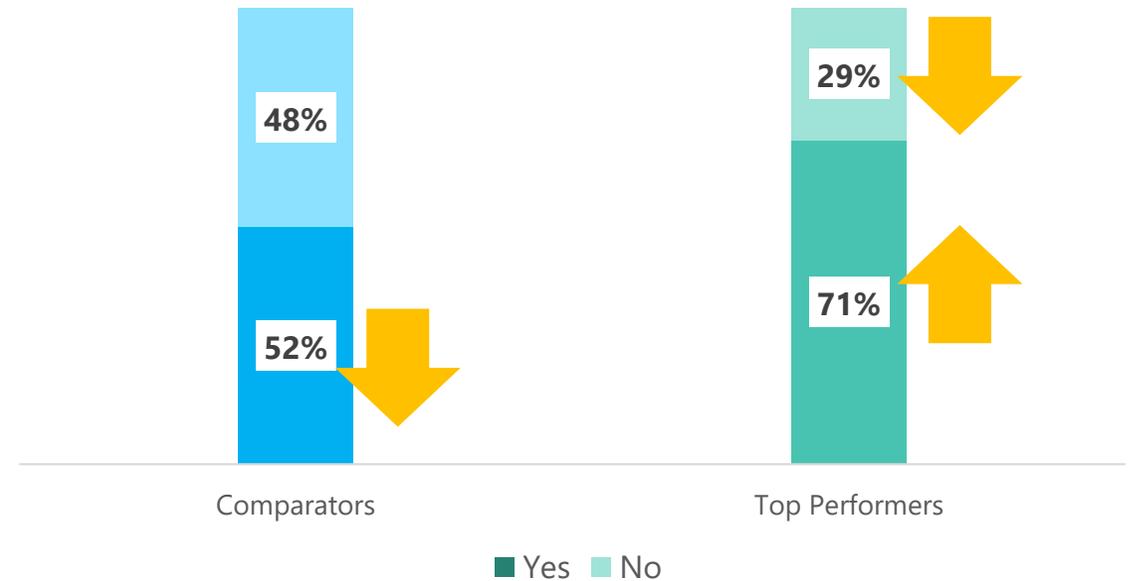
- Top Performing companies are more likely to offer both 'fast start' opportunities (91% for Top Performers vs. 78% for Comparators) and programs without earning limits (71% for Top Performers vs. 52% for Comparators.)
 - The percentage of Top Performers offering a 'fast start' option jumped significantly from 64% to 91%.
 - The percentage of Top Performers who are not capping earning limits went up from 55% to 71%.
 - Top Performers now surpass Comparators in the percentage who offer programs without limits.

Reward Approach: Non-Travel Rewards

Special Rules for New Channel Participants Non-Travel Rewards



Any Programs without Earning Limits?



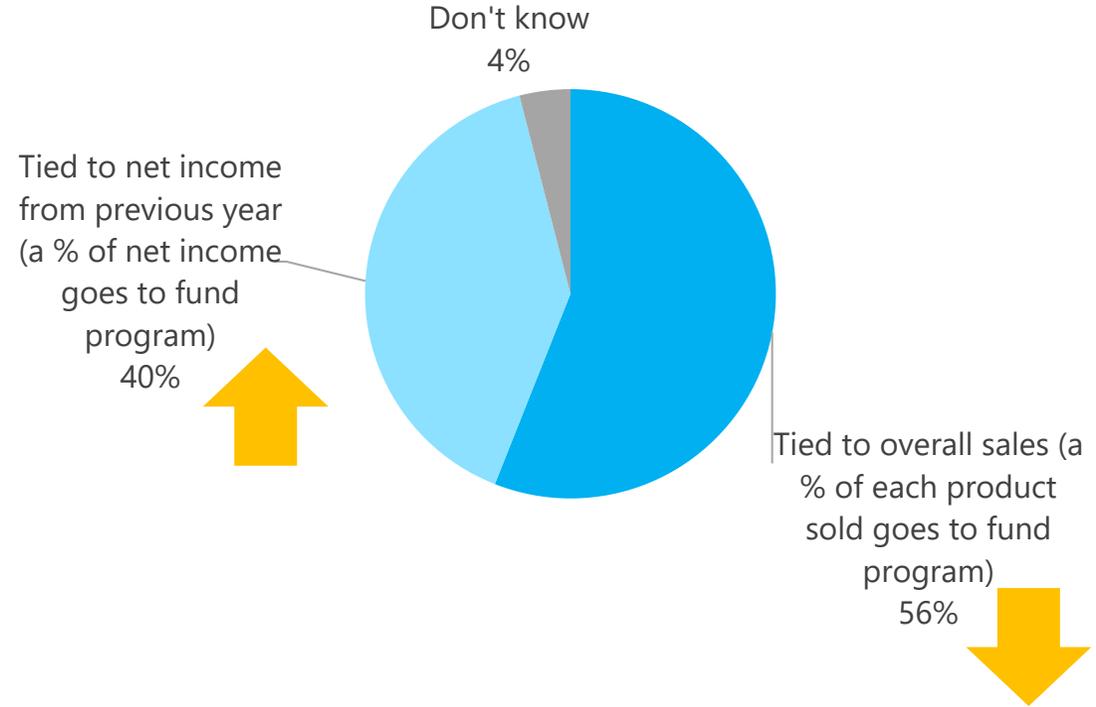
- Regarding award points, gift cards, and merchandise rewards, does your non-cash channel incentive program have a "Fast Start" that allows newer channel participants to earn quickly, giving them early "wins" to boost their motivation?
- Do you operate any non-cash channel incentive programs that do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

