Incentive Marketing Association

Business Improvement Starts Here!

INCENTIVE MARKETING GLOSSARY

INDEX OF TERMS

ADVERTISING/MARKETING

Advocacy Advertising: Advertising that is specifically designed to induce, discourage or advocate some specific kind of action on the part of a corporate, social or government entity.

Aging Survey Data: The practice of increasing market survey data by an assumed percentage representative of wage movement to bring the data to a consistent point in time. This practice also is known as "advancing" or "trending" the data.

Bounce Back: An advertisement sent along with an already ordered self-liquidating premium to sell other premiums on a self-liquidating basis.

Collateral Materials: Advertising materials that are not transmitted to consumers via advertising media. Collateral materials include catalogs, shelf cards, posters, specifications sheets and trade information materials.

Co Marketing: A partnership between two or more companies in which both companies jointly market each other's products.

Co-operative Funding: One type of co-operative marketing that manufacturers offer to channel partners.

Direct Mail: A mailing of a package, other print collateral or materials that are targeted directly to a predefined list of customers.

Gewgaws, doodads, and tshakastzotchkes: Difficult to spell and often derogative terms occasionally employed to describe promotional items. These terms should be used sparingly, if at all.

Giveaway: Direct premium given free of charge or obligation to generate awareness and/or goodwill.

Market Development Funds (MDF): A type of co-operative marketing that a manufacturer may offer to channel partners. These funds are typically used to develop a "market" for a brand.

Marketing Mix: Combining marketing elements, including advertising, promotional products, direct mail and public relations, into one cohesive marketing program.

Promotional Product: An item used to promote a product, service, or company program including advertising specialties premiums, incentives, business gifts, awards, prizes, commemoratives and other imprinted or decorated items.

Pull Strategy: A marketing strategy targeted at the consumer or trade channel that creates a demand for the product that is "pulled" through the channel.

Push Strategy: A marketing strategy that "pushes" a product through a channel by creating demand with the channel partners to purchase the product, resulting in a situation where the channel partner must sell the product through to the consumer.

Survey: The gathering of information about a situation. Often, surveys consist of sampling data from a population. Examples include a benchmark salary survey that collects pay data for benchmark jobs from a defined labor market, a maturity salary survey that collects both pay and experience data from a defined labor market for benchmark jobs or jobs in a given discipline at a given degree level, and a benefits survey that collects benefits data from a defined labor market.

AWARDS/REWARDS

Award: Something awarded or granted, as for merit. Recognition merchandise, often personalized, used to acclaim performance or milestones; may be useful objects (paperweights, clocks) or for display only (plaques, trophies). An item given to an individual or team in recognition of a specific accomplishment. (Typically non-cash)

Awards Budget: The amount of money specified for awards that will be given to participants in incentive programs**.**

Award Voucher: Certificate that recipient may exchange for gift cards/merchandise award.

Business Gift: Merchandise given by a business in goodwill, without obligation to its customers, employees, friends and the like. Often, this business gift is not imprinted with the advertiser's identification. Some companies prohibit employees from accepting business gifts.

Collectibles: Premiums designed to have inherent value based upon their perceived "collectibility."

Commemorative: A merchandise keepsake used to mark a ceremony, anniversary, event or milestone.

De Minimize Awards: Cash or non-cash awards, property or services offered by an employer to an employee, the value of which is so small as to make accounting for such benefits unreasonable or administratively impracticable, taking into account the frequency with which they are provided by the employer to employees.

Gift Cards

Closed Loop Cards: These are cards that can only be used at specified retailers. Gift cards and some filtered prepaid cards are examples of closed loop cards.

Debit Cards: These cards are redeemable only at participating merchant outlets and are reloadable.

Gift Cards: Plastic cards made with a magnetic strip and/or bar code preloaded with a dollar or point amount. Some are reloadable (in which case they are sometimes called debit cards); others are not. They are generally available in two types: (1) those that carry a major credit card brand and are redeemable at any merchant accepting the brand; and (2) merchant-specific cards, such as those issued by well-known retailers, which are redeemable only by using merchant.

Gift Certificates: Vouchers with dollar or point values embossed on them. They can be personalized with the recipient's name and giver's logo and, depending on the vendor, can be replaced in case of loss or theft.

Gift Checks: Sometimes synonymous with gift certificates, gift checks usually refer to money orders issued by banks or credit card firms.

Merchant Account: The retailer that accepts a debit, prepaid or credit card for goods or services.

Merchant Fee: The fee paid by the retail merchant to use the network. Part of this is paid to the card issuer as interchange.

Pre-paid Card: This is the type of card used in the incentive industry to distinguish between a debit card and a gift card. A prepaid card is supported by a consolidated DDA versus an individual DDA like a debit card.

Open Loop Cards: These are cards identified with a Visa®, MasterCard®, Discover®, or American Express® logo. These cards can be used anywhere these brands are accepted.

Virtual Certificates: Many gift certificates can be delivered via e-mail directly to the recipient's mailbox, saving time and the expenses of printing and delivery. The "virtual certificate" can contain a link to a Web site where recipients can select and claim their rewards.

Vouchers: Certificates bought by or given to consumers that can be applied for discounts on travel packages; a business unfortunately tainted by unscrupulous practitioners over the years. Legitimate suppliers provide a certifiable discount by asking the consumer to book through their agencies, which buy in bulk, receive commissions or achieve other economies that can be shared in the form of savings.

Group Incentive Travel: Qualifying meetings and incentive trips held in especially appealing destinations, usually targeting salespeople and resellers – among the most potentially powerful in terms of impact but also among the most logically complex.

