

Business Services Industry

Mirus

Incentives, Rewards & Recognition (IRR)

REPORT

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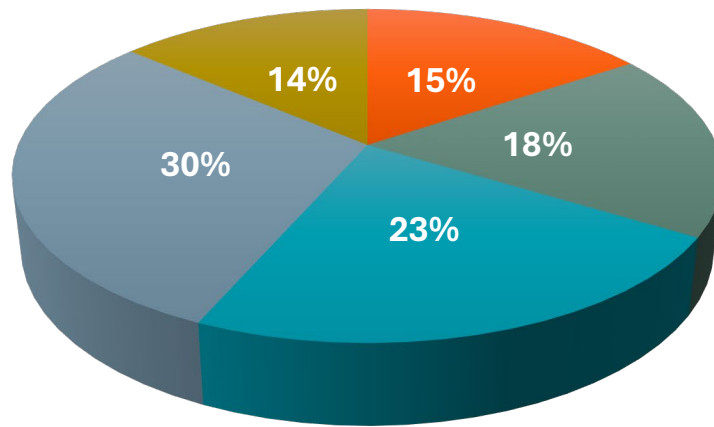
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Incentives, Rewards, and Recognition (IRR)

Overview

The incentives, rewards, and recognition (IRR) sector is a dynamic and fragmented \$176B industry encompassing a broad spectrum of solutions aimed at motivating and incentivizing various stakeholders within organizations and among channel partners. Industry solutions have evolved over time to address the needs of businesses seeking to enhance performance, productivity, loyalty, and engagement among employees, partners, customers, and clients. Within this sector, incentive programs play a vital role, spanning across Sales Incentives, Channel/Distributor Incentives, Employee Incentives, Customer Loyalty Incentives, and Client Gifts. Sales Incentives encourage and inspire desired actions and accomplishments within the sales team, while Channel/Distributor Incentives aim to motivate partners. Employee Incentives drive workforce performance, Customer Loyalty Incentives foster customer engagement, and Client Gifts express appreciation to clients, potential clients, or partners for their support and business.

\$176B IRR Market by Category



- Client Gifts
- Employee Incentives
- Channel / Distributor Incentives
- Customer Loyalty Incentives
- Sales Incentives

Source: IFI, 2022 Incentive Marketplace Research Study

Incentives may be awarded as points, gift cards, incentive travel, merchandise, and experiential rewards. Today, approximately 84% of companies are using non-cash rewards in some form – a proportion that has remained consistent since 2016. However, the overall number of companies using non-cash rewards, the incidence of specific reward types used within companies, and the total spend per company have increased during the same period. As businesses continue to recognize the importance of effectively motivating and engaging key stakeholders and partners, the IRR industry is expected to grow, evolve, and innovate to meet the changing needs of the market.

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Incentives, Rewards, and Recognition (IRR)

Sector Dynamics

Focus on Measurable Engagement and ROI

Most IRR solution providers focus on delivering a value proposition for clients that influences or effects desired behavior among specific, targeted constituents (employees, channel partners, customers) while also delivering measurable results and ROI on funds deployed for incentive and reward initiatives. Particularly within the employee market, and increasingly within the channel incentive market, technology-enabled programs offering a variety of digital rewards, perks, benefits, and incentives that align with or distinguish corporate culture and goals are becoming table stakes to attract, retain, and engage targeted constituents.

Innovation re: Engagement Solutions

The market has evolved from simple, generic, physical promotional products and perks, traditional appreciation commendations, and periodic, standard incentive programs (e.g., delivered via PDF attachments) to modern, highly customizable, real-time digital rewards. These rewards enable more efficient investment of funds and strategically targeted, relevant, and personal incentives for performance. Enterprise HR and marketing decisions increasingly require the participation of CTO-level input, such as deploying global rewards programs involving different currencies and established firm-wide technology investments (payroll and benefits).

Revenue Model

Market participants tend to have a combination of potential revenue sources. Examples include software subscription fees, program installation and customization fees, service and maintenance fees, upgrade fees for program enhancements, margin related to program rewards (whether physical or digital rewards), and per-transaction fees, as well as, in some cases, breakage (revenue from unredeemed rewards).

Valuation Perspectives

Depending on the revenue model, end markets served, core solutions offered, proprietary or platform technology, and company-specific metrics such as growth, margins, and customer concentration, IRR companies will be valued based on a composite approach. Relevant peer group companies and transactions include those within sectors such as HR Tech software (e.g., Workhuman), Human Capital Management software and services, IT and Consulting Services, and Payment Technology/Fintech.

