



Incentive & Engagement
Solution Providers

How to Offer the Incentives & Rewards They're Willing to Work For

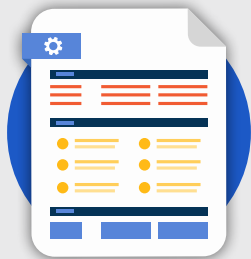
The role of award choice in designing effective programs that create loyalty.



TRENDS AND BEST PRACTICES HELP DRIVE SUCCESS

In 2023, the Incentive and Engagement Solution Providers (IESP), a strategic industry group within the Incentive Marketing Association (IMA), sponsored a comprehensive survey aimed at uncovering the latest trends, preferences, and strategies in the rewards industry. This survey marked the third in a series of surveys focused on understanding current trends and practices in incentive, loyalty and reward programs. IESP survey results provide crucial insights for companies seeking to effectively motivate and engage their employees, customers, and partners.

IESP members focus on helping organizations maximize the value they receive from the use of incentives and other reward-oriented programs (e.g. employee recognition, or consumer loyalty). Our IESP members provide survey design input and receive early access to the results. The findings are then also shared with all IMA members and with corporate incentive program owners and managers. Sharing insights that support the growth and success of the incentives, loyalty, and rewards industry is a key benefit of IESP and IMA membership.



White papers summarizing the results of earlier IESP research studies are available on the IESP website.

- [ESTABLISHING BENCHMARKS: What Kind of Results Can You Expect from Incentive or B2B Loyalty Programs?](#)
- [Emerging Best Practices and Innovation in B2B Incentive and Loyalty Programs](#)

TIMELINE AND METHODOLOGY

The survey was fielded in late 2023, targeting a diverse range of professionals involved in the development, implementation, and management of reward programs. A total of 67 respondents representing various sectors provided a broad perspective on the industry's current state. Most respondents (76%) are from full-service

solution provider organizations. These organizations have the discretion and responsibility to choose the reward options that will deliver optimal results for their clients. Many of these providers offer the full spectrum of reward choices available to the market. The remaining respondents were from reward fulfillment companies, promotional product providers, consultants and corporate buyers.

36% of respondents were from outside of the United States.

Survey methodology included a mix of quantitative and qualitative questions, designed to gather both statistical data and insightful comments on different aspects of reward programs.

OBJECTIVES

This white paper serves as a detailed analysis and interpretation of the survey findings. It aims to:

1. **Highlight Key Trends:** Uncover the primary trends in the incentives and rewards industry as indicated by the survey responses.
2. **Provide Industry Insights:** Offer a deeper understanding of how these trends manifest in current business practices.
3. **Suggest Actionable Strategies:** Based on the survey findings, propose actionable strategies for program owners to enhance the effectiveness and appeal of their reward programs.

By correlating survey results with current industry developments, this white paper aims to provide valuable insights for businesses looking to optimize their reward strategies by aligning with modern trends and expectations.

EXECUTIVE SUMMARY

The 2023 survey commissioned by the Incentive and Engagement Solution Providers (IESP), a Strategic Industry Group within the Incentive Marketing Association (IMA), offers crucial insights into the evolving landscape of the rewards industry. This white paper synthesizes the data and provides analysis from industry experts and corporate program owners, making it an invaluable resource for members of the IESP and IMA, as well as corporate buyers of incentive programs. The report's findings outline current trends, preferences, and strategic approaches to incentive, loyalty, and reward programs, which are fundamental for companies aiming to effectively motivate and engage their employees, customers, and partners.

The survey highlights three key findings:

1. The Effectiveness of Reward Programs –

Through qualitative feedback, the survey explores why reward programs are effective, highlighting the dual role of action and emotion in driving engagement. The findings touch on the psychology behind reward programs, illustrating how extrinsic motivation can complement intrinsic motivation, leading to improved performance and goal achievement.

2. Diverse Reward Preferences and Their Impact

– The survey sheds light on the varied types of rewards used in programs, including gift cards, merchandise, travel experiences, and more. It emphasizes the strategic selection of rewards to maximize program impact, catering to the specific motivations and preferences of target audiences. This insight is critical for designing reward programs that not only engage but also deliver memorable experiences, enhancing brand perception and loyalty.

