Chief Marketer B2C Special Report

The Influence of Incentives

How Millennials are changing the face of employee incentive and loyalty programs

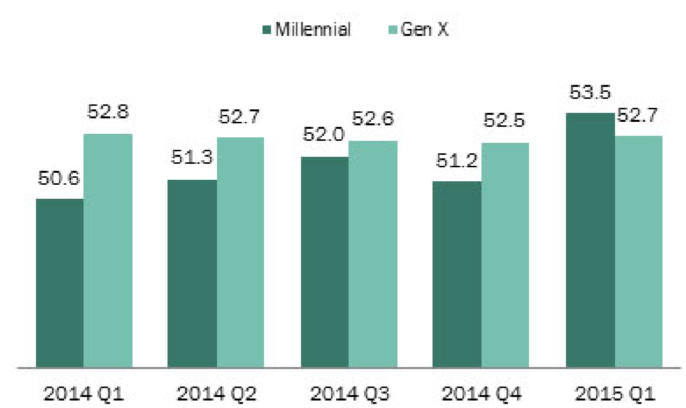
Throw away everything you think you knew about employee incentives. Thanks to the influence of Millennials, it's a whole new world.

One-third of the workforce is now made up of Americans ages 18 to 34. This unique group—55 million strong—breezed by Generation X this year to become the largest share of the American workforce and has surpassed Baby Boomers, which has declined to 31%.

"Millennials have different needs," says Paul Gordon, senior vice president of sales at Rymax, a loyalty marketing provider. "They are more transient and look for opportunities in the near term. They use different communication tools, aren't very brand loyal and, of course, run their lives via their smartphones."

Millennials Are Now the Largest Labor Force

In millions



Source: Pew Research

Taken together, Millennials are reshaping employee incentive and loyalty programs. They prefer peer-to-peer recognition over recognition from their superiors—although that's appreciated too. It is extremely important for Millennials to be valued and respected by their peers within a business setting—a reflection of their positive, community-oriented "we can fix it together" mindset. They also enjoy the possibility of collaborating with businesses, as long as they believe their say matters to the company in question, according to Forbes. As for recognition, they like high-quality branded items and will judge a business based on what types of employee rewards they offer.

COMMUNICATION VEHICLES

Another major change is the communication vehicles used to connect with Millennials. Catalogs are out. Digital, video, social and mobile are in. Millennials are a social generation and they trust social networks. To reach them, businesses need to understand what moves them and what holds their attention.

"You need to talk the language of what people desire," Gordon says. "Specifically, the shift to video content. That's the way companies are sharing information about employee incentive programs. They are creating more viral videos. It's a matter of engaging employees through endorsements of other employees or a snippet of products they will get. It's not a huge investment in terms of actual dollars and plays to the universe of how it will be viewed. You can launch your program doing a video on the phone. People find that more engaging than a corporate piece."

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WHO ARE MILLENNIALS?

- Born—1981-2000
- Raised by "helicopter parents"
- Told can be whatever they want
- Continuous (mostly positive) feedback and recognition
- Formed by 9/11, digital & connected world, technology, 24/7
- Formed by student debt. "Great Recession"
- Career oriented, hard work, achievement, but with balance
- Seeks recognition, detailed feedback
- Community orientation (global & local)
- Work/life blending

Source: Incentive Research Foundation

Video is especially effective when there are remote offices or employees, or when it's not possible for all employees to be in one location for announcements or celebrations.

The president or company leader can introduce the program via video; employees may be able to submit videos as part of the program —event participation or displays, messages from customers or participants, etc.," says Barb Hendrickson, president of Visible Communication and a past president of the Incentive Marketing Association (IMA). "Likewise, apps like Vine and Periscope that capture short videos that can be shared with smart phones allow participants to virtually interact in real time."

SOCIAL MEDIA

Social media is playing a key role in the communication aspect of incentive programs. Certainly as programs are announced and promoted, but also to share updates throughout the program.

"Social platforms allow participants to track their own progress, track their co-workers and encourage each other along the way," Hendrickson says. "Many social platforms also allow for badges or other tokens of achievement, and can be a method for peer-to-peer recognition as well. Because social media offers real-time feedback, it's far more effective in meeting the "immediacy" factor that contributes to the success of incentive programs."

