

12.5 STEPS

TO A PERFECT INCENTIVE PROGRAM

THE COMPLETE HOW-TO GUIDE

A PUBLICATION OF

BRIGHTSPOT



ABOUT BRIGHTSPOT

Brightspot manages full-service meetings & events, incentive & recognition programs, and employee engagement campaigns for enterprise clients - with incomparable creativity, flexibility, and commitment to deliver results. Meetings & Conventions magazine recognized Brightspot as one of the Best Places to Work in the Meetings Industry, and Incentive Magazine has awarded its Motivation Masters award to Brightspot client programs.

INTERESTED IN LEARNING MORE? COME SEE US!



WRITTEN BY

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Mike is President and owner of **Brightspot**, a full-service performance improvement company in Dallas, Texas. Under Mike's leadership, Brightspot has quadrupled in size and added many Fortune 1000 clients. Mike is a Trustee of the Incentive Research Foundation, a past member of the Performance Improvement Council of IMA, on the advisory board for Incentive Magazine, and a frequent industry presenter.



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Please use this information freely to benefit you and your company! All we ask is that you cite Brightspot, and please consider us when you evaluate incentive program agencies.

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INTRODUCTION

AN EFFECTIVE, MOTIVATIONAL,
ROI-GENERATING, INCENTIVE PROGRAM STARTS WITH

A GOOD PLAN.

Every good plan includes the foundational components of specific **goals**, a clear target **audience**, and a thorough **analysis** of your current situation.

Add exciting rewards, effective rules, creative communications, and a robust incentive website — along with strong administrative support, fulfillment, and reporting — and you are guaranteed to have a perfect incentive program.



YOUR 12.5 STEP

- 01 Define Goals
 - 02 Understand Target Audience
 - 03 Analyze Current State
 - 04 Design Program Structure
 - 05 Select Rewards & Recognition
 - 06 Assign Program Administration
 - 07 Add Technology Platform
 - 08 Create Communications
 - 09 Build the Budget
 - 10 Track Achievements
 - 11 Fulfill Rewards
 - 12 Report Results
- Keep it Fresh!



USE THE **WORKSHEET**
IN THE APPENDIX
AS A GUIDE



01 DEFINE GOALS

DEFINING YOUR GOALS

The first step, the most important step, is defining your goals. The #1 mistake made by frantic companies is racing to implementation without clear, concise, written goals.

What should you consider when defining goals? What is most important?

What factors are critical to the success of your business?

Sales
Market share
New customers
Customer Loyalty
Employee enablement, training, education
Engagement of employees, customers, partners
Customer Service
Innovation



Your goals should support your overall company strategy.

They should be tailored to reflect today's realities of your markets, your customers, and your target audience. Increasing sales is the most common incentive objective; however, there are countless types of program goals:

- Add new customers
- Retain and renew existing customers
- Generate new leads or referrals
- Introduce new products and services
- Equip sales reps with product knowledge or new selling skills
- Improve customer satisfaction scores
- Reduce turnover
- Improve safety
- Solicit employee revenue-generating and cost-saving ideas



S.M.A.R.T.

When putting your goals in writing, strive for SMART goals:



SPECIFIC

Choose just one or two clearly focused goals so program participants can channel their efforts effectively. For example, instead of saying, "Increase sales," state your goal as, "Increase sales by 12% in the healthcare vertical market between July 1 and December 31."



MEASURABLE

Be sure your goals involve quantifiable activities that can be measured easily. For example, a salesperson's success can be measured by tracking increases in units sold, orders, or new customer contracts — in dollars or percentages.



ATTAINABLE

It's tempting to set the bar high, hoping to achieve dramatic improvement and excite everyone in the process. However, overly-ambitious goals can backfire if they seem unattainable to the program participants, which could demoralize them.



RELEVANT

To be meaningful and have a long-lasting impact, your goals must align with the company's overall objectives. Is retaining key customers the priority? Or is the company investing resources to grow a new product line or market segment?



TIMELY

Consider any seasonal highs and lows that occur in your business during the period chosen for the incentive and then adjust the date range accordingly. Also, be sure to consider the sales cycle when setting timeline as well.

