Selling Incentives 101
What You Have to Know to Sell Incentive Programs

A seminar presented by the Incentive Marketing Association

www.incentivemarketing.org
What you will learn:

• Identify the basic applications for Incentive Programs

• Discuss the steps necessary in designing an Incentive Program

• Discuss open-ended and closed-ended budgets and their advantages and disadvantages.
Distributor Business Challenges

- Increasing value in your customer’s eyes
- Achieving higher sales
- Maintaining consistent revenue growth
- Reaching profitability
- Instilling customer loyalty
Your Customer Challenges

- Improving sales
- Increasing productivity
- Reducing turnover
- Enhancing quality
- Account retention
- Boosting morale
- Fostering teamwork
- Improving work habits
- Ensuring safety
- Decreasing absenteeism
Can my business handle the lower margins selling premiums and incentive programs?

100% of nothing

versus

a % of something big
The $28 Billion Incentive Industry

American businesses spent an estimated $28 billion on merchandise and travel for motivational use in 2002.

In 1999 volume was pegged at $26.9 Billion by the Incentive Federation survey, $$$ listed have been adjusted based on industry growth.
You can use premiums and incentives to influence people at every level of an organization.
Four Basic Applications for Incentive/Motivational Programs

- Consumer Promotion: 83%
- Sales Incentives: 72%
- Dealer Incentives: 49%
- Non-Sales Recognition Motivation: 68%

Source: Incentive Federation Survey, May 2005
Types of Incentives

Anything &
Everything!
What are companies spending on incentives nowadays?

• As much or as little as they can afford

• Appropriateness to the audience
Sources for Premiums & Incentives

Source: Incentive Federation Survey, May 2005
How to Design an Incentive Program

From Setting Objectives to Evaluating Final Results (ROI)
Three most important variables to a successful motivation program

• The **Goal** that directs the behavior,

• The **Incentive** that motivates a person to obtain a goal, and

• The **Ability** of the participants to successfully achieve the goal that will encourage the individual to participate.
Steps to Designing a Motivation Program
Designing the Motivational Program

#1 Establish Objectives

• Identify what goal or objective needs to be accomplished. For example: improved attendance or increased sales.

• Objectives must be simple, specific, and obtainable.

• Begin with a clear, briefly stated objective and communicate to all participants.
Designing the Motivational Program

#2 Outline the Strategy

• Identify the target audience.
• Determine size of the group.
• Define each person's role; participant, administrator, distributor, etc.
• Examine timing of program, program length, and geography.
Designing the Motivational Program

#3 Measuring Performance

- Define both quantifiable and qualitative goals.
- Keep it simple.
- The goal must be fair, and obtainable.
Designing the Motivational Program

#4 Establish the Budget

• Elements of the budget include:
  1. Number of participants.
  2. Length of program.
  3. Expected results.
Budget Elements

- Awards 70-75%
  - includes shipping and taxes
- Administration 5-15%
- Promotion 20%
- Research/Training 5-10%
There are 2 types of budgets:

1. Open-ended--
   determine *estimate of costs* involved.

   • No limit to the number of points a person can earn or the number of people who can win.
   
   • Budgetary limits can be built into the program, but you will only have an accurate estimate of costs after the program finishes.
There are 2 types of budgets:

2. Closed-ended--
   determine *maximum costs* involved

- Only a percentage of the overall target audience wins an award, so the budget is fixed.
- You know the maximum costs up front, which makes accounting happy.
In a *non-sales* program, the budget is determined by the “value” the company will receive from the incentive program.

**Example**: improved safety (fewer sick days or accident free days on the production floor)

**Example**: increased customer service calls (increase customer service rating, customer loyalty)
Non-Sales Incentives

• What are the products/services produced by the employees? Stay focused on the most important components of their job descriptions.

• What is the specific objective? Is it improving productivity or quality?

• What are the measurements that best relate to the goal? (for example, improving a safety record, or increase number of telephone calls)
Select the Right Award

- Understand your target audience - get employees involved in the award selection.
- Rewards should excite the participants – if they are not emotionally vested in the award, then they will not pursue it.
- In a short program, the prize should be of higher value to produce quick results.
- The higher the participant's income, the higher the award required to spark outstanding performance.
- The more experienced the participant is with incentives, the more enticing the award needs to be.
Brand vs. Price

Despite inroads by private label products, national brand names still carry significant weight among consumers. Nearly 1/2 of shoppers consider brand name first when making a purchase.
Designing the Motivational Program

#6 Administering the Program

• Administration is approximately 15% of the program budget, and at least 50% of the planner's time.