Incentives, Rewards, and Recognition (IRR)

Sector Dynamics continued

Diverse Set of Potential Acquirors

Similar to the perspectives on valuation, acquisition activity will be driven by a variety of acquirors, including notable private equity firms and their established platform investments in the sectors. Established M&A interest in the sector has included: fintech and payment technology companies seeking “front-end” growth drivers through acquisitions of IRR software and services; IT Services companies seeking diversification within a growth market and exposure channel partners (e.g., benefit providers); and marketing technology and loyalty companies seeking to enhance their B2C offerings with B2B or B2B2C solutions to leverage established reward offering. Interest in the sector will also likely include companies focused on employee perks and benefits, event management, digital surveys, as well as traditional promotional product providers, all of which may benefit from broadening their solution set to include some form of more tech-enabled reward and incentive offering.

Market Activity

We will monitor likely and potential IRR-related capital markets activity including the following:

- Whether Blackhawk seeks to divest Achievers, which Blackhawk acquired back in 2015 when it was a public company. Blackhawk was taken private by SilverLake and P2 Capital in 2018 and has continued acquisitions related to its legacy payments, prepaid card, and reward fulfillment business, including the recent acquisition of Tango Card.
- Depending on market conditions and company performance, whether Workhuman revisits an IPO or other path to liquidity, having initially pursued the public markets back in 2013 when the company was known as Globoforce.
- Depending on market tailwinds and PE investor objectives, whether any of the PE-backed companies on the following page pursue exits or mergers with other industry players.

“ The B2B channel and employee incentive markets include a wide variety of innovative market disruptors and established platforms, as well as diverse channel and fulfillment partners. Accelerating AI deployment and utilization, combined with robust private equity activity, should continue to drive fundraising and M&A among market participants. ”



Mark Young
Partner

Incentives, Rewards, and Recognition (IRR)

Private Equity Investment Activity

Private equity firms have increasingly shown keen interest in the IRR sector due to its significant growth potential, fragmented nature, and its innovative role in driving business performance and customer loyalty via digital, real-time solutions. The IRR industry has witnessed meaningful expansion in recent years, with businesses across various sectors recognizing the return on investment related to incentivizing and rewarding stakeholders such as employees, customers, and channel partners through differentiated and customized reward experiences.

Initially, private equity firms predominantly targeted companies with established customer bases and predictable revenue streams, such as providers of employee recognition programs and customer loyalty platforms. However, as the industry has matured and technology has advanced, there has been a shift towards investing in companies offering cutting-edge digital solutions, including AI-powered employee engagement platforms, data-driven sales incentives software, channel incentive platforms, and truly personalized customer loyalty programs.

Financial Sponsor	Relevant Investments
	
	
	 
	 
	
	
	   
	
	
	 
	
	 

Incentives, Rewards, and Recognition (IRR)

Recent M&A Activity

We will monitor for continued, if not accelerated, IRR-related M&A activity over the next 18-24 months, as global strategic acquirers look to continue diversifying their offerings and differentiating their solutions for enhanced constituent engagement. Additionally, as AI drives new forms of channel incentive programs and technology platforms, it should accelerate the rate of change in the market, offering opportunities to "buy" rather than "make" in order to maintain market leadership positions.



Ziff Davis acquires TDS Gift Cards

In February 2024, Madison Dearborn Partners and Tornante, an investment company founded by Michael Eisner, sold TDS Gift Cards, a provider of gift card program services combining digital and physical retail opportunities, to Ziff Davis, an internet company with leading brands in the digital media, marketing technologies, and cybersecurity space. TDS Gift Cards was the last piece of the Topps trading cards and collectibles business owned by Madison Dearborn Partners and Tornante.



Blackhawk Network acquires Tango Card

In January 2024, Blackhawk Network, a provider of prepaid products and payment services, entered a definitive agreement to acquire Tango Card, a pioneer in the rewards and incentives space offering digital-first gift cards through a cloud-based platform. Through the acquisition of Tango Card, Blackhawk seeks to expand solutions and innovation in the rewards and service space.