Incentive Travel: 1) Any form of face-to-face event designed to motivate, either directly or indirectly. This includes the traditional definition of a formal, qualifying incentive program that offers incentive travel as on or all of the awards. It also includes any motivational use of a face-to-face event to accomplish a business objective-distinct from meetings designed to get work done and communicate routine information. 2) Packaged programs for individuals and significant others, used in every type of program from employee recognition to consumer sweepstakes and contests. Many major airlines and hotel chains sell certificates for such awards, and there are several dozen companies that package and resell them.

AWARDS/REWARDS (continued)

Host Gifts/Hosts Incentives: A gift or premium given by a party plan operator to a consumer who agrees to be the host for a demonstration party. The value of the gift is usually proportional to the amount of sales at the party.

Non-cash Incentives/Recognition Programs: Incentive payments that are not readily convertible to cash (e.g., points towards a personally selected gift, merchandise awards, extra time off, meal, a reserved parking space, membership in a luncheon club).

Non-Monetary Awards: Non-cash compensation, such as travel and merchandise. It excludes other nontaxable items (not on W-2 form) such as gifts and plaques/pins.

Recognition Merchandise: Award, often personalized, used to acclaim performance or milestones; may be useful objects (paperweights, clocks) or for display only (plaques, trophies).

Reward: To recompense. An item given to an individual or team for meeting a predetermined goal. (Sometimes cash-based).

Reward To Recompense: An item given to an individual or team for meeting a pre-determined goal. (Sometimes cash-based).

Rewards: See rewards system.

Rewards System: An organization's choice of cash and non-cash motivational elements and the mix of its total rewards program that is used to support its business strategy. **Total Rewards:** All of the tools available to the employer that may be used to attract, retain and motivate employees. Total rewards include everything the employee perceives to be of value resulting from the employment relationship. This strategy is a rewards system for organizations to mix cash and non-cash motivational elements.

EMPLOYEE PERFORMANCE/EVALUATION

360-degree feedback: Assesses employee performance from several sources (i.e., peers, subordinates, supervisors, customers).

Achievement: Something accomplished successfully, especially by means of exertion, skill, practice, or perseverance. To reach a desired level of performance or a set goal.

Attribution Bias: The tendency to blame employee failures on performance and attribute employee success to some other factor besides performance.

Balanced Scorecard Appraisal: A performance appraisal approach that incorporates both operational/behavior-based measures and financial/results-based measures. For each scorecard item (e.g., customer success, business process success) goals, measures, targets and initiatives are quantified and qualified.

Behavior: The actions or reactions of persons under specific circumstances.

Behavior-based Appraisal: A performance assessment tool that focuses specifically on the behaviors of those being rated as opposed to results. In other words, appraisal is based on what individuals are doing to contribute to the organization ' not what they produce.

Behavior-based Evaluation: See behavior-based appraisal.

Central Tendency Error: The result when some raters evaluate the individual performance of subordinates toward the middle of a performance scale, reflecting the belief that everyone's performance is about average or that different performance levels are not discernible.

Coaching: Ongoing face-to-face, open, honest, positive two-way communication and feedback.

EMPLOYEE PERFORMANCE/EVALUATION (continued)

Competency-based Appraisal: A performance assessment tool that focuses on the competencies of those being rated. Competencies may include traits, knowledge, skills, abilities or other personal attributes.

Discrimination: Disparate treatment of employees based on factors not related to qualifications, skills or performance. (1) Under the terms of Title VII of the Civil Rights Act of 1964, the Age Discrimination and Employment Act of 1967 (ADEA) and the Equal Pay Act of 1963, discrimination occurs when any compensation decision is made on the basis of a person's age (over 40), race, color, national origin, religion or sex in a way that cannot be justified on the basis of job-relatedness and business necessity. (2) Under various sections of the Internal Revenue Code (IRC), certain benefits plans may be considered discriminatory if appropriate numbers of non-highly compensated employees (NHCEs): (a) are not eligible to participate in the plan, (b) do not participate in the plan and (c) receive a disproportionate share of the benefits provided under a plan. The intent is to avoid giving tax-favored status to benefits plans that target only the highly paid employees in an organization.

Employee Engagement: A heightened emotional connection that an employee feels for his or her organization, that influences him or her to exert greater discretionary effort to his or her work.

Job Evaluation: A formal process used to create a job worth hierarchy within an organization. The two basic approaches are market data and the job content.

Job Description: A summary of the most important features of a job, including the general nature of the work performed (duties and responsibilities) and level (e.g., skill, effort, responsibility and working conditions) of the work performed. It typically includes job specifications that detail employee characteristics required for competent performance of the job. A job description should describe and focus on the job itself and not on any specific individual who might fill the job.

Job Duties: A group of tasks that constitutes one of the distinct and major activities involved in the work performed.

Job Responsibility: One or a group of duties that identifies and describes the major purpose or reason for the existence of the job.

Job Satisfaction: An indication of how well a person "likes" his or her work, usually determined by a number of factors, including pay, promotional opportunities, supervision, co-workers and the work itself. When there is a discrepancy between an individual's values and preferences and what the job provides, job satisfaction is reduced.

Knowledge, skills and abilities (KSAs): Common job specifications. Knowledge refers to acquired mental information necessary to do the job (e.g., principles of nuclear physics), skills refers to acquired manual measurable behaviors (e.g., lathe operation) and abilities, to natural talents or acquired dexterity (e.g., capacity to lift 200 pounds).

Merit Increase: An adjustment to an individual's base pay rate based on performance or some other individual measure.

Merit Rating: A method for appraising the performance of an employee with respect to his or her job. It frequently serves as a basis for making pay adjustments, promotion decisions, or work reassignments.

Metrics: A quantifiable means of monitoring and measuring key performance goals.

Performance Appraisal: Any system of determining how well an individual employee has performed during a period of time, frequently used as a basis for determining merit increases.

Performance-Based Pay: The practice of using pay to manage and motivate performance.

