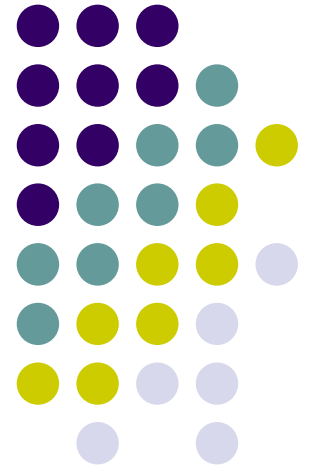


# Making the Business Case for Your Incentive Program

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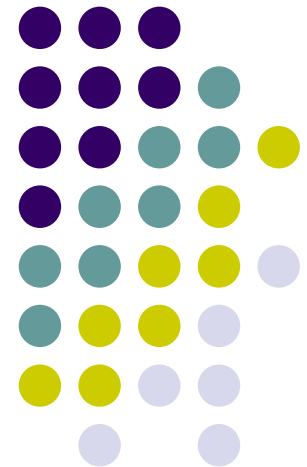


Incentive Marketing Association



# Making the Business Case for Your Incentive Program

Developed by Ira Ozer CPIM  
President  
Motivation Partners

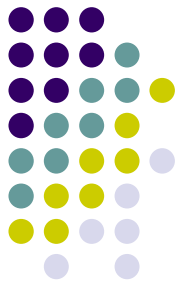




# Return-on-Investment

- If all tangible incentive programs proved ROI, the industry would be > \$27B
  - \$115B includes cash
  - Incentive Federation Study, 2000
- Most programs:
  - Do not measure ROI
  - Are not concerned with ROI
  - Are not measurable





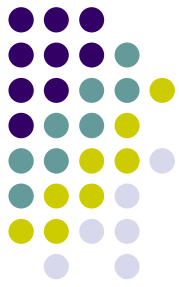
# Incentive Research

- Incentive programs:
  - Increase individual performance 22%
  - Team performance 44%
  - Work engagement toward goal by 27%
  - Attract quality employees
    - ISPI/SITE Research, 2002
- Tangible incentives:
  - Increase sales 46% vs. cash
    - Goodyear Research, 1994



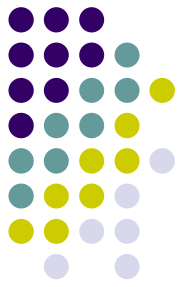
# “Making the Case” Issues

- Incentive Program necessary?
- Best program structure?
- Administer in-house or use agency?
- Program funding?
- Sell program to management?
- Sell program to clients?
- How to ensure success?



# Agenda - “Making the Case”

- Define Objectives and Confirm Strategy
- Assessment and Program Design
- Compare Solutions and Vendors
- Program Costs and Budget
- ROI Projections
- Program Plan
- Management Presentation



# Program Objectives

- Define Business Objectives
  - Are objectives measurable?
  - Specific timeframe?
- Translate to Performance Objectives
  - Can results be achieved by “People Performance?”



# Sales Objectives

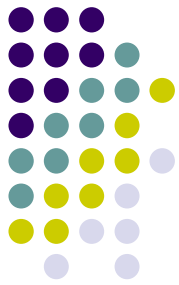


- Measurably Increase:
  - Sales
  - Profits
  - Product mix
  - Channel share
  - Channel partner communications
  - Channel loyalty



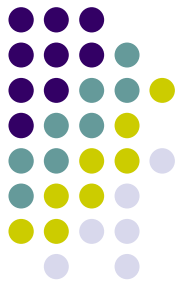
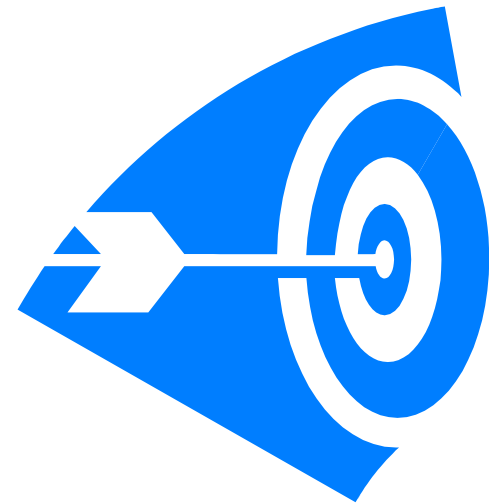
# Employee Objectives

