

3 Award Program Spending

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:

- 1 Program Goals & Objectives
- 2 Communications, Technology, Tools & Reporting
- 4 Engaging Outside Program Support

Available at www.incentivefederation.org

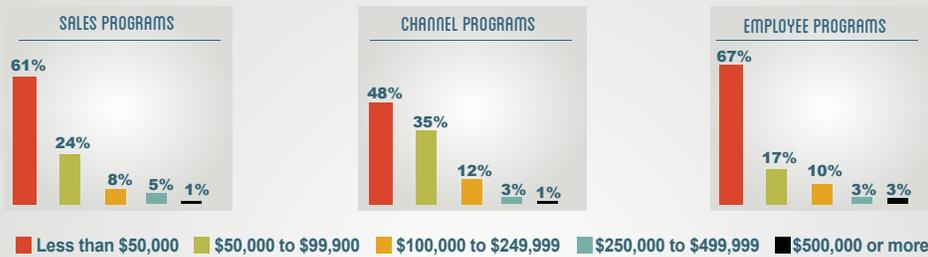


A central question asked by incentive program consulting companies, as well as companies interested in implementing programs, has to do with spending within the industry in general, as well as what the spending is for. In this paper, we provide insights.

PROGRAM SPEND BY AUDIENCE

OVERALL

The typical company spends less than \$50,000 per year on their program(s), regardless of the program audience. This is due to the vast number of small businesses in relation to larger firms.



PROGRAM SPEND BY COMPANY REVENUE

Quite a bit of variations exist relative to program type. On this and the following page, we cover program spend by company revenue, starting with sales programs below. Channel and employee program spend rates by company revenue follow on the next page.

SALES INCENTIVE PROGRAM SPEND

Smaller firms most frequently report spending less than \$50,000 per year on Sales programs. More robust investment in Sales programs can be seen once firms pass the \$10M revenue mark, and increases are apparent as company size grows. It is possible that total spend on Sales programs was not captured in the largest of firms, due to distributed spend across numerous divisions and operating units.



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.



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).



PROGRAM SPEND BY COMPANY REVENUE (Cont.)

CHANNEL INCENTIVE PROGRAM SPEND

Half of smaller firms report spending less than \$50,000 per year on Channel programs. Investment in Channel programs increases as firms pass the \$10M revenue mark, and continues to increase as company size grows. It is possible that total spend on Channel programs was not captured in the largest of firms, due to distributed spend across numerous divisions and operating units.



EMPLOYEE PROGRAM SPEND

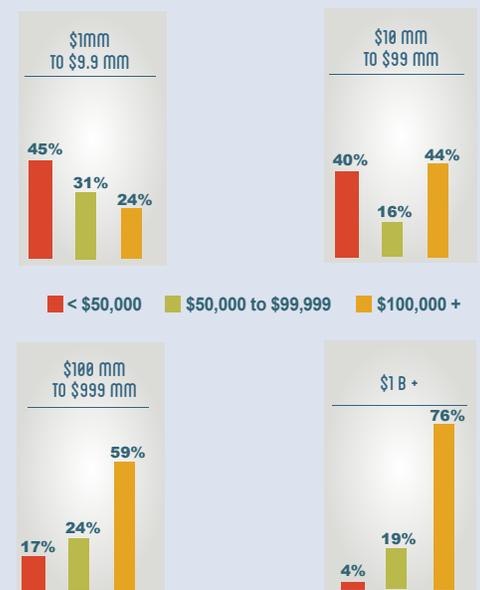
The majority of small firms spend less than \$50,000 per year on employee programs, and this level of spending is also seen among a considerable proportion of larger firms. Within the largest companies, spending on employee programs increases dramatically. It is possible that total spend on employee programs was not captured in the largest of firms, due to distributed spend across numerous divisions and operating units.



TOTAL SPEND (CROSS AUDIENCE) BY FIRM SIZE

Many companies operate programs across multiple audiences, often with programs running simultaneous to one another.

When combining the budgets across these multiple programs (for example, Sales and Employee program spending), the relationship between reward and recognition spend and company size becomes more apparent.



PROGRAM REWARDS & RECOGNITION

The pages that follow outline reward and recognition provided for sales, channel, and employee programs. These were described for respondents as the following:

Recognition Awards

Recognition award examples given were perks to recognize participants such as time off from work, parking spots, free lunches, etc. For channel programs, these might include simple “thank you’s” to recognize channel/dealer personnel.

Recognition Events

Recognition event examples were gatherings or awards to recognize participants such as recognition ceremonies, meetings or recognition awards. For sales and employee programs, examples include “Employee of the Month.” For channel programs, an example is recognition for brand compliance.

Symbolic Awards

Symbolic award examples are things like plaques and trophies. These apply to sales, employee and channel programs.

