Reference Deck The IRF Top Performers Study: Financial Services Sector

Comparing Non-cash Recognition & Reward Approaches of Firms in the Financial Services Sector

June 2019

Incentive Research Foundation



Background

- As of 2016, 84% of U.S. businesses utilize non-cash rewards as a method of encouraging and engaging their employees, salespeople, and channel/dealer partners.
- The body of evidence for best practices and optimal program design is increasing every year, and businesses are looking to their supplier partners for expertise and advice on how to most effectively structure their reward and recognition initiatives.
- This research is designed to fill a gap by objectively identifying the non-cash rewards strategies and tactics used by top performing companies, providing benchmarks and best practices for the industry.



Methodology

- Most research benchmarking "top performing companies" leverages pre-existing lists of these companies – for example the Fast 500 or Best Places to Work
- This research was designed to use a national cross-section of firms with at least \$100 million in revenue, collecting data to objectively classify each firm as "top performing" or "average"

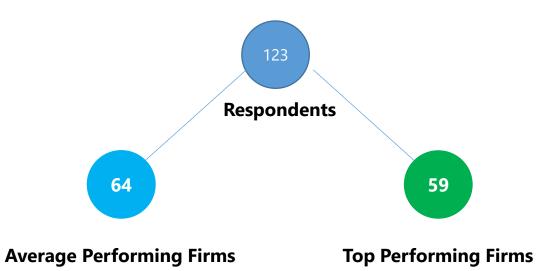


Classifying Top Performing Companies

- To qualify as "top performing," a firm had to demonstrate strong performance in 2018. The most important requirement for classification as a top performer is financial growth -<u>more than 5% growth in revenue or stock price</u>.
- Top performers also were required to demonstrate both of the following:
 - Strong performance with customers
 - 90% or higher in customer satisfaction or loyalty, or
 - Customer acquisition rates higher than 5%
 - Strong performance with employees
 - 90% or higher in employee satisfaction
 - Loss rate less than 5% per year among high-performing employees
 - Reputation as a highly-desirable place to work a place where high-performing candidates compete to work
- The purpose of these survey questions and the ultimate classification as "top performer" or "average" was 100% opaque to respondents – they did not know they were assigned to a performance group



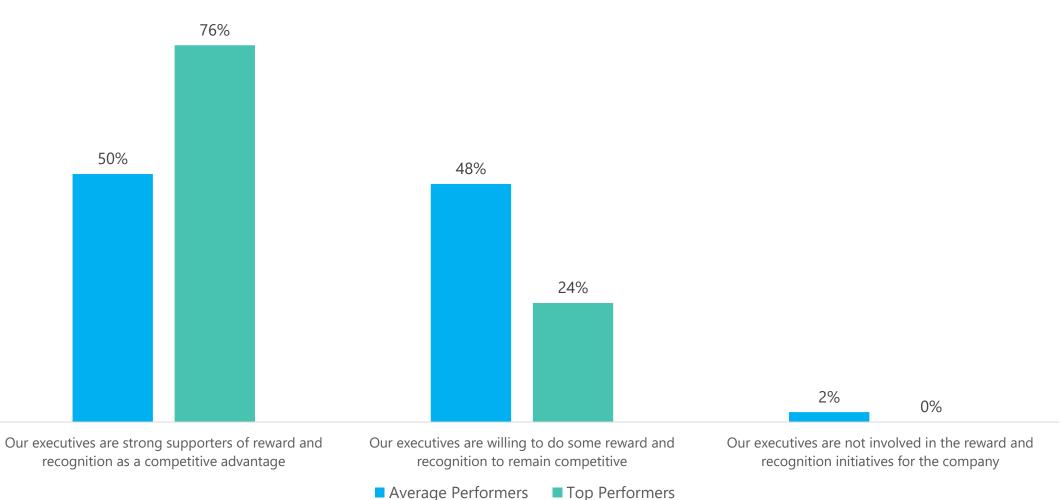
FINANCIAL SERVICES SECTOR FINDINGS







Executive Sponsorship

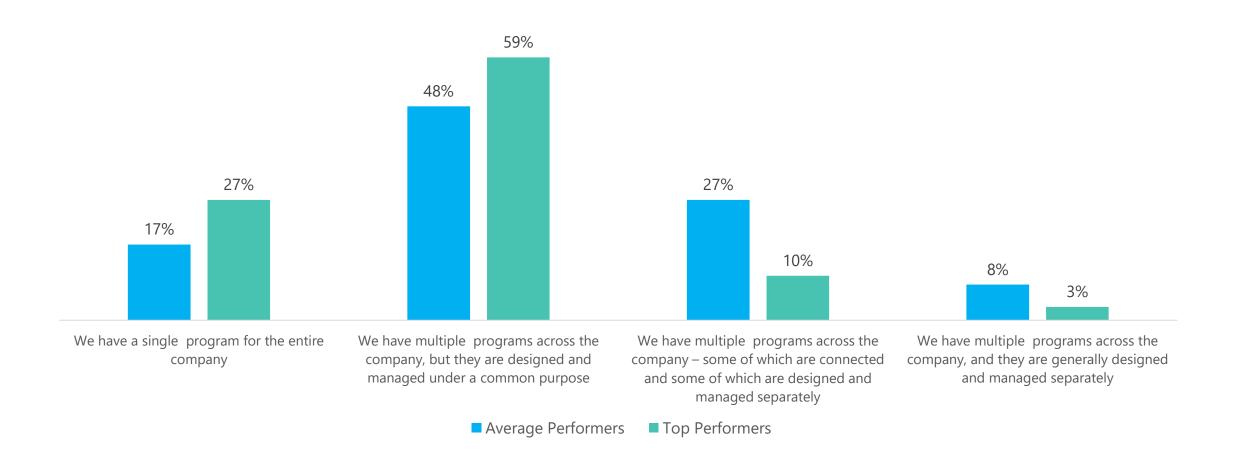


Which of the below best describes the executive sponsorship of reward and recognition programs in your company?





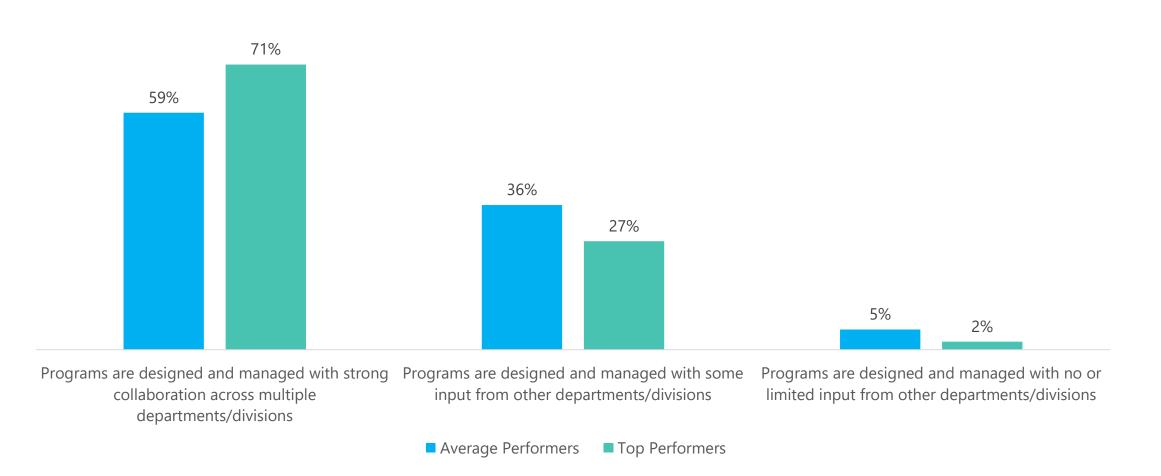
Program Connectivity





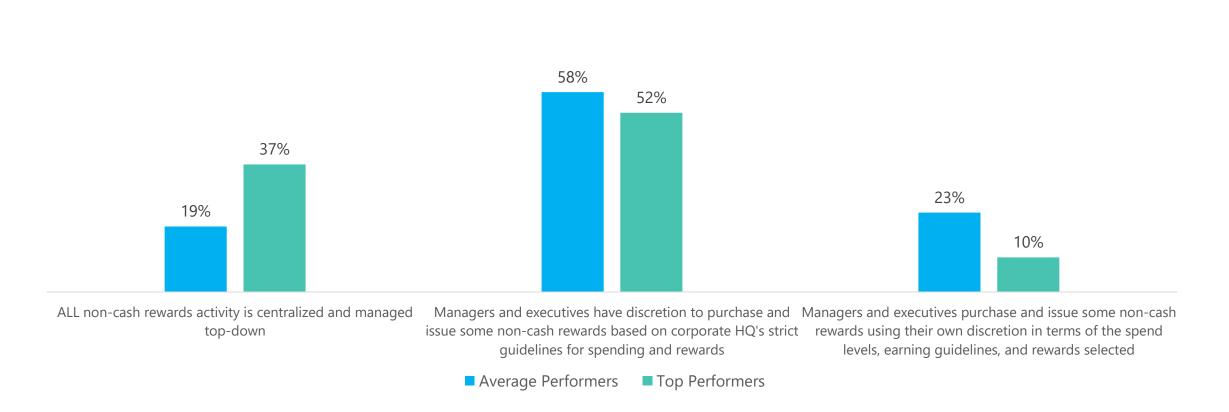


Program Design Collaboration









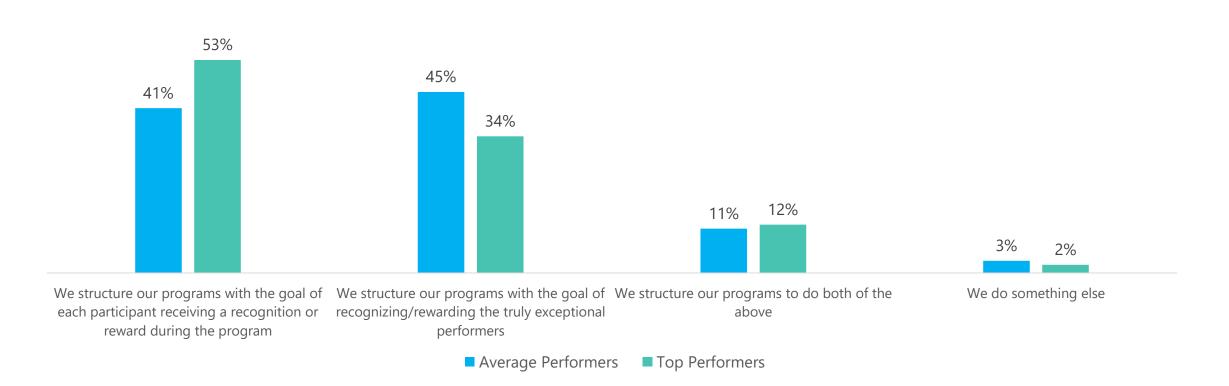
To the best of your knowledge, which of the below most accurately describes non-cash rewards activity at your company?