Performance Culture: A set of shared norms and attitudes relating to performance in an organization. An organization with a performance culture based on teamwork, for example, is unlikely to be fertile ground for a reward system based on competitive performance among individuals. A merit pay system may reflect an individual ethic within an organization's performance culture.

Performance Cycle: When performance of the job incumbent (or group) is measured on a year-to-date basis (e.g., a third quarter incentive payment based on the cumulative results from the beginning of the year through the third quarter).

Performance Dimensions: Aspects of performance, critical to a job, on which the incumbent will be rated. Dimensions can be related to outcomes or behavioral criteria pertinent to the job assignment.

Performance Management: A systematic approach for managing individuals and/or groups that involves planning, monitoring, appraising, rewarding and improving performance in support of the business strategy.

Performance Measurement: Any technique employed to gather data that provides a basis for exercising performance appraisal judgment.

Performance Measures: The quantitative basis by which performance is evaluated against objectives.

Performance Period: A predetermined span of time during which individual (or group) performance is measured.

Performance Rating: See Merit Rating.

Performance Review: A formal meeting between a manager and subordinate to discuss the subordinate's performance and development. Frequently involves written documentation in the form of a written performance appraisal.

Performance ROI: The numeric value of incremental revenues and profitability gained by channel incentive programs. This could be the true incremental value or incremental value over forecast or goal.

Performance Standards: The defined performance levels, derived from organizational objectives that an organization expects from individuals and/or groups with respect to specific objectives.

Performance Targets: Tasks or behavioral goals established for an employee that provide the comparative basis for performance appraisal.

Persistence: The consistent performance of a task in the face of obstacles. Sometimes called “commitment” or “sticking to it”.

Qualitative Measures: Measures that allow for a greater degree of judgment. Typically used for behaviors and assessments that are based on observation and perception.

Quantitative Measures: Measures that lend themselves to precise definition and assessment, with very little room for variability of data. Typically "number' based.

Results-Oriented Appraisal: A performance assessment tool that focuses on outcomes. Examples of a results-oriented approach include work planning and review (WPR) and management by objectives (MBO).

Task: One or more task elements making up a distinct activity that constitute logical and necessary steps in the performance of work by an employee.

Task Element: The smallest step into which it is practical to subdivide any work activity without analyzing separate motions, movements or mental processes.

Task Value: The relative worth of a given work task (when compared to other work tasks) as perceived by the individual.

Utility Value: The perceived benefit of completing a work task. When work tasks are not themselves valued highly, people often weigh the benefits of completing a task against avoiding the punishment involved in avoiding a work task.

GENERAL BUSINESS TERMS

Benefits: Programs that an employer uses to supplement the cash compensation an employee receives. Benefits include income protection programs such as publicly mandated and voluntary private "income protection" programs that often are provided through insurance, pay for time not worked and other employee perquisites.

Bonus: An after-the-fact reward or payment (may be either discretionary or nondiscretionary) based on the performance of an individual, a group of workers operating as a unit, a division or business unit, or an entire work force. Payments may be made in cash, shares, share options or other items of value. In the context of sales compensation, a defined, pre-established amount of money to be earned for achieving a specified performance goal. Planned bonus amounts commonly are expressed as a percent of the incumbent's base salary, salary range midpoint, percentage of target cash compensation or incentive compensation, or a defined dollar amount. See also discretionary and nondiscretionary bonus.

Budget: A financial plan for the allocation of money to pay for wages and indirect compensation for a covered group of employees over a specified period.

Chance: An occasion where winners are selected by a random process.

Compensation: Cash provided by an employer to an employee for services rendered. Compensation comprises the elements of pay (e.g., base pay, variable pay, stock, etc.) that an employer offers an employee in return for his or her services.

Compensation Cost: The total cost to the organization, including the unrealized or unknown future cost effects of today's compensation decisions regarding the total compensation program. Included are base pay, incentive opportunities, benefits costs and liabilities, perquisite costs, time-off programs (vacations, sick pay, etc.).

Compensation Philosophy: Ensures that a compensation program supports an organization's culture.

Compensation Policy: Ensures that a compensation program carries out the compensation strategy while supporting the compensation philosophy.

Correlation Coefficient: A statistical index that measures the strength of linear association observed between two variables. This index sometimes is referred to as the correlation coefficient. Correlation will have a value from -1.0 (indicating a perfect negative relationship) to +1.0 (indicating a perfect positive relationship). A correlation coefficient of zero indicates no linear relationship at all between two variables.

Decentralization: The extent to which pay policy determination is not housed within a single work group. Departments, units or teams have the ability to set pay policies.

Deductions: A reduction taken on the invoiced amount that a manufacturer or supplier bills a customer. Often taken by customers that may have qualified for advertising or promotional allowances that have not been paid by the manufacturer or supplier.

Dependent Variable: Denoted as the y-variable, it is the quantity, issue, problem or question that is to be explained, understood or predicted.

Discrete Data: In statistics, refers to variables that assume only specific, distinct values and are not continuous. For example, pay grades and performance categories are discrete variables while height and weight are continuous variables.

Discrete Performance Period: Relative to employee performance, a type of performance period in which the performance of the incumbent is limited to a defined performance period without any connection to past or future performance periods. As an example: "Each month is discrete, because performance is measured for that month and payout is made for that month independent of past or future performance in other months."

Extinction: Decline in response rate due to non-reinforcement (ignoring).

Frequency Distribution: A classification of data into mutually exclusive categories, with subsequent counting and percentage calculations.

Globalization: The expansion of trade and economic development that results from the movement of products, services, technology, capital and human resources throughout the world. Globalization often leads to local change as traditional economies and cultures evolve and transform to adapt to the influence of global market forces.

Gross Margin: A profit measure: sale price minus the cost of goods before overhead profits and taxes. Gross margin may be used as a performance measure in sales compensation plans.

