HOW TO RUN AN EFFECTIVE POINTS PROGRAM:

30+ **TIPS FROM THE EXPERTS**

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Foundation

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A supplement to *The Psychology of Points*

The IRF's study *The Psychology of Points* concludes that adding points rewards to a broader incentive and reward program strengthens the program. The study offers practical guidance to managers and others who design and operate points reward programs, and this supplement includes additional best practices collected from incentives experts during the interview and research process.

Broad-Based Recognition

"Every person in the firm should be touched by the points program, and it is different depending on how much you earn, so design is critical. At the entry level, it could be the points that get them a vacation because they earn very little. For the high earner, it could be their fourth TV. The former will be more meaningful than the latter, but the highly paid earner will also be more engaged due to the appreciation and recognition."

"Recognition brings a multiplication factor. I used points once to buy rugby tickets and I took my son. That was so powerful to share with him, and it obviously went well beyond the cost of the rugby ticket. When you bring in the loved ones, it's a multiplier."

Manager Involvement

"Each manager receives a small discretionary points budget to distribute each month. You want to encourage and support the supervisor-team member relationship wherever you can. Managers' participation in awarding their employees is key, and logging on in a regular manner is a strong indicator of a more highly engaged group. For example, a sales group saw the whole company overachieve quota by 3%, but where the manager logged in at least once every other month, teams exceeded their sales quota by 12%! It was a large firm, so that amounted to $100s of millions."

"We also find that where managers issued at least 50% of the points allocated and employees redeemed at least 25% of points, they stayed years longer than those where neither managers nor employees used points. This underscores the importance of the manager/ team member relationship and suggests that line managers who don't use their points probably don't recognize frequently and don't coach or care enough about their reports."

"Once you get the program up and running, you create a virtuous cycle that goes with other best practices like coaching and performance conversations. So if a manager logs in at the end of the year and issues all of their points to their employees last minute, you won't get the same results. These managers are not following best practices, they're not communicating regularly. Points rewards give managers another reason to talk to employees, to coach them, provide feedback, and recognize them."

"Managers have to pay attention and make the recognition timely. We have seen too much of managers holding their points until the end of a month or a period. Communications and training are important so that managers look at reports and keep rewarding. And that goes back to whether people misuse. You have to have a culture of recognition so people realize how important it is in motivation, retention, avoiding burnout, in creating sharing, and collaborating."

Communications

"One of the things we recommend is not skimping at communications. You need to save some budget for communications, especially to prompt managers – remind them to log in, and provide them templates and guidelines on how many points to award for what people did."

"We use points to build relationships. You may not see everyone frequently, especially now with more people working remotely. So it goes back to the communications plan – don't cut that budget if you want to build relationships."

"You have to communicate. The communications are as important as the program and the rewards. And if you tie the points and recognition to the core values of the firm, and then do accelerators based on your values from time to time – a core focus per month – you can even move the culture. But you have to keep reminding them. You want to build habits and systems."

"You can't have the same program year after year, it gets to be static and boring. You have to keep it fresh and exciting, then communicate it so people are engaged with the program itself."

Training/Orientation

"A very brief training or job aid might be useful for managers in learning how to use a points reward system, like a quick webinar outlining the types of things you should recognize people for. So it is orientation and awareness, communications, and job aids more than formal classroom training. You might look at who made the most recognitions last month and why, and then build that into a story for the newsletter or intranet – get it out to the enterprise to showcase the most recognized person and why; what was most meaningful for them in the recognition. Communicating stories is key."

"Training can run the gamut depending on the familiarity, making sure they understand the system and what to recognize, the importance of recognition, and how and when and why to recognize and encourage team members to recognize… For peers, think about how you do the channel, spurts of information around values, a program of communications, what are we going to recognize, and when. For the participants, no system training should be needed because you need to build it as user friendly as possible – it should really be like an app, simple and easy."