SUGGESTIONS

RESIST trying to accomplish all of your goals in one program at once. Setting up a firm foundation lays the ground work for future. Focus on the most important objectives. Start simple. Tackling too much will cripple your launch and confuse participants. Prioritize to 3 goals or less.

CONSIDER the timing and length of your promotion. How long will it take to accomplish objectives? If you have a 6-month sales cycle, then incentive contest period should be longer. How will you hold participant interest? Higher compensated employees can succeed in longer programs, whereas hourly employees do best with daily, weekly, or monthly incentives. Does your competitor(s) run a channel incentive program too? Should yours run at the same time?

REMEMBER, incentive programs are just one element of your entire marketing strategy. As part of the mix, incentive programs can pinpoint specific objectives and achieve incredible results. If your product has a flaw, however, or you don't have enough sales or service support to address customer needs, an incentive program alone won't solve other operational issues.

AS A REMINDER

The two most important perspectives to keep in mind as you develop and evaluate any incentive program are:

PARTICIPANTS:

If you were a participant in the program, would you put forth the extra effort required to take advantage of the earning opportunity?

SPONSORS:

Will the executive sponsor of the incentive feel the program's investment generated a satisfactory return?

02 UNDERSTAND TARGET AUDIENCE



UNDERSTANDING YOUR TARGET AUDIENCE

Goals are always first! Now, determine who can impact your goals, and how. Market conditions and participant profiles vary. There is no one-size-fits-all incentive. Understanding your target audience prepares you to design effective rules and select exciting awards to motivate your participants, and ultimately, achieve your specific business objectives.

Rodger Stotz

Incentive Research Foundation, Chief Research Officer

"Probably no aspect of program design has a greater impact on outcomes than understanding the audience."



MAKE A LIST OF WHO IS IN YOUR TARGET AUDIENCE

DEMOGRAPHICS

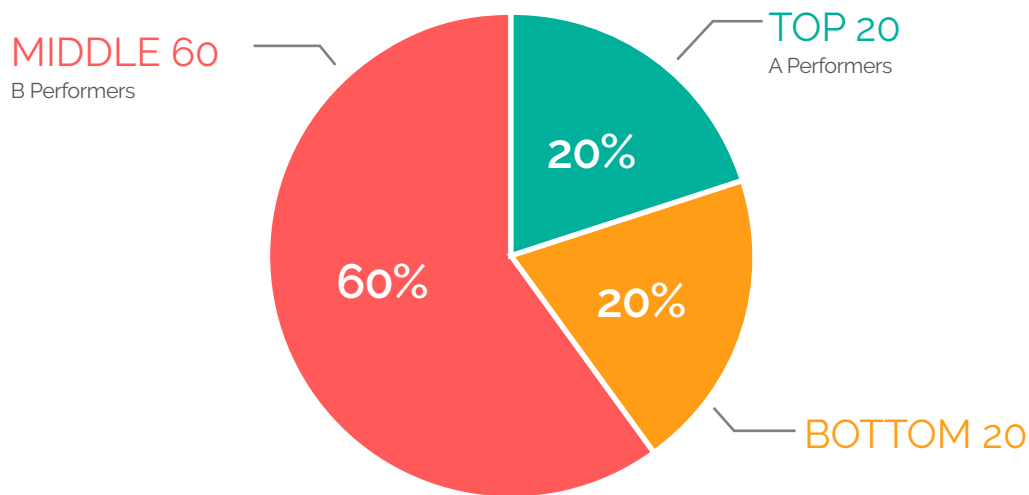
- ✓ Employees or customers
- ✓ Sales reps, channel partners, third-party agents
- ✓ Age — average and range
- ✓ Male / female
- ✓ Average income
- ✓ Functional role, job titles, and levels
- ✓ Education level
- ✓ Number of participants
- ✓ Number of locations, stores or companies
- ✓ Countries, regions, divisions

PSYCHOGRAPHICS

- ✓ Level of buy-in or engagement presently
- ✓ Current level of motivation
- ✓ Capability to improve, learn, or sell
- ✓ Extrinsically or intrinsically motivated
- ✓ Attitudes, interests, opinions



20-60-20 RULE



TOP 20

The top 20% are your best performers (A performers). They will continue to perform no matter what you do. It's in their DNA. They are already performing under the current circumstances.

