

REWARDS 3.0

Reward management for the next generation

Rewards have come a long way since their initial inception, with the landscape changing in more ways than one. It may be helpful to understand where the industry has come from, where it is today, and how it will continue to evolve into the future.

Rewards found their start during the 1960's, which was also the first time in history when the number of jobs exceeded the available labor pool and the economy was at full employment.

Employers wanting to retain their hard working employees during this period began to **"recognize and reward"** them for their long service. Companies like General Motors and IBM presented employees with annual service and retirement awards, including engraved watches, pins, and rings that often donned their company's logo.

Voilà...an industry was born!

During the 1960's, symbolic recognition grew rapidly based on the need to retain employees as well as reward them for their dedication and tenure.

This **"Golden Age"** was short lived with the 1970's bringing massive economic upheaval starting with the Oil Crisis, leading to rapid inflation, high interest rates, major layoffs, and ongoing recessions. In spite of these obstacles, symbolic recognition not only persevered, it became a valuable tool to help motivate and engage a broader group of stakeholders, including management and office teams, sales teams, and even end customers for their ongoing loyalty.

In spite of massive unemployment during this period, leading up to the 1980's, employers continued to expand their use of rewards. Nothing epitomized success better than the gold watch!

Symbolic recognition awards a.k.a. "Rewards 1.0" became the badge of honor in this era. Employees proudly wore their badges, making these awards highly sought-after

by the hard-working labor force of the day.

Today, the notion of staying at one employer for 25-50 years is a rarity. On average, employees clock 4.6 years of tenure at organizations today. Based on these figures alone, the change in workforce mentality has been drastic! Changes to the world economies and the demographic profiles of its workers helped to usher in Rewards 2.0.

REWARDS 2.0

Rewards and incentives of the past

Rewards 2.0 refers to the era of rewards from the '80's to just prior to the year 2000. Leading up to 2000, Internet solutions for business and ecommerce were limited in scope and were not quite commercially viable. This 20-year period was the golden age of merchandise rewards. During this time, rewards were often distributed through a single, warehouse-based incentive provider. Reward selection was directly impacted by the medium of your incentive solution, which was primarily a printed rewards catalogue. It was simple: a printed catalogue had a limited number of pages that dictated the number of rewards a program could offer.

Reward selection in the era of 2.0 was also proportionate to the size of your program provider's warehouse.

The notion of global rewards, if available at all, was limited to smaller, lightweight items that could be easily shipped from the provider's warehouse to members worldwide. As a result, international members had to endure the high price of delivery, added taxes, and duties that were levied on all imports. This often meant that the final cost of their reward could easily be double the regular retail price. Shipments often took many weeks to arrive and reward choice for international participants was, to say the very least, minimal.

In the age of Rewards 2.0, program communications, design, and execu-

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tion was print driven which dramatically slowed member communication and engagement. Due to these limitations, reward choice was limited to a small selection of curated items that was often pre-selected by the rewards provider.

By 2000 however, technology and in particular the Internet was about to catch up to the rewards industry. With that, more than just rewards were about to be disrupted.

REWARDS 3.0

The age where tracking, motivating, and rewarding human behavior on a global scale becomes possible.

The era of Rewards 3.0 and the global adoption of the Internet introduced the world to limitless selection on a global scale. The method of curated rewards, presenting limited choice to the end user, is rapidly becoming a way of the past, but don't blame the Internet alone.

Today's consumers are a mix of Gen Y (Millennials) and Gen Z and they have grown up with choice that the Internet made possible.

This demographic is very tech-savvy, with exposure to technology for most, if not all of their lives. According to PWC, Millennials will comprise 50% of the global workforce by 2020.

The Internet, like no other medium, has created opportunities to drastically change how we manage rewards on a global scale. Computing power has grown exponentially while hosting costs have plummeted and processor speed has become the new drug. In turn, cloud computing paved the way for the explosive growth of ecommerce.

The shift from traditional "bricks and mortar" to ecommerce has caused massive advancements and efficiencies in both courier and warehouse delivery systems. These improvements have built the drop ship, ecommerce economy.