Peer-to-Peer (P2P)

"P2P is trickier. A best practice we've seen is allowing employees to send recognition without points, and we say that because we see the tit-for-tat when people can recognize each other. It becomes a problem, and they can game it even further to evade the obvious 'you reward me I reward you' circular. You can achieve most of the benefits of P2P without the points piece, just the recognition, and when you can loop in the supervisor, he can say 'wow, I saw what Sally said about you, and here are some points or a gift card.' That's a critical component we recommend, because it supports and boosts the relationship with the supervisor and helps cement that relationship."

"Unless you have trust issues, allowing team members to show appreciation for each other, with or without points, or tangible reward is a huge part of the value of these programs."

Choice of Reward

"We find that a broader variety of redemption trumps the problems of having a cash equivalent. That's more critical even though we know the limitations of open gift cards and Amazon, etc. Choice matters more, but also keeping it fresh so that people are attracted to the bigger, aspirational items. It's hard to find unique things that people can't source themselves these days, but when you can, that's very effective. Exclusivity still has a role, but it is harder to come by; when you can, you should align it to the mission and purpose of your firm, keep it limited in nature, and create that air of exclusivity. That's why incentive travel trips work so well."

"Within your points program and redemption options, you need to have an option to donate to charity. Some do and some don't. But when our clients add it, the option gets used a decent amount. More importantly though, even just having it gives the program a better, more wholesome feel."

"Employees often want gift cards, and gift cards have their cons, especially if they are not branded. But the IRF reward preference study shows that points satisfy the top five items, and of course gift cards are among them. You should give them what they want, let them make the choice."

"We like that if you redeem your points for something like taking the family to Disney, they will always remember that. If you give them a gift card or cash – in my experience – then ask what they used it for 6 months later, they won't remember. Every one of them wants to redeem for cash but we tell them we want to 'reward' them, and that this is not pay, it's separate."

"We offer open cards, and some clients require that. The way I look at it is you want to gift a certain thing at certain occasions. But generally speaking, I am a fan of points in general and letting the earner get what they value, and hopefully it is something for themselves. But as a mom who recently had to buy two pairs of soccer shoes for my kids, I appreciate that and kids' soccer shoes wouldn't likely be in a gift catalogue, so being able to get an open Visa card with points was good. Of course, the luxury items should be there. But the earning potential varies, and in a broad recognition program, you can't really accumulate $1000's of dollars of points, so it's important to let them redeem for what they need, even it's Amazon or a gas card. We also have to consider the industry and whether you earn enough even to cover your expenses. Points programs aren't really meant to get into compensation, this is for above and beyond behaviors and so on. But for some people, sometimes, points will come in handy for things compensation would normally cover."

"Maybe it's transactional with points, but they may be funding a lifestyle with those Amazon cards. You might buy batteries and things like that, but for some that can be meaningful. So it offsets costs for some, and for others it is related to hobbies or used for kids stuff, gifts, etc. it depends on the individual. The points may even be an afterthought. Over the years I've seen that people are more motivated by the recognition, sometimes even more motivated by collecting points than by redeeming them or thinking about what they can get with them."

"Choices in redemption are important. You need things that are meaningful to each person, that draw them toward something other than cash or an open gift card. Recognition and appreciation gets reinforced every time I look at the TV or talk about the trip. Points-based reward programs are critically important to keeping both high-performers engaged and bringing out the best in the middle 70%."

Driving Participation and Engagement

"We try to narrow it down to one metric. We aren't making them do five things to qualify, just the one metric. For them to get rewarded, all they have to do is shift one metric – just that one behavior. In one case for salespeople, it was 'percentage of strategic supplier sales to total sales.' They have 1000 suppliers but only 25 are strategic, those who offer the best terms, etc. So we want them to sell as much strategic supplier product as possible. They are the last person who talks to the customer before the order is placed, so they can influence it. If we award them five times as many points for selling the strategic 25, versus the other 975, it's easy to understand and execute. We've also used points accelerators to create friendly branch to branch competition. Sometimes we bonus the team to create peer pressure to get more salespeople to push the 25."