Budgeting Approach Non-Cash Channel Incentives

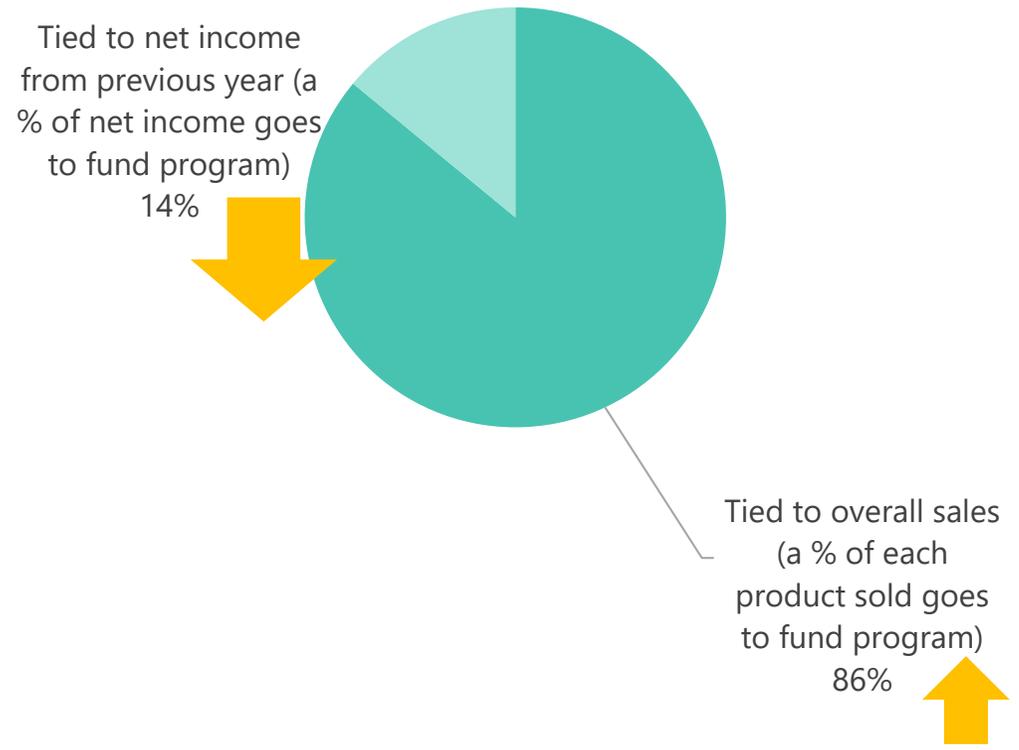
- There was a large increase in the percentage of Top Performing manufacturing companies that tie their incentive budgets to overall sales (65% up to 86%).
- Conversely, the percentage of Comparators that tie the incentive budget to overall sales declined from 70% to 56%.