ALL PROGRAMS FINANCIAL





Program Reward Reach

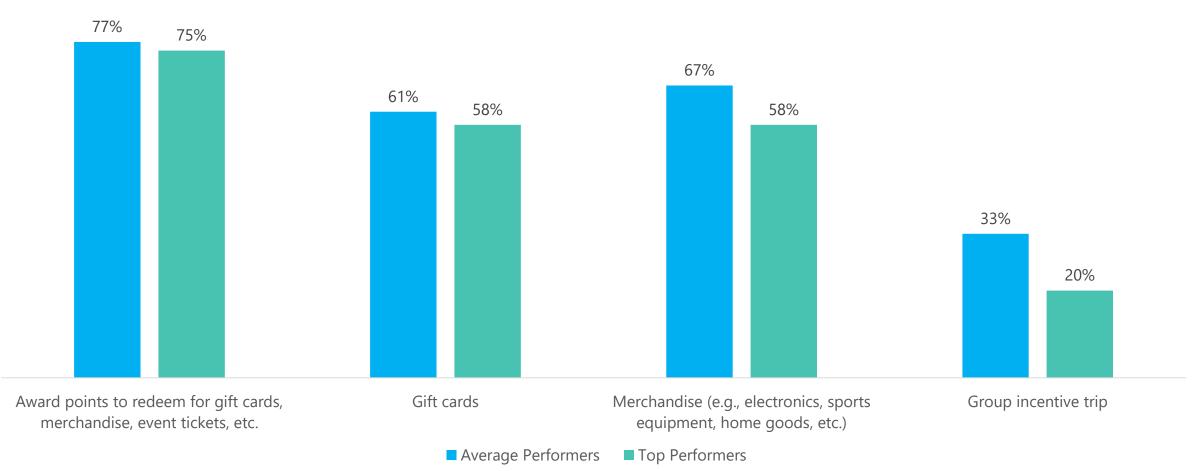


Which of the options below best describes your company's approach when designing the rules for your programs?





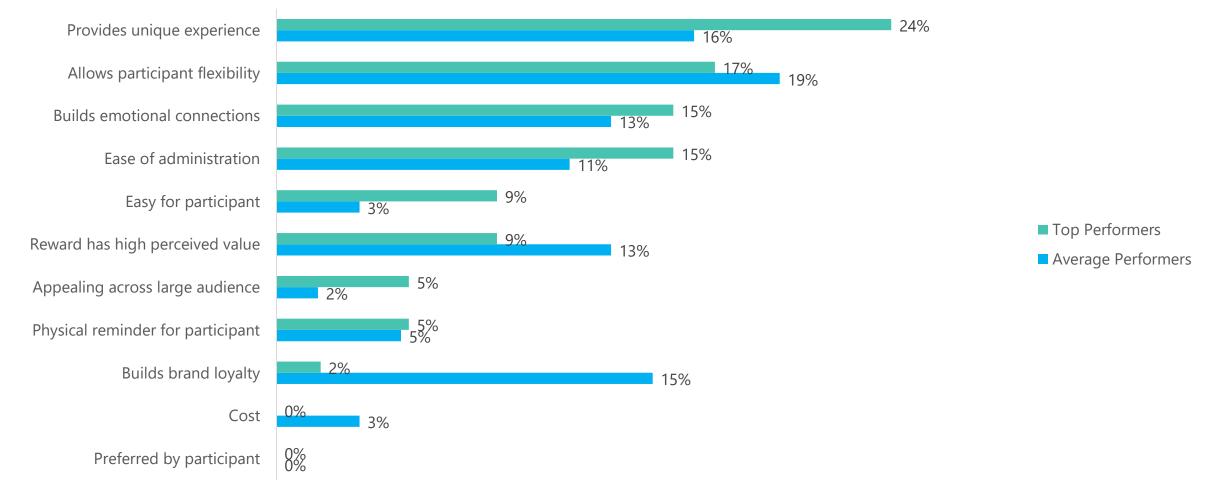
Reward Types



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



Priorities for Tangible Rewards

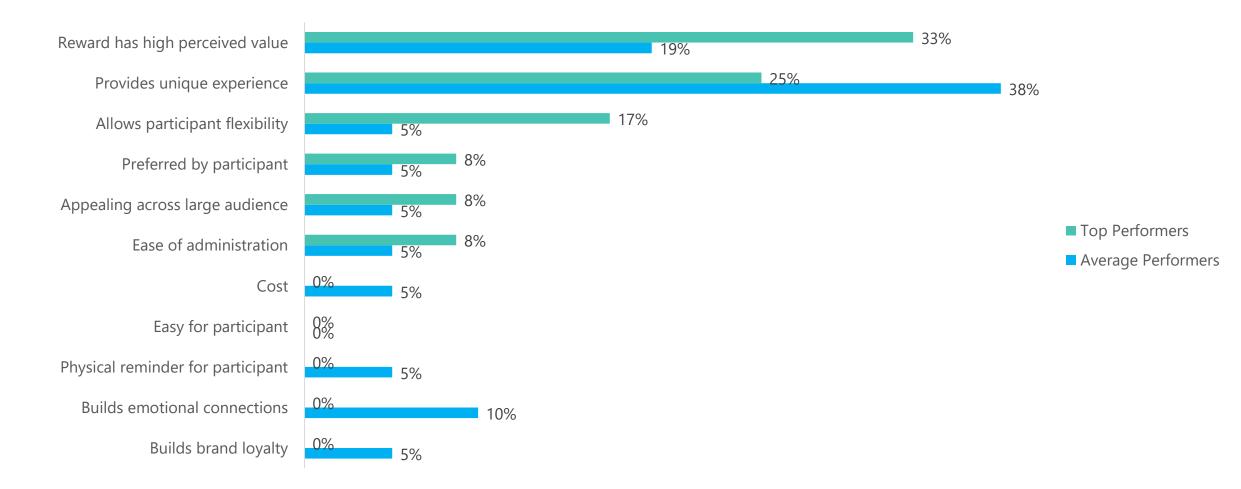


When selecting MERCHANDISE or GIFT CARD rewards for your programs, which of the below are the most important and least important?





Priorities for Incentive Travel

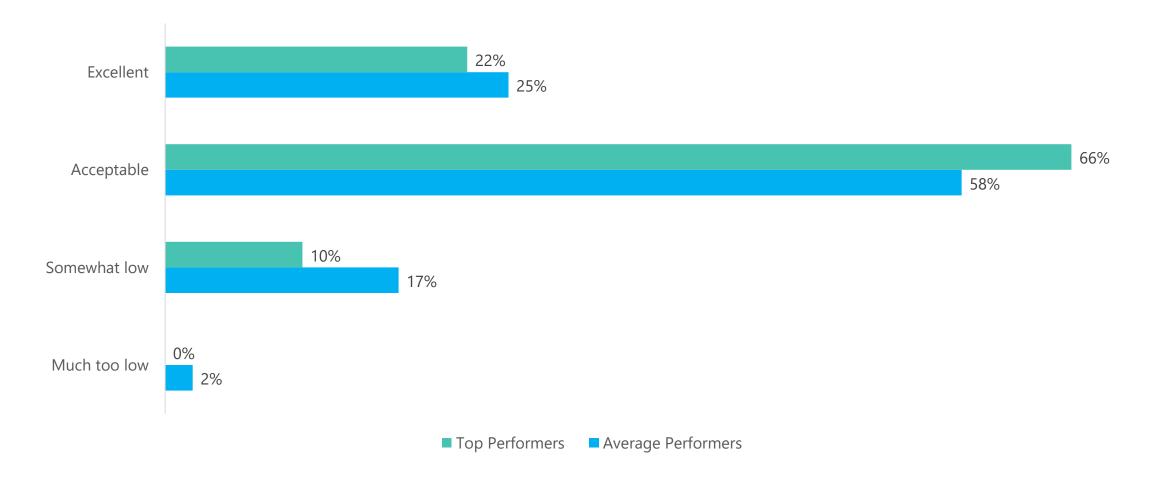


When designing GROUP INCENTIVE TRIPS for your programs, which of the below are the most important?





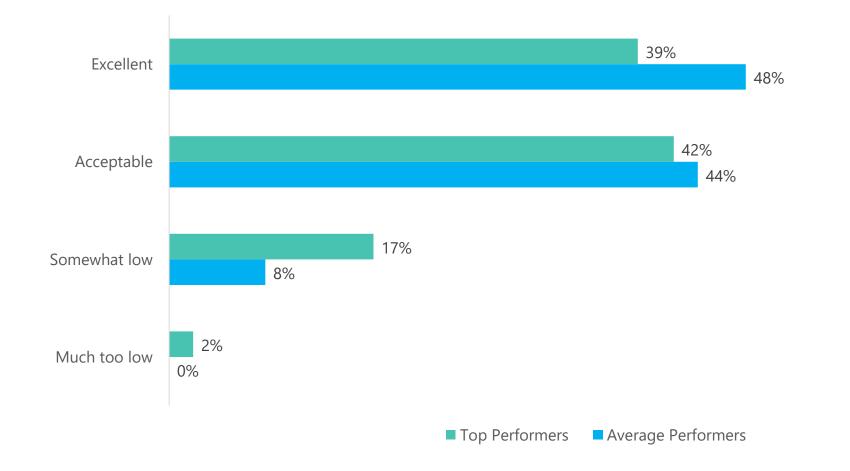
Program Assessment: Staffing to support program







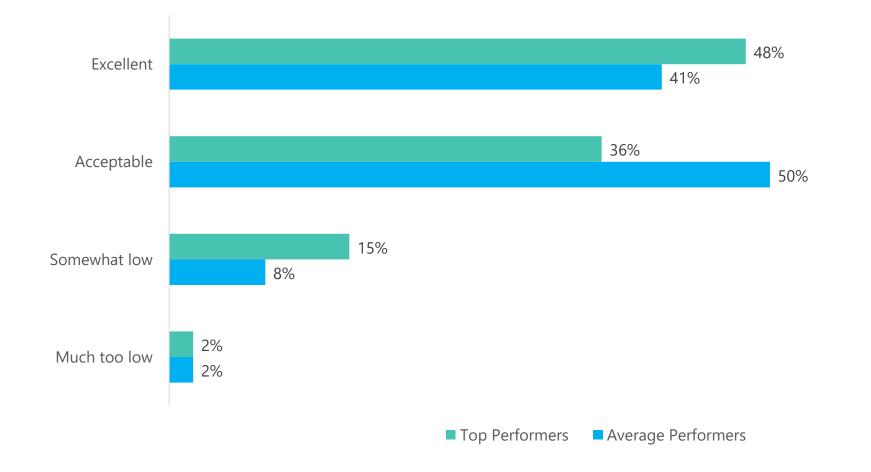
Program Assessment: Executive support of program