Smart, progressive companies are delivering employee recognition program information through devices that Millennials are engaged in, Gordon says. "You have to have a program on Facebook and on Twitter with frequent reminders about the program and its benefits. You need to merge the business world with employees' personal world so they see the content you want them to engage in."

"It's a ripple effect, like throwing a rock in the water. It just keeps going and going and going," Gordon adds. "It's a great way to get people excited about what the company's goals and missions are. That's when social media becomes really important tied into the rewards program."

Outside of video and social, the most important component of an online program in the coming year will be mobile functionality. Mobile usage overtook desktop in 2014, and as of mid-year 2015, 51% of users are accessing the Internet via mobile devices, versus 42% on desk or laptops, according to Smart Insights. Companies designing incentive programs today should make sure that they have the capabilities to run on mobile devices, Hendrickson said.

MILLENNIALS LOVE HOT BRANDS

Watches or pens emblazoned with the company logo are of no interest to Millennials. This group wants to be rewarded with a product they would go out and buy in the store—a Michael Kors handbag or a Samsung Smart TV—and they don't want the company's logo plastered on it.

"The game really has changed because people are very quickly summing up what their value is to a company by the value of what's being offered in the incentive program," Gordon says. "Employees take their time and look to see if the handbag that's a reward prize is the one that's now in Nordstrom's or Macy's. They want the real deal. These products energize the program. The program is only as good as the redemption behind it."

Rewards like the luxury Furla handbag add appeal to Millennial employee recognition programs.

The premium incentive business had long been identified by company branded luxury items, but the desire for those incentives has diminished because

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THE LOYALTY FACTOR

Of course, Millennials aren't only employees—they're consumers too. The average U.S. household belongs to 29 loyalty programs—from frequent-flyer plans to branded credit cards—according to the 2015 Colloquy Loyalty Census. That's up from 22 in 2013. But fewer than half of those memberships (12 to be exact) are active. And an inactive customer can hardly be called a loyal one.

It's not only consumers who aren't fully committed to their loyalty programs. Within companies themselves, detractors accuse loyalty programs of giving away margin to customers who would have purchased even without the added inducement and of devaluing the brand as a whole.

"Good loyalty programs work like good parenting: praises, not bribes. Praises, here, are perks that reward behavior that you wish to encourage long term. Bribes are coupons that incentivize short-term behavior," says Geoff Miller, vice president digital strategy of The Marketing Store, in Chief Marketer's PROMO Playbook. "At the end of the day, we want to reward our most loyal customers, not buy their loyalty."

Marriott did just that. It has 49 million Marriott Rewards members across the globe. That's nothing to sneeze at and brings a big challenge to keep those members loyal in a hugely competitive category.

Email has proven to be a successful means for the program to engage with and retain members. Analysis of 2012 and 2013, however, showed that emails sent in December generated lower click-through rates and less revenue than those sent any other month.

Some people within the Marriott organization thought this meant they should pull back on messaging for December 2014 or woo members with a promotional offer. Agency Yesmail, instead suggested that a "year in review" email could differentiate the brand from its competitors, many of whom would bow to conventional wisdom and offer discounts, while reminding loyalty-club members of the benefits of staying at Marriott.

Marriott REWARDS

In its mobile-friendly December enewsletter, Marriott embedded a dynamic, personalized video that included each recipient's number of stays at Marriott properties and in which cities. This information, along with data about points earned and spent, was displayed as an infographic as well. The email also included information about the company's year in review—how many hotels it had opened, how many points were redeemed—while spotlighting favorite destinations. The email included a letter from CEO Bill Marriott, highlighting the year's new and noteworthy offerings and thanking members, and closed with a "See you in 2015!" animated GIF.

Marriott wrangled even more bang for its buck by incorporating some of the enewsletter content into its Hotel Specials emails, which provide subscribers with personalized offers, and its Concierge emails, which emphasize the company's travel expertise.

The click-to-open rate for the December emails was up 20% from the previous December, and Marriott Rewards generated 86% more revenue than it had in December 2012 or 2013. This contributed to the fourth quarter of 2014 being the loyalty program's most successful final quarter of the past three years, with a 9.7% jump in year-over-year conversion rates leading to a 30.9% lift in bookings and a 38.8% leap in revenue. That's what you call a rewarding campaign. Add to that, the campaign, "Marriott's 2014 Year in Review," won a 2015 PRO Award in the Best Loyalty Marketing category.

