INCENTIVE FEDERATION

MISSION

PROMOTING, PROTECTING, AND RESEARCHING THE OPTIMAL USE OF INCENTIVES, REWARDS, AND RELATED PROMOTIONS IN BUSINESS.

2015 Incentive Industry Research Findings

Program Design & Support Series:

1 **Program Goals & Objectives**

Data reported here includes survey results from our 2015 national sampling of reward and recognition "end users" of sales, channel, and employee programs. Additional papers in this series include the following:

2 **Communications, Technology, Tools & Reporting**
3 **Award Program Spending**
4 **Engaging Outside Program Support**

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Many companies work to recognize and reward stakeholder groups to desired behaviors using non-cash incentives. A company may offer incentives to their sales teams that go beyond their compensation, offer partners perks to recommend or sell their products over those of competitors, or recognize employees for years of service. And some companies provide incentives to all employees to reach performance or other types of goals (safety, wellness, etc). Participants were introduced to our incentive program design and development survey using the same language as above. The following provides an overview of our findings related to program design.

PROGRAM CONNECTIVITY

Companies frequently run multiple Sales and Channel programs that are connected through an "umbrella" program – a unifying theme or focus. In contrast, while companies are also running multiple employee programs during the year, not all are typically connected under one over-arching program.

PROGRAMS PER YEAR BY AUDIENCE

- 🟥 One reward program per year
- 🟨 Multiple discrete programs per year
- 🟨 Multiple programs in a year, all connected to an umbrella program
- 🟩 Multiple programs in a year: some connected, some discrete

SALES PROGRAMS: 18%, 41%, 16%, 26%
CHANNEL PROGRAMS: 14%, 45%, 12%, 29%
EMPLOYEE PROGRAMS: 13%, 20%, 24%, 43%
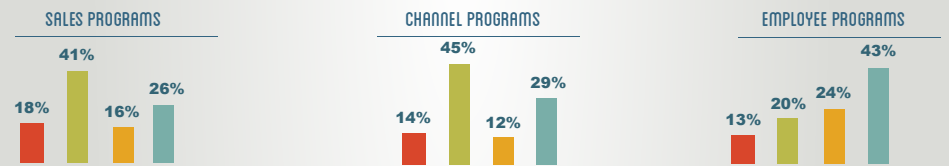
PROGRAM PACE

Channel programs are often paced such that some programs are offered every year, with additional programs added during the year to address specific goals. Half of Sales programs follow this pace as well. Employee programs take many forms; some firms have yearly programs while others launch programs on an as needed basis to meet specific organizational goals.

PROGRAM CADENCE BY AUDIENCE

- 🟥 Program(s) are offered every year
- 🟨 Programs offered as needed to meet specific goals
- 🟨 Some program(s) every year, others launched per as needed to meet specific goals

SALES PROGRAMS: 38%, 50%, 12%
CHANNEL PROGRAMS: 12%, 67%, 22%
EMPLOYEE PROGRAMS: 40%, 34%, 26%
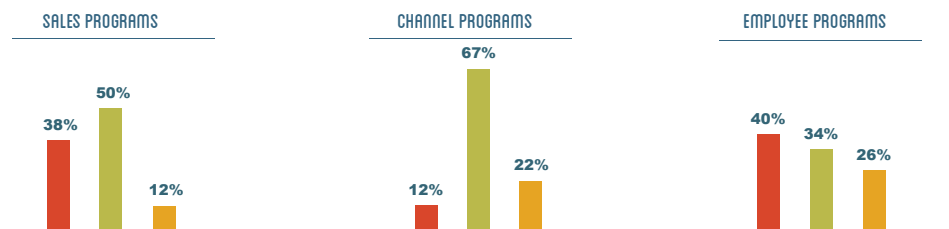
ABOUT THE END-USER SURVEY

AUDIENCE:

Reward and recognition "end-users" in firms with annual revenue of $1 million or more. The following shows final survey distribution of respondents who had some level of responsibility for non-cash programs for their salespeople, for channel/dealer partners (the end-user company's distribution channel), or for their employees.