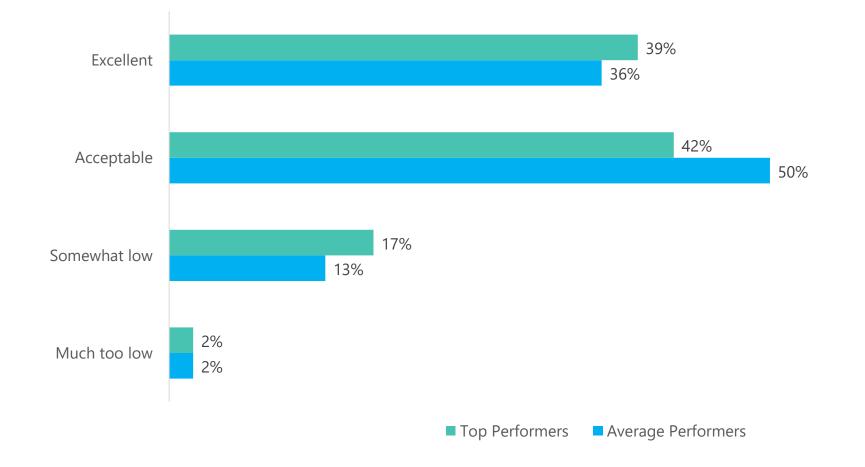
Program Assessment: Alignment to corporate goals







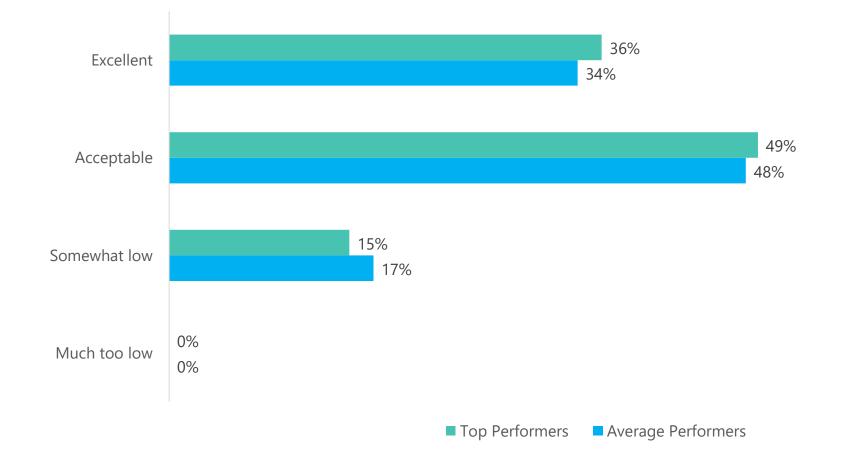
Program Assessment: Budget





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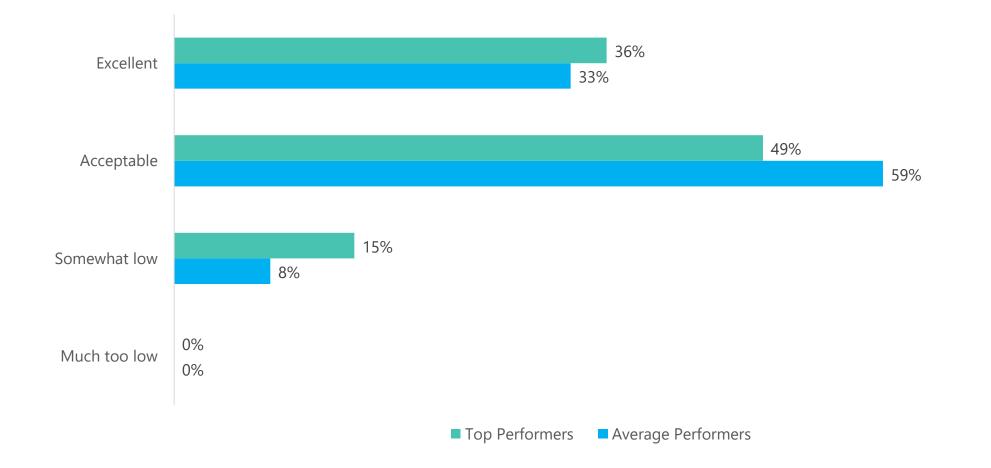
Program Assessment: Participation







Program Assessment: Manager Buy-in





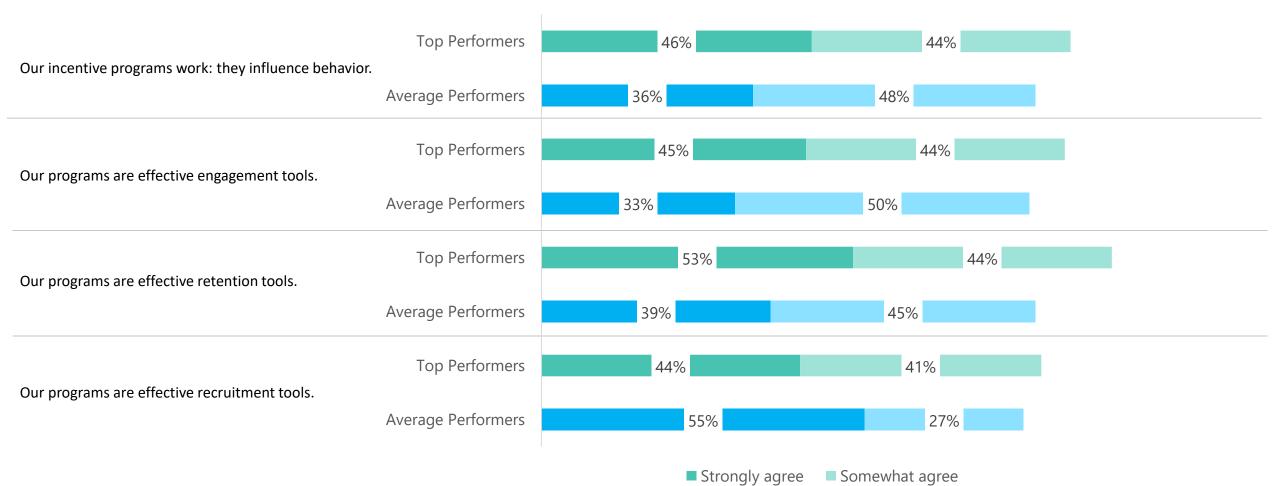
R&R Perspectives

Our executives believe that rewards and recognition are a critical tool in managing the performance of the company.	Top Performers	66%	34%	
	Average Performers	52%	45%	
The reward and recognition programs we design and run reflect who we are as a company.	Top Performers	48%	42%	
	Average Performers	45%	42%	
Reward and recognition programs are expected in our industry.	Top Performers	46%	48%	
	Average Performers	48%	47%	
Non-cash rewards are more memorable than cash.	Top Performers	51%	36%	
	Average Performers	42%	48%	
We run some or all of our programs because that is what we've always done.	Top Performers	39%	42%	
	Average Performers	41%	41%	



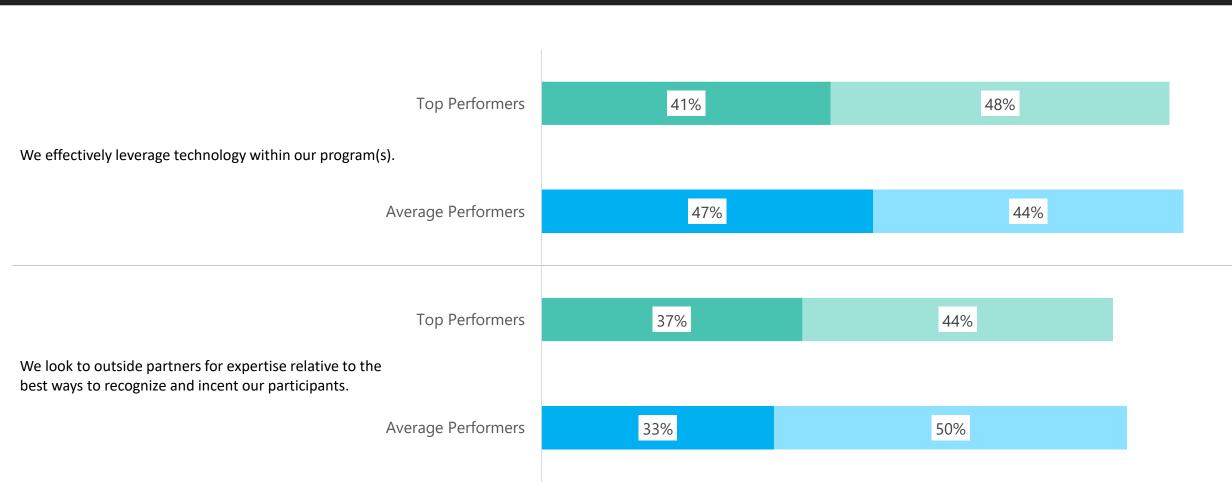


R&R Effectiveness



R&R Leverage



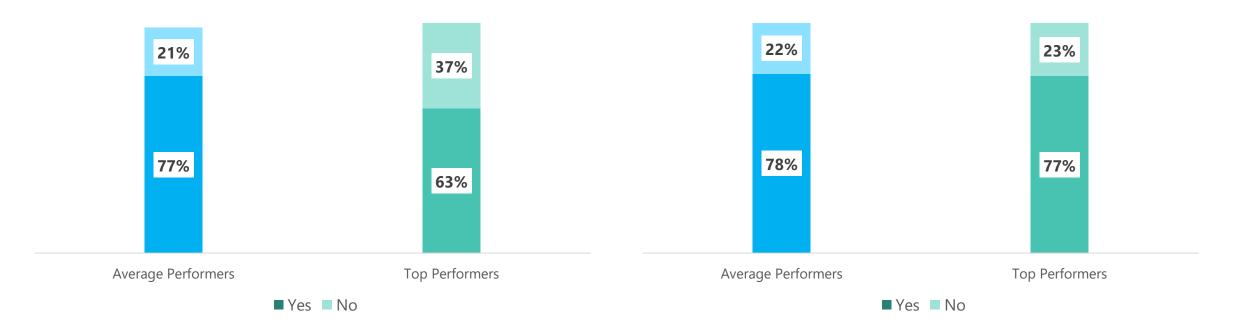




SALES PROGRAMS



Program Includes Top Performer Award



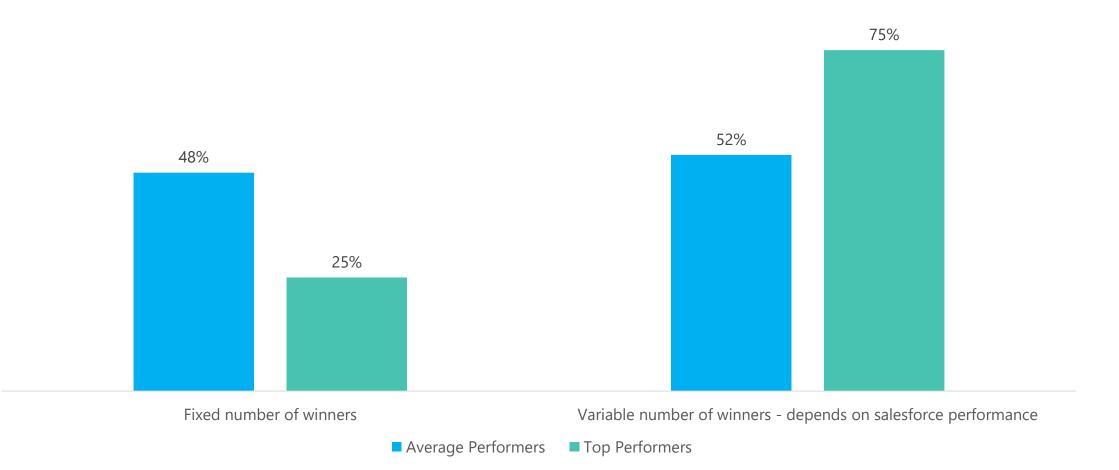
Does your non-cash sales incentive program include a Top Performer award? Does your Top Performer award include a group incentive trip?