"We develop a marketing plan to increase engagement and the redemption of points. We launch a campaign monthly and include redemption marketing, so if the deadline for using points is March 15, they will get 6 emails between the last tranche of points and the deadline. We also allow employees to save things into their wish lists. This helps move them toward the bigger things."

"Our clients want their people to redeem for something of significance, to build those ties and memories, so we aim for 95%+ redemption. There are a lot of people who want the breakage because it helps the profits of the incentive company. Especially if we bill on issuance, so whether points are used or not, clients pay for them. Some would prefer more 'breakage,' (where employees don't use their points and forfeit them) because it increases margin. That's something clients should watch out for."

"Points may or may not expire. If you give every employee 100 a month to distribute, and, let's say 500 to managers, those buckets should periodically stop and reset. We want to encourage people to use them, and you may need to do so for accounting reasons. When you expire them, you see the spike in issuance, and that's ok, they realize they are going away. I don't think you should expire points people earn though. There are accounting influences, but put your people experience first. Tie the behavior to the reward, but don't make people spend the points right away. They should be able to save them for years to get the thing they want."

"If they are changing their behavior, that's the goal. We have to remember that some people just want to accrue points – they may literally never spend them; and then you have others who spend right away. Just the points themselves may have emotional value to some and not to others – everyone is different. There is tremendous psychological research around how people make decisions, and so on.You know the behavior you want them to change, and if they are doing it, then at the end of the day how they use the points doesn't matter as much."

Budget

"When it comes to incentives, firms should budget 4-6%. The broad-based recognition component (points rewards) should get 2% of that, and top performer incentive programs should get the rest. So, for a person making $60,000 per year, that's $3,000 in reward points at max performance, enough to make it very significant. You can get lot of nice things for $750 a quarter, but for $3,000 you can get a real experience, so points programs can and should deliver meaningful and valuable rewards."

Flexibility of Points Reward Programs

"We use points accelerators to focus people temporarily on areas of priority. They are effective, and we work with the clients to know what they want to promote. That could be a new product, or something that is overstocked, or otherwise, and so there is a lot of strategy and thought in this. It all comes back to the business impact for the client."

 "You can be imaginative with points. You can use the programs and platforms to emphasize priorities or values… anything. You can use accelerators and status tiers so there is something more than just giving them cash, card, or even a restaurant certificate."

"We have brought customers into rewards points issuance too. It's not common, but letting customers show appreciation is great. We've done it in customer service for a long time, but you have to have a way to get them into the platform safely. There are ways to do it, they can have passwords or submit comments. All of these recognitions are valuable, and the flexibility of a system to allow all this is great. It means rewards for almost anything, and you can make automatic, instant rewards from recognition and then monitor the results."

Data Analysis and Reporting

"Some clients want us to take the data their points reward programs generate and do the analysis and reports. Others want the data, and some just want it interpreted and for us to make suggestions. It varies, sometimes even within a company."

"If employees redeem for more branded swag over time, it's a great way to show engagement and identification with the brand. Some of our clients track this over time."

"AI and Machine Learning can send people targeted messages about redemptions, and that might appeal to them based on past redemptions. But it's not a true needle mover at this point. Other technology is more useful. Leaderboards are drivers, say within wellness programs and campaigns. In sales, they can be huge motivators. Using those leaderboards, we can show them progress toward goals and how many points you will get with a certain achievement. Not necessarily to show points totals but how many times you've been recognized."

General

"People remember the recognition, it's less about the reward than the recognition. Isn't it amazing, for example, that the Olympian who runs the fastest and wins the race does the lap of honor? He or she hears the crowd, their cheering, their recognition. Someone runs over and drapes the national flag over their shoulders, eliciting purpose. While everyone else is panting for breath, laying on the ground, he or she finds the motivation and energy to run another lap. It's the same mentality at work. Attention and recognition are energizing."

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