

EXECUTIVE SUMMARY April, 2011

Maritz Reward & Recognition Market Study 2010



Introduction

In today's market, choice is no longer a luxury, it's expected. This is true for consumers and employees alike. Consumers are going to seek companies that value their business and offer the best customer experience; employees will find and stay with companies that value their contributions by recognizing and rewarding their efforts. Companies that fail to recognize their employees may lose out on both ends. A recent Maritz survey, combined with research in neuroscience, shows that when companies provide their employees a purposeful choice regarding their rewards and recognition programs, they can create an engaged workforce, leading to improved customer experience.

The national survey of 1,002 participants was conducted by Maritz Loyalty & Motivation from Sept. 2-7, 2010. It aimed to learn about people's preference for cash and tangible & experiential rewards programs. All participants were adults working full time and had participated in one or more recognition, incentive, and/or wellness programs within the past three years. The data was collected via a panel-distributed web survey. The survey asked not only about reward preference, but also how people use their rewards, and if rewards and recognition programs are a factor in choosing where to work.

Following are a summary of the study results combined with supporting data and findings in the field of neuroscience:

Rewards and recognition programs help companies attract and retain talent

Reward and recognition programs are a proven way to improve the employer-employee relationship, making it easier to both retain and attract talented employees. In the Maritz survey, four out of five (80%) respondents felt reward and recognition programs strengthen their relationships with their employers, and more than two of five (42%) employees consider a company's rewards program when seeking employment. This consideration is even greater for potential sales talent (51%) and for those who are already participating in an employee incentive program (52%).

A correlation exists between the number of employee incentive programs a company offers and how that company is viewed by its employees. The portion of employees who feel their company is a great place to work increases with program opportunities, from 69% of those with one program up to 84 percent of those with three or more.

It's clear reward and recognition programs are a vital tool for companies seeking to attract and retain the best talent. But, with the broad variety of incentive programs that exists, including cash rewards, tangible & experiential rewards, and debit or gift card rewards, it can be difficult for a company to know which type it should choose. Companies need to make sure their investment has the highest return possible.

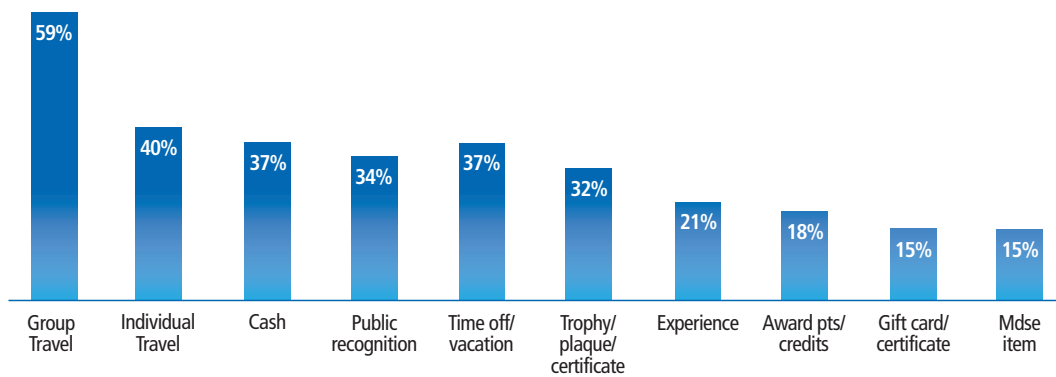
Cash is not the most effective motivator

In the realm of rewards programs, cash is still the most offered and earned reward for employees. According to the study, 90 percent of the employees reported earning cash, opposed to only 49 percent who earned some sort of travel reward. And when given a choice, cash is still preferred by most employees. However, this does not automatically make it the best option. Scientists and scholars, including the work of Daniel Goleman, Ph.D and Mihaly Csikszentmihalyi, Ph.D., have shown us that people are both rational and emotional. In fact, humans need

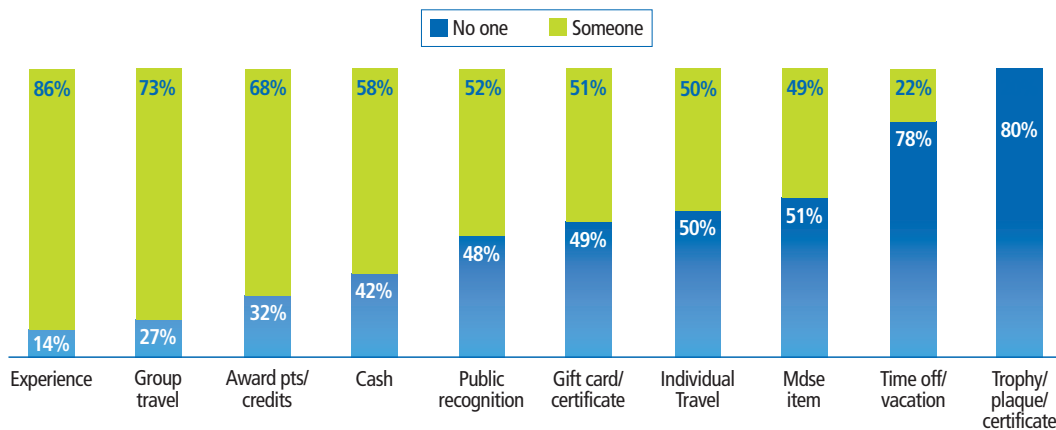
both emotions and reason to make good decisions. Our brain is constantly intermixing our conscious, rational thoughts with our non-conscious, emotional perceptions in varying ratios. These two systems cannot be separated and, together, help determine the choices we make and the actions we take.