Top Performer Award Includes Group Trip

SALES FINANCIAL



Limits on Number of Top Performer Trip Winners

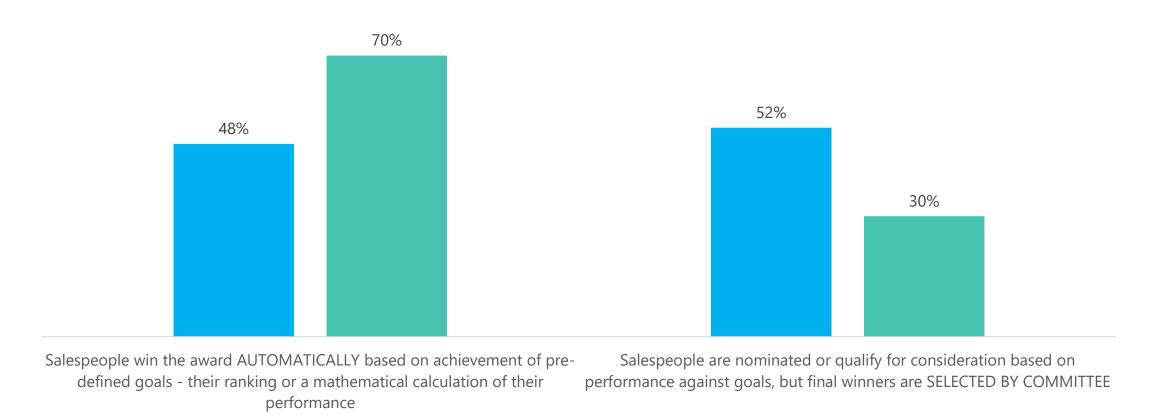


SALES





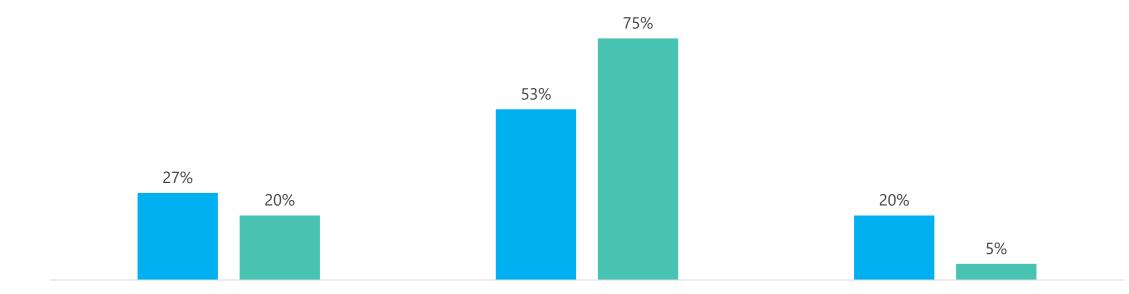
Objective Qualification: Top Performer Incentive Trip



Average Performers
Top Performers



FINANCIAL Qualification Complexity: Top Performer Incentive Trip



SIMPLE - Very clear, concrete qualifiers, no tiers or segment adjustments. For example, the top X% win based on one or more straightforward, objective metrics.

MODERATE - Somewhat more complex qualification rules that may accommodate different requirements for different audiences. For example, the top 25 salespeople ranked by netnew sales dollars, plus the next X% of salespeople stack ranked within their r

COMPLEX - Involved gualification rules that prioritize precision in a complicated sales/business environment. May involve multiple weighted formulas or a performance matrix. Adjusts for segment and business considerations, but more difficult to communicat

Average Performers Top Performers SALES





Sales Quotas: Top Performer Sales Incentive Trip





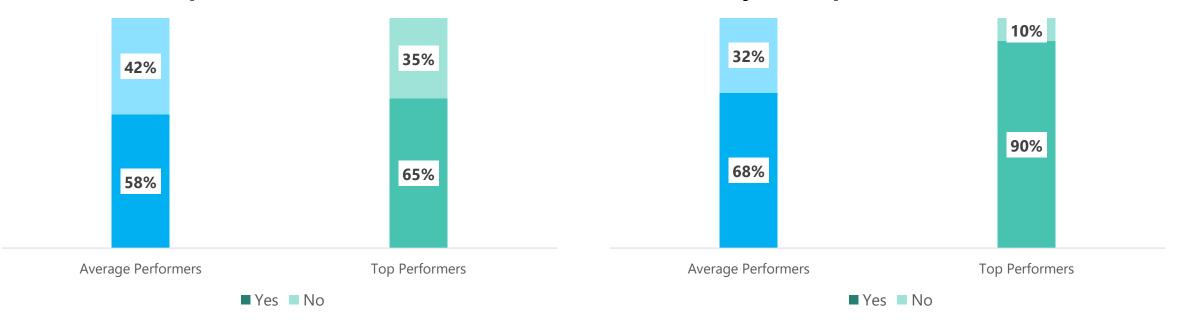


Reward Achievability: Top Performer Sales Incentives

Tiered Structure for Maximizing Reach

Beyond Top Performer Award

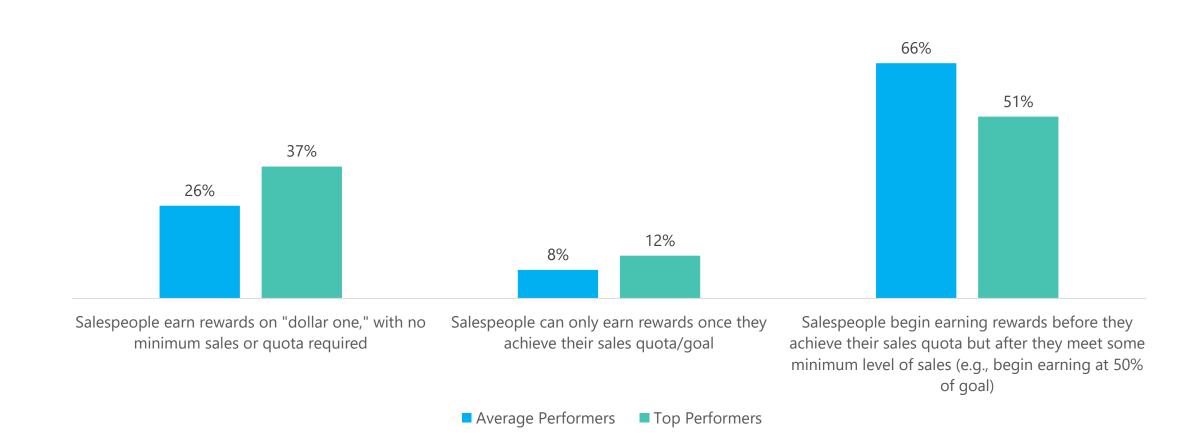
Special Rules for New Salespeople Top Performer Award



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?



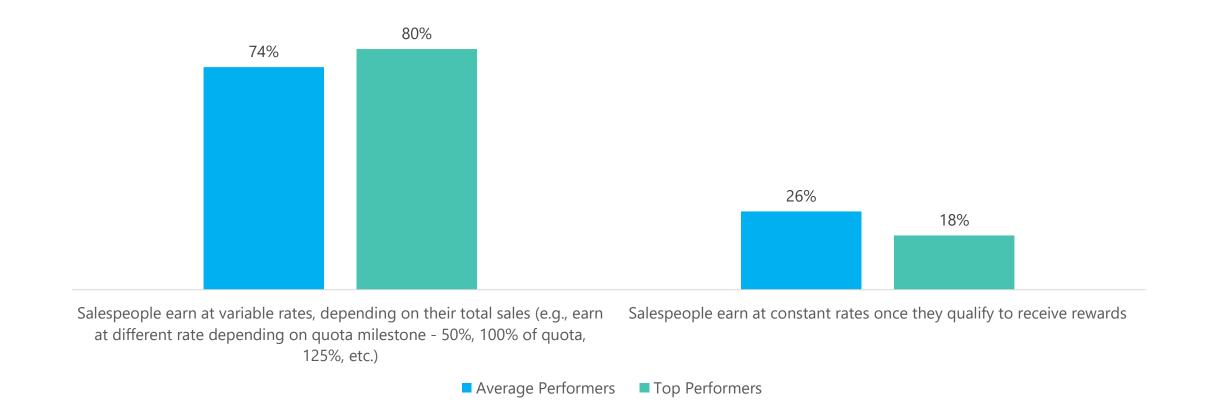
Program Rules: Threshold to begin Earning Rewards



SALES



Program Rules: Rate of Earning Rewards



Regarding award points, gift cards, and merchandise, which of the options below BEST describes the rate at which salespeople earn rewards?

SALES

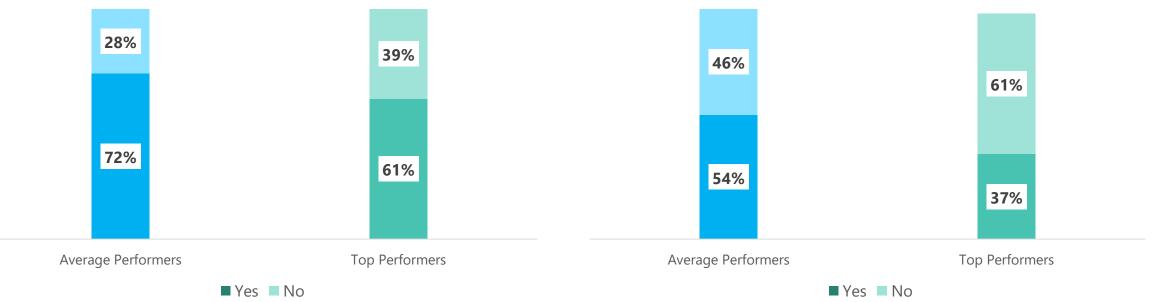


Reward Approach: Non-Travel Rewards

SALES

Special Rules for New Salespeople Non-Travel Rewards

Any Programs without Earning Limits?