Budgeting Approach Non-cash Channel Incentives

Comparator Firms

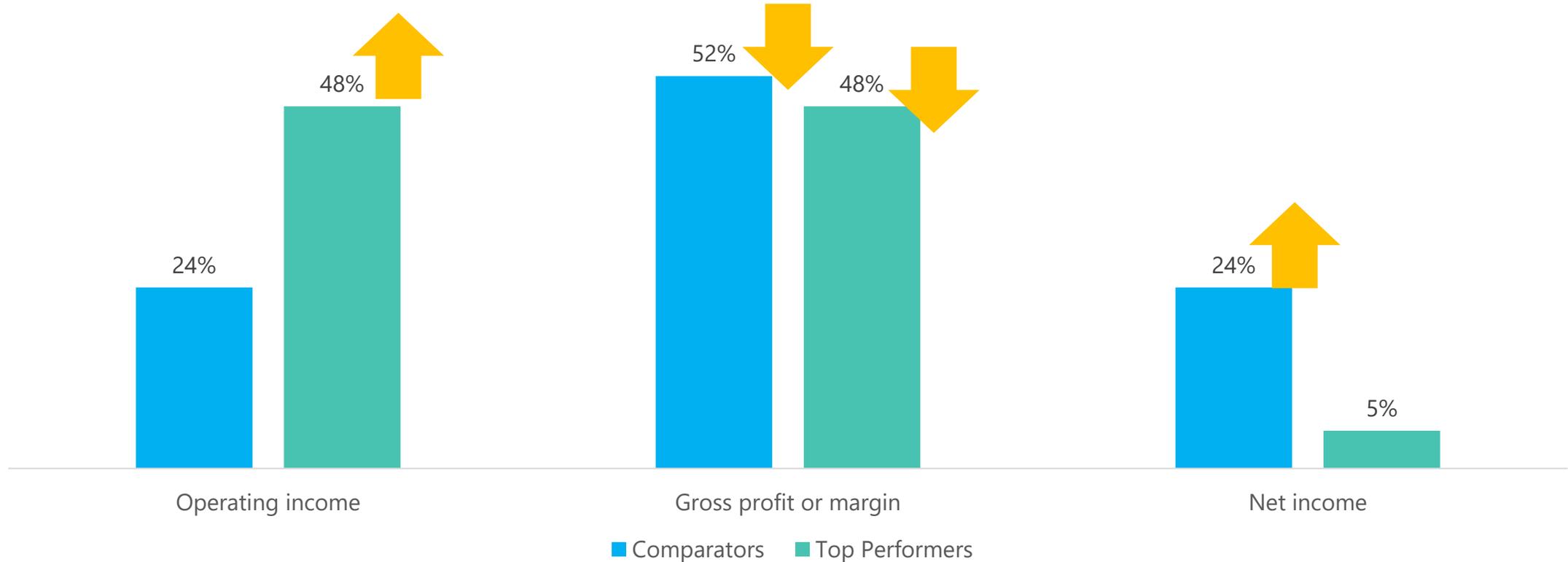


Top Performing Firms



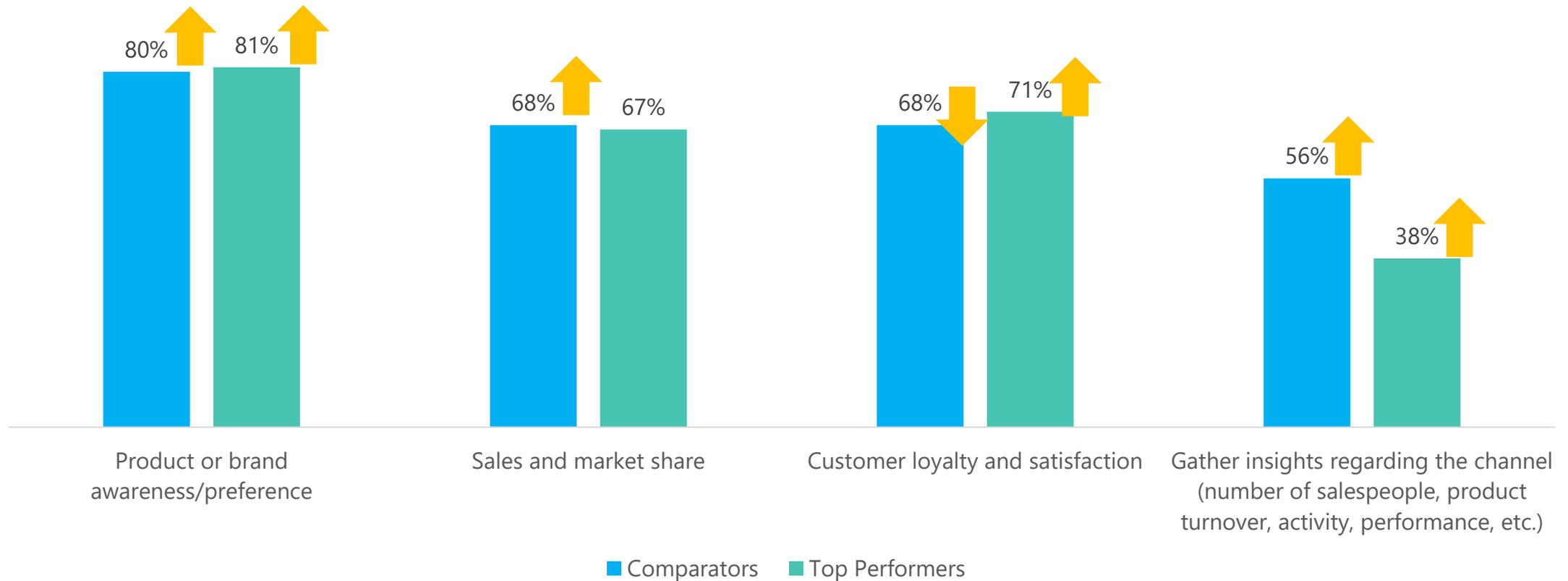
- The biggest differentiator between Top Performing companies and Comparators is that operating income is more than twice as much of an influence for Top Performers (48%) versus Comparators (24%) while net income is a more important influence to Comparators (24% to 5% for Top Performers).

Budget Influencers Non-cash Channel Incentives



- The most prevalent business objective for both Top Performing companies and Comparators for their channel incentive programs is product or brand awareness/preference,
 - Generally, objectives are similar for Top Performing companies and Comparators although Top Performers seem a bit less focused on gathering insights regarding the channel.

Business Objectives Channel Reward & Recognition

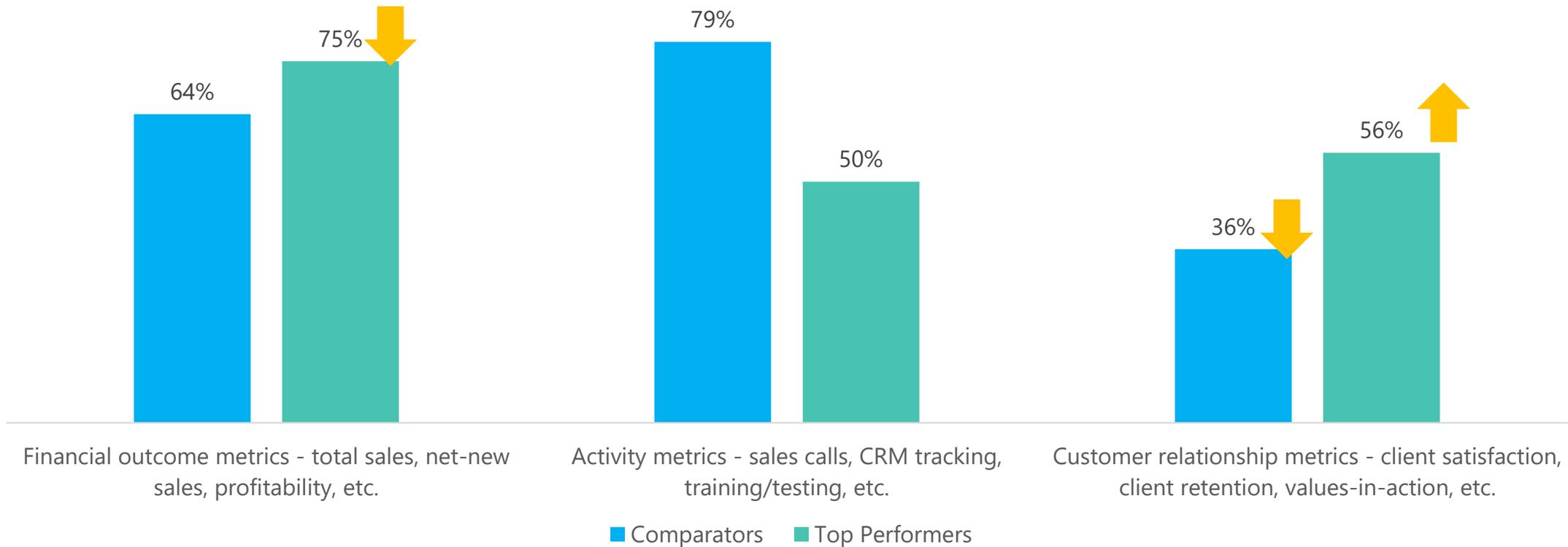


Qualifying Metrics

Top Performer Channel Incentive Trip

- The percentage of Top Performers who rely on financial outcome metrics has declined from 96% to 75% within the past year.
 - Overall, however, Top Performers still place a higher emphasis on financial outcomes compared to Comparator companies.
 - Top Performers also place more focus on customer relationship metrics by a 56% to 36% margin over Comparator companies.
 - Comparators, by contrast, are much more focused on activity metrics for their channel partners.