Merchandise Awards

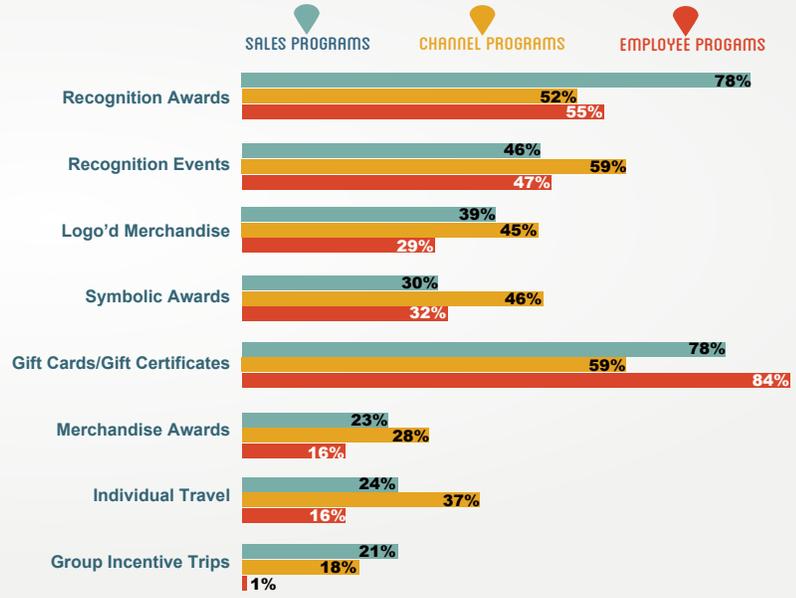
Merchandise award examples provided to study participants was “merchandise or other awards used as part of an incentive or recognition program. Rewards may be a variety of products of differing values.”

Group Incentive Trips

Group incentive trip examples were group travel experiences – where travel is the key award. Participants may earn a spot on a group travel program, or able to select from various travel packages. Travel experiences can include rooms and other gifts, entertainment, etc., provided during the experience.

TYPES OF RECOGNITION/REWARDS BY AUDIENCE

Recognition awards, recognition events, and gift cards are the most common types of recognition/reward utilized, regardless of program audience. Excepting the absence of group incentive travel within Employee programs, the various recognition and reward types are represented in all program types.



MERCHANDISE USAGE BY AUDIENCE

SALES PROGRAMS

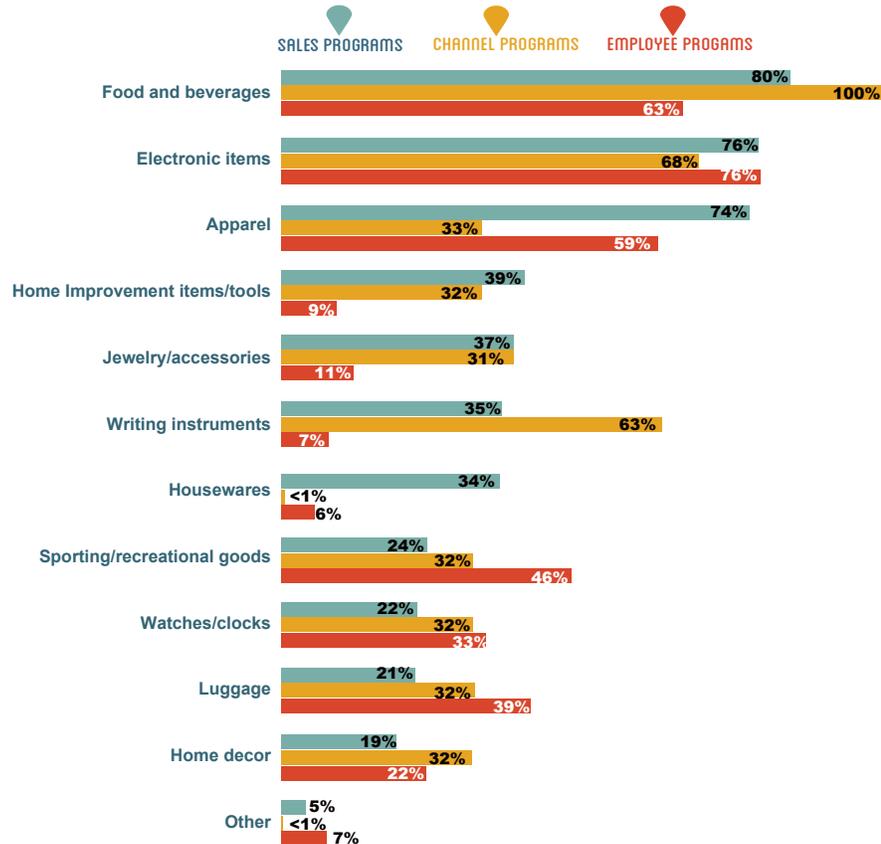
Three merchandise categories dominate in terms of prevalence in Sales programs: food and beverages, electronics, and apparel. The remaining categories of merchandise are not negligible – the least-frequent categories are found in one out of five programs.