3. Strategies for Optimal Reward Mix and Program Design

– This white paper offers actionable strategies for selecting the right mix of rewards and designing programs for maximum impact. It addresses the importance of considering budget, audience demographics, and the perceived value of rewards. Moreover, it provides insights into program design elements that influence participation and engagement levels, such as the significance of offering fresh and appealing reward options.

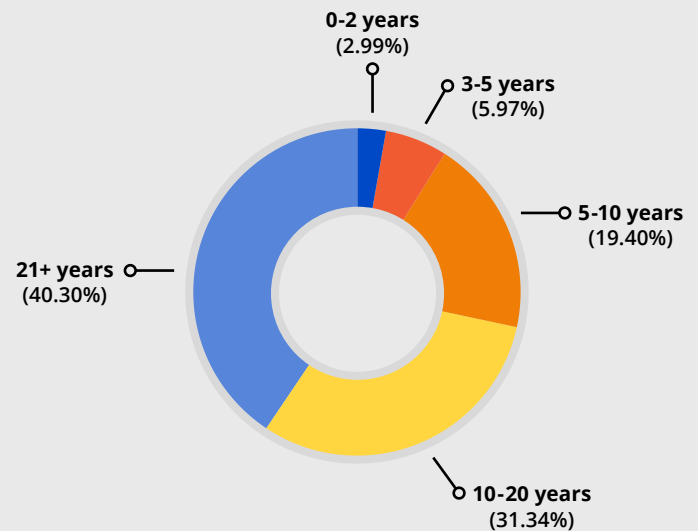
For IESP and IMA members, and corporate buyers, this report is a valuable tool for navigating the complexities of the rewards industry. It offers a foundation for strategic decision-making, ensuring the design and implementation of effective incentive programs. Stakeholders will gain a comprehensive understanding of the industry's current state, emerging trends, and best practices for engaging and motivating their people and their customers.

RESPONDENT DEMOGRAPHICS

A majority of respondents in this field have made the business of incentives their career. Over 70% of respondents have 10 or more years of tenure in the field.

Additionally, respondents have roles of significance in terms of decision-making specifically as it pertains to reward selection.

RESPONDENT DEMOGRAPHICS | TENURE IN THE FIELD



RESPONDENT DEMOGRAPHICS | ROLE IN THE FIELD

- Executive Management – 31.30%
- Sales Management – 23.90%
- Strategy / Practice Lead – 22.40%
- Program Management (Ops) – 19.40%
- Corporate Buyers – 3.0%

REWARD TYPES

Reward solution providers and their clients utilize different types of rewards to engage their participant groups. They pick and choose the most appropriate rewards for the audience, seeking to maximize the program's impact by offering rewards that have the greatest appeal. The best rewards for performance-based programs are those that will inspire or motivate the highest degree of action in favor of the brand. In other words, when asking a group of people to **increase their sales or purchases of a brand** (or increase their engagement as an employee), program owners must decide what kinds of rewards will make that **extra effort** "worth it" to their target audience.

Some reward providers in the industry focus on fewer reward types and specialize in the fulfillment of great experiences within that category. Others procure rewards from all these sources and offer a wide array of choices.

When we asked what type of rewards their company offers survey participants stated that gift cards, merchandise, individual travel experiences, and debit cards (either pre-denominated or reloadable) are

the most common offerings. Other reward offerings, including group travel, promotional products (and swag), trophies, and charitable items are typically provided by specialist companies that can plug into programs in a turnkey manner.

