

REWARD REDEMPTION PROCESS IS
CRUCIAL TO GOOD ENGAGEMENT

CASE
STUDY



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Executive Summary

At its core, the purpose of an incentive is to impact the behavior of employees, customers or respondents. Any incentive that does not impact behavior or decision making is simply a waste of time and money. Simply stated maybe, but that doesn't make the statement any less accurate.

As factual as that initial statement is, it does not present a complete explanation of the true role of an incentive. It is true saying that an incentive must impact initial decision making of an employee; customer or respondent the company using the incentive must also take a long-term view of their ongoing relationship with the recipient.

A well-structured incentive plan cannot only positively impact initial behavior and decision making but also solidify a long-term (and profitable) relationship with the target audience...or forever end that relationship and likely the disgruntled respondent's immediate circle of influence. An incentive plan must take into consideration the impact the reward redemption process may have on the long-term potential of the client relationship. Unfortunately, too many incentive marketing agencies are long on innovative redemption processes but short on the vision for the long-term impact they may have on client relationships to their audience.

Many key stakeholders focus too much on the cost per incentive when evaluating a potential solution. The danger of that mentality is not considering the ability of a professional incentive marketing agency to alter their client incentive costs through the manipulation of the redemption process to create natural "breakage." The wrong incentive marketing agency can often offer incentive rewards at prices considerably lower than the actual cost of the item by creating a cumbersome, multi-step redemption process that creates breakage...and often frustration and anger on the part of the recipient.

High breakage (promotional) incentives certainly have a viable role in the marketplace. Promotional incentives are a highly effective tool for businesses that have a need for high perceived value incentives that require only a onetime relationship with recipients. Industries where promotional rewards are common (Auto, Travel, Retail) are it is found to be widely accepted by the consumer. However, these promotional incentives are problematic when the process of redemption is set up incorrectly or in the wrong environment.



Incentive Types

In general, incentives fall into two general categories: promotional and corporate. Each incentive type is a highly effective tool if used correctly and appropriately.

Promotional Incentives (High Breakage):

Offer a high perceived value about the high cost. Promotional incentives are proven to work with a gift with purchase, as appointment setters, and retail traffic generators. Promotional incentives drive behavior focused on influencing short-term behavior and decision making and are not meant or used to foster a long-term relationship with a customer.

Corporate Incentives (Low Breakage):

Offer a direct reward for a qualifying behavior or to gain a long-term relationship. Corporate incentives work for employee and dealer rewards, by market research companies, and as an engagement tool for higher demographic consumer groups.

There is a distinction between the two incentive types and it is not the reward itself but rather the redemption process. For example: let's say the incentive reward is two movie tickets. The reward could be offered as either a promotional or corporate incentive with the redemption process itself is the key factor that determines the long-term outcome.

Breakage

Breakage is the number or percentage of rewards distributed but not redeemed.

Breakage comes in two forms: natural and created.

Natural Breakage: the amount of rewards that go unredeemed regardless of the redemption process or factors controlled by or impacted by the incentive provider. In short, not all rewards get redeemed for reasons that have nothing to do with anybody or anything other than the recipient attitude towards the reward.

Breakage created: the amount of rewards that go unredeemed as a direct result (partial or complete) of the redemption process.

Natural breakage is unavoidable, unpredictable, and does not under normal circumstances impact incentive expense. Breakage that is created is a result of conscious decisions made by the company administering the incentive delivery when designing the redemption process.

IT IS IMPORTANT TO NOTE THAT BREAKAGE THAT IS PURPOSEFUL IS NOT THE RESULT OF DISHONESTY. IT IS MERELY A MEANS TO DISTRIBUTE REWARDS ONLY TO RECIPIENTS WHO ACTUALLY VALUE THE REWARD.

Incentives earned are a result of the recipient completing a qualifying behavior; be it meeting workplace safety goals, making a purchase, attending a seminar, or taking a survey. However, not all people who met goals, purchased the product, attended the seminar, or took the survey did so to earn the incentive. Some did so for unrelated reasons and likely place little value on the incentive and will not take even simple steps to redeem it. Distributing the reward to these customers/respondents is often a waste of money. Often by creating one simple additional step in the redemption process, you ensure that rewards are going to qualified recipients who were motivated by, and place a value on the incentive.

A typical redemption process for a promotional reward may look like the process detailed below:

Reward Offer: 2 Movie Tickets (\$24 Value)

Redemption Process: A multi-step process that likely includes the recipient receiving a printed certificate with redemption instructions.

Step 1: Recipient receives a reward offer as a thank you for a purchase.

Step 2: Reward offer is completed with personal data and a copy of some form of ID is returned to the fulfillment house within the redemption window. (Often 15 – 30 days)

Step 3: The completed reward offer is received by fulfillment house, processed, and then the actual reward is mailed or emailed with a unique pin code and a link to the redemption website.