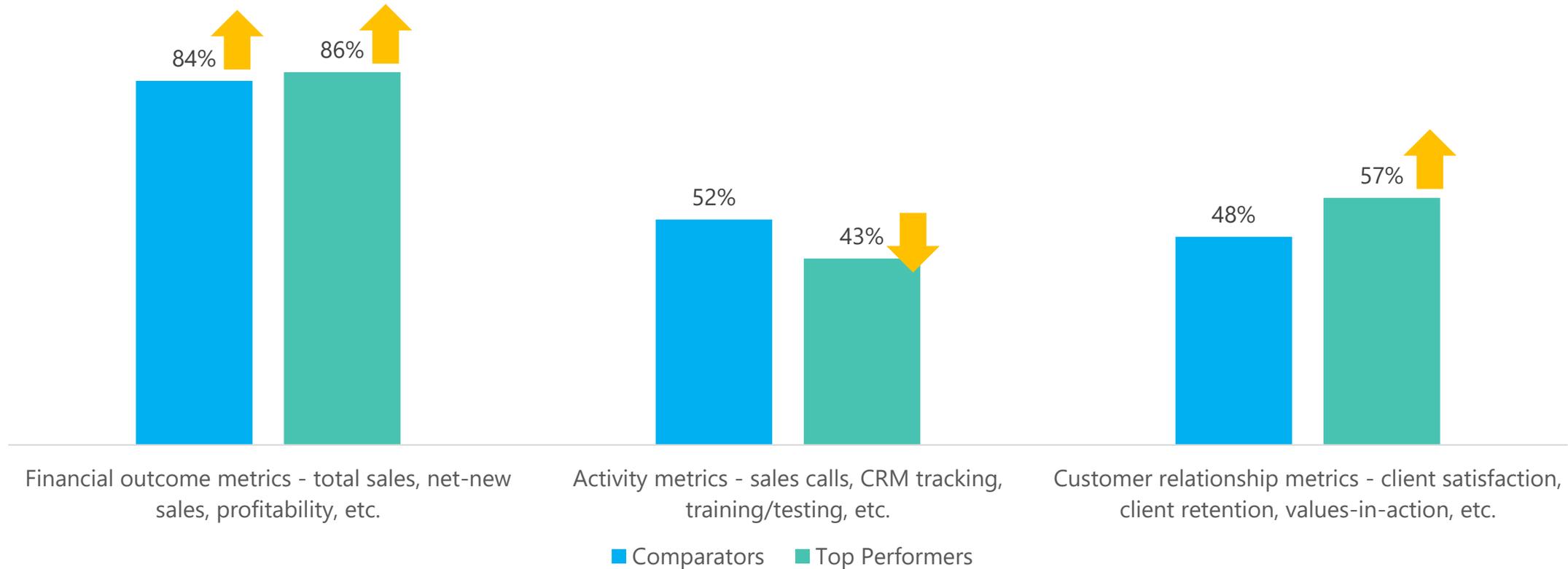
Qualifying Metrics Top Performer Channel Incentive Trip



Qualifying Metrics Top Performer Channel Rewards

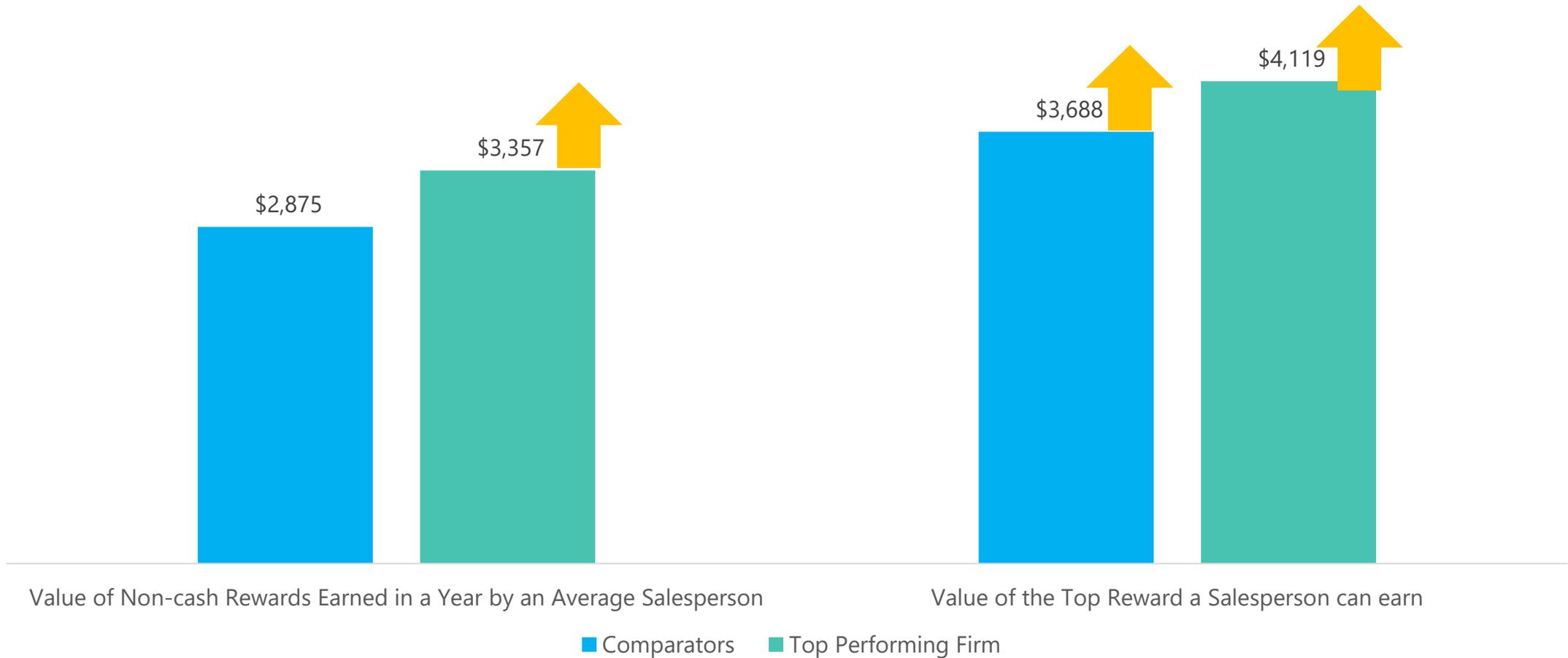
- Similar to data observed relative to channel incentive trips, both Top Performers and Comparators place the most emphasis on financial outcomes to receive award points, gift cards, and merchandise.
 - Top Performers place more focus on customer relationship metrics, while Comparators emphasize activity metrics more.