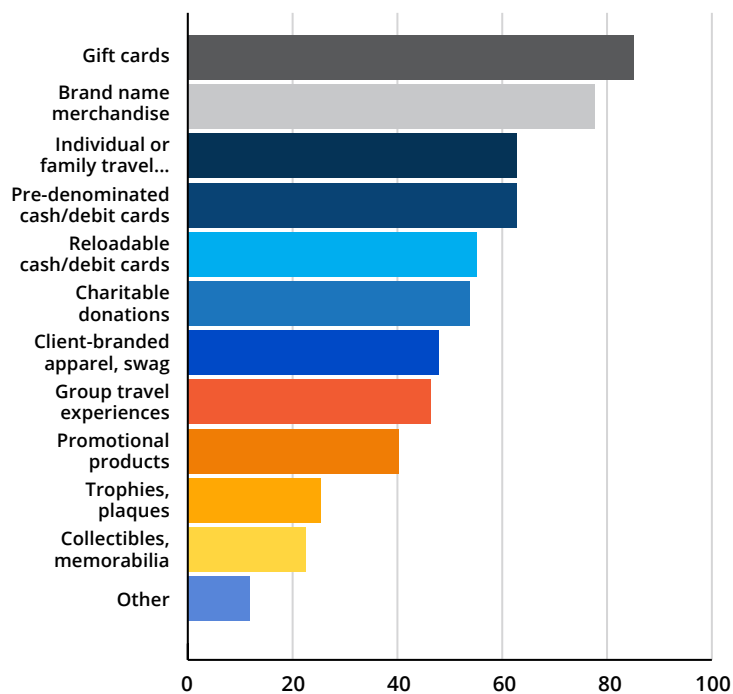


FIGURE 1

WHY DO REWARD PROGRAMS WORK?

We asked respondents to describe in their own words why they believe incentive, recognition, and loyalty programs work for business. It is clear in the resulting word cloud below that reward programs create (some say “drive”) activity. The words below have strong ties to either 1) action: build, achieve, drive, behave, engage, create, etc.; or 2) emotion: loyalty, recognition, perception, feel, motivation, etc.



FIGURE 2

We know from behavioral science and psychology that extrinsic motivation can help organizations deliver incremental performance. This is not to say that intrinsic motivation isn’t important as well, just that in isolation reward-oriented programs are effective at delivering results for focused goals. In the context of a **well-designed incentive program**, industry research shows that the reward itself is cited as a primary factor in the brand experience that leads to the extra effort needed to achieve greater results.

“If rewards are so important, shouldn’t we just give out cash rewards?” Dozens of significant studies cover this topic, and it is impossible to do them justice in this recap, however, the best answer to this question is with the question, “What are you trying to achieve?” In some scenarios, cash may be a viable option, but the downside for brands is that cash does not have a lasting impact on brand perception. On the other hand, “non-cash” rewards deliver a more memorable experience – one that earns brands lasting impressions. People tend to remember the brand that led them to own a new smartwatch, or to vacation in Hawaii.

This question of why reward programs work is essential to the value of this industry, which is why we are spending more time on it here than other questions from the survey. We are also including the most salient verbatim responses in the appendix. Further research on the impact and importance of rewards can be found at the [Incentive Research Foundation website](#).

FACTORS AFFECTING THE RIGHT REWARD MIX

When considering a client’s target audience, we asked respondents to rank the following factors in recommending the right reward mix to achieve client goals. In this ranked list, audience insights are balanced with client budgets to determine the optimal reward mix.

1. Reward budget: usually measured per person or winner – 4.18
2. Audience demographics: age, geography, culture(s), etc. – 3.70
3. Audience income or life stage – 2.88
4. History of rewards offered to this audience – 2.28
5. Rewards types the vendor (solution provider) specializes in – 1.96

It should be noted that much fine-tuning goes into determining the optimal rewards for a program, but the biggest factors listed above are a helpful place for corporate brands to start when considering launching a new program or selecting the best vendors for the purpose.

HOW TO DESIGN FOR MAXIMUM IMPACT

We asked respondents to rate a series of program design-related statements based on their experience. Specifically, we wanted to determine how important it is to choose the right rewards as a counter to the argument that “just showing some form of appreciation is good enough.”

The top five highest-rated statements on a 5-point scale were:

1. Program enrollees will choose whether to engage deeply in a program based on the rewards offered. (4.33)
2. Employees and customers alike look at their opportunities to earn and determine very quickly if the extra effort required is worth the potential reward. (4.30)
3. Programs that feature new and fresh reward options, or seasonal promotions tend to do better than those without any merchandising. (4.27)
4. If the program is not mandatory, people will choose whether to join the program based primarily on the rewards being offered. (4.00)
5. Offering reward options that are too easy to attain will cause people not to strive for the more difficult selections. (2.99)

The key observation here is that choosing the right reward(s) for your program is perhaps the most important decision you will make. For a program to have an impact people need to engage, and per the findings above, that is driven largely by whether people think that the “juice is worth the squeeze.” From a simple math perspective, it is much easier to achieve your program goals when you can maximize enrollment, engagement, and retention.

WHICH REWARD TYPES HAVE THE HIGHEST IMPACT?

If budget were not a program constraint (focusing solely on non-cash rewards), we wanted to find out what our program designer audience felt were the most impactful reward types. We asked respondents to rank these rewards based on their ability to drive incremental behavior from program audiences in order of significance. See what they said in figure 3.