MIDDLE 60

The middle 60% (B performers) can go either way — switch on their buttons and performance improves; but if they aren't meaningfully engaged, their performance may suffer.

BOTTOM 20

The bottom 20% (C performers) probably won't budge no matter what you do. They might not care. They might lack certain skills. Perhaps they're just in the wrong role.

FINAL THOUGHTS

Everyone can earn some reward. Even a small improvement by many people in the middle 60% can have a significant incremental benefit.

This rule of thumb is supported by the research showing the benefits of “open-ended” programs in which participants compete against themselves rather than their colleagues.



Motivate the middle!
Find out how in Step 4

CONSIDER THIS

- Do you need more than one program to accommodate various audiences?
- Are you linking performance of your audience to specific business goals?
- Does your audience have expectations based on previous experience?



03 ANALYZE CURRENT STATE

ASSESS YOUR SITUATION

With goals defined and target audience understood, the next step is assessing the current situation. This is the fact-finding stage analyzing current sales, internal challenges, competitive market, etc. You must evaluate current performance and discover the gaps. Asking the right questions will help you effectively define goals and set the stage for your incentive.

To ensure incentive success, Brighspot created its proprietary DDX process:



Discover



Design



eXecution



DISCOVERY QUESTIONS

What are current sales — by product line, market, geography?

Number of transactions?

Average transaction size?

Length of sales cycle?

Size of sales pipeline and leads generated "above the funnel"?

What is product knowledge of sales reps?

Any sales enablement needs?

What obstacles are affecting performance?

What behaviors or actions will help achieve desired results?

DIG DEEPER

ASK WHY

Look beyond the performance you want. Ask yourself: “why are desired performance levels not being achieved?” If, for example, sales of a certain product are not as high as you desire, perhaps it's because sales reps or channel partners don't understand the product. Sales reps won't sell what they are not comfortable with. In this case, increased product knowledge might be a better tool.

EXAMINE

Study company and participant historical performance data first. Look at trends. Seasonal cycles. Sales volume compared to length of service. Geographical considerations. Use the data to ensure sound business goals and attainable objectives for participants.

SEEK ADVICE

Don't rely on your gut! Don't be shy about asking colleagues and other departments for insight!



04 DESIGN PROGRAM STRUCTURE



BUILD A PROGRAM STRUCTURE

An effective program structure, or incentive rules, must be designed to achieve your objectives and budget parameters. It's the shorter outline of full-length, legal T&Cs (terms and conditions). Tell the participants what you want them to do and what they will earn for doing it. "Do this. Get that." It's something frequently called the WIFFM - the "what's in it for me" factor.

Program design is a mix of both science and art. The expertise of performance improvement companies, or incentive companies, can be extremely worthwhile at this step. They've seen good design — and bad design. They've seen similar incentives in similar industries for similar situations. "Best practices" is an overused phrase today, but incentive companies truly offer best practice expertise.



RESEARCH INDUSTRY EXPERTS

FINALLY, THE INDUSTRY LEADING PROFESSIONALS STAY ABREAST OF THE LATEST RESEARCH FROM:



PROGRAM TYPES

OPEN-ENDED PROGRAMS enable all people who achieve program goals to earn awards.	EVERYONE CAN WIN
CLOSED-ENDED PROGRAMS have a pre-determined, limited number of award earners.	TOP FEW WIN
PLATEAU PROGRAMS provide awards at different levels of program achievement.	TIER 1, TIER 2, TIER 3

PROS AND CONS

	CLOSED-ENDED	OPEN-ENDED
WINNERS	Fixed	Variable
BUDGET	Fixed	Variable
ADVANTAGES	<div>Allocates a limited investment across an entire audience</div> <div>Controls financial exposure</div> <div>Typically easier to administer</div>	<div>Everyone has a chance to win based on individual performance</div> <div>Financial exposure increases in direct proportion to results (and incentive pays for itself with increased sales)</div> <div>Motivational impact maximized</div> <div>Unlimited earnings potential; encourages greater participation</div>
DISADVANTAGES	<div>Can be less motivating</div> <div>Not all participants perceive an opportunity to earn due to competing against each other</div> <div>Participants may reduce efforts after maximum award is earned</div>	<div>Uncertainty of final program cost</div>

WHAT IS BETTER?