Banyan Technologies acquires Target Marketing Group

In January 2024, Banyan acquired Target Marketing Group, a distributor of branded merchandise offering promotional products, corporate gifts, branded apparel, and other brand management services. Target Marketing Group was subsequently combined with Banyan's Helm Promotions unit to create an industry leading branded marketing and promotional products distributor.



SurgePays acquires ClearLine Mobile

In January 2024, SurgePays, a fintech company focused on the underbanked community, acquired ClearLine Mobile, a provider of mobile marketing and loyalty services supporting marketing initiatives within companies and institutions.

Incentives, Rewards, and Recognition (IRR)

Recent M&A Activity continued



Awardit acquires IPO Solutions

In November 2023, Awardit, a provider of loyalty programs, customer clubs, and digital scoring in the Nordic countries, acquired IPO Solutions, a provider of loyalty reward management services and products tailored for the German market.



Bakkt Holdings acquires Bumped

In February 2023, Bakkt Holdings, a provider of a technology platform for cryptocurrency and loyalty points redemption, acquired Bumped, a loyalty platform offering businesses a unique way to reward customers by tracking spending with partnered companies and granting fractional shares of stock.



Suma Wealth acquires Reel

In February 2023, Suma Wealth, a digital platform designed to teach the Latino community how to build and sustain wealth, acquired Reel, an innovative, debt-free payment solution for shoppers that integrates seamlessly with merchants to incentivize savings toward purchases and drive incremental revenue.



Eurazeo acquires WiiSmile

In June 2022, Eurazeo, a Paris-based private equity firm, acquired WiiSmile, a reward platform streamlining access to social benefits for employees enhancing commitment and quality of life for them and their families.



Giift acquires Xoxoday

In March 2022, Giift, a loyalty marketplace provider, acquired Xoxoday, a developer of business software products designed to simplify rewards, payouts, and recognition across the value chain. The acquisition will enable Giift to fuel the next stage of growth in international markets where Xoxoday has a large presence.



35 Years. 350 Deals.

Leading advisor to middle market businesses since 1987

About Mirus Capital Advisors

For more than 35 years, successful business owners have turned to Mirus Capital Advisors to guide them to their ultimate accomplishment: the sale of their business.

As a middle market investment bank focused on mergers and acquisitions, we drive deals for successful businesses owned by entrepreneurs, families, and investors in New England and beyond. We are committed to each client's success.

35 Years. 350 Deals.

Mirus has closed over 350 transactions across a range of industries, specializing in technology, business services, industrial, consumer and healthcare transactions. Our affiliate Mirus Securities, Inc. is a registered broker-dealer and FINRA member.

Mirus is an independent member of the GCG Capital Group, an international network of M&A firms and investment banks reaching 126 countries. Mirus partners with GCG colleagues, as needed, for comprehensive cross-border access, augmenting our global capabilities.

Partner Spotlight

Mark Young

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In his 30-plus year investment banking career, Mark has completed over 100 financial advisory assignments, with a particular focus on growth companies that provide differentiated products and solutions, as well as technology-enabled business and consumer services. Mark brings extensive experience identifying, structuring, negotiating and executing a wide variety of engagements, including mergers and acquisitions, as well as public and private equity offerings. Mark has led a variety of notable IRR transactions over recent years, including advisory for Giift, WorkStride, and GiftCertificates.com.

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Trusted advisors to businesses just like yours

Relevant recent transaction experience from Mirus partners



has received a strategic investment from



a portfolio company of



- INNO4 is a leading nationwide technology integrator and solutions provider



has been acquired by



- Full Circle Insights delivers marketing and sales performance measurement solutions to optimize a company's marketing mix and drive more revenue



has acquired



- Virtual is the leading provider of professional services to standards organizations, consortia, and associations



has raised \$75 million from



- MeetingPlay is a pioneer in hybrid event technology


Notable incentives, rewards, and recognition experience




has been acquired by



a portfolio company of




- WorkStride is a leading technology-enabled provider of incentive, employee recognition and rewards programs



has received a \$50 million growth investment from




- Giiift is a global leader in loyalty program management and development



a portfolio company of



has been acquired by



- GiftCertificates.com is one of the incentive industry's earliest providers of physical and digital incentives for enterprise customers



has been acquired by



- CorporateRewards (nka WorkStride) provides a software platform that allows clients to administer, manage and track employee and channel incentive programs

Focus sectors



Industrials



Healthcare



Technology



Business Services



Consumer

Note: Transactions in gray boxes were completed by Mirus partners at prior firms