FIRM SIZE	# RESPONDENTS:
🟥 $1 MM - $9.9 MM	51
🟨 $10 MM - $99 MM	50
🟧 $100 MM - $999 MM	66
🟩 $ 1 B +	67
TOTAL	**234**
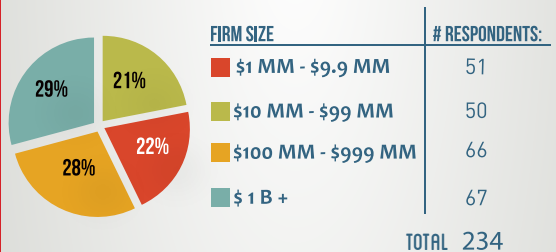
CONFIDENCE LEVEL:

The sample size provides a 95% confidence level and 6.4% margin of error (i.e., if the study was completed 100 times, 95% of the studies would generate results within 6.4% of the current study).

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PROGRAM OBJECTIVES

Organizations have different objectives for their incentive programs, depending on program type.

SALES PROGRAM OBJECTIVES

Sales Program purposes are obviously focused on increasing overall sales, with morale improvement among the organization's sales force being a close second.
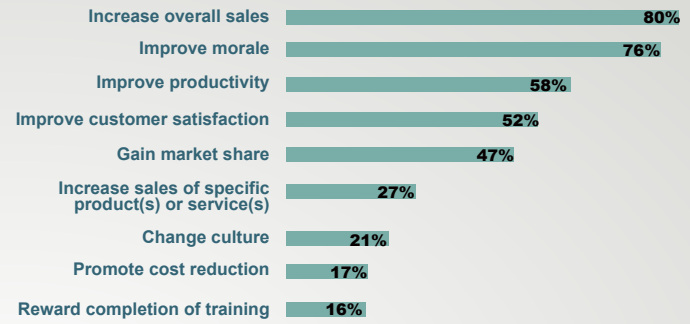
CHANNEL PROGRAM OBJECTIVES

Channel Programs are most often focused to improve the productivity of channel program employees -- nearly all of the companies surveyed that this is a priority. Sales-specific goals, such as increasing product or service sales -- as well as overall sales and market share, are also frequently the reason that channel programs are implemented.
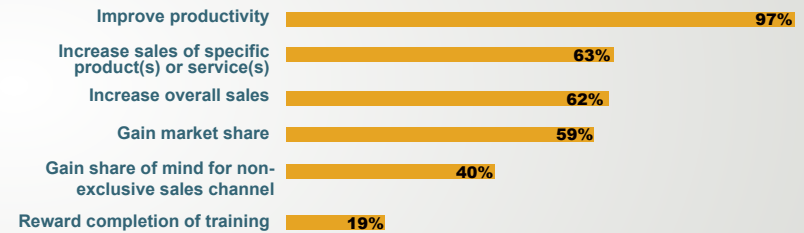
EMPLOYEE PROGRAM OBJECTIVES

Employee Programs are most often put in place to improve morale. Other common goals are to improve productivity, improve customer satisfaction, and to recognize employee years of service.

SALES PROGRAM OBJECTIVES

Objective	%
Increase overall sales	80%
Improve morale	76%
Improve productivity	58%
Improve customer satisfaction	52%
Gain market share	47%
Increase sales of specific product(s) or service(s)	27%
Change culture	21%
Promote cost reduction	17%
Reward completion of training	16%

CHANNEL PROGRAM OBJECTIVES

Objective	%
Improve productivity	97%
Increase sales of specific product(s) or service(s)	63%
Increase overall sales	62%
Gain market share	59%
Gain share of mind for non-exclusive sales channel	40%
Reward completion of training	19%

EMPLOYEE PROGRAM OBJECTIVES

Objective	%
Improve morale	84%
Improve productivity	58%
Improve customer satisfaction	48%
Recognize years of service	41%
Promote innovation	28%
Increase sales of specific product(s) or service(s)	27%
Promote wellness	23%
Change culture	19%
Reduce waste	15%
Promote safety	14%
Reward completion of training	9%
Promote cost reduction	8%
Promote other specific behaviors or goals	6%

PROGRAM STRUCTURES

Participants indicated how their incentive programs were structured in terms of the chart on below. The next page shows these structures for Sales, Channel and Employee Programs.

