



Factors Influencing Recognition and Reward Programs in 2015

The Incentive Research Foundation (IRF) is a valuable resource in taking the incentive industry's temperature. They regularly conduct surveys and publish research examining how reward and recognition programs contribute to the success and outlook of the organizations that use them. From [recent findings](#), we can identify nine distinct factors most likely to influence incentive program decisions in 2015. Let's have a closer look at the optimistic findings of IRF's incentive research, and the factors that will impact the incentive industry in the near future.

1. The Improving Economy

Consensus among economic [reports](#) is that the economy has been slowly [recovering](#) from the 2008 recession since roughly 2009-2010. What does this mean for the incentive industry? According to IRF, 50% of incentive program owners and suppliers agree that the impact of the late 2014 economy on merchandise and non-cash programs is positive. Merchandise and gift card programs, especially, saw swifter recovery than other areas like travel.

The economy's gradual, long-term economic recovery and its current buoyant state are positive indicators for 2015 merchandise and non-cash reward programs.

2. Budgets Trending Up

The positive state of the economy is reflected in 2015 incentive program budgets. In [2009](#), the IRF Pulse Study found that 60% of incentive program owners were reducing program budgets. Budgets slowly recovered since that time, with the market balancing out in 2013. Increasing budgets have been the consistent market trend since then. Forty percent of program owners say they plan to increase budgets in the future.

Per-person budgets will be strong in 2015, based on IRF's Fall 2014 Pulse Survey Study, which investigated the spending projections of budget planners:

- 25% of planners will spend \$50-100 per person
- 25% of planners will spend \$100-200 per person
- 30% of planners will spend in excess of \$300 per person

3. The Experience Economy

Our economy is in the process of moving from service-based to experience-oriented. The success of enterprises like Starbucks and Apple stores are excellent examples. They offer not merely products, but particular environments and *experiences* associated with their brand.

As the economy itself gains traction, experience economy is becoming more prevalent. This trend isn't lost on the incentive industry. Incentive travel program owners these days often offer "fitting experiences" for a range of products during trips, rather than the traditional merchandise like gift baskets and pillows. The IRF Pulse Survey found that 21% of program owners planned to add experience-related gift cards and products to their award catalogs in 2015.

4. Changing Perceptions of Extravagance

There are many reasons non-cash incentive rewards are so effective, including the fact that they are tangible, "share-able" and create lasting memories. Non-cash rewards are also effective because they offer recipients luxuries they wouldn't normally indulge in. When cash bonuses are spent on non-essential items, guilt and anxiety over household budgets often come along with the purchase.

During the recession, people were especially sensitive to expenses perceived as extravagant or frivolous. It became important, in the incentive industry, to factor this sensitivity in when offering participants rewarding experiences. IRF's 2014 studies, however, showed perceptions of extravagance returning to pre-recession levels. They also reflected a change in participants' non-cash reward preferences. At the height of the recession, necessities like Apparel and Housewares were most popular. Today, however, participants most prefer Open gift cards and Electronics.

In the future, as people adjust their perceptions of luxury in a post-recession economy, it will be important to offer rewards that balance fun, luxury rewards with those that are useful necessities.

5. Mobile Apps and Communications

With more mobile phones now than people, consumers in industrialized regions have come to expect constant connectivity. Apps have become pervasive in [all sorts of industries](#), from lumber to construction to wiring. Sixty-eight to eighty percent of all business applications are available over smartphones and laptops. Whereas mobile phones and smart devices were once seen as distractions, more and more businesses are encouraging employees to use them and integrating them into the workplace.

As smart device technology becomes more widespread in the business realm, incentive program owners will need to make sure their program communications are configured for multiple devices and operating systems. IRF found that 68% of firms thought mobile device management was a crucial or high priority for 2015. Security and maintenance concerns will

also become more important to companies who incorporate mobile technology into their products and workplace. For vendors, this means organizations will likely be very interested in apps that don't require external maintenance or security concerns.

6. Health and Wellness

Health and wellness is another issue currently impacting the incentive industry. [Women's Marketing](#) reported that products in the beauty/anti-aging, organic, and nutrition realms are popular with health-conscious Millennials (with the largest portion of discretionary wealth) and Baby Boomers looking to sustain and increase their quality of life.

