



Rewards Incentives &

Have your past incentive programmes been a disappointment to both you and your salespeople, and to the consumers at which the programmes were targeted?

We are going to discuss two types of rewards programmes. Each aims to achieve similar outcomes.

1. The internal reward scheme designed to motivate salespeople and other staff members to achieve a desired result, usually increased business.
2. The external consumer programme designed to motivate a person to buy more of a certain product or service.

The dangling of the proverbial carrot is an ancient art, commonly understood to be at the heart of human behaviour, psychology, motivation, and, in particular, business. Manufacturers and distributors commonly use this technique on their channel partners in an effort to add unique motivational value to move specific products or services.

The reason this technique has stood the test of time is because, for the most part, it works! At times, however, elements of the technique are executed improperly. Sales incentive programmes under-perform or fail as a result.

Internal Rewards Programmes

I've found that the monetary values of incentives are often not the critical factor in motivating salespeople to succeed or clients to purchase. I've read about and listened to people who have worked in industries that provided an unending supply of incentives and awards for overachievement. The overriding principle to which almost all of them subscribed was that they knew that if they won every trip, every TV, every incentive offered, the money would come with it!

For them, the money and the goodies were not their primary motivation. The common philosophy was simple: "If you win all the incentives there are to win, you couldn't help but be at or near the top every time." Corporations use incentive programmes to drive behaviour and those who succeed agree to play the game and conform to their wishes; what gets rewarded, gets done.

The problem, from the vendors' point of view, is that not all salespeople are motivated the same way. Consequently, not all internal incentive programmes work. Why is that? From my experience, I'll make the following observations:

- 1) The 80/20 Rule: Twenty percent of the salespeople make eighty percent of the sales and profits. Too often, sales incentives - perhaps in an effort to be fair - are geared to the entire sales force or channel. The risk in a

programme like this is that the glove that is meant to fit everyone, in the end, fits no one. Enlightened marketing strategists know that the top twenty percent are already motivated. Simply put, a strategy that's geared to light a fire under the next twenty percent - the next logical group - doubles the business in a more cost efficient manner.

- 2) The KISS Theory: Salespeople by nature are like electricity. They naturally take the path of least resistance. That's not to say they're lazy or untoward. In fact, it's just the opposite. Good salespeople look to simplicity to make things happen.

Often, incentive programmes fail miserably because of innate complexities either in their recording and reporting systems or in how rewards are won. If you put the salesperson in a position where he or she is forced to assess "To get this, I first have to sell this, plus these and not these and they must include these," you are creating a recipe for confusion, sales frustration and failure. In the end, the incentive programme becomes a disincentive!

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The remedy? Companies must keep the incentive programme sweet, simple and attainable. There can be no ambiguity. Anything less will result in a lack of

interest, as well as a waste of time and money that can sometimes spill over into other departments whose task it is to administer and account.

So what does a good incentive programme have to have to be successful?

Although on some levels, salespeople are a complex breed, when it comes to incentives, they are - for the most part - quite predictable. Their nature is to react to excitement or challenge faster than most, and then move on. One way to maximise their natural bent and ensure greater programme success is simply to cater to their natural motivators. "Get them their stuff QUICKLY!"

Recognition: At the risk of making salespeople appear shallow or monolithic (they are not), recognition amongst their peers is still the quintessential motivator, whether there's an incentive programme or not. The rule again is, 'there is no such thing as TOO much recognition!' Salespeople by nature gravitate to the limelight much like other performers, and so there should be no shortage of achievement and overachievement recognitions that find their way - in a timely manner - to the public's eye. Psychological studies have shown that the pursuit of recognition, in and of itself, can make the difference in targeting that critical second twenty percent on the sales achievement ladder. Experts agree that successful sales teams find motivation in their own champions. Beatifying





the sales leaders instils excitement and a definable hierarchy that beckons all players to become a part.

Another fact that is frequently overlooked is that recognition, whether part of an incentive or not, is the least expensive means of motivation. In many cases, it's free! Often, shaking the hand of the CEO or business owner in front of the company is all it takes to galvanise the need to overachieve.

The Bottom Line: Companies must take care when designing motivational incentive programmes. Take a page out of the "Sales 101" book that says, "Find out what they want, then give it to them!" But make sure to keep it simple, keep it clear, promote it properly, reward immediately, don't try to target everybody, and, recognise, recognise... RECOGNISE!

Consumer Rewards Programmes

Whilst internal sales incentives programmes generally assist in increasing B2B (business to business) sales, another vital aspect of the rewards industry is the consumer programmes we are about to discuss.