CHANNEL PROGRAMS

Food and beverages are ubiquitous within Channel programs, while electronics and writing instruments also make a strong showing. Housewares are absent within Channel programs.

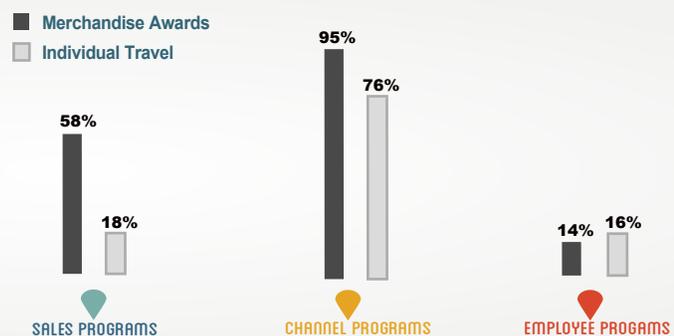
EMPLOYEE PROGRAMS

Electronics take the top spot in Employee programs, followed by food and beverages and apparel. Sporting goods, luggage, watches and clocks, and home décor are other categories favored for Employee programs.



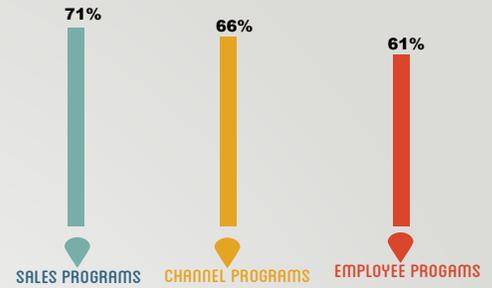
INCIDENCE OF POINTS-BASED PROGRAMS BY AWARD TYPE

For programs offering merchandise or individual travel awards, points-based systems of earning and redemption are used to varying degrees, depending on audience type. Channel programs have a very high incidence of points programs for both merchandise and individual travel, while points are more common for merchandise-based Sales programs than those including individual travel. Points are not common within Employee programs.



INCIDENCE OF CASH AS NON-COMPENSATION REWARD

When asked if their non-compensation reward mix includes cash, a large percentage of companies responded in the affirmative. However, when asked to describe these cash rewards, many program managers mention bonuses and gift cards. The implications are twofold: there is not a commonly-understood line between compensation and rewards, and gift cards are considered cash-like to some program managers.



REWARD & RECOGNITION PREFERENCE BY PROGRAM RULE STRUCTURE

In terms of the application of specific types of reward and recognition, buyers were asked about various program rule structures and the types of reward and recognition they prefer in each of these circumstances. Some reward and recognition types are preferred more or less than others depending on programs. The broader learning, however, is that all types of rewards and recognition are used to reward participants for all types of programs.

	SALES QUOTA	SERVICE ANNIVERSARY	OTHER GOAL-BASED EARNING	TOP PERFORMER	DISCRETIONARY	TEAM
MERCHANDISE						
AWARDS	9% 23%	10%	17% 23% 6%	11% 18% 3%	2% 28% 13%	13% 25% 14%
LOGO'D	19% 26%	4%	17% 23% 7%	12% 8% 2%	29% 32% 22%	19% 50% 14%
SYMBOLIC	7% 23%	26%	8% 22% 27%	24% 35% 4%	12% 27% 4%	10% 50% 7%
GIFT CARDS/CERTIFICATES	52% 36%	28%	46% 25% 49%	59% 55% 61%	85% 42% 72%	10% 1% 52%
TRAVEL						
INDIVIDUAL	13% 11%	6%	8% 22% 12%	21% 55% -	46% 29% 8%	19% 25% 15%
GROUP	18% 11%	-	8% 22% 1%	1% 18% 2%	- 14% -	31% 25% 1%
RECOGNITION						
AWARDS	38% 39%	32%	17% 45% 23%	55% 38% 15%	38% 2% 37%	32% 50% 15%
EVENTS	12% 34%	36%	11% 29% 4%	40% 38% 42%	19% 41% 23%	33% 25% 28%

MEAN VALUES	SALES PROGRAMS	CHANNEL PROGRAMS	EMPLOYEE PROGRAMS
SALES QUOTA	67	35	71
OTHER GOAL-BASED EARNING	50	18	65
TOP PERFORMER	43	23	33
DISCRETIONARY	44	29	107
TEAM	41	16	81

EXAMPLE INTERPRETATIONS

SALES PROGRAMS
Among those with sales quota programs, 9% prefer merchandise awards.

CHANNEL PROGRAMS
Among those with sales quota programs, 23% prefer merchandise awards.

EMPLOYEE PROGRAMS
Among those with service anniversary programs, 10% prefer merchandise awards.

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

www.incentivefederation.org



Follow the Incentive Federation on Twitter @IncentiveFed