THE ANTIDOTE FOR SAGGING ENGAGEMENT

- Fearless, detailed review of loyalty program
- Intensely personalized customer interactions
- Sharing insights across the organization
- Vigorous integration of technology and mobile channels.

Source: The 2015 Colloquy Loyalty Census

TOP 7 LOYALTY TRENDS

1. Loyalty programs are becoming more common, but program members are becoming less active. Brands put a lot of effort into acquiring program members, then lose a huge percentage of them within the first two months.
2. Gamification is becoming more of an element in consumer loyalty programs. Although it's been a part of employee loyalty programs for several years now it's catching on in consumer programs.
3. The increase in "social loyalty" is leading to more rewards for non-transactional behavior. The traditional loyalty program rewarded members for spending money with the brand. Now, as the goals of loyalty programs expand beyond encouraging loyalty among existing customers to encouraging those customers to spread the word to prospects, more marketers are providing rewards for liking brands on Facebook and sharing content on their social networks.
4. Brands and consumers are on opposite planets when it comes to who should be showing who loyalty. A significant 73% of consumers feel loyalty programs "should be a way for brand to show how loyal they are to them as a customer. But when you ask marketing executives, 66% believe loyalty programs are still a way for consumers to show how loyal they are to their business, according to The State of the Customer Journey 2014, Kitewheel.
5. Programs are using modeling to optimize for their most valuable members. Sort customers into value buckets to improve efficiency of budget and resources.
6. More consumers are interacting with programs via mobile. Many of the nearly two-thirds of Americans who now own a smartphone (2015 Pew Research) use them to interact with their loyalty programs.
7. Loyalty is long-term by its very definition. Map out your loyalty marketing efforts over the long term as well.

Source: The PROMO Playbook by Chief Marketer

of the audience companies are targeting.

"The products are changing because the age group is changing and the amount of information they have at their fingertips is changing. If someone has been saving points to get the Apple iPad, it better be the version that's on the shelf now," Gordon says.

"They want products that are hot," he adds. "Millennials spend more time reading People magazine than the Wall Street Journal. They want what's hanging on the shoulder of the top celebrity today. Premium products have a huge residual value. The more the product is in the demand, the better off it is in terms of trophy value and that's a major change in the program."

ECONOMIC INFLUENCE

The products that perform well in an employee incentive program are tied directly to the economy. When consumer confidence is high and unemployment is low more luxury items are redeemed. When the economy tightens, as in the financial crisis of 2007-2008, people choose utilitarian items like cookware, factors those running the programs need to keep in mind as they consider the mix of rewards being offered.

"If people are concerned about jobs or elections, that dictates what becomes desirable," Gordon says. "As the economy and the temperature of the country shifts that's when you'll see redemptions change so you need an eclectic variety of rewards."

Interestingly, one of the overall highest redemption items is vacuums.

"People don't like to buy vacuums," he says. "They're fairly expensive. You can't base what people are going to redeem by your own bias, that's why you need to give choices because what they redeem may surprise you. You have to have your ear tuned to what your group is all about and they set your program toward that. Give them a choice of things all in the same budget and you'll see the program become a lot more engaging to the entire organization."

"The significant combined increase in travel and product incentives of 29 % coupled with the 20% increase in employee recognition and an additional 24% increase in consumer loyalty programs mirror Rymax's findings for 2016," Gordon says. "With consumer confidence up, as well as stronger than anticipated employment numbers, this industry has the potential for explosive growth."

However, that growth will only come if the programs recognize the shift in employee and consumer behavior and build programs that truly motivate.

"People aren't interested in the same old recognition game—what they really want is the power of choice," Gordon says. "The one-size-fits-all mentality doesn't work with motivating an entire company, and recognition is not an equal playing field. Understand your target audience, deploy segmentation and concentration strategies and always be nimble with adjusting the program and you will achieve that success."