Qualifying Metrics Top Performer Channel Rewards

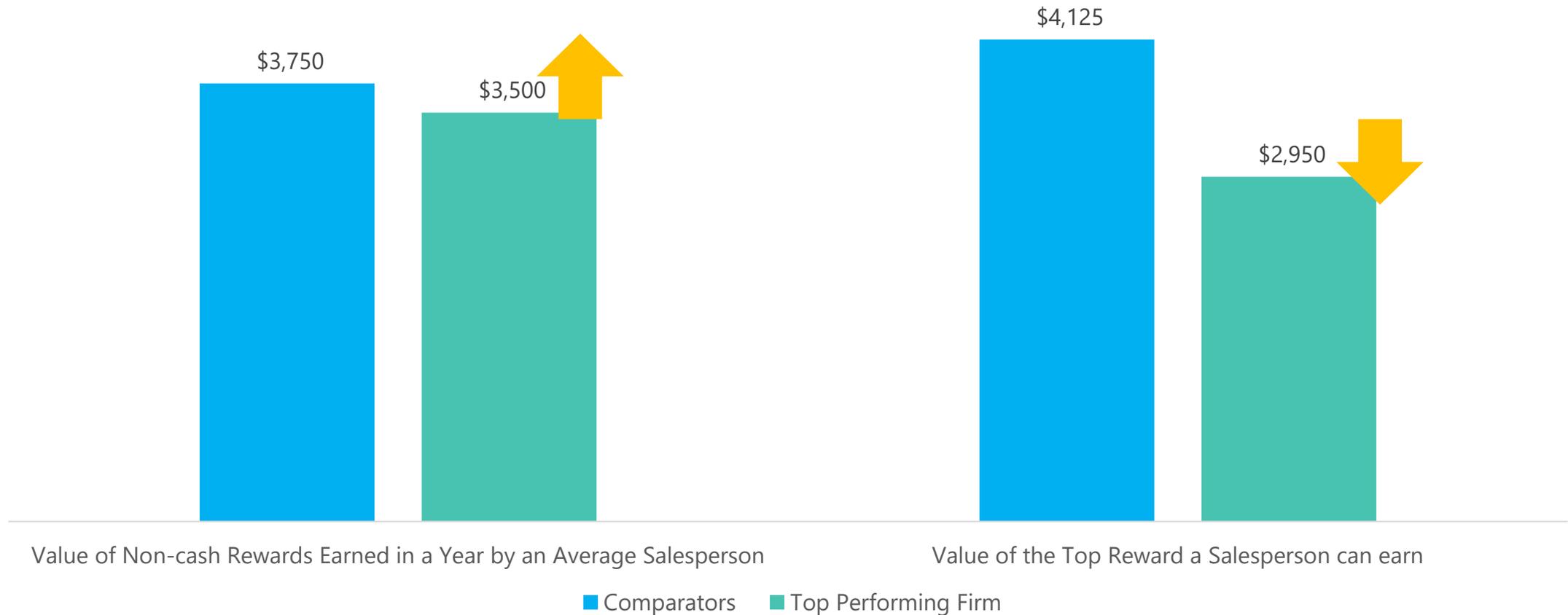


- On average, Top Performing companies spend more on their channel partners relative to both non-cash merchandise.
 - This result is different than last year when, on average, both Top Performers spent less than Comparators on non-cash merchandise for channel partners.
- Top Performers, however, do appear to spend less money on incentive trips overall than Comparators.

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



Average & Top Dollar Values Incentive Trips

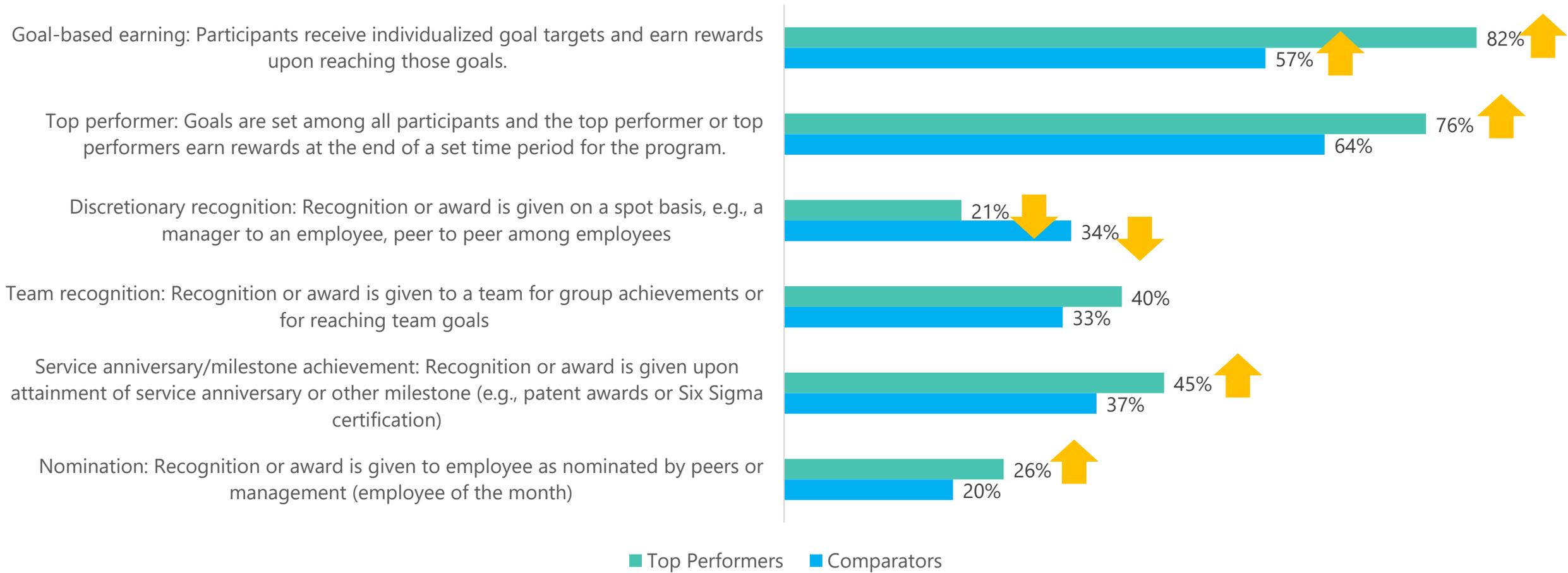


EMPLOYEE PROGRAMS

Program Structures Employee Reward & Recognition

- Overall, Top Performing companies have a higher percentage of recognition program structures compared to Comparators.
 - The lone exception being 'discretionary' recognition where Comparators have a higher percentage of incidence (34% to 21%).
- The biggest gaps between Top Performers and Comparators are in the following areas:
 - Goal based earning awards—Top Performers 82%; Comparators 57%
 - Top Performer recognition—Top Performers 76%; Comparators 64%
 - Service anniversary—Top Performers 45%; Comparators 37%