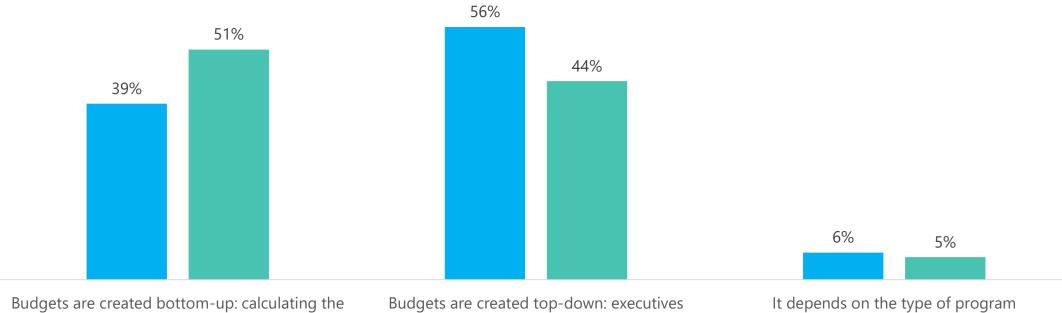
Regarding award points, gift cards, and merchandise rewards, does your non-cash sales incentive program have a "Fast Start" that allows new salespeople to quickly earn, giving them early "wins" to boost their motivation?

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 32 product/service they sell?





Budget Approach



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

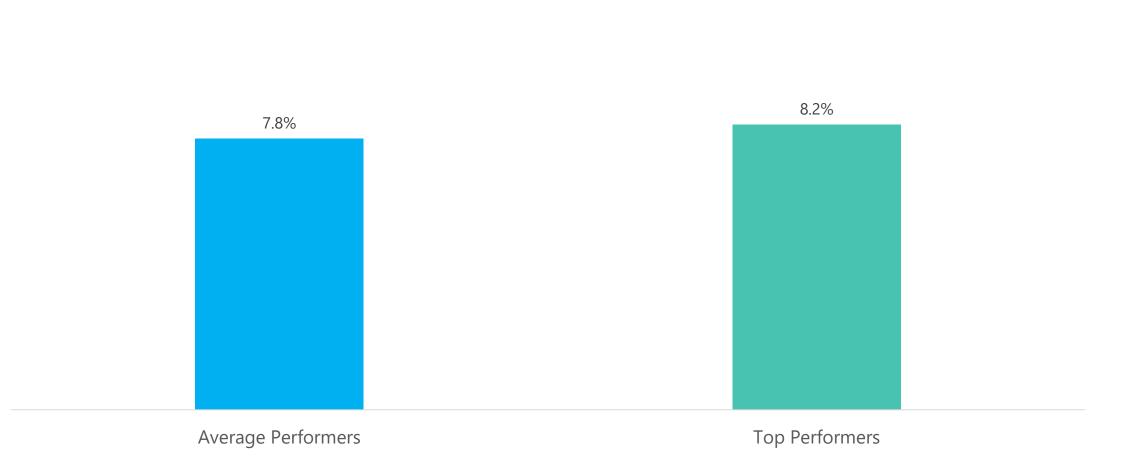
Budgets are created top-down: executives determine the budget based on prior year spending and overall financial performance

Average Performers
Top Performers





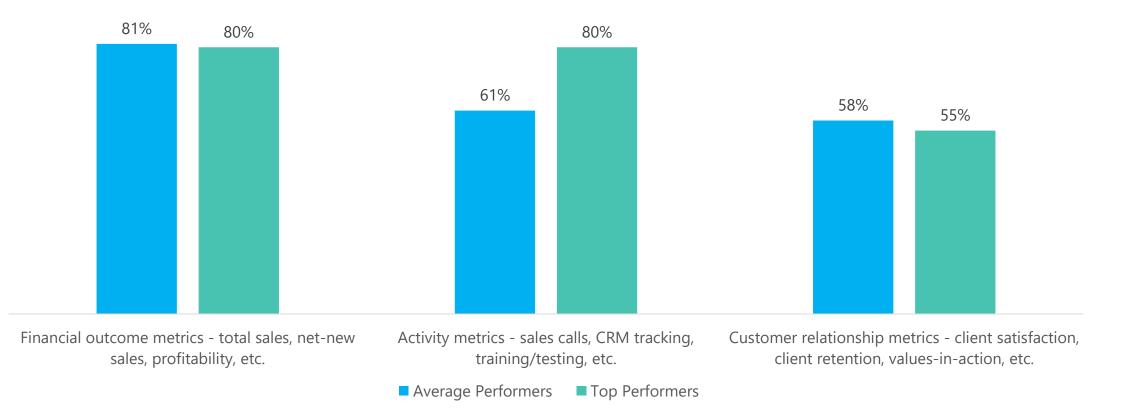
Bottom-Up Budgeting Rate



AS A PERCENT OF THEIR INCOME, what is the approximate annual spend for non-cash rewards and recognition for your salespeople?



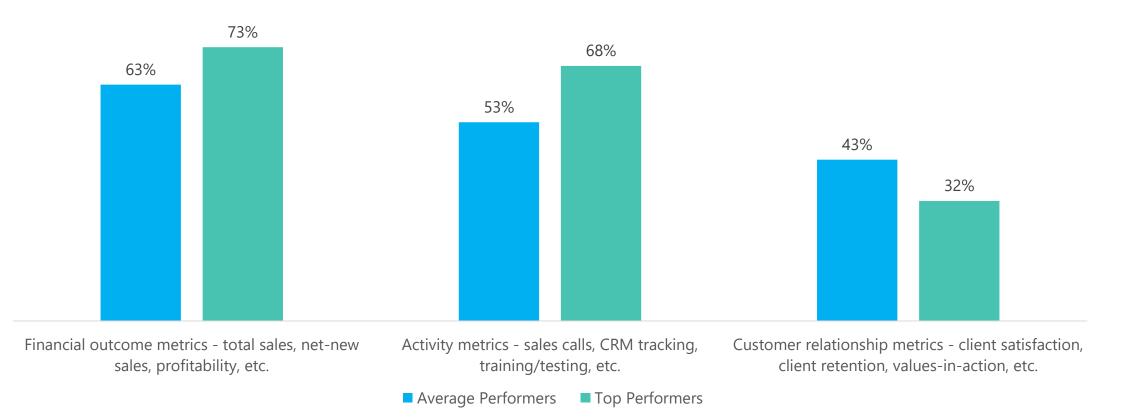
Qualification Metrics Top Performer Incentive Trip



Which of the below best describes the metrics used to qualify salespeople for the Top Performer incentive trip?

SALES

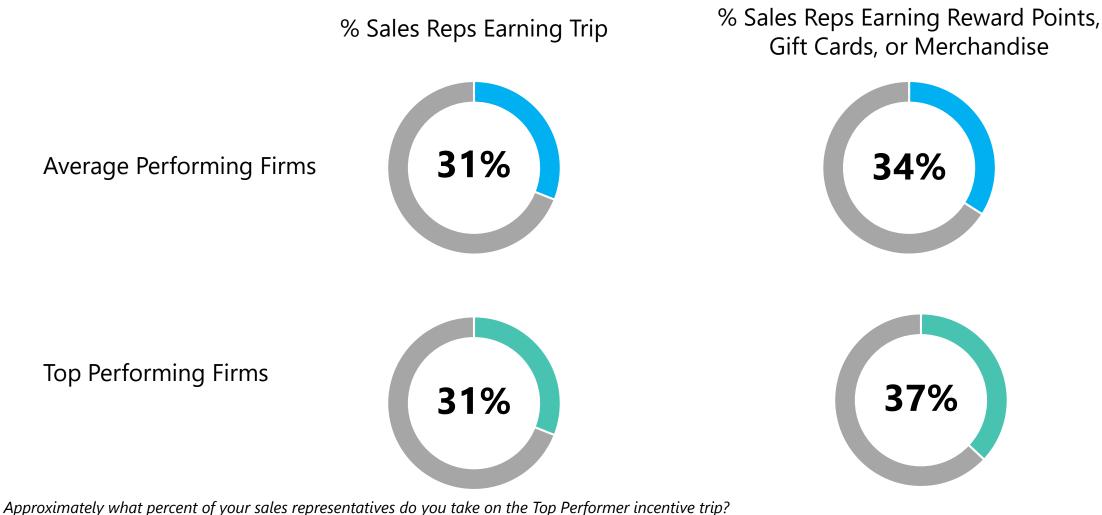




Which of the below best describes the metrics on which salespeople can earn award points, gift cards, and merchandise?



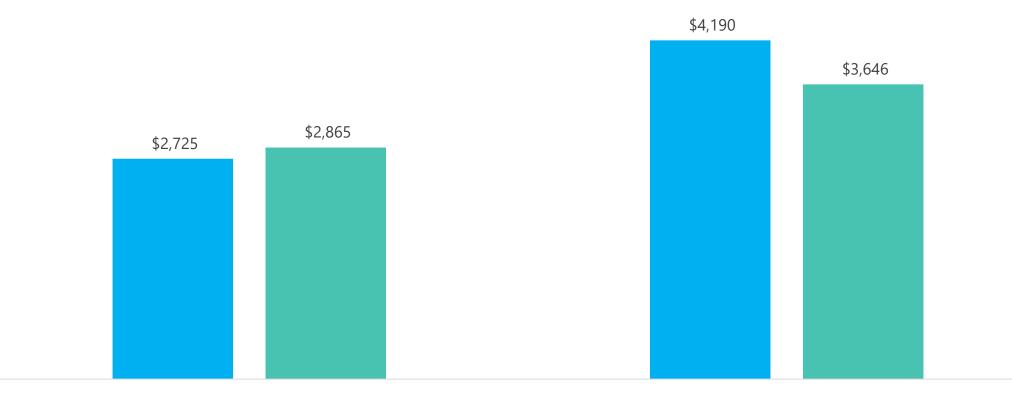
Reward Reach



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?