Step 4: Recipient goes to the redemption website, enters their unique pin code, selects the theater desired, and prints their ticket.

Cost: Low

If designed and implemented correctly this promotional incentive product will be well received by the recipient. Even though they have to take a few extra steps to receive the incentive, a professional incentive marketing agency should have each step well communicated and supported to ensure a positive user experience.

As with all promotional incentives, the key is communication. The nature of the reward must be accurately communicated to the end user to ensure they do not feel misled and ultimately frustrated with one of the steps.

PROMOTIONAL REWARD OFFER:

2 Movie Tickets
(\$24 Value)



Redemption Process:

STEP 1

Recipient receives a reward offer as a thank you for a purchase.

STEP 2

Reward offer is completed with personal data & a copy of some form of ID is returned to the fulfillment house within the redemption window. (Often 15 – 30 days)

STEP 3

The completed reward offer is received by fulfillment house, processed, & then the actual reward is mailed or emailed with a unique pin code & a link to the redemption website.

STEP 4

Recipient goes to the redemption website, enters their unique pin code, selects the theater desired, & prints their ticket.

CORPORATE INCENTIVE

Corporate incentives can be any product or service. Everything from the simple movie ticket to the fairly extravagant vacation can be offered as a corporate incentive. The distinction is that a corporate incentive has a direct redemption process.

A direct redemption process means there are no additional steps and no breakage created. The redemption process is

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kept as simple as possible. (It is important to note that it is normally a 2-step process is needed to ensure as much as possible of the natural breakage occurs prior to reward distribution.)

A typical redemption process for a corporate incentive reward may look like the process detailed below:

Reward Offer: 2 Movie Tickets (\$24 Value)

Redemption Process: This simple 2-step redemption process allows the user a direct redemption process with no added steps designed to create breakage.

Step 1: Reward is distributed direct, mailed or emailed with a unique pin code and a link to the redemption website.

CORPORATE REWARD OFFER:

2 Movie Tickets (\$24 Value)



Redemption Process:

STEP 1

Reward is distributed direct, mailed or emailed with a unique pin code and a link to the redemption website.



STEP 2

Recipient goes to the redemption website, enters their unique pin code, selects the theater desired, and prints their ticket.

Step 2: Recipient goes to the redemption website, enters their unique pin code, selects the theater desired, and prints their ticket.

Cost: \$25 – \$30

Despite the increased costs, corporate incentives are often a wise choice when retention is a key driver for the audience the reward offer is directed to. The key to determining the use of a corporate reward is when the additional costs bring concurrent benefits.

The following is a short list of likely uses for corporate incentives:

- Prizes For Incentive Drawings
- Points Platform Redemption
- Recipients From High Socioeconomic Demographic Groups
- High Value Rewards (Vacations / Televisions / Computers / ECT)

Incentive Distribution Methods

Now that we understand the importance of the distribution method of an incentive during the creation of an incentive plan it now makes sense to distinguish between a few of the primary distribution options. The focus will be on the user experience, impact on cost, and when each method is appropriate.

Physical Offer Piece

Physical Offer Pieces are offers distributed on a physical card, certificate, or receipt distributed by a POS system, hand or mail and included are written redemption instructions and submission receipts/forms if needed. In today's world, physical offer piece offers immediate and built-in breakage. Most people receive a great deal of mail (junk and not) and it is easy for this reward offer to be lost. Add to that the digitization of modern society creating a reliance on electronic engagement it is inevitable that a certain percentage of the certificates distributed get lost or misplaced.

A physical offer piece is often supported incentives with a multi-step redemption process that often requires the submission of an information form online, via standard mail, or even certified mail coupled with a copy of purchase receipts, ID and proof that you qualify for the incentive the certificate offers.

Physical offer pieces can be extremely cost-effective but must be used carefully. Though highly effective in a number of industries these incentives can create significant customer service loads if not professionally created and supported. However, if used incorrectly the greatest cost can come from damage to long-standing customer relationships. If not messaged accurately and correctly these promotional incentives can create frustration in key customers that can impact future revenue streams.

Suggested Uses: Physical offer pieces are best used in support of promotional incentives in industries where they are proven to be effective: Rebates Programs, Auto, Travel, Retail, ECT)

Online Direct

Online direct incentives offer a direct, digital redemption process normally driven by a unique pin code. The recipient receives a pin code and a link to a redemption center. The user goes to the redemption center and enters their pin code, selects their reward, which is then sent to them either physically in the case of merchandise or digitally as with coupons, music, prepaid card products to mention a few.

Online direct redemption processes are often used with corporate incentives. This solution allows for a simple and easy to support redemption process with the least amount of steps and the smallest chance of human error. The digital nature of the redemption process also allows for real-time tracking and reporting of redemption statistics and customer support functions.

Suggested Uses: online direct redemption processes are best used in support of corporate incentive solutions distributed via online processes. (e-commerce, instant win drawings, online market research surveys, online loyalty point marketplace platforms.