While a rewards program must be logical, easily understood and not overwhelm with complexity, it is an emotional connection that solidifies participant commitment and fuels positive change. Research shows companies that default to cash rewards may be ignoring the emotional connection participants have to the reward, and therefore to their goals and the company itself. They may be, in fact, depleting the meaningfulness of rewards by offering cash only.

This can happen for several reasons. Respondents to the survey said cash was not as memorable of a reward (**figure X**), and they also reported receiving more encouragement from friends, family, managers and peers to earn a tangible or experiential reward (**figure Y**). Respondents also were more likely to talk to their peers about a tangible or experiential reward.



Percentage of rewards named most memorable (**Figure X**)



Percentage of rewards which respondents were encouraged by someone to achieve (**Figure Y**)

People may think they want a cash reward, but they rarely ever get the experience of an actual reward from cash. In the same survey, 40 percent of respondents said they spent cash rewards on bills and other life necessities, such as gas and groceries. They also claimed to be less likely to use cash on a “splurge” item.

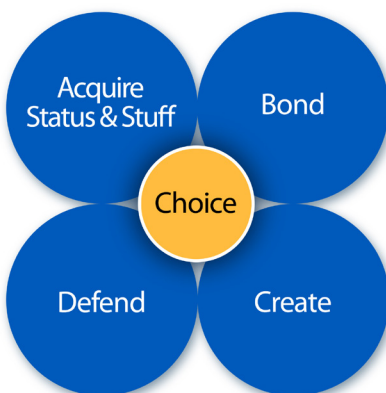
A study conducted by Dr. Scott A. Jeffrey of the University of Waterloo discovered that, on average, program participants who were being motivated with tangible, non-monetary rewards actually thought about their un-earned reward nearly 40 percent more than did a control group working toward the exact same goals for a cash reward of equal value. The same study was able to quantify that the employees working toward the tangible or experiential incentive had almost 25 percent greater commitment to the goals and offered roughly 10 percent higher performance than those working for the cash.

Employees receiving tangible rewards spend more time anticipating and remembering their rewards, which makes them more likely to apply focus.

Tangible & experiential rewards connect with human nature

It is important to recognize that while salary and sales compensation plans are an appropriate place to exchange cash for performance, rewards are an opportunity to take the relationship further and create a more meaningful connection with employees and sales partners. Companies that build their programs around purposeful choice, with tangible and experiential rewards, like travel, connect emotionally with a person and allow them to fulfill their most basic human drives.

According to Paul Lawrence, Wallace Brett Donham Professor of Organizational Behavior, Emeritus at Harvard Business School and Nitin Nohria, dean of Harvard Business School, the drives to acquire, bond, defend and create are pivotal in determining human behavior. Lawrence and Nohria discuss how these four biological drives in their book, “Driven: How Human Nature Shapes Our Choices.” Maritz’ survey on cash vs. tangible reward and recognition programs reveals the connections between purposeful choice in rewards programs and these drives.



The Four-Drive Model

Based on the work of Paul Lawrence & Nitin Nohria at Harvard Business School.

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The Drive to Acquire Stuff and Status

This one is obvious. By sharing rewards with family and friends, people are increasing their status in the eyes of their peers. And, programs that are built with a tiered system allow people to connect even more, as teams work and aspire together to reach the next tier and higher status.

The Drive to Bond

Employees that have earned tangible & experiential rewards are more likely to share those rewards with another person. Several employees have actually gifted their own rewards to their co-workers. Others use them on their families and friends. These rewards give people the opportunity to connect with people that cash simply cannot.

The Drive to Create

A reward and recognition program with purposeful choice allows an employee to choose a reward that is unique and special to them. This gives the reward more meaning and satisfies their desire for purpose and meaning.

The Drive to Defend

Tangible & experiential rewards programs are standardized, making them fair and equitable motivators influencing human behavior. The earning rules are clear, and employees are willing to cooperate with one another to achieve larger customer service goals, which in turn build loyal relationships and foster teamwork.

Fast Facts

- **80 percent** of employees surveyed feel rewards and recognition programs strengthen their relationship with a company
- **More than two of five (42%)** respondents consider reward and recognition program opportunities when seeking employment
 - **51 percent** of sales talent considered R&R programs
 - **52 percent** of candidates already participating in employee incentive programs considered R&R programs
- The more reward and recognition opportunities, the more employees feel their company is a great place to work (**69 percent** of the respondents with at least one program said their company was a great place to work; **84 percent** of participants with at least three programs said their company was a great place to work)
- Defaulting to giving cash may deplete the meaningfulness of a reward
 - Survey participants said cash wasn't the most memorable or encouraged (from managers, peers, family and friends) reward for them
 - **59 percent** said group travel was memorable; **37 percent** said cash was memorable
 - **86 percent** of respondents received encouragement for experiential rewards; only **58 percent** of respondents received encouragement for cash
- Survey participants said more apt to remember group and individual travel rewards more than cash
- Employees are less likely to talk about earning cash rewards with their coworkers, compared to other types of rewards
 - **39 percent** talked about cash; **66 percent** talked about experiential rewards
- **Two of five** survey respondents used cash rewards to spend on bills and other life necessities, such as gas and groceries



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