- Productivity
- Teamwork
- Recognition
- Safety
- Suggestions

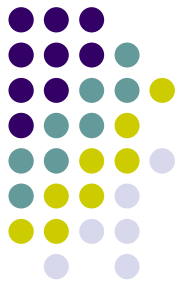


# Consumer Objectives

- Acquisition
- Activation
- Usage/Frequency
- Retention
- Referrals
- Win-Back

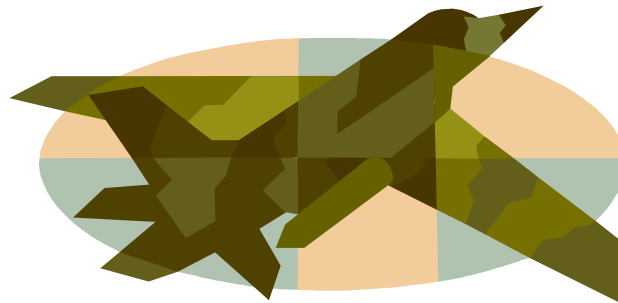


# Incentive Strategy



Help motivate people to

*Change Behaviors*

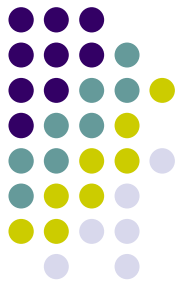




# Conditions for Success

1. Current performance inadequate
2. Cause relates to motivational deficiencies
3. Performance type and level quantifiable
4. Goal challenging, but achievable
5. Desired behavior doesn't conflict with organizational goals

- ISPI/SITE Research, 2002

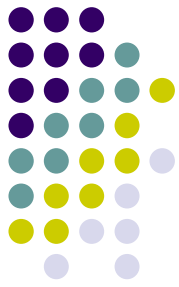


# Incentives vs. Compensation

- Will incentives be monetary or tangible?
- Are awards above and beyond compensation?
- Are awards contingent or structural?
  - Will they become expected?



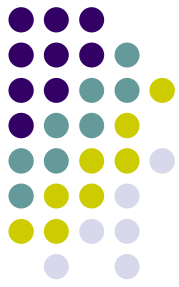
# Confirm Strategy



- Incentives, Recognition or Training?
  - Is performance hindered by lack of motivation, or knowledge and skills?
  - Will awards be commensurate with performance?
  - Can everyone win, or limited number?

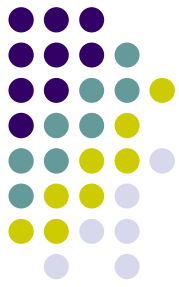
Key Point: Is Incentive Program Best Strategy?

# Integrated Program

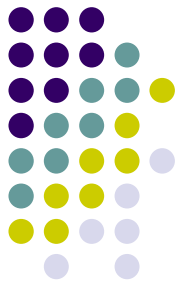


- Incentives should be one component of a “Performance Improvement” program:
  - Aligned with company culture, product, advertising and marketing programs
  - Integrated with training, communications and recognition
  - Linked with Sales Force Automation (SFA) and Customer Relationship Management (CRM)

# Performance Improvement Program Components



- Assessment
- Design and Rules Development
- Incentive Selection and Fulfillment
- Communications
- Training
- Recognition
- Measurement and Reporting
- Analysis



# Assessment

- Review past and current programs
  - Structure effective?
  - Results measurable?
  - Survey participants, management, support areas
- Competitors' programs
- Plan for ROI
  - How will results be isolated and measured?
  - Brokerage Case Study – create market baseline



# Program Design

- Participants
  - Individual or team
  - Recognize top 20% and/or “Move Middle 60%”
  - Segmentation – consider tiered program
- Structure
  - Leading or Lagging Indicators
  - Unit Sales
  - % Improvement vs. Quota, Prior Period, or Baseline
  - Duration



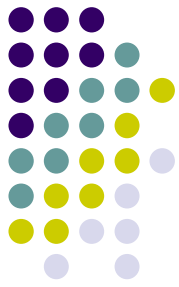
# Program Design

- 3M's
  - Meaningful, Measurable, Movable
- PICS
  - Positive, Immediate, Certain, Significant
- KISS
  - Keep it Simple, Stupid!
- ISPI/SITE – most effective:
  - Quota based and long-term
  - Goals have participant commitment