• The target group needs clear, consistent communication and timely feedback on measurement of their performance.
Administering the Program

• This number will go up or down, depending on how much detailed analysis will be done on the results.

• This cost can be outsourced, and could be a source of revenue for the company that helps administer the program.

• Factors to consider
  – Promotion
  – Research/Training
  – Communication
Administering the Program

• **Promotion**
  – Spread the word!
  – This could be a source of revenue for you!

• **Research/Training**
  – Employees need to know how to perform the desired function in order to improve their output--and that’s done with research and training.
  – This function can also be outsourced to the promotional products company.

• **Communication**
  – Tell them what you want them to do.
  – Tell them how they can do it.
  – Then when it’s over, tell them what they have done, and what they have won.
#7 Celebrate the Success of the Program

Designing the Motivational Program

WHY?
Designing the Motivational Program

#7 HOW TO Celebrate the Success of the Program

• The end of the program should be celebrated with the target group.
• Performance measurement by individual or team should be provided at this point.
• Awards should be handed out, or individuals should be allowed to choose their award.
Designing the Motivational Program

#8 Evaluate the Incentive Program (ROI)

- What were the program objectives, and were they met?
- Were the objectives realistic?
- What type of participant did or did not succeed, and why?
- Was the projected outcome accurate?
- Was the program cost-effective?
Things to think about: Choosing a Vendor/Supplier

- Brand Name
- Perceived Value
- Product Quality
- Product Availability
- Customer Service
- Fulfillment Capabilities
- Credit Limits
Qualities to look for in a Vendor/Supplier

• Is the vendor reliable?
• Is the vendor a member of a professional, incentive/trade association?
• Is the vendor financially stable? Can they deliver what they promise?
• Do they offer conveniences such as 1-800 numbers, product samples, catalog sheets?
Circle of Excellence

IMA Awards Program
OVER THE TOP

Employee Recognition / Sales Incentive Program

Aventis Pharmaceuticals used the inspiring example of a courageous, blind mountain climber (Erik Weihenmayer) to motivate their young sales force (20-30 year olds, college educated, active lifestyle).
OVER THE TOP
PROGRAM OBJECTIVES

• Increase sales and surpass quotas
• Jump start sales in the new fiscal year
• Maintain a balance in product sales across all product franchises.
OVER THE TOP COMMUNICATIONS CAMPAIGN CAPTURED THE THEME

- **Emails/brochure**
  - Huge selection of incentives to choose from
  - Encourage pre-selection of desired rewards

- **Periodic mailing of “INCENTIVES”** to reinforce the programs objectives and keep enthusiasm high
  - Mountain compass ring – direction
  - Sunglass clip – vision
  - Belt-loop watch - timeliness
OVER THE TOP

RESULTS

• 100% of the sales team participated
• Sales revenues increased by over 22%
YOU’VE GOT THE POWER

Employee Recognition / Sales Incentive Program

Lowe’s combined the power of merchandise incentives (electronics, tools, sports equipment) and cash to motivate a diverse workforce (70,000 retail store employees nationwide—all ages).
YOU’VE GOT THE POWER

OBJECTIVES

• Generate targeted increases in consumer applications for Lowe’s credit card
• Engage store clerks in promoting the Lowe’s credit card
• Create team spirit
YOU’VE GOT THE POWER
AWARDS

• Enthusiasm was maintained by introducing random drawings at each store.

• Top performing stores received merchandise awards each month for a special employee drawing.
YOU’VE GOT THE POWER

RESULTS

• 100% program participation was achieved

• 67% of the Lowe’s stores hit or exceeded their goals
MOHAWK ROCKS!

Dealer/Distributor Program

• Capture the attention of the independent retail channel
  – Primarily male in their early thirties
  – Besieged with paperwork
  – Accustomed to receiving incentives

• Increase sales of Dupont Carpets in a soft market cycle
MOHAWK ROCKS!

• Created a “rock n’ roll” theme
• Launched program with a custom CD and poster that announced program rules and awards
• Provided product guides and carpet tags to all participants
MOHAWK ROCKS!

• Participants qualified on sales performance
• Daily and weekly sweepstake drawings for unique merchandise and travel prizes were conducted to sustain enthusiasm
• Grand Prize was a PT Cruiser!
MOHAWK ROCKS!

RESULTS

• More than 50% of the target audience participated

• Sales of Dupont Carpet outperformed other brands by more than 20%