According to Matt Linder, Associate Editor of Internet Retailer, the web will

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account for 7.3% of global retail sales in 2016, growing to 12.4% by 2019.

Personally, I think his predictions are truly understated. Many categories including online travel, books, music, gaming, and many other traditional retail categories now have an online market share approaching 60% and even higher outside North America and Europe. Even more compelling is the fact that categories like fashion, which many experts postulated would never yield to online are now being completely transformed by the massive influx of online fashion sites that span the globe. Websites including Zalando, Paris Gallery, Gilt, and many others that didn't even exist just 6 short years ago are driving explosive online growth with market cap values measured in the 100's of millions.

Nothing is immune to the disruptive powers of the Internet.

The era of Rewards 3.0 has unlocked limitless opportunities to create real time reward solutions while connecting our members to a world of choice.

Online shopping is the new retail; driven both by light speed technological advancements and according to Business Insider two tech-savvy generations (Y&Z) now make up the majority of online purchasers. This is highly relevant to our industry and ignoring the buying habits of this audience that will soon make up more than 50% of the world's labor force can't be good for business.

In just 15 years, shopping habits have changed forever but how is our industry evolving to meet this challenge?

I believe the effects of this quickly changing tide will mean massive shifts to Rewards 3.0 which consolidates all major reward categories including online travel, digital media, e-gift cards, mobile top-up, and merchandise into a single platform. Similar to e-retail, the world's tech-savvy shoppers now expect "choice" and this is just the beginning.

Rewards 3.0 also delivers everything on a global scale and for the first time

we can truly connect an entire world through a single reward platform.

A single platform creates massive efficiencies and this has paved the way to even greater reward selection through integrations into **global fashion, Uber, Airbnb, and my personal favorite: GCodes.**

While the medium is the Internet, the driver today and into the future may well be the lowly e-code. A blockchain, encrypted code that is fraud resistant and can instantly connect member data and buying power to a country responsive rewards platform.

PART 2 – TECHNOLOGY, PLATFORMS AND THE IOT You can't outrun change.

While Rewards 3.0 is already revolutionizing the incentive, recognition, and loyalty industries, we also need to speak about incentive, loyalty, and performance platforms because rewards without a platform are simply rewards without a home.

Platforms house rewards while connecting them to vast audiences and API's make this process simple, fast, and efficient.

For terminology's sake I will refer to all incentive, loyalty, and performance platforms as **"platforms."**

Platforms, just like the rewards that drive loyalty and engagement, have dramatically changed since 2000 with the entry of Software as a Service or SaaS.

SaaS is a revolutionary new way to create, build, and market software. SaaS enables developers to build highly scalable solutions, such as Facebook, that can easily connect anyone on the planet through the Cloud. Computing speed, the Cloud, and smart phone technology alongside SaaS collectively paved the way for an entirely new philosophy on how we create, deliver, and globally market technology.

With over 7 billion mobile devices, one for virtually every person of the planet's population, mobile technology is now

“ Nothing is immune to the disruptive powers of the Internet. ”

ubiquitous with no barriers to where and what it can deliver. For the very first time, we can now solve massive global problems with a single app.

A single app can change the world...

Enter the social media revolution and the age of sharing everything.

The Internet, mobile, the Cloud, and SaaS are intrinsically linked and together they have paved the way for the creation of tremendously scalable social media networks including Facebook, Twitter, LinkedIn, and Instagram. Social applications have also changed our lives in countless ways including:

Public transportation with the emergence of Uber (2009);

How we vacation through Airbnb (2012);

How we work with Workday (2005);

How we listen to music with iTunes (2001); and

Social media is in many ways the forerunner to something much, much bigger and whose impact is already changing the world.

Similar to Rewards 3.0, big data has made it possible for organizations to track, motivate, and reward human behavior on both a global scale and on a very personal level using wearable technology. Today, how we access data and the information it gives us is now enabling technology to monitor all activity, human or otherwise, across an infinite number of touch points.

And this revelation is what we call the IoT.

THE INTERNET OF THINGS (IOT)

How is the IoT changing the world?