Open-ended programs enable participants to win based on their own actions and therefore give participants the greatest potential control over their success. Research confirms that these programs generally have greater motivational value, because they offer accessibility to the broadest audience. These programs have the most impact on middle-level (B) performers, who have more capacity to grow. A properly structured program will have a lower net cost —

- If it fails to reach the goal, the absolute cost is less and
- If it exceeds the goal, it pays for itself with incremental gross margin on higher sales.

Closed-ended or “tournament programs” have a predetermined, limited number of winners. Although they have the benefit of letting you offer a larger, more impressive award with a fixed, predictable budget, research shows that they can discourage many participants, who feel they cannot win. Nonetheless, closed-ended is popular for many incentive travel programs (eg. President’s Club Trips).

Plateau programs, or tier programs, provide awards at different levels of program achievement. By awarding participants points at specific intervals of performance improvement, you not only reduce the impact of budget uncertainties associated with open-ended programs, but give people an extra reason to work a little smarter to reach the next level of performance.

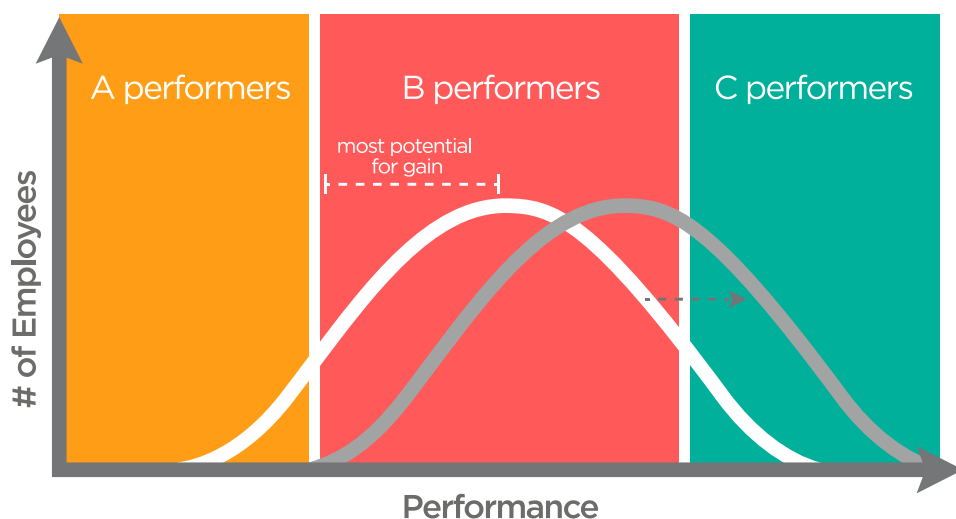


DURATION

Research consistently suggests that programs too short in duration often fail to achieve buy-in because it takes people too long to learn about them before they're expected to act. Alternatively, longer-term programs can suffer from "program burnout" because employees simply lose interest. It usually makes sense to align the program with a buying cycle or the business's financial reporting period. If this dictates a short program (of less than three months), ensure you have a quick and compelling way to spread the word. If this dictates a longer program, consider short-term overlay contests within the longer program to keep people engaged.