A consumer rewards programme, basically put, is an initiative designed to encourage a consumer (like you or me) to spend some – or more – money on certain products and services to receive a set reward. A popular example of this is the Qantas Frequent Flyer programme which provides you with points every time you fly, that can be redeemed for free flights or free products and services that Qantas offer.

In developing a consumer rewards programme I would offer the following observations.

KISS Theory: As with the internal programme, the keep-it-simple methodology is just as applicable. The easier it is to understand and implement, the higher the chance of success and the earlier the implementation.

Competition: Everyone's heard the expression: "Timing is Everything!"

This is particularly important and sage advice for the successful incentive programme planner.

Marketing executives can't know when every competitive incentive programme will rear its aggressive head, but they can take strides to ensure their programme is given first look.

Any successful salesperson will tell you, "Most sales are made as a result of due diligence on the front end." Simply put, the better the preparation, the more likely the sale. The same can be said for incentive initiatives. Real incentive programmes with the right amount of promotion will generate greater acceptance and interest that often usurps focus on competing programmes.

Rewarding: Any reward value can become a demotivating, anticlimactic activity if the time span between winning and receiving is too long. Successful incentive programmes reward immediately! As a rule, the faster the reward is delivered, the greater the enthusiasm for the incentive programme.

The bottom line: Many times, good incentive programmes are written off as having missed the target, when in reality, they just weren't rolled out and managed properly.

Consumer Incentive Programme Set-up 101

The number one reason people don't do something they want to do is lack



of knowledge. In saying this, we offer the following points to assist promotional marketers looking to implement incentive programmes for their clients.

- Define the programme's objective, and know your clients, both current and potential.

You need to meet with your client and outline their objectives. What do they specifically want to achieve from their rewards programme?

Are they looking to increase the spend of current clients? Are they looking to generate new business from previous clients or develop brand new clients?

What is their customer demographic? Who buys or uses their products and what are they interested in? Are they male, female, young, old, sporting or scientific?

All this information will help you decide what products you could include in any rewards programme you build and will help you achieve maximum success with the initiative. Below we have a real life example of an effective campaign with set objectives.

Real Life Example:

An industry distributor implemented a sales reward programme with a multi-national wholesaler client of

theirs last year with the objective to increase the per-dollar spend of current clients. To do this they offer several different branded items at different price points as shown below.

- If you spent \$100 in one invoice, you received a branded metal pen (worth approx \$5.00).
- If you spent \$500 in one invoice, you received a branded golf umbrella (worth approx \$25.00).

- If you spent \$1,000 in one invoice, you received a branded BBQ set (worth approx \$50.00).
- If you spent \$5,000 in one invoice, you received a branded premium Esky (worth approx \$250.00).

By offering basically a 5% discount the scheme encouraged the company's clients to spend that little bit more to receive the reward product. In less than six months the company's

revenues increased 140% YTD leading to an

expansion of the programme and more profits for the reseller.

- Develop a budget for the project and a plan to implement it.

Your client needs to know their cost of business and bottom line profit to know what resources they can put into a programme. The company may have to reduce their gross profit in the short term to incorporate the cost of setting up the rewards scheme and the products themselves. Of course in the long term the benefits of increased revenue and market share should lead to greater buying power and increased profits for that company.

Rewards schemes are part of the whole marketing landscape so funds should be allocated from this area to the initiative if additional resources are unavailable.

For the implementation plan draw up a timeline allowing sufficient time for the procuring of merchandise and the set-up of any print or online marketing materials.

Decide if the programme will be run via redemption or immediate rewards where the buyer will receive their reward as soon as their purchase is complete.

If redemption is the way your client prefers to run their programme then make sure

you budget for storage and distribution of the products. The costs are greater for a redemption programme than for an immediate rewards programme and there is more administration work, so each option needs to be evaluated on its merits.

- Market, market, market and fulfilment. Enough cannot be said about the necessity of a decent marketing plan for your new incentive programme as it will succeed or fail based on how well it's promoted.

There is no point even building or implementing a programme without allocating the resources, both financial and in terms of personnel, to let people know about it. Everyone from the top down needs to know the programme and be ready to inform current and potential clients of its benefits.

Whether by sending flyers out with statements and invoices or by installing signage in the shopfront or warehouse, the programme needs to be seen and talked about.

Additionally, if the rewards are fulfilled in a timely manner, that is, immediately or at worst a couple of days later, other people will be talking about it. This will lead to both good PR for your company and to more consumers wanting to get on board.

The bottom line is that it's as simple as that to implement an effective campaign. All you need to do to succeed is plan and proceed.

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