SALES FINANCIAL





Value of Non-cash Rewards Earned in a Year by an Average Salesperson

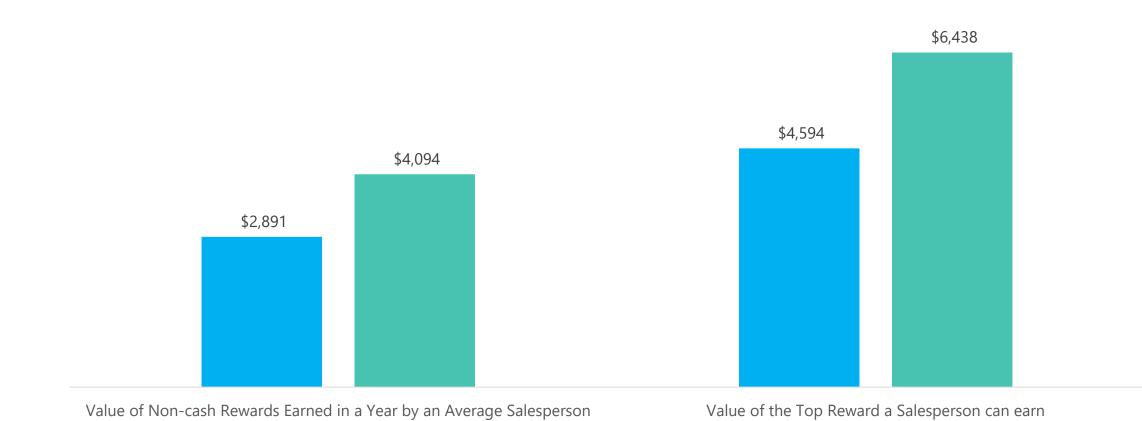
Value of the Top Reward a Salesperson can earn

Average Performing Firm
Top Performing Firm



Average & Top Dollar Values: Incentive Trips





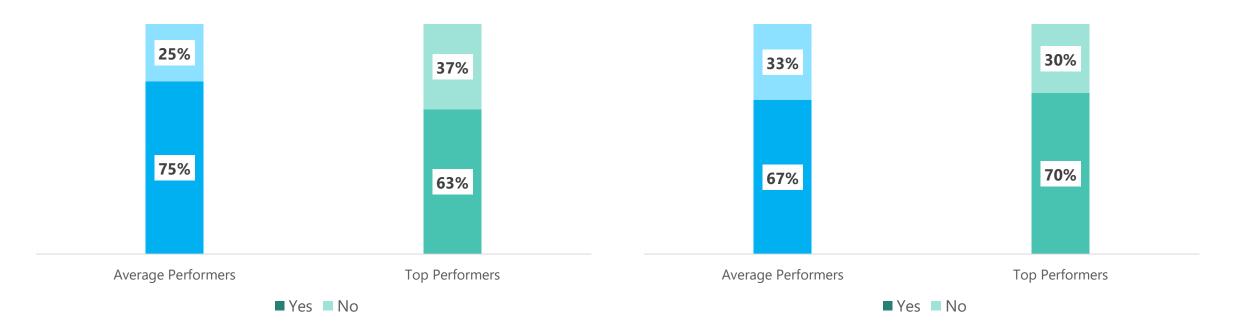
Average Performing Firm



CHANNEL PROGRAMS



Program Includes Top Performer Award



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

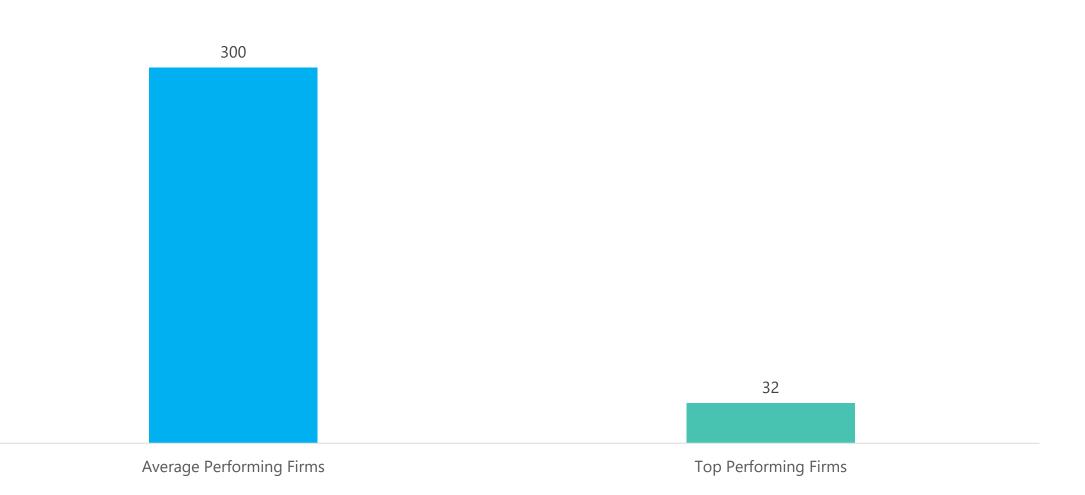
Top Performer Award Includes Group Trip

CHANNEL FINANCIAL



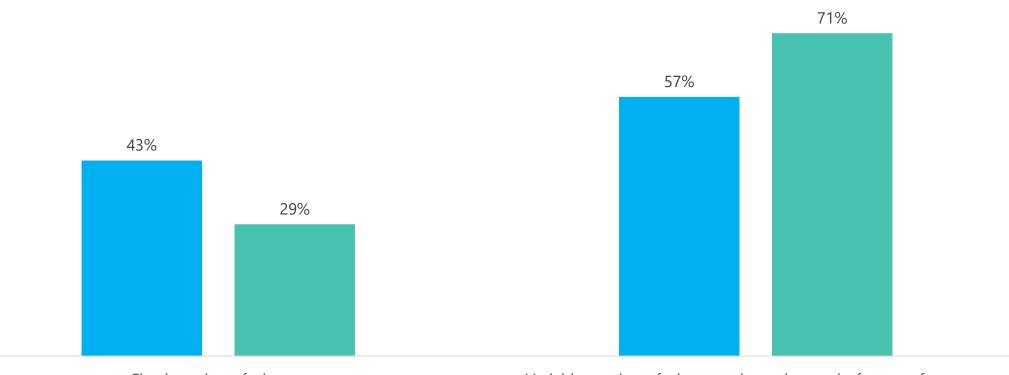


Number of Trip Attendees





Limits on Number of Top Performer Trip Winners



Fixed number of winners

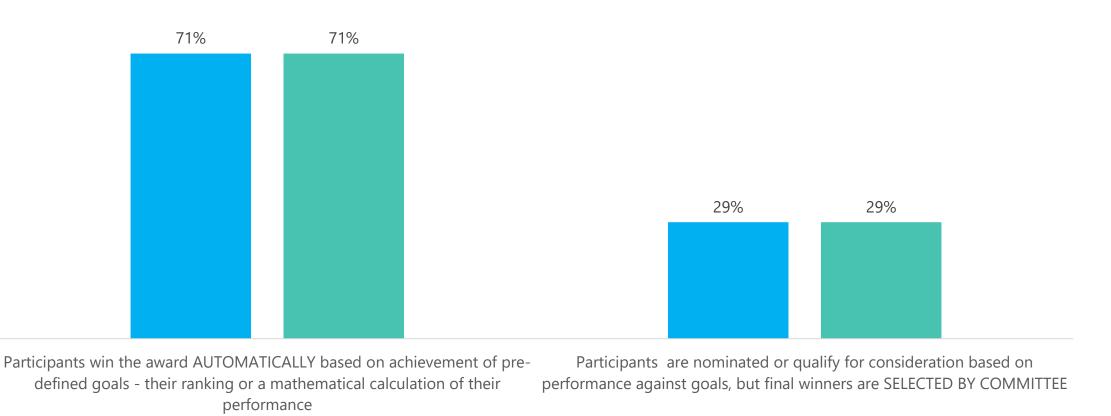
Variable number of winners - depends on salesforce performance

Average Performers
Top Performers





Objective Qualification: Top Performer Incentive Trip

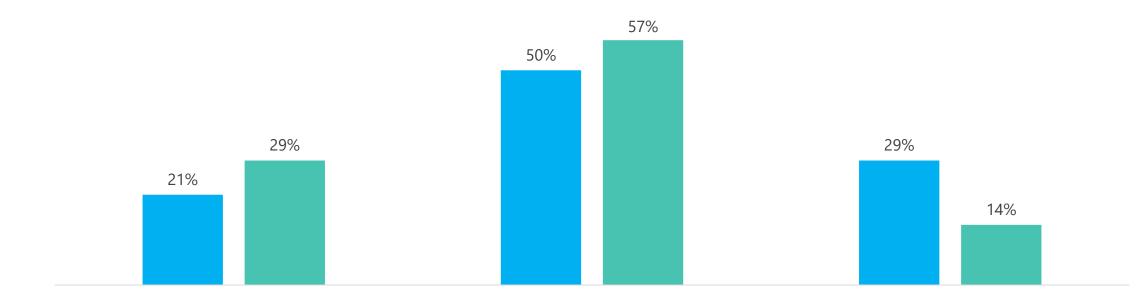


Average Performers
Top Performers





Qualification Complexity: Top Performer Incentive Trip



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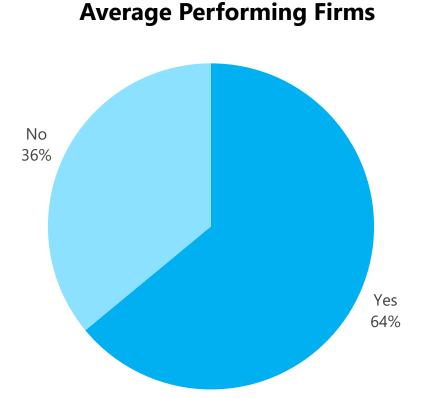
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Average Performers
Top Performers

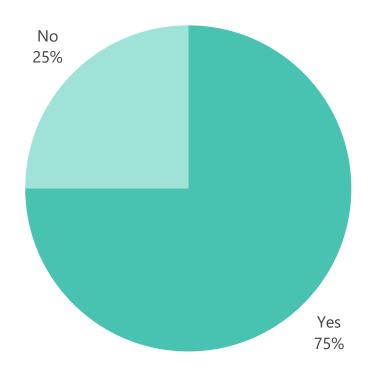




Sales Targets for Channel Participants



Top Performing Firms





Reward Achievability: Top Performer Channel Incentives

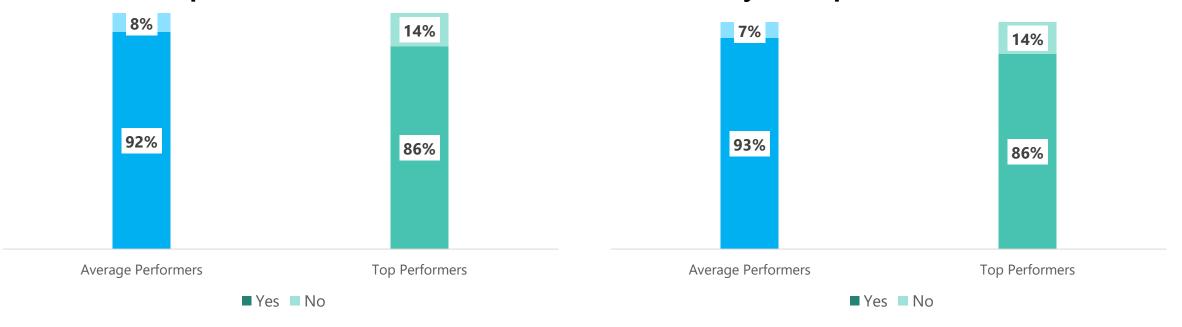
Tiered Structure for Maximizing Reach

Beyond Top Performer Award

CHANNEL

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Special Rules for New Channel Participants 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?