		SALES PROGRAMS	CHANNEL PROGRAMS	EMPLOYEE PROGAMS
Sales Quota	Participants receive individualized quota targets and earn rewards upon hitting those targets.	●	●	
Other Types of Goal-based Earning	Participants receive individualized goal targets and earn rewards upon reaching those goals.	**Example** New product or other training, cleaning inventory, etc.	●	●
Top Performer	Goals are set among all participants and the top performer(s) earn rewards at the end of a set time period for the program.	●	●	●
Discretionary Recognition	Recognition or award is given on a spot basis.	**Example** Manager to employee, peer-to-peer among employees	**Example** Company rep to Channel Partner	**Example** Manager to employee, peer-to-peer among employees
Team Recognition	Recognition or award is given to a team for group achievements or for reaching team goals.	●	●	●
Service Anniversary /Milestone Achievement	Recognition or award for attainment of service anniversary or other milestone (e.g., patent awards or Six Sigma certification).	* N/A	** N/A	●

* Service anniversaries and milestone achievements by salespeople are considered as being employee program awards, and not specifically sales incentive program awards.
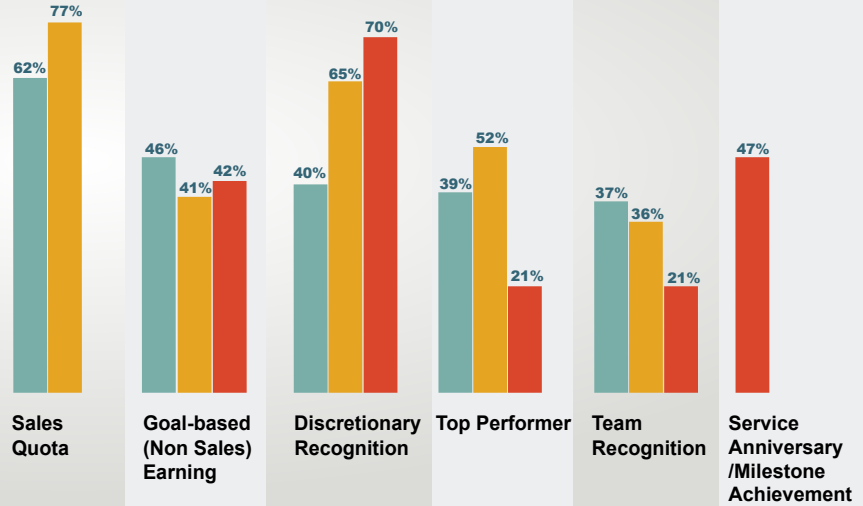
** Awards such as "Dealer of The Year" were not identified to respondents responsible for channel programs

PROGRAM STRUCTURES (Cont.)

To design sales incentive programs, companies use a wide range of rule structures, with the most common being sales quotas. This applies to internal sales, as well as sales channels.

For employee programs, the most prevalent award structure is discretionary recognition, followed by service anniversary/milestone award types.
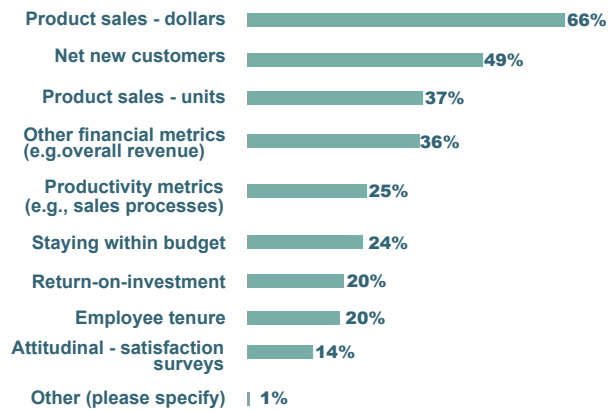
● SALES PROGRAMS ● CHANNEL PROGRAMS ● EMPLOYEE PROGAMS

	Sales Quota	Goal-based (Non Sales) Earning	Discretionary Recognition	Top Performer	Team Recognition	Service Anniversary /Milestone Achievement
Sales Programs	62%	46%	40%	39%	37%	
Channel Programs	77%	41%	65%	52%	36%	
Employee Programs		42%	70%	21%	21%	47%

PROGRAM EVALUATION METRICS

As expected, different objectives and program structures drive different types of measurements according to program type.