Program Structures Employee Reward & Recognition

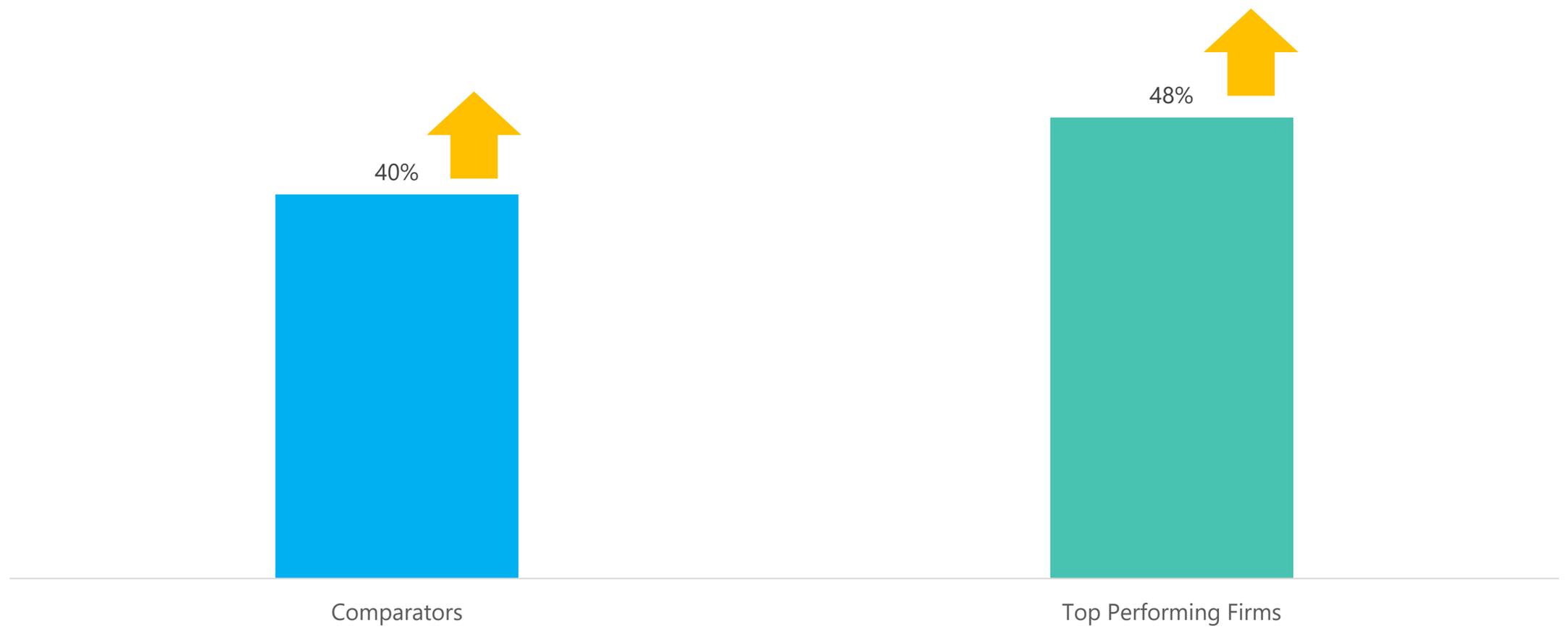


Below is a list of reward and recognition program structures organizations might use for employees. Please select the program structures your company utilizes.

Percent of Employees Earning Rewards

- While Top Performers have a higher percentage of employees expected to earn non-cash rewards compared to others (48% to 40%), the percentages for both groups went up from last year.
 - The expected percentage of employees earning rewards from Top Performers went up from 27% to 48%, while the percentage of Comparators went up from 32% to 40%.