# Design and Rules

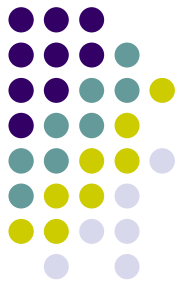


- Incentives motivational to participants
  - Appealing to demographics/psychographics
  - Value commensurate with performance
- Budget
  - Duration of program
  - Number of participants
  - Rules structure and payout
  - Open or closed-ended
  - Communications
  - Administration



# Program Phases

- Award, Communications and Measurement Tactics for each Phase – examples:
  - Acquisition – Enrollment Bonus, Sweepstakes
  - Activation – Fast Start Bonus, Promotional Mailing
  - Usage – Consistency Bonus, Interactive Games
  - Retention – Training Quizzes and Certification
  - Loyalty – Ongoing Progress Reports
  - Referral – “Recruit-a-Friend” Bonus



# Involve all Constituents

- Participants
- Management
- Executives
- Customer Service/Support Groups
- Finance and Legal
- Product Groups/Business Units

Key Point: Plan a timetable that is realistic and manage the process - but don't lose control

# Award Selection

- Tangible Awards or Cash Substitute
- Merchandise or Travel
- Gift Cards
- Promotional Products
- Recognition Items
- Unique Experiences

Key Point: Involve  
People Emotionally





# Award Considerations

- Perceived Value
- Trophy Value
- Wants vs. Needs
- Special Recognition

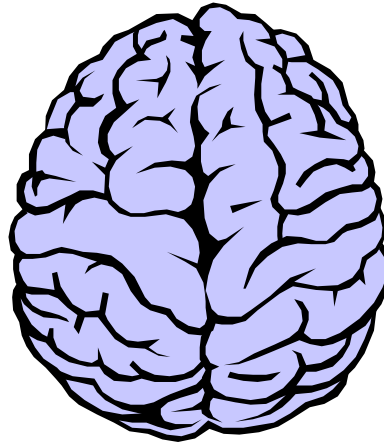
Key Point: Incentives, not  
Compensation



# Motivational Considerations



- Right Brain = Creative/Visual/Emotional
- Left Brain = Analytical/Quantitative





# Communications

- Integrated Campaign
  - Align with Advertising
  - Align with Corporate Messages
  - Leverage Budget with Internal Resources
- Multi-Media
  - Print, Online, E-Mails, Meetings, Voice Mail
  - All Program Phases

Key Point: Online-only can hinder results



# Training and Development

- Ensure participants know “how” to achieve
- Offer incentives for training results
- Link online training and incentive systems
- Consider certification program
- Use motivational speakers

Key Point: Performance Improvement System



# Measurement and Reporting

- Measure performance
- Calculate incentives
- Reports for participants and management
- Competitive ranking reports
- Consider all hierarchies
- Consider source and timeliness of Data
- Link to SFA, CRM and Compensation Software

Key Point: Actionable data at each Phase



# ROI or No ROI

- To prove Return-on-Investment:
  - Objectives must be measurable
  - Incentive program results must be isolated from extraneous factors such as:
    - Economy, Ad Campaigns, Seasonality, etc.

Key Point: Not all programs need to prove ROI

- Recognition programs and other “soft” programs

# ROI Projections



## CUSTOMER REWARDS ROI CALCULATOR

Yellow cells are variable. Please enter the appropriate number.

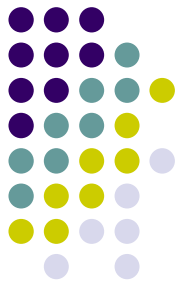
Purchase Volume		Average Purchase	% of Population	# of Customers	Total Purchase Volume	Lift	Lift in Dollars	Award Payout Percentage	Total Award Earnings	Average Award
\$ -	\$ 1,500	\$ 750	83%	41,500	\$ 31,125,000	15%	\$ 4,668,750	4.0%	\$ 1,431,750.00	\$ 34.50
\$ 1,501	\$ 2,500	\$ 2,000	11%	5,500	\$ 11,000,000	20%	\$ 2,200,000	4.0%	\$ 528,000.00	\$ 96.00
\$ 2,501	\$ 5,000	\$ 3,751	2%	1,000	\$ 3,750,500	20%	\$ 750,100	4.0%	\$ 180,024.00	\$ 180.02
\$ 5,001	\$ 7,500	\$ 6,251	1%	500	\$ 3,125,250	20%	\$ 625,050	4.0%	\$ 150,012.00	\$ 300.02
\$ 7,501	\$ 10,000	\$ 8,751	1%	500	\$ 4,375,250	15%	\$ 656,288	4.0%	\$ 201,261.50	\$ 402.52
\$ 10,001	\$ 25,000	\$ 17,501	1%	500	\$ 8,750,250	15%	\$ 1,312,538	4.5%	\$ 452,825.44	\$ 905.65
\$ 25,001	More	\$ 50,000	1%	500	\$ 25,000,000	15%	\$ 3,750,000	4.5%	\$ 1,293,750.00	\$ 2,587.50
<b>Average Spend</b>		<b>\$ 1,743</b>		<b>50,000</b>	<b>\$ 87,126,250</b>		<b>\$ 13,962,725</b>		<b>\$ 4,237,623</b>	<b>\$ 84.75</b>

