2020
TOP PERFORMER

Incentive Research Foundation

The IRF 2020 Top Performer Study:

What Top Performing Financial Services Companies Do Differently in Incentives and Rewards

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Top Performing financial services companies use incentive and reward programs to differentiate themselves from others.

COVID-19 has wreaked havoc across the economy, significantly impacting financial services institutions. Banks have been affected with widespread bank closures, and opening hours have been shortened. Customers often wait in their cars for long periods to go through drive through windows when the walk-in branches are closed. Customers are also being encouraged to use online and mobile banking as customer service phone lines are inundated with a huge volume of calls. With banks being considered 'essential' businesses, employees have been asked to continue working through the pandemic. Even at reduced hours, this has undoubtedly strained employees at financial institutions.

A PWC study of finance leaders asked about their top concerns during this time[1]. The *financial impact on operations, liquidity, and capital resources* ranked first (71%), followed by *potential global recession* (64%). Ranked third was concerns about the *'effects on our workforce/reduction in productivity'* (41%).

As with other business verticals, large numbers of employees in the financial services industry are currently working from home. Many in the financial services industry have adapted to the remote work environment given that significant health, safety, and sanitation challenges will likely remain for some time. This is particularly true in investment management, where many firm leaders have reported a smooth and successful transition to remote work and are assessing the risk-reward trade-offs of even a gradual return. There is a challenge to motivating remote workers that the financial services sector will find as an ongoing task.

The IRF's signature *2020 Top Performer Study* focused on understanding how incentives and rewards differentiate the most successful companies from others. The study focused on several specific verticals, including financial services companies. Results for the financial services sector showed that the use of incentive programs had risen prior to the pandemic, particularly for the most successful top performing financial services companies. While overall, Top Performers were much more engaged in incentive programs than Comparator companies, the level of support for reward and recognition programs had risen significantly for both Top Performers and Comparators in significant ways, suggesting that more and more financial services executives recognized the important role of incentives as a competitive advantage.

While the data cannot establish whether strong incentive programs directly led to better business performance, the relationship between strong business performance and the level of commitment to incentive programs was evident.

The Study

The financial services study included 128 participants, all of whom played a key role in overseeing the incentives programs of financial services companies earning at least $100M in revenue. The financial services sector represented 32% of the total *Top Performer Study* sample of 400, which is very similar to the previous year when financial services comprised 31% of the total sample.

To qualify as "Top Performing," 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 your company served

Strong performance with employees

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

Using these criteria, 36% of participating financial services firms qualified as Top Performing companies, which was similar to the manufacturing sector (34%) but less than the technology sector (43%). 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.

Executive Sponsorship Increased for Top Performers and Comparators

While there was still a large gap between Top Performers and Comparators, both groups increased the percentages who said their executives were strong supporters of reward and recognition as a competitive advantage. Top Performers went from 76% to 92% and Comparators moved from 50% to 72%. Among the top performing financial services companies, there was near universal agreement that effectively leveraging reward and recognition provided a competitive advantage. This is consistent with Top Performers from the other sectors, 94% overall of whose executives believed reward and recognition represented a competitive advantage.

Program Reach Is Expanding for Comparator Companies While Remaining Stable for Top Performers

In both the technology and manufacturing sectors, the percentage of those structuring programs with the dual goal of both reaching all participants, while also recognizing truly exceptional achievers, jumped significantly for both Top Performers and Comparators. Within the financial services sector, this trend held true for Comparator companies as the percentage of 'dual goal' programs more than doubled, increasing from 11% to 24%. However, the reported 'dual goal' percentage among Top Performers only increased slightly from 12% to 17%. While Top Performers remained more likely than Comparators to structure programs with the goal of each participant receiving a recognition or reward, the gap between Top Performers and Comparators on program reach was much less distinguishable than in the other two sectors measured in the *Top Performer Study*.

The IRF 2020 Top Performer Study - Financial Services

What Top Performing Financial Services Companies Do Differently in Incentives and Rewards

FINANCIAL SERVICES TOP PERFORMERS RATE THEIR PROGRAMS AS MORE EFFECTIVE

Program managers "strongly agreed" that their programs are effective at:

	Top Performers	Comparators
Influencing Behavior	64%	57%
Engaging Employees	64%	51%
Retaining Employees	55%	52%
Recruiting New Talent	53%	44%

Arrows indicate increase in response over previous study.