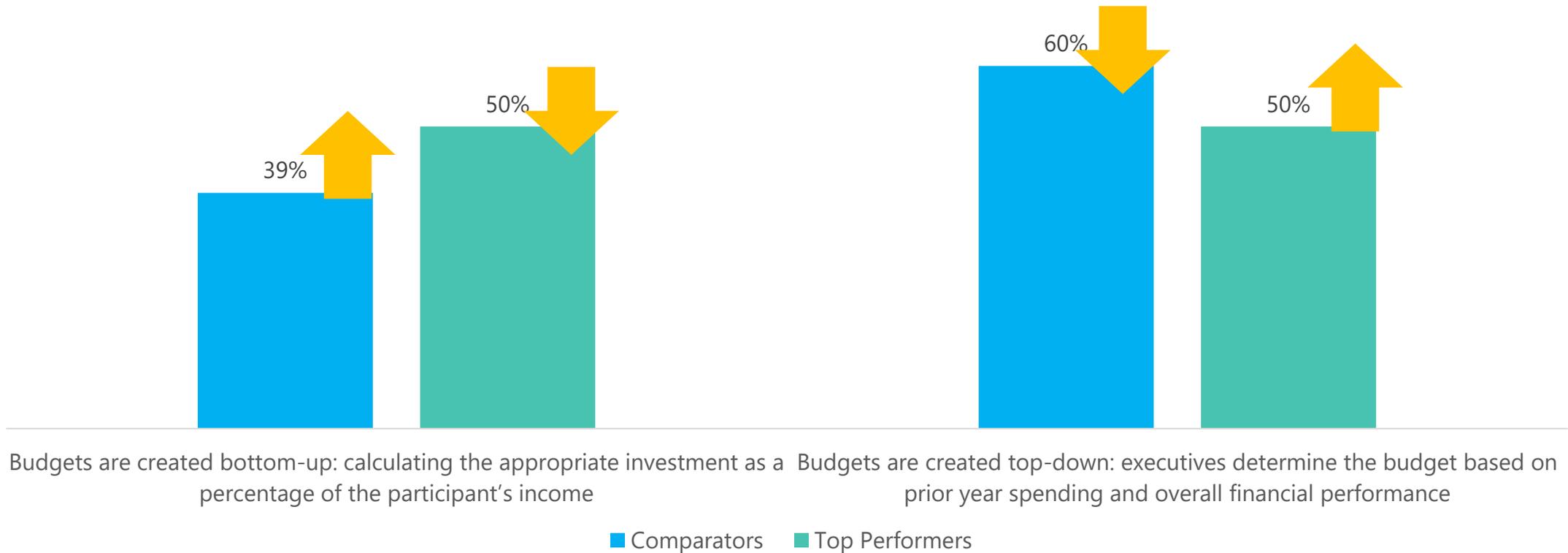
Percent of Employees Earning Rewards



What percent of your employees do you expect to earn non-cash rewards (merchandise, gift card, or trip) during 2018?

- There is an even split between how Top Performers approach their budgeting process for employee rewards.
 - Half (50%) create budgets from the bottom-up, calculating the appropriate investment as a percentage of the participant's income, while the other half create top down budgets based on prior year spending and overall financial performance.
 - The majority of Comparators (60%) create their budgets from the top-down, based on prior year spending and overall financial performance.

Budget Approach



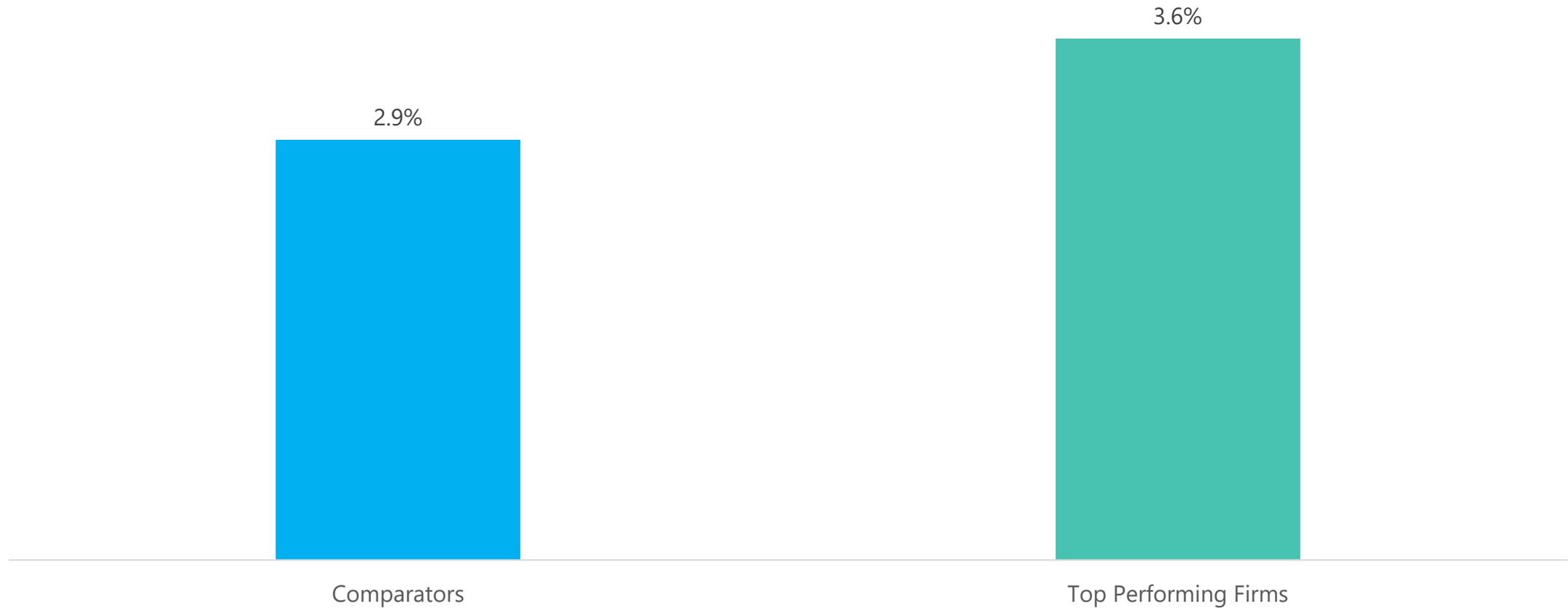
Budgets are created bottom-up: calculating the appropriate investment as a percentage of the participant's income

Budgets are created top-down: executives determine the budget based on prior year spending and overall financial performance

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

- There has been an increase in the percent of payroll used for reward and recognition among Top Performing companies.
 - Top Performers, on average, have increased the percentage of payroll from 3.0% to 3.6% giving them an advantage over Comparators who plan to spend 2.9% of the payroll budget for employee rewards.