SALES PROGRAM METRICS

When evaluating the success of sales incentive programs, most companies use sales dollars to measure return. Net new customers is also popular. ROI calculations are only used in 20% of programs.
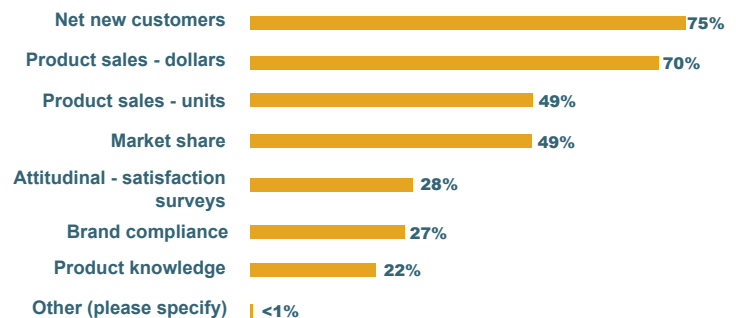
SALES PROGRAM METRICS

Product sales - dollars	66%
Net new customers	49%
Product sales - units	37%
Other financial metrics (e.g.overall revenue)	36%
Productivity metrics (e.g., sales processes)	25%
Staying within budget	24%
Return-on-investment	20%
Employee tenure	20%
Attitudinal - satisfaction surveys	14%
Other (please specify)	1%

CHANNEL PROGRAM METRICS

Compared to sales incentive programs, channel partner programs emphasize net new customers as the performance outcome. Product sales (in dollars) is also a top evaluation metric for channel partner programs.
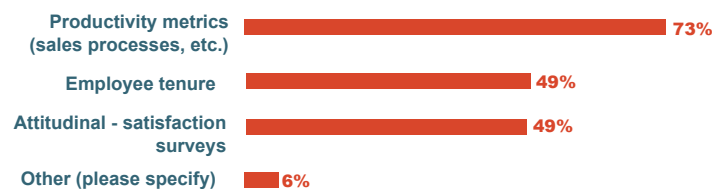
CHANNEL PROGRAM METRICS

Net new customers	75%
Product sales - dollars	70%
Product sales - units	49%
Market share	49%
Attitudinal - satisfaction surveys	28%
Brand compliance	27%
Product knowledge	22%
Other (please specify)	<1%

EMPLOYEE PROGRAM METRICS

Productivity improvement is the most common performance measure for employee programs, followed by employee tenure and employee satisfaction.

EMPLOYEE PROGRAM METRICS

Productivity metrics (sales processes, etc.)	73%
Employee tenure	49%
Attitudinal - satisfaction surveys	49%
Other (please specify)	6%