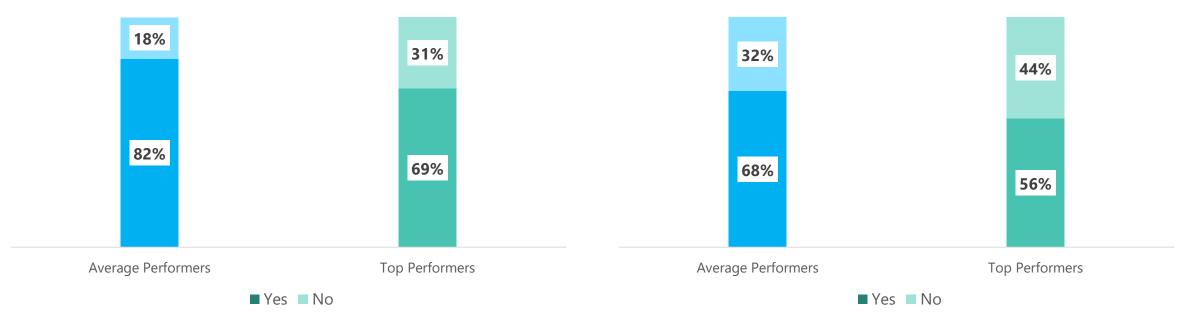


Reward Approach: Non-Travel Rewards

CHANNEL

Special Rules for New Channel Participants Non-Travel Rewards

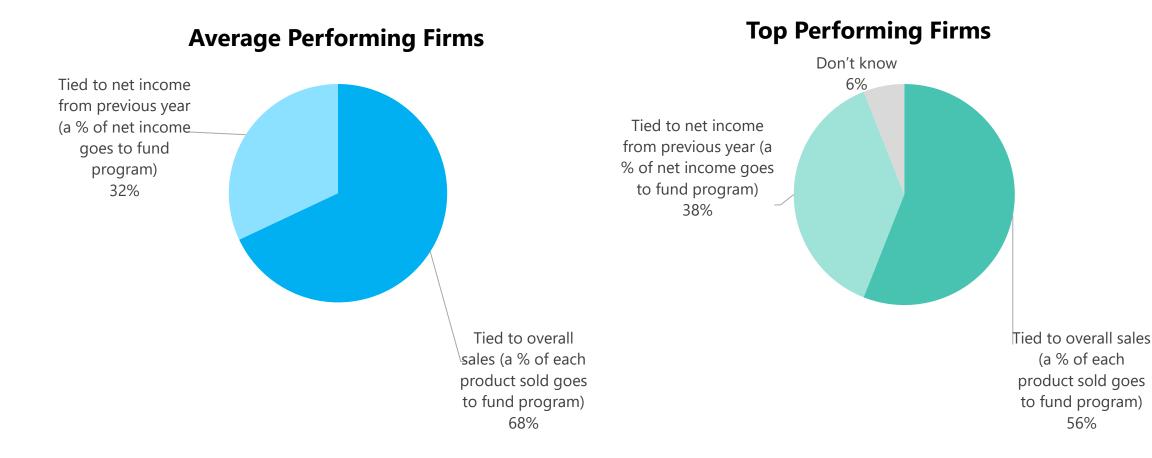
Any Programs without Earning Limits?



- 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



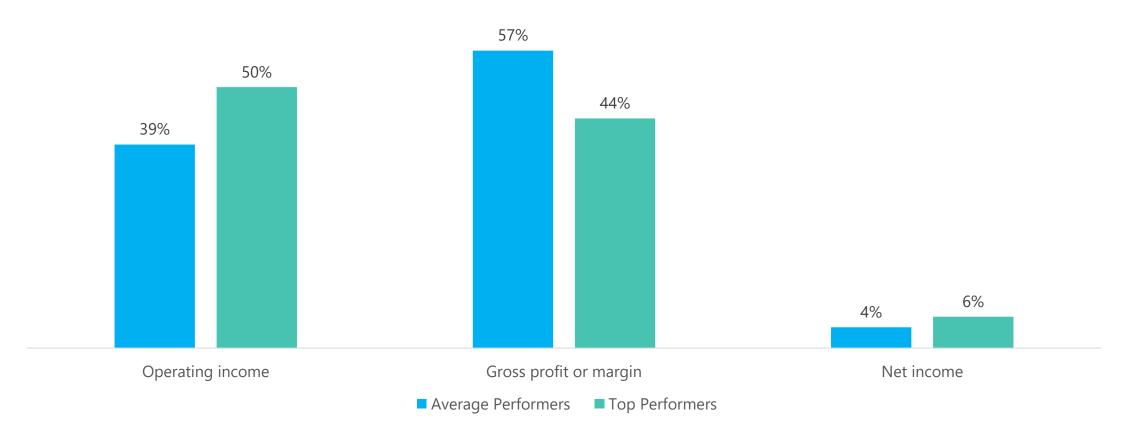
Which of the options below best describes your company's approach to budgeting for your non-cash channel incentive programs (merchandise, gift cards, and trips)?

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CHANNEL FINANCIAL

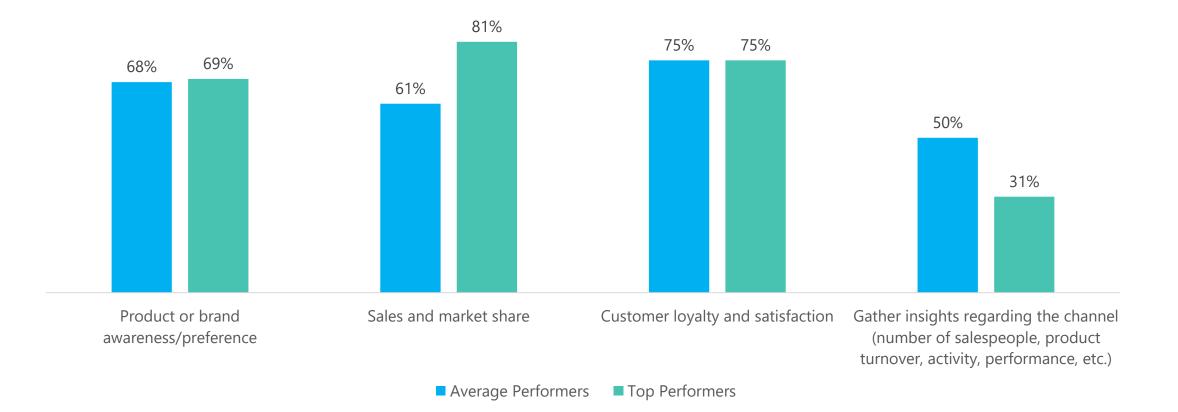
Budget Influencers Non-cash Channel Incentives



What factor most influences budget changes year-over-year for your non-cash channel incentive programs (merchandise, gift card, or trip)?

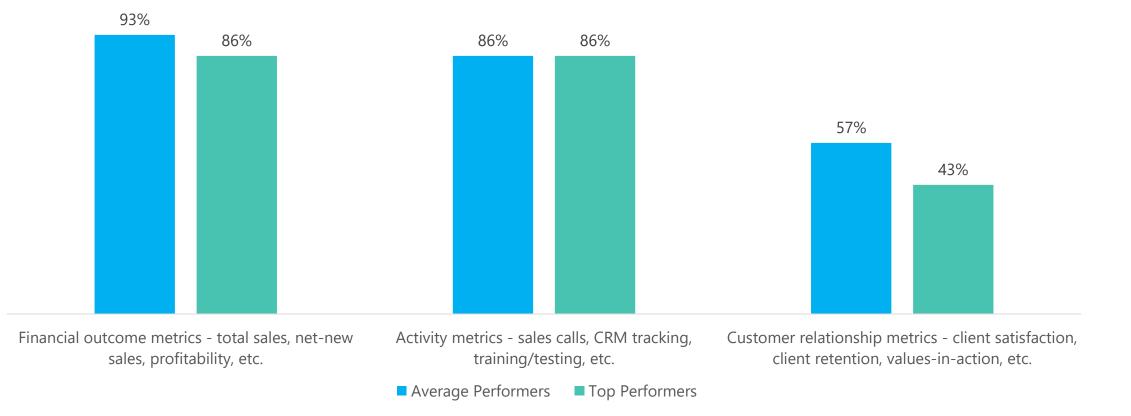


Business Objectives Channel Reward & Recognition





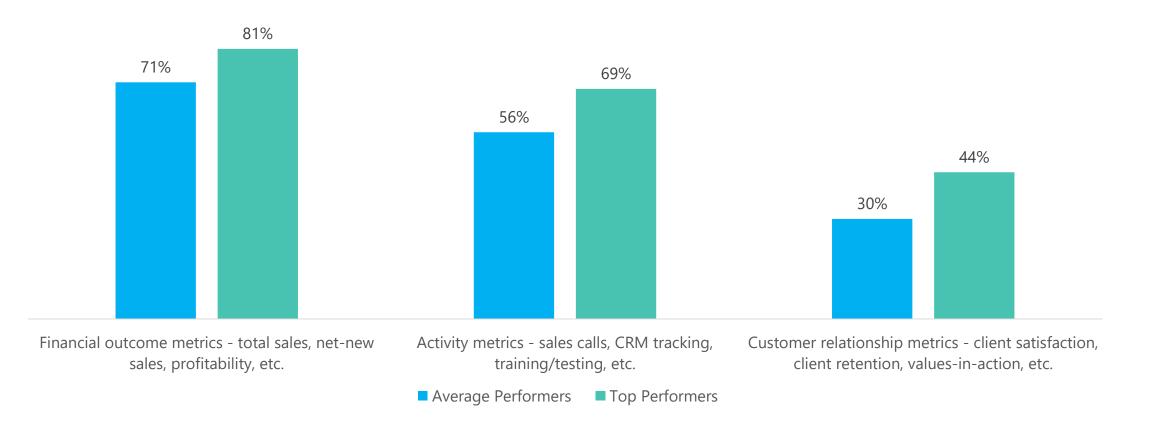
Qualifying Metrics Top Performer Channel Incentive Trip



Which of the below best describes the metrics used to qualify channel participants for the Top Performer incentive trip?