Total Program Lift		16.0%
Total Lift \$s	\$	13,962,725
Profit Margin		50%
Profit From Lift	\$	6,981,363
Admin/Communication Costs	\$	500,000
Total Award Earnings	\$	4,237,623
Total Program Investment		(4,737,622.94)
<b>Net Profit</b>		<b>2,243,740</b>
<b>ROI</b>		<b>47.36%</b>



# Budgeting Issues

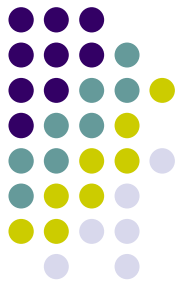
- Program Costs
  - Awards (80%)
  - Communications (15%)
  - Administration (5%)
- Bill-on-Issuance vs. Bill-on-Redemption
  - Point Breakage, Slippage, Contingent Liability
- Tax Issues
  - Gross-Ups, W2/1099, Fair Market Value



# Management Support

- Top down support
- Early involvement and commitment
- Involvement at Launch Meetings and all program phases
- Recognize top performers
- Written and verbal communications

Key Point: Ongoing Focus and Support



# Administration

- Internal Resource Considerations:
  - Experience of Account Managers
  - Incentive Experience – I.T., Creative, etc.
  - Internal Costs
- Time Allocation
- Cost/Benefit Analysis

Key Point: Consider Outsourcing to Vendor



# Vendor Selection

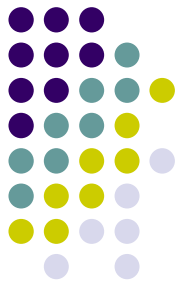
- Full Service Agency or Fulfillment Company?
- Considerations
  - The company – stability, experience, reputation
  - The Account Executive and Account Team
    - Can be “A” company and “B” team
  - Recommended Solution
  - Cost/Value for Goods and Services
  - Company culture
  - Complexity of program