Gross Sales: Total invoice value of sales prior to any discounts or allowances.

Gross-up: The practice of increasing the amount of a cash payment to offset the tax impact on the individual resulting from the cash payment.

Independent Variable: Denoted as the x-variable, it is the quantity or item that is believed to have an impact on the dependent variable. It sometimes is referred to as the predictor variable. Often, more than one independent variable may impact the dependent variable.

Indexing: Changing the value of a point in a point-based program to disguise the true value. An example would be points that have a value of $.15 in one program and $.125 in another. This process makes it difficult for the participant to evaluate the true redemption cost of the merchandise in the program.

Inferential Statistics: The set of scientific techniques for using statistics derived from a sample of data to estimate parameters of the subject population based on the mathematical theory of probability.

Interest Value: An internal cognition that accompanies or causes one to focus attention on, and participate in, the performance of a task for its own sake. Interest is personal attraction to a work task.

Linear Regression: The statistical technique of fitting a straight line to a set of (x,y) data, using the method of least squares. Linear regression assumes that the basic relationship between the two variables is linear in nature.

Markup: A percentage that is added to an item cost. A 20% markup on a $100.00 cost item would result in a sell price of $120.00 ($100.00 * 20% = $20.00. $100.00 + $20.00 markup = $120.00 sell price). Markup is the company's profit on the item.

Mean: A simple arithmetic average obtained by adding a set of numbers and then dividing the sum by the number of items in the set.

Mode: The category or value that occurs most frequently in a set of observations. In a frequency distribution, it is the category with the highest frequency. Sometimes there is more than one mode.

Model: A representation of reality that describes variables, the relationships among variables and the action of the system if changes are made in the variables or in the relationships. Models are major methods for examining alternative strategies and policies. They are used to solve problems and to understand relationships between data sets.

Multiple Regression: The statistical technique of creating a model of a y-variable (dependent variable) as a function of more than one x-variable (independent variable) using the method of least squares. It allows an assessment of the joint impact of several x-variables on the y-variable.

Non-Linear Regression: A form of statistical analysis that develops a model based on nonlinear or curvilinear relationships between variables.

GENERAL BUSINESS TERMS (continued)

Normal Distribution: A particular bell-shaped distribution, used frequently as a basis for statistical inference. The fact that many naturally occurring phenomena are distributed normally (e.g., height) does not mean that organizational phenomena are. Many salary and performance distributions are non-normal.

Punishment: An undesirable consequence of a particular behavior (adding a negative consequence or removing a positive consequence).

Random Sampling: Process by which subsets of a population are drawn using a selection procedure in which every member of the population has an equal chance of being chosen. Common procedures to obtain random samples include using a table or random-number generator or drawing numbers from a hat.

Regression Analysis: The statistical technique of creating a model of a y (dependent) variable as a function of one or more x (independent) variables using the method of least squares.

Salaried: Refers to compensation paid by the week, month or year rather than by the hour. Generally applies to higher-level, non-repetitive or supervisory jobs that are exempt from the provisions of the Fair Labor Standards Act of 1938 (FLSA). In some cases, nonexempt jobs can be salaried.

Salary: Compensation paid by the week, month or year (rather than per hour). Generally applies to jobs that are exempt from the provisions of the Fair Labor Standards Act of 1938 (FLSA), but in some cases, nonexempt jobs can be salaried as well.

Turnover Effect (washout, slippage): The difference between actual year-end average pay and expected average pay. This difference is caused by a variety of changes in employee status, including promotions within the organization, departures from the organization, and new people joining the organization. The turnover effect can be plus or minus, but typically is the latter, since higher-paid people generally are replaced by lower-paid, shorter-service employees.

Validity: The quality of a measuring device that refers to its relevance (i.e., is the device actually measuring what it is intended to measure'). This quality is extremely important for job analysis and job evaluation measures as well as for performance appraisal devices.

Value: The ratio of perceived benefits versus the cost of the product or service that delivers the benefits.

Value-Added: Merchandise that includes something of value designed to encourage an individual to choose one product over another.

Value-added Reseller (VAR): Independent companies which are authorized to purchase, resell and service a manufacturer's product(s).

Variable: A measured characteristic of an entity that can have a number of different values. Two aspects of variables are important: 1) the measured characteristic is of interest and 2) the measured characteristic varies.

Variance: A measure of dispersion (in interval or ratio data) that is defined as an average of the squared deviation of each data point from the mean. It is used to calculate the standard deviation. In probability theory and statistics, the variance of a random variable, probability distribution, or sample is one measure of statistical dispersion, averaging the squared distance of its possible values from the expected value (mean). Whereas the mean is a way to describe the location of a distribution, the variance is a way to capture its scale or degree of being spread out.

Z-score: The number of standard deviations an item is above or below the mean of the set of data to which it belongs. It is calculated by subtracting the mean from the item and then dividing the difference by the standard deviation. In statistics, the standard score or z-value is a dimensionless quantity derived by subtracting the population mean from an individual raw score and then dividing the difference by the population standard deviation. This conversion process is called standardizing or normalizing. It allows comparison of observations from different normal distributions, which is done frequently in research.

Zero-Based Budget: Requires that budget data be estimated and justified starting from zero and not based on historical activity.

INCENTIVE PROGRAMS

Delivered cost: This is the total cost of a merchandise item that is charged to a participant in a program for an item that is redeemed. The delivered cost includes the cost of the item: markup and SHIAT.

Goal Sharing: A group incentive plan that is designed to measure performance against future-oriented business objectives or performance targets (i.e., not against history).

Incentive: Reward for a purchase or performance. Objects or events that are valued, which incite to action or effort. Something valued by an individual or group that is offered in exchange for increased performance. “A stimulus or condition that exists in an organization with the expectation of directing or influencing the behavior of organizational members” (Chung, 1972, p. 31).