In the figure 3 chart, travel experiences, gift or debit cards, and brand name merchandise all rated very high in terms of their ability to motivate audiences. For the purposes of driving incremental results, the other three categories are clearly separated in the minds of this respondent group.

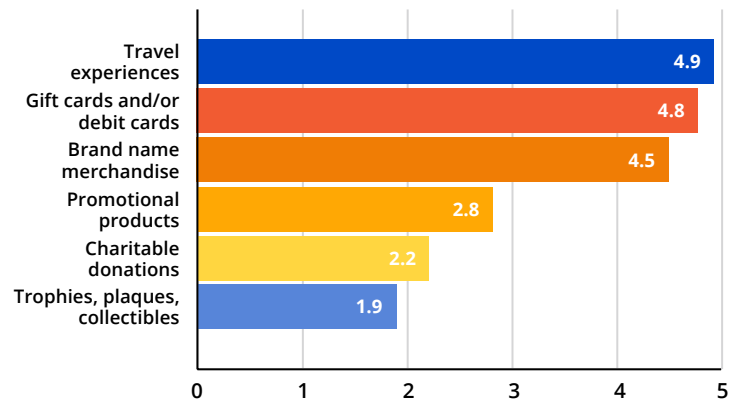


FIGURE 3

CONSIDERATIONS FOR PROGRAMS WITH A MIX OF REWARDS

In many instances, program participants are presented with an array of rewards they can choose from. Most often this occurs when digital currencies (e.g. points) are earned and may be redeemed for almost any reward type. Additionally, even if you only offer one type of reward, there can be many different levels of that same reward type. In situations like these, we asked our respondents to provide their ratings on the following statements that cover key considerations in designing great programs.

The following statements are in rank order according to survey respondents' level of agreement with each statement on a 5-point scale:

1. Rewards with high perceived value deliver more incremental effort and behavior than lower-value options. (4.39)
2. Offering multiple reward types (merchandise, gift cards, and branded items, for example) increases the program's desirability and performance. (4.18)
3. Rewards that create memorable experiences are more motivating and are more likely to deliver incremental results. (4.13)
4. Reserving some reward types for the higher-tier members of programs (e.g. top performers) is a great way to encourage people to level up their performance. (4.10)
5. Highly curated and personalized reward offerings are more meaningful than large catalogs or cash-like options. (3.81)
6. Offering a single reward type with various options is the most effective model because it simplifies the member experience. (2.87)

Statements with the highest degree of agreement emphasize the importance of choice, perceived value, and experiential elements – all pointing to the need to include rewards that are worth pursuing, and that are highly relevant to the participating audience.

ADDITIONAL “QUICK-HIT” STATS

1. What are the most common budget ranges for rewards in various types of programs?

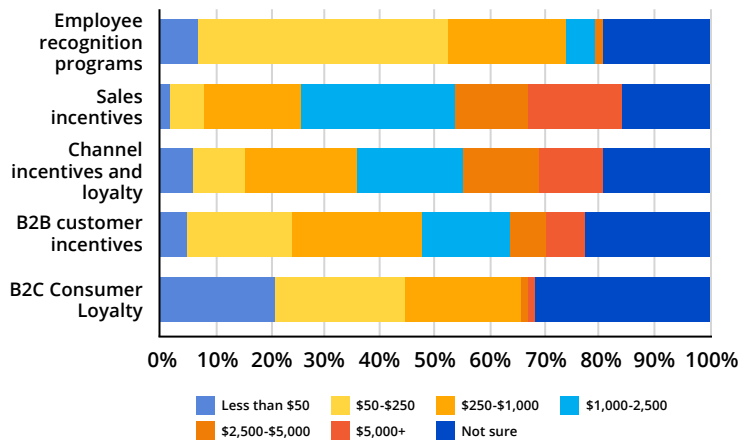


FIGURE 4

2. What are the most common ways to measure the effectiveness of reward programs?

- Percent of audience achieving rewards – 61.19%
- Top reward types by quantity or value – 50.75%
- ROI by reward type – 41.79%
- Actual performance of reward recipients by reward type – 38.81%
- Top rewards by level of performance (top performers vs. middle, vs. low) – 37.31%

3. In what scenarios would it be best to limit a program to just one reward type vs. having multiple reward types offered?