A 2014 [WorldatWork Survey](#) also reported that employers' wellness program decisions are likely influenced by the Patient Protection and Affordable Care Act (PPACA) allowing higher financial incentives for health, and the 2018 tax on high-cost health plans. Employers are likely also trying to reduce risky and unhealthy behavior that contributes to chronic conditions, which make up a large percentage of overall health spending.

In addition to the increasing popularity of wellness programs, an [IRF study](#) found that participation in wellness programs increased significantly when non-cash rewards were offered.

7. Worldwide Political Unrest

While worldwide natural disasters are [steadily increasing](#), crises in social, political, and economic spheres are also more frequent. Disruption and unrest, for many, is becoming a constant state. The issue is particularly pronounced for businesses, as meetings and international connections often come with the territory.

How do disasters and unrest impact the incentive industry? Firstly, they can influence the nature of incentive rewards. Lack of confidence in the economy may persist despite upturns, meaning program owners will likely need to maintain the right balance between luxury (travel, electronics, entertainment) and needs-based (clothing, housewares, cash) rewards.

During disruptions, non-cash rewards and recognition program can be wielded in ways cash rewards can't be—to recognize employees for volunteer efforts in disasters, to thank them for working from home during weather or safety related office closings, or to appreciate them when they support the organization's social or community efforts.

8. Attracting and Retaining Talent

Companies will need to devote more energy to employee retention in the future as, for the first time, fewer people are entering the job market than exiting it. According to IRF, 90% of CEOs they contacted said they were adjusting methods of attracting and retaining talent. Incentives like non-cash awards are key in helping organizations address retention strategies.

Demographic anomalies will also play a large role in the future workforce. Although, traditionally, each generation has outnumbered the last, Baby Boomers (74 million) and Millennials (83 million) both greatly outnumber the generation between them, Generation Xers (44 million). In other words, management will need to not only train up Millennials, but find ways to retain more scarce Generation Xers and convince aging Baby Boomers to stick around. Incentive reward and recognition programs can aid organizations in these tasks by:

- Quickly identifying top performers
- Track the behaviors that make them successful
- Reward them so they stay motivated and loyal to the company
- Identify and promote behaviors that lead to success
- Catalog the behaviors that have made them successful

As the workforce changes and employee demographics shift, incentive programs and non-cash rewards will be a valuable tool for leaders looking to motivate and retain workers.

9. Employees in Non-core Roles

As the economy changes, organizations will employ employees who are engaged and understand corporate objectives. Non-cash rewards and recognition have proven to be an effective method of motivating employees to go beyond their job description.

The “employee engagement” concept was originally aimed at engaging workers in their core job responsibilities. In our contemporary economy, however, organizations will need employees who tackle non-core roles such as brand advocates, trainers, innovators, and agents of change. Because recognition and reward programs are so flexible, they are capable of motivating employees beyond their core roles.

For these reasons, top-performing firms are more likely to cite reward and recognition programs as part of their success. In 2013, [Aberdeen](#) researched top-performing companies (i.e. those with the highest year-over-year growth rates and customer retention) and found that they were 12% more likely to stress the importance of rewards, recognition and verbal praise. They were also more likely to invest in reward and recognition.

Along with attracting and retaining skilled employees in the future, it will also be important for organizations to motivate existing employees to play non-core roles outside their job descriptions. Research shows that reward and recognition programs help motivate employees to be more invested in their companies, making them more successful.

At the moment, the future of the incentive industry looks bright. As the economy slowly recovers from the 2008 recession, not only has it influenced incentive program spending, it has changed participants' reward interests. Other current issues like health consciousness, mobile technology, and worldwide unrest also stand to play significant roles in the incentive industry's future. Lastly, as more Baby Boomers retire and leave behind twice as many Millennials as Generation Xers in the workplace, it will become very valuable for businesses to use reward and recognition as employee retention strategies. Along with retaining these employees, companies will need to motivate them to excel beyond their normal job roles in order to be thriving, competitive organizations.