CASH NO LONGER IN PLAY

Companies looking to reward and motivate their employees with incentive awards need to focus on

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THE TAKE ON TRAVEL

Earning a great trip to some wonderful vacation spot can be a nice employee reward for hard work. Here are 3 findings from the IRF/MettingsNet Incentive Travel Survey

- **It's All About the Wow:** It would be tempting to think that increased budgets immediately lead to longer, larger programs, but as other IRF data and this survey show, that is not necessarily true. In fact, planners working with a budget increase were most likely to react by adding "wow" elements, upgraded accommodations, or off-site events. Added room nights was a much lower response. Per-person spend is hovering at $3,050, with 20% of respondents saying their budget exceeds $5,000.
- **It Takes More Than Sales:** The majority of in-house incentive travel managers said company revenues were up in 2014, but a good year for sales did not necessarily translate into more dollars for incentive travel: Only 54% of in-house planners said incentive travel budgets increased in 2015. This shows that incentive budgets are not as responsive to sales increases as always assumed. Many factors other than sales impact incentive travel budget growth. Meeting planners need to consistently justify a program beyond revenue growth, tying the program's purpose to other company objectives, such as innovation or core values.
- **Location, Location, Location:** It is good news for the U.S. economy that almost 80% of respondents plan to use destinations within the U.S. borders for their incentive travel. It may also be good news for planners, most of whom report having less than 12 months to source an incentive location. Europe also had a strong showing, rivaling Mexico for 2015 incentives. *—Melissa Van Dyke, president, Incentive Research Foundation*

DIET DR PEPPER'S SOCIAL COUPON CAMPAIGN

Coupons, of course, make great incentives to get consumers to either try a product or repurchase a product. But with social media as a relatively new distribution channel, coupons can sail through cyberspace at lighting speed in a targeted fashion.

Take a recent social referral campaign, developed by SocialTwist for IN Marketing on behalf of Diet Dr Pepper that helped drive sales and brand awareness.

Consumers were offered the opportunity to save $1 through a coupon if they shared the offer with friends via email or social media, or receive a .50-off coupon without sharing. People who participated could also get a $5 Walmart e-gift card if they submitted proof of purchase of three 12-packs of Diet Dr Pepper.

Social twist says the goal was not just to promote sales through coupon distribution but also awareness and buzz around the product, which have a lasting impact on consumers' future purchasing decisions.

The results proved that social can make a great runway for a coupon program to take off. Over 117,000 referrals were made during the program indicating that many consumers are willing to refer coupons to their friends in order to save some money on their own purchase. More than 6,000 $1 coupons were taken in three weeks, representing a high-take rate of 13%.

By using a unique tracking code, the channels where the coupons were distributed made a difference too, which helps out when launching future campaigns.

Facebook had the most reach (73%) with more than 85,000 referrals. The channel with the highest click-through rate was email. Email referrals reached 10,000+ people with an open rate of 27.8% and a click-through rate of 13.6%.

Twitter referrals also proved quite successful, reaching more than 15,500 people with a click-through rate of 13.5%. Other social media accounted for over 5,000 referrals but had lower click-through rates.

In this case, 14% of the coupons (over 900 coupons) came from one site (Hip2save.com).

the total reward experience, and it frequently doesn't include cash, according to a new study commissioned and released last month by the IMA.

The research offers some of the best proof yet of the motivational importance of non-cash awards as part of the total award experience, and dispels the myth that if you give participants a choice, they will always choose cash.

It's the total reward experience that carries more positive impact than the reward itself. The study found that between 40% and 70% of a participant's preferred award experience was determined by non-award presentation factors such as who gives the award, how it's communicated, and what professional impact it carries.

Out of 452 study participants, a whopping 448 each had unique award profiles in terms of preferred award, presentation and ceremonial aspects, potential for professional development and advancement, among many other preferences. In all, the study participants personally valued and weighed more than 110 different aspects of the total award experience. This presents a challenge for businesses to work harder than ever to personalize incentive programs, as there is no "one size fits all" approach, the study found.

"Every type of reward—Merchandise, gift cards and travel—all outperform cash.— *Incentive Marketing Association Executive Director Donna Chrobak*

For large rewards, such as annual sales program recognition, the study found that when participants were rewarded by the right level of management, with the right communication and professional development, 80% would prefer incentive travel and experiences in that award scenario, not cash.

For smaller awards, such as short term and spot recognition programs, the study found that when participants were rewarded by the right level of management, and with the right communication and professional development potential, about 66% of participants preferred a personally-meaningful non-cash reward instead of cash.

"A key lesson for businesses from this study is that every type of reward—merchandise, gift cards and travel—all outperform cash, and that assuring a positive and personal total reward experience has a major impact on participant motivation and behavior, which ultimately affects employee performance and talent retention," notes IMA Executive Director Donna Chrobak.

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