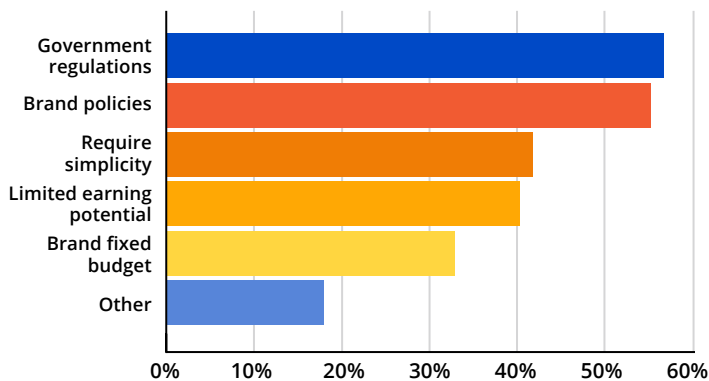


FIGURE 5

CULTURAL AND ENVIRONMENTAL TRENDS AFFECTING REWARD PROGRAMS

We asked survey respondents to identify current trends that are beginning to have an impact on reward

programs and reward choices. Most of the responses fall into the following primary themes:

Continuing Shift From Physical to Digital: This trend started with gift cards moving from physical cards to digital codes that are accepted at retail POS. Now it is moving into digital experiences, virtual reality, and a more recent move into NFTs (see more about [NFTs as rewards here](#)).

4. The COVID Rebound Has Led to More Travel Rewards: People are continuing to grow in their comfort level with travel since the pandemic restrictions and resulting health fears have waned. Our respondents also indicated that Millennials and Gen Z'ers have a stronger appetite for travel experiences as rewards.

5. The Economy and Inflation Are Impacting Reward Options: More pressure on day-to-day budgets creates a desire for rewards to be used for more personal needs. Often that means that people will use points to buy presents for others, which would normally come out of their regular budget, or they will redeem for more core requirements.

6. Charity, ESG, and Geographic Impacts: Charitable and sustainable reward options are not growing at the rate others have estimated, likely due to points 2 and 3 above. However, global regions view reward programs differently and the interest in these kinds of rewards (all kinds of rewards really) can be heavily influenced by the part of the world you are trying to influence.

A LOOK TO THE FUTURE!

We asked respondents the following question: What innovations in reward-based programs will impact the reward experience for program buyers and participants in the future? Again, the word cloud says it all.

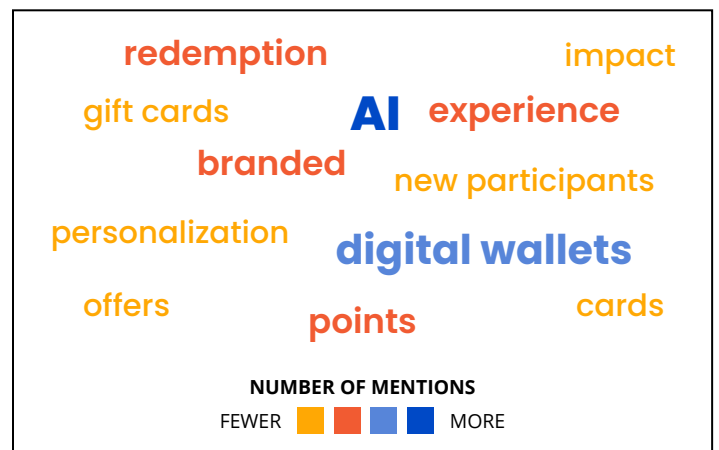


FIGURE 6

APPENDIX

Select verbatim responses for **why respondents believe reward programs work**, in their own words:

CREATING A SENSE OF VALUE

- They target the desire of the individual by placing a value above and beyond frequent transactions. Giving additional reward benefits while recognizing the effort and person.
- Reward programs work by tapping into psychological principles like motivation and reinforcement, offering tangible or intangible benefits that satisfy economic and emotional needs. They create a sense of progress, achievement, and social validation, fostering loyalty through positive reinforcement and a connection between individuals and brands.
- They work best when they understand their audience's behavior and motivations and curate a rewards portfolio that supports their desired outcomes and contributes to a sense of community.
- They work because everyone wants something. Providing an incentive to get a person to take an action will help one drive sales. Recognizing employees and customers is just as important. It makes both feel valuable.
- You are incentivizing a behavior that is then rewarded with a meaningful reward. It creates an emotional response tied to a behavior.
- Reward programs are effective in building long-term loyalty, as they encourage ongoing engagement and offer personalized rewards.