DESIGN PRIORITIES

Respondents were asked to allocate 100 points across various considerations that impact program design. Items that are higher priority have more points assigned to them. This method allows for ratio comparisons – an item with 20 points is twice as important as an item with 10 points.
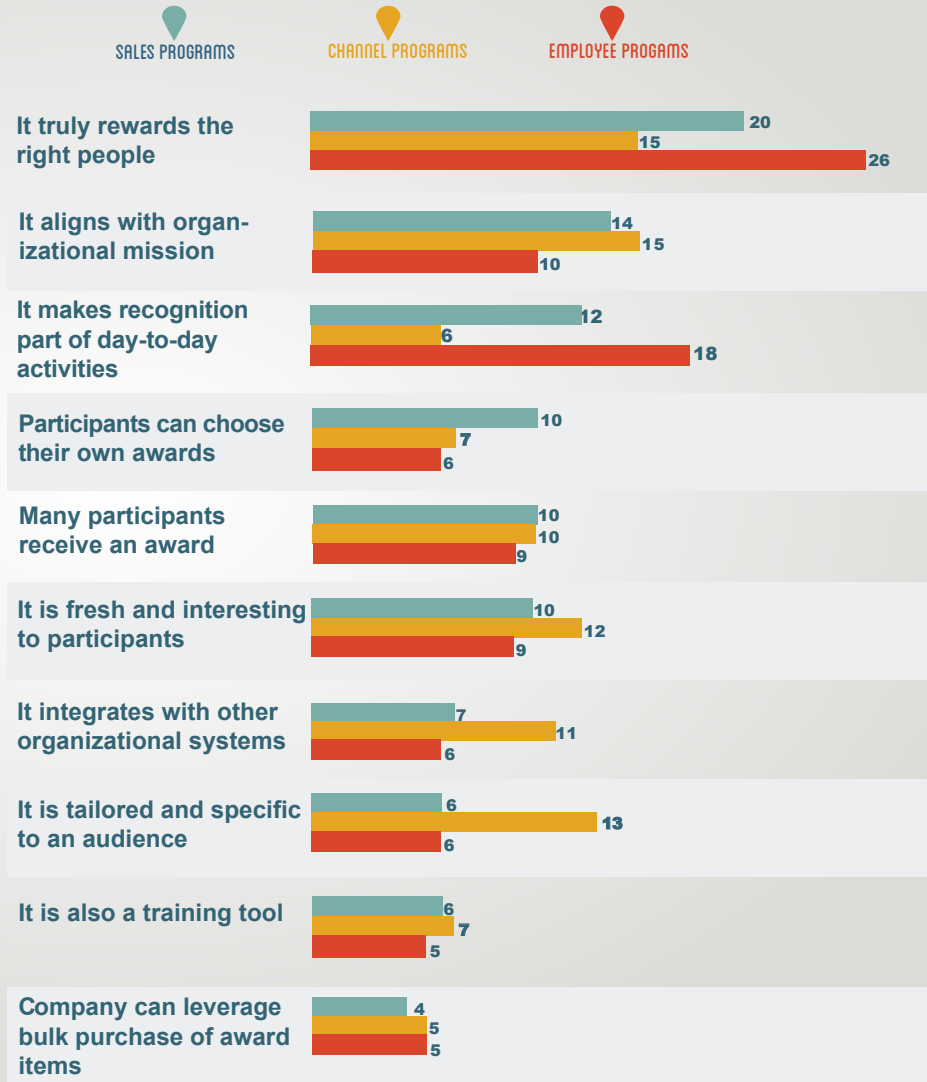
SALES PROGRAM DESIGN PRIORITIES

The most important design consideration for Sales program managers is ensuring that the program rewards the right people. This is seen as a more critical consideration than organizational alignment, establishing a culture of recognition, and other factors that pertain to participant engagement. It's likely that if this criteria is not met by the program, everything else suffers as well.

CHANNEL PROGRAM DESIGN PRIORITIES

Design considerations for Channel programs are less differentiated in terms of importance. Rewarding the right people is a top concern, but is tied with organizational alignment for first place. Tailoring the program to the audience is of greater interest here than in Sales programs.

EMPLOYEE PROGRAM DESIGN PRIORITIES

By far, the most important design consideration for Employee programs is ensuring that the program rewards the right people. The second-most-important priority for these programs is making recognition a part of day-to-day activities.

SALES PROGRAMS   **CHANNEL PROGRAMS**   **EMPLOYEE PROGAMS**

Consideration	Sales	Channel	Employee
It truly rewards the right people	20	15	26
It aligns with organizational mission	14	15	10
It makes recognition part of day-to-day activities	12	6	18
Participants can choose their own awards	10	7	6
Many participants receive an award	10	10	9
It is fresh and interesting to participants	10	12	9
It integrates with other organizational systems	7	11	6
It is tailored and specific to an audience	6	13	6
It is also a training tool	6	7	5
Company can leverage bulk purchase of award items	4	5	5

The Incentive Federation will also repeat its study to size the market for non cash incentives and recognition in late 2015.

Organizations interested in the study and participating in the Federation can find more information at www.incentivefederation.org.

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For additional papers within this series, or for more information about the Incentive Federation, please visit:

www.incentivefederation.org

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