Blended

Not all redemption process fall neatly into either a hard copy offer certificate or online direct. Some of the most successful ones fall into a blended category where the redemption process starts with a physical offer piece but transitions to a digital process or digital processes lead to the distribution of physical offer piece.

To illustrate let's look at two blended redemption solutions:

Example #1 (Hard Copy to Digital)

Reward: 1 Movie Ticket

Qualifying Behavior: Recipients walking through the mall were approached and offered the chance to answer a 20 question survey regarding shopping preferences in exchange for a movie ticket.

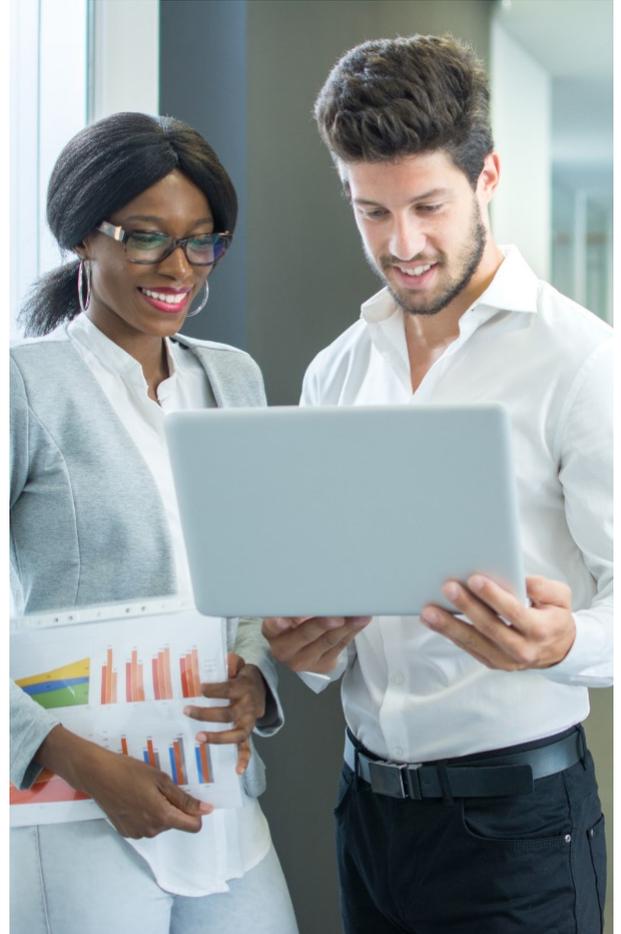
Incentive: At the completion of the survey the recipient receives a physical offer piece redeemable for one movie ticket.

Redemption Process: The process starts with the physical offer piece but immediately directs the user to an online solution.

Step 1: Recipient takes the physical offer piece home.

Step 2: The user goes to the redemption website listed on the physical offer piece and enters the pin code information provided.

Step 3: The user is passed through to the movie ticket website selects the theater of their choice and prints out a movie ticket.



Example #2 (Digital to Hard Copy)

Reward: 2 night / 3 day hotel stay

Qualifying Behavior: Recipients respond to an online ad to take a 50 question survey in exchange for a 2 night / 3 day hotel stay.

Incentive: At the completion of the survey the recipient receives an electronic pin number and a link to an online redemption center.

Redemption Process: The process starts with the digital pin code and online redemption center but progresses to the delivery of a physical offer piece that is either downloaded or emailed.

Step 1: Recipient clicks on the redemption link and enters the pin information provided.

Step 2: The user is passed through to the online redemption center, agrees to the terms and conditions and enters shipping address.

Step 3: A physical offer piece redeemable for a 2 night / 3 day hotel stay is sent to the address provided by the recipient.



A blended solution often provides a much-needed fit between the project requirements, budget, and redemption method. Often the nature of the project determines whether a hard copy certificate or electronic pin code is initially distributed. However, the nature of the project (demographic, budget, client relationship) determines the appropriate redemption process. This often puts the redemption process at odds with the required distribution method. A blended method provides a fluid solution to bridging that operational gap.

Suggested Uses: a blended solution is required when operational requirements dictate a delivery mechanism (hard copy or digital) at odds with the redemption process required by the project.

Conclusion

While it is true that the actual incentive offered has the greatest power over the immediate decision making of the recipient, it also is true that the redemption process will likely have the greatest long-term impact on revenue generated by the recipient. By offering an incredible reward as a gift with purchase and you will get short-term results. People will purchase your product solely because of the incentive offered; but deliver that via a highly complex, 10 step, and non-user friendly redemption process and those same customers are unlikely ever to purchase from you again.

Key stakeholder's well-designed incentive plan should not only offer products and services enticing enough to impact behavior but also be structured to have a delivery mechanism to meet budgetary and client expectation and relationship requirements. Creating and maintain that balance is the difference between creating a long lasting relationship with your audience or not. A marketing undertaking that has the potential to generate revenue today...and tomorrow.