Incentive Compensation: Variable rewards for performance or achievement of short-term or long-term goals. Designed to stimulate employee performance.

Incentive Eligible: A term referring to groups or classes of employees who are eligible to participate in an incentive plan.

Incentive Marketing: Incentive marketing is the device used to communicate and promote an incentive program to the target audience(s).

Incentive Program: Within the context of international compensation, any one of a variety of payments in excess of base pay made as an inducement either to accept, remain on or complete a foreign assignment. Plan that ties employees' earnings to their actual production on either an individual or group basis. A planned activity designed to motivate an individual to achieve predetermined organizational objectives. A program designed to reward specific behavior to achieve desired results.

Incentive System: An organized program of awards and/or recognition offered for the purpose of motivating employees in specific ways. Attributes of an incentive system include intentionality (deliberately developed with the intention of influencing employee performance); externality (devised and administered by agents external to the employee or employee group); standardization (applied in a clearly defined manner that specifies employees affected by the incentive system, the nature of the incentives and the rules for attaining specified rewards).
The program by which incentives are offered for the achievement of work goals and assessment procedures are identified and explained. The four types of incentive system formats or schemes are: quota, piece rate, tournament, fixed rate (Bonner, et al., 2000). Also, open-ended, closed-ended, and plateau type programs. **IMS:** Incentive Management System. Some companies refer to the platform management system used for incentive as an IMS.

Programs - Closed-ended: Incentive programs that have a pre-determined number of award earners. Incentive programs that have a fixed-awards budget.

Programs- Open-ended: A type of incentive program that enables all people who achieve program goals to earn awards. An incentive program format with an open-ended budget, awarding unlimited performance against stated objectives.

Perceived Value: What someone believes merchandise to be worth. To successfully sell premiums, the consumer must be convinced the proposed premium is worth putting forth the extra effort required to earn the item.

Plateau Programs: A type of incentive program that provides awards at different levels of program achievement.

Point-Based Programs: An incentive program where participants earn a universal currency of “points.” Points have no consistent value and can change by program through indexing.

Points Program: A type of incentive program where participants collect and redeem points for awards. Points programs also apply to reloadable (“Stored Value”) gift cards.

INCENTIVE PROGRAMS (continued)

Premium: A product or service offered free or at a reduced price if the recipient performs some task, such as purchasing an item or meeting a sales quota. Generally to induce an individual to buy a product.

Prize: Reward given to winner in a contest, sweepstakes or lottery, sometimes referred to as a sales incentive award. Anything of value awarded to winners, even if the value is nominal.

Productivity: Any index measuring the efficiency of an operation, usually involving a ratio of outputs to inputs or costs. Rewards frequently are tied to productivity-related measures.

Retention: The portion of the premium retained by an insurer to cover risk, expense charges, profit or contribution to surplus.

SHIAT: Abbreviation for Shipping, Handling, Insurance and Administration and Sales Tax. This is typically added to a merchandise item to derive a delivered cost. **Short-Term Incentives:** Rewards that are based on the attainment of short-term results of 12 months or less (e.g., net income). See also annual incentive.

Small-Group Incentive: Any incentive program that focuses on the performance of a small group, usually a work team. These incentive programs are most useful when measurable output is the result of group effort and individual contributions are difficult to separate from the group effort.

Target Audience: A group of people or some sub-segment of a group, who has a propensity to purchase a company's products and to whom a company markets their products.

INCENTIVE PROGRAM APPLICATIONS

Consumer /Loyalty

Account Opener: Premium given to customers as a reward or thank you for opening an account.

Advance Premium: Premium given to new customers on condition they will earn it by later purchases.

Bonded Premium: Point-of-purchase premium attached to a product by a bond of plastic, paper or tape.

Combination Sale: A tie-in of a premium with a purchase at combination prices; sometimes self-liquidating; often an on-pack.

Consideration or Purchase: What an entrant must do to participate in a contest; can be monetary or non-monetary, For example, a customer must buy the sponsor's product and show proof of purchase with entry, or the customer must answer survey questions in order to qualify for an entry.

Consumer: The end user or company to whom a product or service is sold, and the person or company who will make use of the product or service purchased.

Consumer Incentives: Motivational products targeting consumers.

Container Premium: A product container, which when empty, may be used as a container for other items. These items are usually partially or completely self-liquidating since the consumer pays for the product.

Contest: A competition based on skill, in which prizes are offered. A game in which chance is eliminated. Winners are chosen according to predetermined criteria or skills, such as writing the best essay or reaching a sales goal.

Continuity Premiums: A series of related premiums offered over a period of six to eight weeks.

INCENTIVE PROGRAM APPLICATIONS

Consumer /Loyalty (continued)

Continuity Program: An offer of products over time. A program designed to offer an incentive to an individual that encourages her or him to return to do additional business. Types of continuity programs include frequent flyer mileage, trading stamps, etc.

Direct Premium: An item given free with a purchase at the time of the purchase. These include on-packs, in-packs and container premiums as well as those given separately.

In-Pack, On-Pack, Near-Pack Offers: A premium offered inside a product package. Merchandise that is offered free with other merchandise. Frequently found in supermarkets.

Keeper: A premium offered in direct-mail marketing for accepting a free trial of the sale merchandise and to be kept by the consumer even if the trial item is returned.

Loyalty Program: A program that is designed to reward customers or consumers for specifically designed performance. This could be a frequency-based program like hotel or airline programs; referral programs like “Friends & Family,” or any number of programs designed to create long term advocacy for a brand or company.

On-Pack: A direct premium attached to the exterior of a product package or sometimes riding with it in a special sleeve, carton or film wrap.

Point-of-Purchase: Marketing term for where product is displayed in a store.

Point of Sale (POS): POS is a generic term used across many industries to describe information gathered or distributed at the time a product or service is sold. This could be POS advertising, a POS device used for debit or credit card transactions, or information collected on the actual transaction (e.g. SKU, quantity, etc).