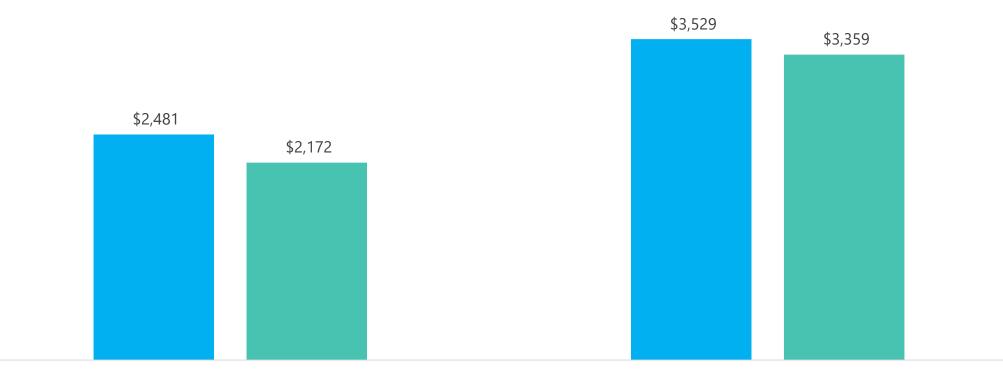


Qualifying Metrics Top Performer Channel Rewards



Which of the below best describes the metrics on which channel participants can earn award points, gift cards, and merchandise?





Value of Non-cash Rewards Earned in a Year by an Average Salesperson

Value of the Top Reward a Salesperson can earn

Average Performing Firm
Top Performing Firm



Average & Top Dollar Values Incentive Trips





Value of Non-cash Rewards Earned in a Year by an Average Salesperson

Value of the Top Reward a Salesperson can earn

Average Performing Firm
Top Performing Firm



EMPLOYEE PROGRAMS



Program Structures Employee Reward & Recognition

Goal-based earning: Participants receive individualized goal targets and earn rewards upon reaching those goals.

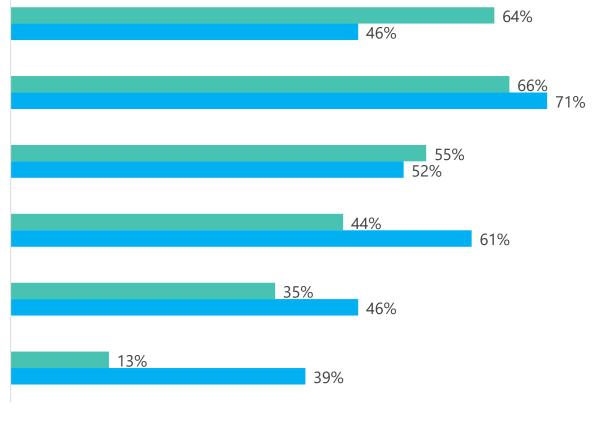
Top performer: Goals are set among all participants and the top performer or top performers earn rewards at the end of a set time period for the program.

Discretionary recognition: Recognition or award is given on a spot basis, e.g., a manager to an 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 is given upon attainment of service anniversary or other milestone (e.g., patent awards or Six Sigma certification)

Nomination: Recognition or award is given to employee as nominated by peers or management (employee of the month)



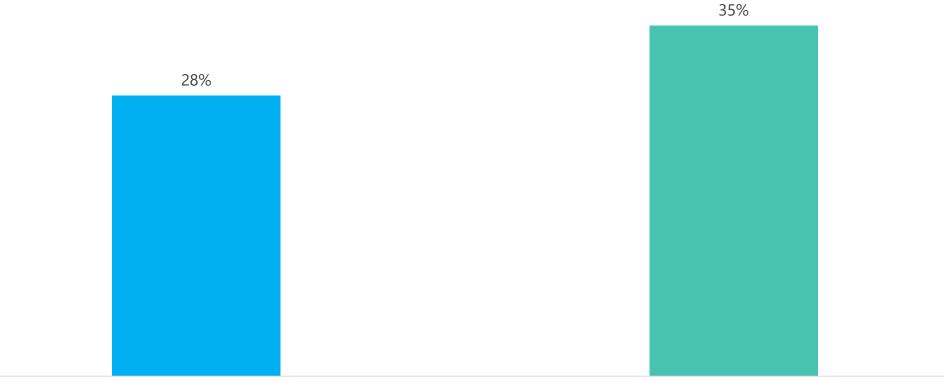
■ Top Performers ■ Average Performers

EMPLOYEE FINANCIAL





Percent of Employees Earning Rewards



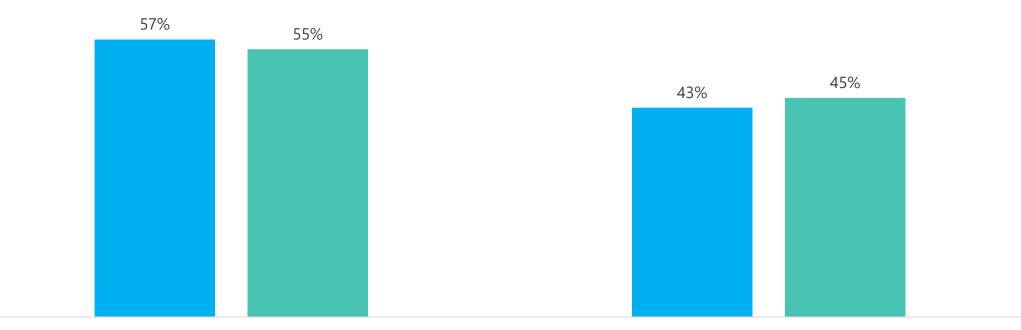
Average Performing Firms

Top Performing Firms



Incentive Research Foundation

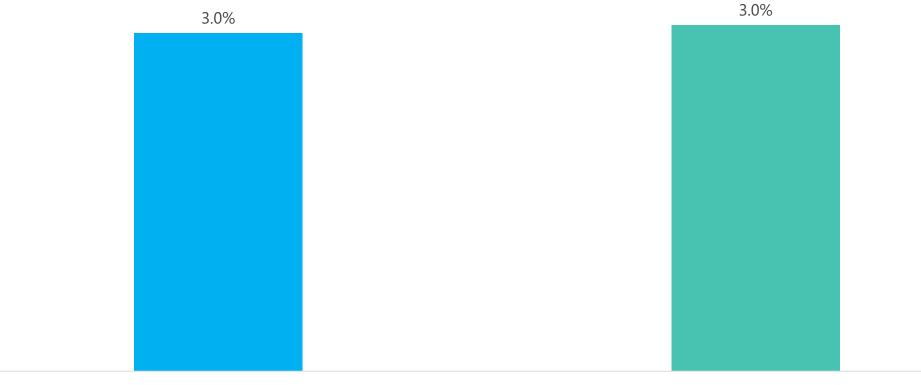
Budget Approach



Budgets are created bottom-up: calculating the appropriate investment as a Budgets are created top-down: executives determine the budget based on prior year spending and overall financial performance

Average Performers
Top Performers

Bottom-Up Budgeting. Percent of Payroll for Reward &

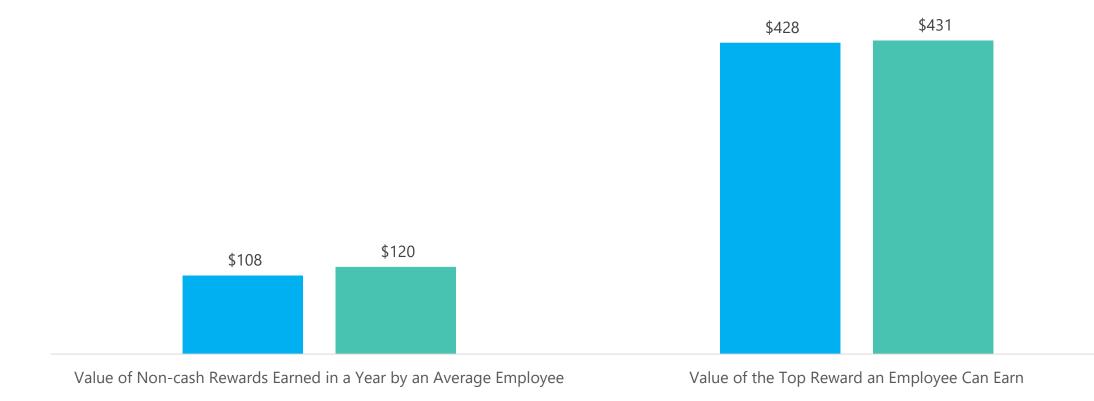


Average Performing Firms

Incentive Research Foundation

Top Performing Firms



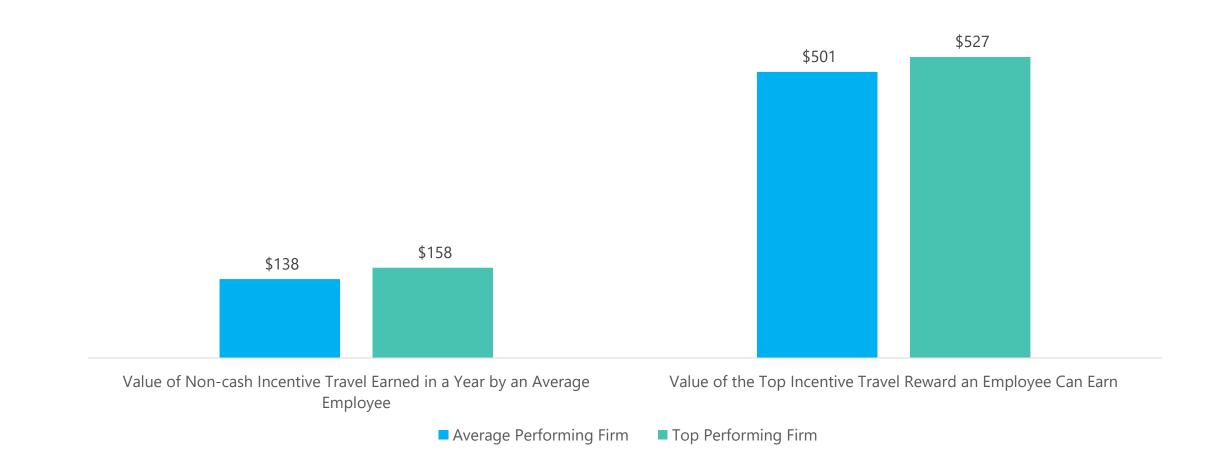


Average Performing Firm
Top Performing Firm

EMPLOYEE FINANCIAL

Average & Top Dollar Values Incentive Trips







IRF has also conducted Top Performer Studies for:

- Technology Sector
- Manufacturing Sector

Read the latest research on <u>www.theIRF.org</u>