Top Performers
Comparators

TOP PERFORMERS FOCUS ON PROGRAM REACH

Top Performers		Comparators
50%	Reach Each Participant	37%
30%	Reward Exceptional Performers	36%
17%	Programs Do Both	24%
	Other	3%

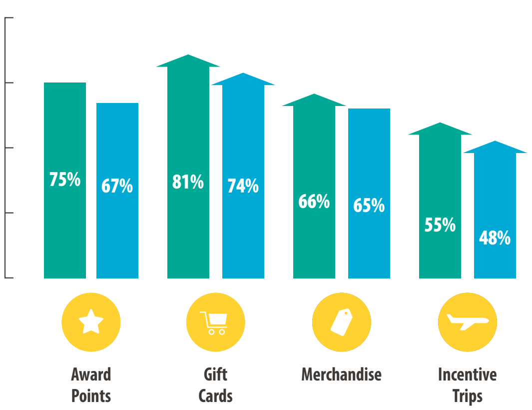
TOP PERFORMERS MORE LIKELY TO AWARD INCENTIVE TRIPS BASED ON AUTOMATIC SELECTION

Automatic Qualifications Based Goals

	Top Performers	Comparators
Salespeople	88%	65%
Channel Partners	73%	56%

Top Performers
Comparators

SOLID MIX OF REWARD TYPES OFFERED



	Top Performers	Comparators
Award Points	75%	67%
Gift Cards	81%	74%
Merchandise	66%	65%
Incentive Trips	55%	48%

Arrows indicate increase in response over previous study.

Top Performers
Comparators

TOP PRIORITIES FOR TANGIBLE REWARDS

TOP PRIORITIES FOR INCENTIVE TRIPS

Top Performers

Tangible rewards:
- Allows for Participant Flexibility 23%
- Provides Unique Experience 15%
- Physical Reminder for Employees (tie) 11% Ease of Administration (tie)

Incentive trips:
- 19% Allows for Participant Flexibility
- Provides Unique Experience (tie) 15% Builds Brand Loyalty (tie)
- Appealing Across Large Audience (tie) 12% Easy for Participants (tie) Builds Emotional Connections (tie)

Comparators

Tangible rewards:
- Physical Reminder for Employees 23%
- Participant Flexibility 22%
- Ease of Administration 17%

Incentive trips:
- 28% High Perceived Value
- 15% Ease of Administration
- Provides Unique Experience (tie) 13% Builds Brand Loyalty (tie) Builds Emotional Connections (tie)

Comparators Matched Top Performers on Program Design Collaboration

Seven out of ten programs were designed and managed with strong collaboration across multiple departments. This was true for both Top Performers and Comparators. Comparators showed a sharp increase in collaboration (59% to 70%) catching up to Top Performers in this area. Four times as many Top Performing financial companies have programs designed with no, or limited input from other departments/divisions compared to others (21% to 5%.)

Top Performers More Likely to Award Incentive Trips Based on Automatic Selection

Among Top Performing companies, 88% automatically won sales incentive awards based on achievement of pre-determined goals, compared to only 65% of Comparator companies. Both groups increased the percentages who automatically win based on pre-defined criteria, moving more away from selection by a committee. During the previous year, 70% of Top Performers automatically qualified for a Top Performer incentive trip; this year the percentage has risen to 88%. Similarly, 48% of Comparator top performers automatically qualified the previous year, compared to 65% in the most recent wave.

While both Top Performers and Comparators increased the number of automatic qualifiers for their sales incentive trip awards, the same was not true for channel incentive trip awards. In this case, only 73% of Top Performers gave automatic awards to channel partner qualifiers, a percentage much lower than the manufacturing and technology sectors. The 73% did not represent a significant change from the prior year. Unlike their counterparts in the other business verticals in the study, Comparator companies in the financial services sector showed a significant decline in the percentage that offered automatic awards (71% down to 56%). While automatic qualification trended upward for sales awards, the trend was toward more selection by committee among qualifiers for channel partner incentive trip awards.

Qualification Criteria is Moving in Both Directions

Among Top Performing financial companies, the percentage who said qualification criteria for the Top Performer sales incentive trip was ‘complex’ increased significantly from 5% to 36%. However, this finding is not entirely consistent as the percentage of Top Performing financial firms having ‘simple’ qualification rising from 20% to 36%. The data suggest qualification criteria for this group has changed, in many instances, from being ‘intermediate’ to being either more complex or more simple. Comparators seem to be moving toward much greater simplicity of award qualification. In this wave, 38% of Comparators have ‘simple’ qualification criteria compared to 27% last year. Only 6% of Comparators have ‘complex’ qualification criteria, down from 20%.