Referral Premium: A premium offered to customers for helping sell a product or service to friends or associates.

Self-Liquidating: The money expended for the product equals the amount of money received for the product.

Specialty Container: Merchandise that can be reused, like a basket or cup.

Sweepstakes: A promotion that awards prizes to winners who are determined by chance. A game in which consideration has been eliminated.

Through-the-Mail Offers: Offers that are generally self-liquidating for the company offering them. Save UPC labels, proof of purchase, and send money for shipping and handling to receive “free merchandise.”

Trading Stamps: Collect and redeem stamps for merchandise.

Traffic Builder: A promotional product or premium designed to get consumers to come to a store or a tradeshow.

Employee

Employee Incentive: Motivational product targeting an employee of a sponsoring company.

Attendance Program: Promotion designed to reduce employee absenteeism and increase productivity.

Safety Program: Promotion designed to motivate employees to work safely, or drive safely, in their work environment. An incentive program designed to reward employees for not having accidents.

Sales

Channel: A generic term used to describe one of various ways that a manufacturer may market and sell products to end users and consumers. Members of a channel may include a direct sales force, resellers, distributors, retailers, agents, dealers, catalogs, and/or web stores.

Channel Partner: A generic term used to describe a company with whom a manufacturer partners to market and sell the manufacturer's products and/or services. **Dealer Incentive:** Premium or other reward given by a manufacturer to retailers or distributors in return for a specified bulk purchase.

Dealer Loader/Display Enhancer: Merchandise designed to motivate dealers and distributors to purchase larger quantities of product than they traditionally buy. Usually includes a point-of-purchase display.

Dealer Premiums/Dealer Programs: Premiums offered to retailers who meet certain sales or performance standards.

Door Opener: An item of value offered by a salesperson to persuade potential buyers to listen to a sales presentation or to initiate interest in a product or service for a sales call follow-up.

Operational ROI: The ratio between the cost for operation of a channel incentive program and the reduction of costs realized through changes to prior processes and systems.

Sales Incentive Program: Promotion designed to motivate salespeople to sell a specific product during a promotion period, or achieve a certain percentage of sales increase in a time frame.

SPIFF: An acronym for "sales performance incentive fund" or "special performance incentive for field force". A SPIFF is an award used to reward behavior for the achievement of short-term sales objectives.

Trade Channel Program: A manufacturer-initiated sales or marketing promotional campaign that is targeted at channel partners or that was developed for use by the channel partners.

Trade Promotion: A sales or marketing promotional campaign that is targeted at a segment of the channel rather than at the end user of consumer; a push marketing strategy.

INCENTIVE/RECOGNITION PRODUCT AND SERVICE PROVIDERS

Advertising/Sales Promotion Agency: Agency that designs or coordinates promotional programs to help clients achieve their advertising and/or marketing objectives.

Consultant: Advises to special markets, provides management and sales information for companies entering the premium/incentive marketplace.

Distributor: See Promotion Product Consultant

Fulfillment Company: Warehouses and fulfills awards for incentive programs.

Gift Card/ Gift Certificate Supplier: Company that provides gift cards and/or gift certificates to be used as awards in incentive and recognition programs.

Incentive House: Company that designs and administers incentive programs and fulfills program awards. Additional services often include design of print and online award catalogs.

Manufacturer: (Manufacturer/Supplier) Company that manufactures durable products that are marketed and sold to the Incentive and/or Promotional market.

Manufacturers Representative or **Representative:** Represents the manufacturer or supplier as a direct factory agent to purchasers of premium and incentive merchandise. Usually works within a defined geographic territory.

National Marketing Company: Company's primary function is to represent a manufacturer(s) in the marketing and sales of durable products to the Incentive and/or Promotional market.

Promotional Product Consultant: Company's primary function is to source merchandise and provide services to corporations who desire Incentive or Promotional Marketing products.

Performance Improvement Company: Provides full-service solutions for their clients that include incentive marketing programs that offer a variety of awards including travel, merchandise, and gift cards/certificates. Capable of providing program design, fulfillment, performance tracking and Return on Investment (ROI) analysis.

Recognition Provider: Provide strategic recognition solutions or consult on the design/delivery of strategic recognition programs -- focus which may be on strategy, design, communications, training, implementation, award fulfillment, tracking and/or measurement.

Reseller: Independent companies which are authorized to purchase and resell a manufacturer's product(s).

Supplier: A company that manufactures, imports, converts, imprints or otherwise produces or processes products offered for sale through the Incentive and/or Promotional market.

Travel Specialist: Company that offers accommodations, transportation, event management or destination management services as a component of individual or group incentive program.

MOTIVATION PRINCIPLES AND THEORIES

Achievement: Something accomplished successfully, especially by means of exertion, skill, practice, or perseverance. To reach a desired level of performance or a set goal.

Content Theories: Motivational theories having a focus on the factors within a person that energize, direct, sustain and stop behavior. They look at the specific needs that motivate people.

Efficacy (Self Efficacy or Team Efficacy): "Belief in one's capabilities to organize and execute the courses of action required to produce given attainment" (Bandura, 1997, p. 3).

Expectancy Theory: According to this principle, people choose the behavior(s) that they expect will maximize their work motivation and satisfaction. When this theory is applied to rewards, an employee must believe that greater effort will increase performance and an increased performance will lead to the attainment of rewards. The perceived subjective value of rewards and other outcomes of performances is based on levels of achievement. When valuing the rewards or outcomes, this theory indicates that the employee sums all the outcomes, both positive and negative. Looks at how likely it is that the performance and outcome will occur. An individual makes voluntary choices about: (1) whether the job can be accomplished, (2) whether the outcome will occur as a result of performing and (3) whether the outcome will be desirable.