# Contingency Planning

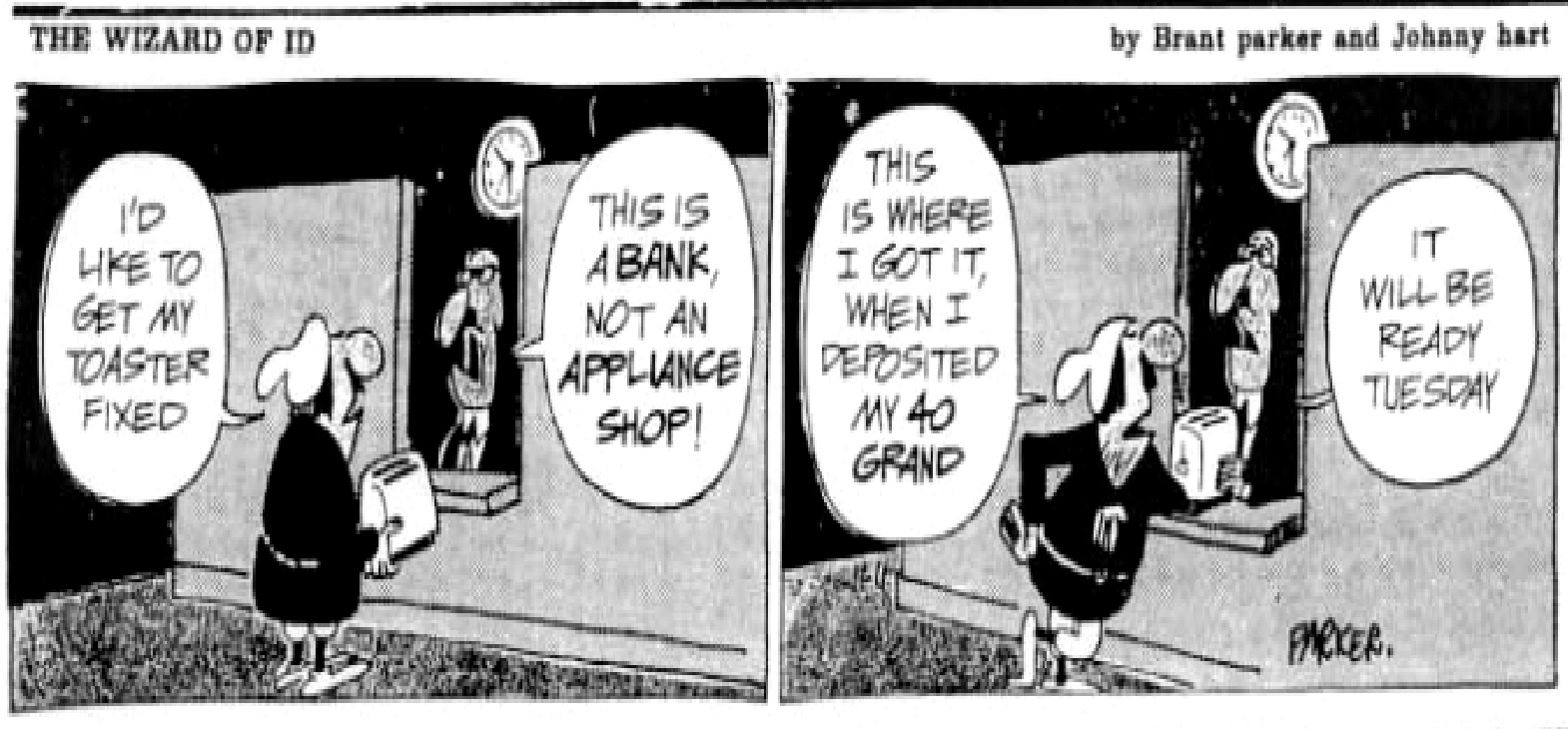
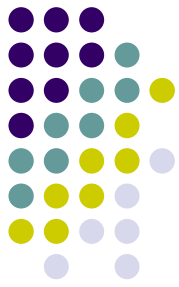
- Involve all support departments to understand and plan for their issues:
  - Legal, Finance, Administration, Customer Service. Product Management, Marketing, etc.
- Develop “Red Flag” Process
  - Consider “Murphy’s Law”
  - Anticipate what can go wrong at each phase
- Write and Update the Program Plan

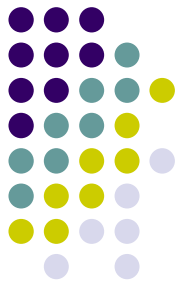
# Presentation to Management



- Executive Summary
- Program Plan with Objectives, Strategy, Design
- Rationale supported by Assessment
- Results and ROI projections, if possible
- Incentive Solution and Sample Awards
- Collateral Material Mock-Ups
- Consider Contingencies
  
- Make a Compelling Presentation!!

# Effective Incentive Programs Can Change Behaviors!





# Speaker Contact

- Ira Ozer is Director of National Accounts for USMotivation, a full-service Performance Improvement Agency
  - Ira is based in New York and can be reached at: [iozer@usmotivation.com](mailto:iozer@usmotivation.com), or (914) 238-2220
- Ira has 24 years of experience in the incentive industry and has won numerous awards for the design and implementation of effective incentive programs for Fortune 1000 companies in a number of industries.



## Research Quoted

- “Incentives, Motivation and Workplace Performance: Research & Best Practices,” Spring 2002, Research sponsored by The International Society for Performance Improvement and funded by the SITE Foundation
- “The benefits of Tangible Non-Monetary Incentives,” 2003 by Scott Jeffrey, University of Waterloo, published by the SITE Foundation
- “How Non-Financial Incentive Programs Reinforce Behavior,” white paper by Robert D. Hobert, Ph.D., 1979
- “Measuring the ROI of Sales Incentive Programs,” Spring 2004, S. Gopalakrishna, Research funded by the SITE Foundation