The qualification criteria for channel incentive trips also seem to be moving in opposite directions. Qualification complexity for channel partner incentive trip awards increased for Top Performing companies, with 41% describing the qualification process as ’complex’ compared to only 14% from the previous year. While the qualification process for Comparator companies is, most often considered ‘moderate,’ the percentage within the Comparator group who considered the qualification process as ‘simple’ increased from 21% to 33%.

Use of Gift Cards and Group Incentive Trips Went Up Significantly

While Top Performing financial firms had a greater incidence of reward types offered, the prevalence of gift cards and group incentive trips rose over the past year. Incidence of gift cards for Top Performers rose from 58% to 81%; Comparators saw an increase of gift card usage from 61% to 74%. Incidence of group incentive trips within Top Performing financial companies went up from 20% to 55% and from 33% to 48% in Comparator companies.

Top Performers Understand the Importance of Flexibility & Relevance of Rewards

Participant flexibility remains a top priority for reward programs of both Top Performing financial firms and Comparators. Comparators place a higher priority on the tangible reward representing a 'physical reminder for participants' and 'building brand loyalty,' both areas that have increased quite a bit in priority for Comparators since last year's study.

While both Top Performers and Comparators recognize the importance of flexibility within merchandise and gift card programs, there are dissimilar results for priorities in designing incentive trips. *Participant flexibility* was a much greater priority for Top Performers in designing incentive travel programs. Participant flexibility was the top priority for 19% of Top Performers vs. only 3% of Comparators. Having high perceived value was the number one priority for 28% of the Comparators as opposed to only 4% of Top Performers. An interesting contrast is that 12% of Top Performers prioritized making the trip 'easy for the participant' vs. only 3% of Comparators. Comparators placed a greater priority on 'ease of administration' with 15% of Comparators listing this as a priority vs. only 4% of Top Performers. One can conclude that Top Performers had a higher concern for making the trip easy for the participant as opposed to Comparators who seemed more focused on making the trip easier for themselves to administer.

Financial Services Top Performers Rate Their Programs as More Effective

Top Performing companies tended to have more effective programs across the board. Two areas where the advantage was particularly large are reflected in the statements, *'Our programs are effective engagement tools'* (64% agreement vs. 51% of Comparators) and *'Our programs are effective recruitment tools'* (53% agreement vs. 44% of Comparators).

Summary and Key Insights

The 2020 Financial Services Top Performer Study portrayed a very positive outlook for the non-cash reward and incentive travel business. The data consistently showed high levels of engagement, support, and spend with non-cash incentives among Top Performing companies. Of special note, the study also showed that Comparator companies were, in many cases, increasing their investments in incentives, and in some areas, had gained near parity with Top Performers. Had it not been for the economic impact of the pandemic, we might have expected perhaps an even higher percentage of Comparators moving over to the Top Performer category during the next wave of the study as a result of their greater engagement with incentive programs.

One area that Top Performers might consider course correcting is the trend toward more complex qualification criteria for incentives. Comparators were trending toward making their criteria simpler while Top Performers trended toward greater qualification complexity. During this period of economic slowdown, perhaps simpler would be better. Programs are more motivating if people know what they need to do to qualify for incentive opportunities and have both clarity and certainty about earning awards.

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 understand the importance of flexibility when it comes to merchandise and gift cards, they undervalue flexibility for designing incentive trips. Comparators place the greatest emphasis on having high perceived value for their incentive trips, while Top Performers recognize the value in personalization. It is not just about what something costs, or its equivalent cash value, but rather the personal appeal 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. Companies were getting a better understanding and holding their programs to higher standards. The fact that incentive flexibility represented such a high priority helps these programs to be more successful, thus motivating performance and promoting stronger business outcomes. Thus far, data collected by the IRF shows that incentive programs have not taken as much of budget hit as might have been expected during this time of economic upheaval. Keeping employees engaged and productive is particularly important at this time, particularly as large numbers remain working remotely. The progress shown by Top Performing financial services companies, as well as other companies striving to be Top Performers, relative to their effective use of incentives is encouraging and presumably, have shown enough of a return on investment to be seen as critical to business success in a financial services industry that is essential for keeping our economy moving forward as our opportunity to interact with one another may be limited for a while.

[1]*https://www.pwc.com/us/en/library/covid-19/coronavirus-banking-and-capital-markets.html*