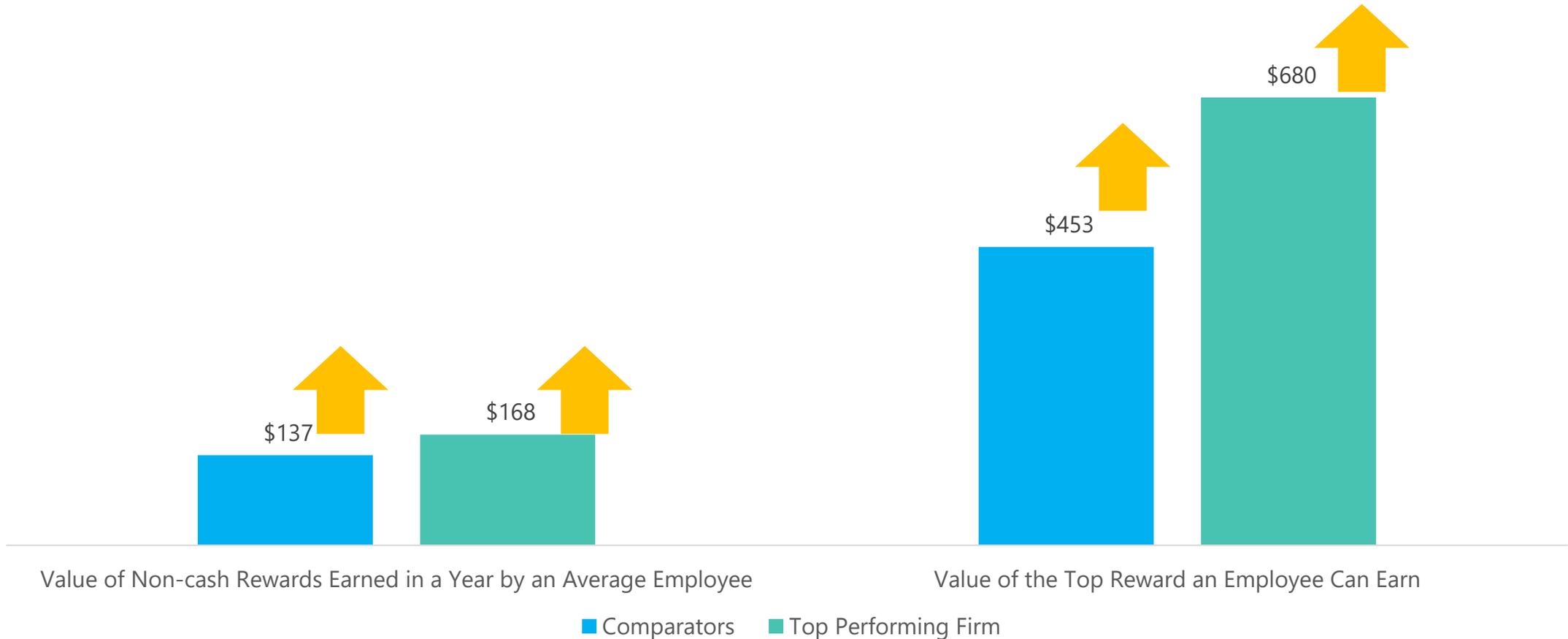
Bottom-Up Budgeting: Percent of Payroll for Reward & Recognition



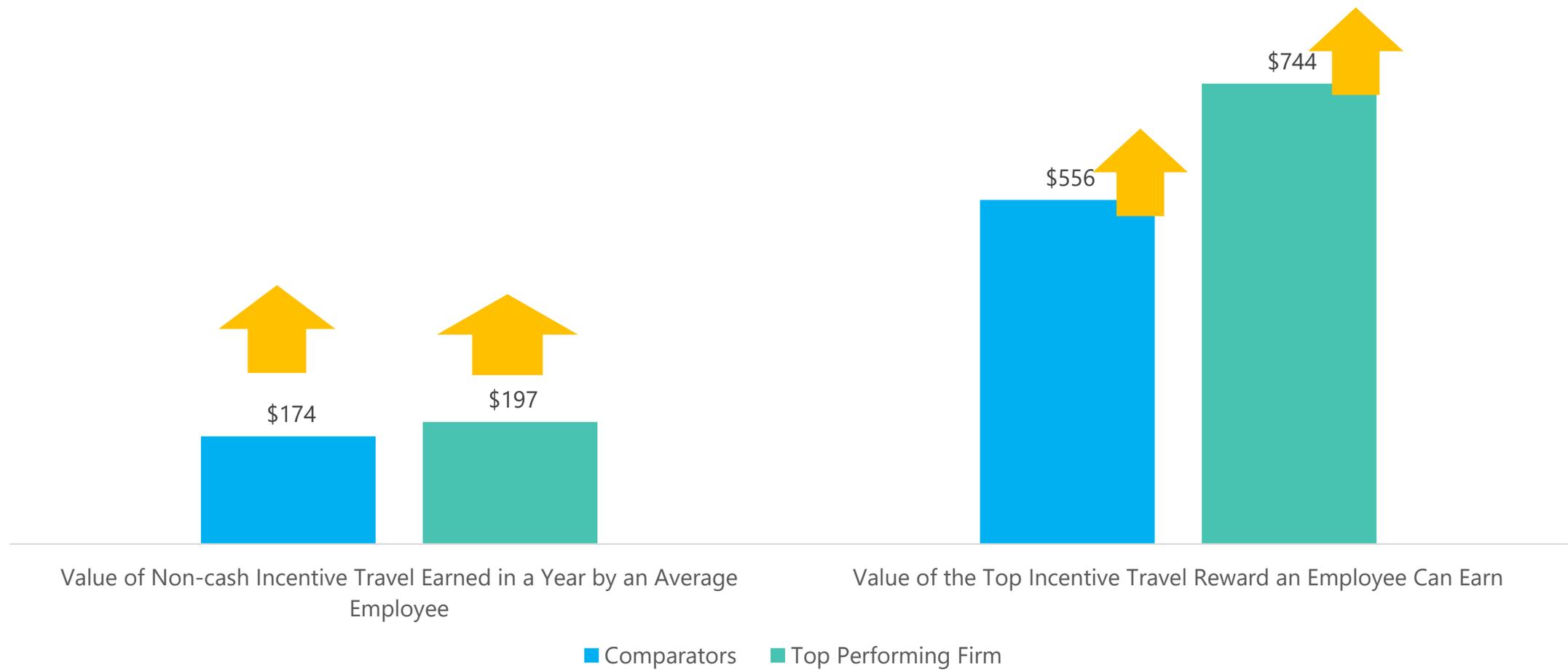
Average and Top Dollar Spent

- While Top Performers outspend others on both employee non-cash rewards and incentive trips, the amounts spent by both have generally increased since last year.
 - Average spent by Top Performers on non-cash rewards has risen from \$93 to \$168; Comparator spend has risen from \$107 to \$137
 - Top spent by Top Performers rose from \$352 to \$680; top spent by others has risen from \$416 to \$453.
 - Value of non-cash incentive travel in a year by an average employee of a Top Performing firm rose from \$118 to \$197; average Comparator spend on employee incentive trips rose from \$116 to \$174.
 - Top spend on incentive trips rose from \$472 to \$744 for Top Performers; top spend rose from \$419 to \$556 for Comparators.

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



Average & Top Dollar Values Incentive Trips



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