INCREASING BRAND AWARENESS

- These programs work because (when done properly) they can increase engagement and brand awareness for the recipients. This would cause customers to buy more, be more loyal, and employees to advocate more, and have the potential for higher productivity.
- Our specific reward program works because it is tailored to the individual client organization, along with the ability and power for the recipient to choose the product they like. With our branded solutions, it gives brand awareness and recognition to the recipients as well and is a feel-good product to promote brand, loyalty, and brand excitement.
- Keeps client's product recognition and drives sales and at the same time it motivates sellers.

PROVIDING TANGIBLE REWARDS AND EXPERIENCES

- Because they engage the audience by offering a concrete reward.
- They provide an experience that the person would not otherwise have.
- In the current economic climate, people are looking to make their money stretch further. By using reward/loyalty programs that offer a physical reward (product or cash), this allows people to buy items that they may not have had the budget for otherwise.
- When an employee gets a cash bonus in their salary, it gets soaked up into bills and day-to-day expenses. When someone gets a gift card, their only option is to treat themselves, therefore leading to the repeat of positive behaviors.
- Reward programs attract users with tangible benefits, such as discounts or free products, and the perceived value of rewards plays a crucial role. Users find satisfaction in achieving program goals and appreciate recognition for their efforts, contributing to a positive relationship. Exclusivity through special perks fosters a deeper connection with the brand. Gamification elements, like point systems and challenges, add fun and competition.
- Personalization, aligning rewards with individual preferences, enhances perceived value. Social aspects, such as sharing achievements, influence active participation.
- Products earned will always remind the recipient of the effort they gave and that they were rewarded for it.

IMPROVING PERFORMANCE

- They help to better connect the audience to the client's brand, product, or business by creating a clearer and more direct link between performance and reward.
- If designed right, they motivate a specific behavior that results in a client's business either growing, increasing awareness, increasing loyalty, or all the above. With the right rewards and goal metrics in place, a client should see a positive ROI.
- There's overwhelming scientific and anecdotal evidence proving all these programs work very effectively and deliver strong ROI - financially and by improving employee and customer engagement.
- They provide a structured, consistent way in which to communicate core values, initiatives, goals, and

objectives to employees or contractors/distributors along with the means to measure performance/ engagement and reward participants for achieving those goals and objectives.

- Garnering repeat behavior from a customer or partner means knowing them well enough to offer a reward that is of value to them in exchange for behavior that they are willing to perform.
- Behavioral economics. The economy is built on basic incentives such as your salary. However, reward programs go beyond this. They provide the opportunity to connect with an audience more deeply. Plus, in most cases, you can measure engagement and update your strategy.
- They are highly targeted in motivating and rewarding participants for engaging in value-building behaviors. The ROI is very easy to measure.

- It focuses everybody's mind on a common goal, achieving the business targets and strengthening the corporate values.
- A rewards program works because it reinforces the company's brand, rewards participants for their purchases (or sales) and as a result instills loyalty. I just had a client share the following feedback they received from several customers: "Don't ever end your points program! It's because of this program that we continue to purchase products from X. A points program gives us options to redeem for whatever we want. A couple of your competitors are moving away from points and reverting to a rebate program; we'll be sticking with X as long as you retain your rewards program."

ABOUT THE INCENTIVE & ENGAGEMENT SOLUTION PROVIDERS

The Incentive & Engagement Solution Providers (IESP), a strategic industry group of the Incentive Marketing Association (IMA), is a trusted resource for business leaders globally in helping their organizations achieve results through engagement and incentive solutions.

[Become an IESP Member](#) →

JOIN THE COLLABORATION. SHARE YOUR INSIGHTS.

The IESP welcomes new members! The more experts we bring to the table the better we can share insights with each other and provide expertise to the industry. As an IESP member you'll have full access to IESP's original best practices and benchmarking research. You can also grow your personal brand and your organization's brand by contributing your thought leadership to IESP's content and educational resources such as white papers, podcasts and more.

[BET on success with IESP!](#) →

IESP RESEARCH AND EDUCATION

IESP gives special thanks to IESP Board Member Chris Galloway, CPIM, EVP, Strategy & Design, Brandmovers, for his time and expertise in conducting this research study and writing the accompanying white paper. Thank you to Brandmovers for their support in hosting the survey.



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