



... with the award they would choose for themselves.

## **Value of Online Incentive Award Systems**

## **The Value of Online Incentive Reward Systems**

### **In the Beginning**

As most of you know, the reward and recognition industry had its roots in the depression years of the 1930's. It was during that time that pioneers such as E.F. MacDonald and Edward Maritz began to sell their jewelry, watches and other merchandise to corporations as sales incentives and service awards for employees. From those beginnings an industry emerged that is estimated to be in excess of \$60 billion and includes every conceivable type of award.

While the industry has certainly changed over the years with the addition of group and individual travel, special recognition items and the increasingly popular merchant gift cards, and bank debit cards, nothing has made such an impact on it as web-based award solutions. With the click of a mouse, a company can now have what only a few very large corporations could previously afford...a professionally administered and communicated incentive or recognition program for their employees or channel partners.

### **Internet Market Today**

According to the Nielsen//NetRatings in a study a couple of years ago, the global standard for Internet audience measurement and analysis, nearly 85 percent or 231.54 million Americans have access to the Internet from home. These numbers parallel the usage of the internet by employees in small businesses as well as medium to large companies. In comparison, Internet access penetration hovered around 66 percent in February 2003, rising nine percentage points year-over-year. "In just a handful of years, online access has managed to gain the type of traction that took other mediums decades to achieve," said Kenneth Cassar, director of strategic analysis, Nielsen//NetRatings.

### **Web-based Incentives and Recognition Rewards**

Because of this type of internet access, there has been a proliferation of companies offering web-based incentive programs. Almost every traditional incentive company has their own online solution, and as the industry has little "barrier to entry" there are more and more companies that are building online incentive solutions and joining the parade.

While there are no complete statistics maintained on Industry usage, some research indicates that over 30% of the industry's current revenue is produced thru online programs, 45% of companies running incentive and reward programs use the internet, 80% of current incentive users are interested or very interested in running programs online, (Maritz, Inc., Survey) and it is forecast that online incentive companies will represent over 70% of the industries revenue in 5 years.

### **The Real Value of Web-based Technology**

Web-based incentive and recognition award technology is far more efficient and less expensive than implementing a program offline. Less than ten years ago, only those corporations with substantial million dollar plus incentive and recognition awards budgets could implement complex, multi-layered

performance improvement activities. Today, almost any size company can have these same complex programs at a price that fits their budgets.

After initial set up fees based upon size and scope, most of the web-based systems have ongoing monthly maintenance or licensing fees that are minor in comparison to the cost of providing these same activities offline. Administration, communications, training, measurement, feedback, surveys, quizzes, award issuance and overall program management can be performed through a web-based system, at a fraction of the cost of doing it offline. Prior to these systems, it was not unusual for these types of activities to cost as much as 30% to 40%, or more of a company's total rewards budget, and they often exceeded estimates while not exceeding goals. Today, the cost is usually less than 10%! That puts 20% to 30% or more of your budget back where it belongs, in the hands of the people you're trying to motivate.

### **Umbrella Programs**

Frankly I'm a little puzzled why more clients don't use web based programs as an umbrella for all of their non-monetary award needs. You can separately implement each program by employee group, you can keep budgets completely distinct, it creates a synergy by using the umbrella to allow employees who may be involved in more than one program to accumulate points for much larger awards, and you can have the system contain virtually any type of award that you desire.

I suppose one of the reasons many companies don't have an umbrella system is that all too often the right hand doesn't know what the left hand is doing. It is not unusual for a company to have sales incentive programs, years of service or employee recognition programs, safety programs, wellness programs, etc., that are all implemented by individual departments and different management. And, each separate unit wants to maintain their own autonomy and vendor relationships. Frankly that's too bad, because the employees won't necessarily get the advantage of a better overall program with more value and choice, and the company doesn't get the advantage of better buying power.

For my money, if I wanted to engage employees in a variety of objectives, I would certainly look at this type of vehicle to get it done. Take the time to research online points based award systems; you may be glad you did, and I can guarantee that by combining programs under one umbrella, you will get a better price and your employees will get a much better value and choice.

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