Goal: A purpose toward which an endeavor is directed; an objective. A destination or state to be attained. Something that an individual, team, or organization is consciously trying to attain.

Goals: A goal is a statement that clearly describes actions to be taken or tasks to be accomplished by a company, a department or an individual. A business will have a number of goals, each describing a desired future condition toward which efforts are directed. It is important to set goals in order to establish a measure for evaluating the success of the business and to set priorities for management & staff, who should be held accountable for the accomplishment of the goals. Goals help keep management focused on success and away from distractive activities that drain business resources and accomplish little. Goals are derived from the Mission Statement.

Hierarchy of Needs: According to this theory, a person's needs must be satisfied in a hierarchical order. Higher-level needs such as esteem and status cannot be satisfied until lower-level needs such as food and shelter are met. This theory was developed by A.H. Maslow.

Incentive Motivation: The characteristics of the goals one works to obtain will influence his/her behavior.

Intrinsic: Rewards that are part of the job itself, i.e., responsibility, challenge and feedback; or rewards that are self-administered.

Intrinsic Motivation: Employee satisfaction contingent upon job content or job context, as opposed to job consequences. It is a result of factors such as the opportunity to perform meaningful work, experience complete cycles of work or finished products, experience variety, and receive feedback on successful work results.

Intrinsic Rewards: Rewards that are associated with the job itself, such as the opportunity to perform meaningful work, complete cycles of work, see finished products, experience variety, receive professional development training, enjoy good relations with co-workers and supervisors and receive feedback on work results.

Maslow's Hierarchy of Needs: Life is a quest to satisfy needs. People will strive to fulfill Lower Level needs before Higher Level needs can be satisfied. Higher Level needs include self-esteem, recognition and self-actualization.

Mental Effort: Mindful, Innovative work. "Using my head". Thoughtful effort. Often contrasted with "mindless work". Defined by researchers as "the conscious use of non-automatic elaborations" (Salomon, 1984).

Mood: An emotional state of mind influenced, for the most part, by experiences, beliefs and bio-chemical processes of the body.

Motivation: An incitement to action.

Negative Reinforcement: The removal of a negative reinforcer that increases the frequency of response (taking away something).

People Performance Strategy: Organization's overall plan for attraction, retention, engagement and motivation of employees.

Positive Reinforcement: Anything that increases the strength of response and induces repetition of the behavior that preceded the reinforcement (adding something positive).

Process Theories: Theories of motivation that provide a description and analysis of how behavior is energized, directed, sustained and stopped.

Reinforcement Theory: As applied to the workplace, this principle maintains that employees will tend to behave in ways that get rewarded and avoid behaviors that are not rewarded or that are punished.

Work Experience: Elements of rewards that are important to employees but may be less tangible than compensation or benefits. It includes acknowledgement or recognition of effort/ performance, balance of work-life issues, cultural issues, development opportunities and environmental factors. Is one of the three components of World at Work's Total Rewards Model. The Work Experience satisfies an intrinsic need to be appreciated. Often, these needs are not met by the other two components of the Total Rewards Model, which are compensation (satisfies a financial need for income) and benefits (satisfies protection and safety needs). The Work Experience is comprised of the following five elements that address these needs: 1) Acknowledgement & recognition 2) Balance of work/life 3) Culture, Development, Environment.

ORGANIZATION CULTURE, BUSINESS AND PEOPLE STRATEGY AND TACTICS

Agency: Belief that one's organization will provide the opportunity and necessary support for the realization of a goal (Ford, 1992).

Benchmarking: The process by which an organization seeks to identify top performing organizations and analyzes their strategies, policies and practices for the purpose of learning some or all of them.

Brand: A class of goods that are identified by name as the product or service from a single company or manufacturer and the values - both emotional and psychological that consumers and the marketplace associate with the company and/or its products.

Brand Promise: The tangible, emotional and financial value that is attributed to a brand.

Branding: (Internal/External) Activities that develop, establish, promote and secure a company's brand, and the sum of all emotional and psychological values that consumers and the marketplace attach to the brand.

Business Strategy: The broad principles and approaches that guide the day-to-day operations of the business, ensuring that the business supports the organization's mission, goals and objectives. The business strategy includes the advantage that the organization believes it has over its competition.

Co Branding: Branding in partnership with another company in an effort to effectively market and sell a single product line jointly.

Co-Marketing: A partnership between two or more companies in which both companies jointly market each other's products.

Core Values: The core values define the enduring character of an organization; guiding principles that have a profound impact on how everyone in the organization thinks and acts. The organization may develop new purposes, employ new strategies, re-engineer processes and significantly restructure; however, the identity and ideology remains intact. Core values require no external justification. They have intrinsic value and are of significant importance to those inside the organization.

Corporate Culture: The norms, beliefs and assumptions adopted by an organization to enable it to adapt to its external environment and integrate people and units internally. It is strongly influenced by the values and behavior of an organization's management. In turn, corporate culture influences both the behavior of the members of the organization and the quality of the work experience.

Corporate Identity: The consistent image that is developed as a result of all company messaging.

Corporate Mission: What an organization needs to do to achieve its vision. The mission specifies an organization's goals and how to attain them.

Corporate Philosophy: A means of translating the present state of an organization into concrete policy action to achieve the long-range goals of that organization.

Corporate Values: The beliefs of an organization.

Corporate Vision: What an organization wants to be.

Culture: The holistic interrelationship of a group's identity, beliefs, values, activities, rules, customs, communication patterns and institutions. Communication style and the leadership direction that is set by the organization are two on the main components. However, the degree of cultural sensitivity, diversity, formality, innovation and trust are a critical part of the mix.

Due Diligence Process: Prior to completing an acquisition, the buying company thoroughly reviews all documents available, public and private, to ascertain the financial and operating stability of the seller.