Since 2013, the IoT has changed the world for the better. The IoT is defined as the network of physical objects - people, animals, devices, vehicles, buildings - embedded with electronics, software, sensors, and network connectivity that enable these objects to collect and exchange data. In January 2016, Computer

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World UK suggested that there would be 25 billion Internet connected “things” by 2020.

**And who is driving all this adoption?
Gen Y & Z.**

**It all begins with Internet access
and mobile means our whole planet
will soon be connected.**

With an Internet connection, a world of services and information transfers are at your fingertips. According to the International Telecommunication Union, more than 3 billion people are currently using the Internet. This figure has increased from 738 million in 2000 to 3.2 billion in 2015, with a global penetration rate of 43%. In January 2016, there were more than 7 billion mobile cellular subscriptions, corresponding to a penetration rate of 97%, up from 738 million in 2000.

That folks is virtually everyone on the planet!

**Millennials rely heavily on the IoT:
From the moment they awake to
an alarm on their smartphone, text
their loved one good morning,
order a coffee from Starbucks, and
post a photo on Instagram of their
outfit of the day #ootd.**

How organizations take advantage of the IoT is limitless. Noteworthy applications that embrace the IoT include: driver-less mining trucks; digital labels on consumer packaged goods that send messages to your smartphone, like Johnny Walker; and Tesla deploying vehicle upgrades and updates to every vehicle over the Internet while simultaneously monitoring the health of every Tesla vehicle. Tesla has the ability to sense a car’s failing battery and immediately instruct the driver to go to the nearest Tesla Power Station where the faulty battery can be charged in just 15 minutes. No way...

**Think of what the IoT means
for programs like wellness,
recognition, and loyalty...**

Let’s look at how the IoT is changing the agricultural industry that we affectionately refer to as the IoC - the Internet of Cows. Now farmers can electronically monitor the production of everything from cows to bees, and even lettuce. The Internet of Cows refers to the use of digital tracking devices attached to livestock.

SCR Dairy, a provider of cow-tech devices, delivers advanced cow monitoring systems designed to collect and analyze critical data points, from activity to rumination, for every individual cow. These systems successfully deliver the heat, health, and nutrition insights farmers need, when they need them.

By implementing this technology, farmers increase productivity and save valuable time and money while raising healthier animals. According to Beecham Research, a tech research firm, the use of IoT techniques for farming could boost food production by 70% by 2040. This increase in productivity is significant, causing one to wonder where else the IoT can boost efficiencies.

The rewards and incentives industry, which encompasses everything from recognition, safety, wellness, sales, channel, rewards to loyalty across all stakeholders is profoundly changing. SaaS, mobile, and the Cloud have made developing new applications extremely easy. Leveraging sensors and data adds limitless opportunities in how we can apply these new tools. As a result, it is now possible to merge all sales, marketing, and HR solutions into a single, breakthrough mobile app that offers massive global functionality, all within a single user license.

**Companies that lead this change could
profoundly disrupt our industry.**

Just look at how the iPhone and iTunes have altered the landscape for photography, music, and even payment. The traditional camera and retail music stores have all but disappeared. Now payment is about to get disrupted, leading us where?

“**Think of what IoT means
for programs like wellness,
recognition, and loyalty...**”

LOOKING FORWARD

**Rewards and platform providers
falling of the spectrum.**

The IoT will continue to influence and impact the way Rewards 3.0 and Platforms 3.0 operate in the very near future. So what’s next?

Platforms and Rewards will merge into a single solution delivering ubiquitous solutions in every language and currency that encompasses loyalty, recognition, channel, wellness, and benefits. This will include instant analytics and game changing sensors that will automatically calibrate how these solutions will work seamlessly together in order to maximize employee participation, health, and employer ROI.

So, in short, maybe the Internet of Cows or the IOW (*internet of work*) may not be that far away as we look at how technology will profoundly influence who and how we work.

**If we believe that a single app like Uber,
Apple, Google, or Facebook can global-
ly revolutionize an industry so expan-
sive as transportation, then we need to
start asking ourselves how will we use
technology to advance or even save our
\$400 billion industry?**

Sources

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*The Social Librarian - Generations X, Y, Z
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