Flexible Work Schedule: Work schedule in which the workday is divided into core time and flexible time, and that permits employees to choose their arrival and departure times during the flexible time period. Also known as, flextime.

Messaging: The distinguishing communication that is used by a company to convey its positioning and key differentiators to a target audience in an effort to consistently create a favorable perception of the company. Messaging typically refers to elements like logos, color schemes, font types, look and feel, and phraseology that defines the company.

Mission Statement: A mission statement is a clear and succinct representation of the organizations purpose for existence. It incorporates socially meaningful and measurable criteria addressing concepts such as the moral/ethical positions, public image, principle business purpose, customer focus, products/services and the geographic domain. In other words, it states who your company is, what it does, what it stands for and why they do it. A good Mission Statement should be able to profile the organization in 30 seconds or less.

People Performance Resources Philosophy: Management's values and beliefs about its approach to the employee/employer relationship.

People Performance Strategy: The organization's overall plan for attraction, retention and motivation of employees.

Performance Culture: A set of shared norms and attitudes relating to performance in an organization. An organization with a performance culture based on teamwork, for example, is unlikely to be fertile ground for a reward system based on competitive performance among individuals.

Performance Management: A systematic approach for managing individuals and/or groups that involves planning, monitoring, appraising, rewarding and improving performance in support of the business strategy.

Performance Measurement: Any technique used to gather data that provides a basis for exercising performance appraisal judgment.

Return on Investment (ROI): A term used primarily by financial managers to describe the measurable monetary value that will be gained after a capital investment is made. These ratios can be developed on total investment, incremental investment or more sophisticated measures that adjust the investment by the planned market expenditure. In financial analysis, any of the "return" measures including return on assets, return on equity, return on net assets and return on total capital. ROI is the ultimate level of evaluation, showing the actual payoff of the total recognition project, expressed as a percentage.

Succession Planning: A process that involves identifying potential replacements for key employees who are known to be leaving an organization or whose sudden departure would pose a risk to the operation of the organization.

Stakeholder: A person or organization that has a financial interest in a company. This may include management, other employees, customers, suppliers, members of the community and shareholders.

Survey: The gathering of information about a situation. Often, surveys consist of sampling data from a population. Example: a benchmark survey that collects pay data for jobs in a defined labor market.

Tactical Planning: The process of developing short-term, specialized plans to support specific limited objectives that if achieved, will support more strategic goals of the organization. This process occurs after strategic planning.

Team: A small number of people with complementary skills who are committed to a common purpose, set of performance goals and approach for which they hold themselves mutually accountable.

Telecommute: The process of allowing employees to work from home from one day a week to working at home full-time. Technology connects an employee to office and/or business.

Total Quality Management (TQM): A managerial approach that stresses process improvement and, in turn, product quality. Concepts include "continuous improvement" and a "get it right the first time" philosophy.

Vision Statement: A Vision Statement describes the desirable future of the organization. It focuses on tomorrow, rather than describing the organization as it currently exists.

Work-Life Effectiveness: A specific set of organizational practices, policies, programs and a philosophy that recommends aggressive support for the efforts of everyone who works to achieve success both at work and at home.

Workplace Flexibility: A variety of flexible work options that enable greater customization over when, where and how work gets done. The three most common full-time options are flex time, telecommuting and compressed workweek. The three most common part-time options include job sharing, phased return from leave and regular part-time work.

RECOGNITION

Achievement based recognition: This is validated by Major Behavioral Theories and Concepts. It is an essential component of a Total Rewards Strategy and defined in the Total Rewards Model.

Celebration: A planned or spontaneous event in recognition of individual or team achievement.

Day-to-Day Recognition: Encompasses a wide range of recognition that is frequent, ongoing, and informal. It may consist of Intangible Recognition, Awards, Celebrations or eligibility for Awards or Celebrations to recognize behaviors that support organizational goals and values. It may include thank you notes or forms that employees give to one another or verbal praise. All employees can participate in this recognition, supporting recognition up, down and across the organization.

Extrinsic: Rewards that are external to the job, i.e., pay promotion, fringe benefits or tangible awards; or rewards that are administered by someone else.

Extrinsic Rewards: Work-related rewards received for performance that have value measurable in monetary or financial terms.

Formal Recognition: Consists of a structured program with defined processes and criteria linked to organizational values and goals, a nomination and selection process, and an Awards ceremony where employees receive public recognition and are presented with awards in a formal setting. Generally speaking, it is an annual program and only a small percentage of employees are recognized.

Informal Recognition: Singles out individuals or teams for progress toward milestones, achieving goals or projects completed. Celebrations may include low cost mementos or refreshments as a way to celebrate achievements or outstanding positive behavior. It is less structured than Formal Recognition and reaches a larger percentage of the employee population.

Recognition: An “after the fact” display of appreciation or acknowledgement of an individual’s or team’s desired behavior, effort, or business result that supports the organization’s goals and values.

Recognition Merchandise: Award, often personalized, used to acclaim performance or milestones; may be useful objects (paperweights, clocks) or for display only (plaques, trophies).

Recognition Plans/Initiatives: Examples of such plans: Peer-to-peer, nominations with a review committee, managerial recognition of individuals, service for tenure, spot awards, etc… The recognition can be verbal, a symbolic award or non-cash award.

RECOGNITION (continued)

Recognition Program: A policy of acknowledging employee contributions after the fact, possibly without predetermined goals or performance levels that the employee is expected to achieve. Examples include giving employees clocks or other gifts on milestone anniversaries, granting an extra personal day for perfect attendance or paying a one-time cash bonus for making a cost-saving suggestion.

Service Award Program: Promotion designed to reward employees for length of service to the company. An employee program that rewards employees for the length of service with the company (e.g. anniversary program.

Spot Award: A type of informal recognition that is delivered spontaneously or on the spot.