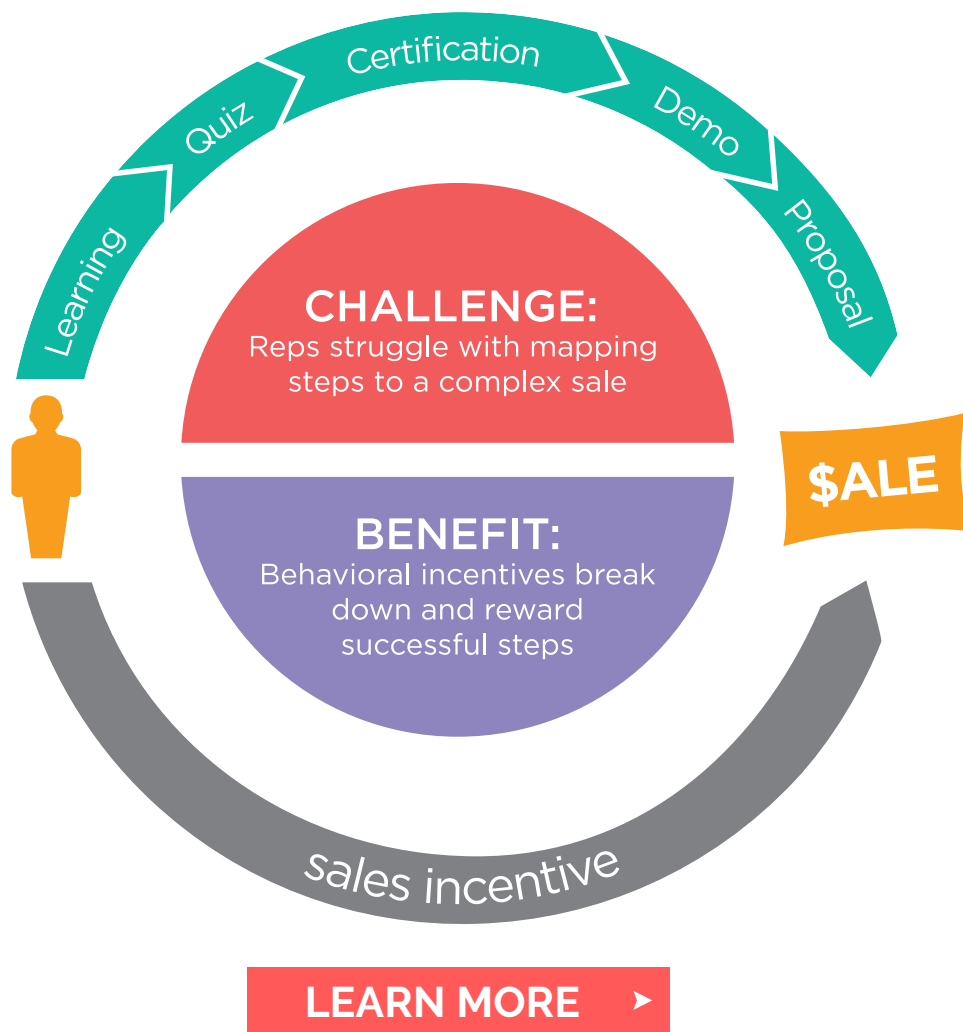
MOVE THE MIDDLE

This advice is counterintuitive — motivating middle performers fuels more sales growth than focusing on top performers. In the 20-60-20 breakdown, top performers are fewer in number. So, the company's average performing sales reps, the "B players," are actually your greatest opportunity. Research from Maritz determined that a 5% performance improvement from the middle yielded 70% more revenue than a 5% boost among top performers. The reason: the 60% middle group is so large that this core has more potential to improve than the top 20% who are already pushing full speed, giving the proverbial 110% effort.



BEHAVIORAL INCENTIVES

Today's employees are inundated with overloaded schedules, challenging sales cycles, and under-staffed teams. It can be difficult for a sales rep to create an action plan for complex sales. Behavioral incentives can break down a complex process into smaller steps with small rewards on incremental success steps, such as learning, competency, demos, or proposals. Recently, this has been a very effective technique in driving sales enablement, especially with channel partners and third-party agents.



SUGGESTIONS

CONSIDER SCENARIOS

Play "what if?" with different ideas until you arrive at something you're comfortable with. While this may take some time, your program will be more successful after undergoing the process.

SIMPLIFY

Remember to keep it simple. Your audience is much less familiar with your incentive program than you are. Too many programs are too complex, so sales reps ignore them.



Easier to succeed



Easier to buy in



Easy to understand



DESIGN YOUR PROGRAM
Create your budget using our handy

GET STARTED ➤

05 SELECT REWARDS & RECOGNITION



KEYS TO MOTIVATION

Now that you've identified your target audience and designed the rules structure, you can focus your attention on determining the most motivational awards.

- What will catch their eye?
- Do they have children?
- Are they sports enthusiasts?
- Do they travel extensively?
- What have they done or earned before?
- What is the hot destination or cool gadget?

A common trap is for the award provider to select awards they themselves prefer rather than awards the recipient would like. Before finalizing your decision, you may want to survey your participants to see what is most motivating to them.

CASH OR NON-CASH?

Everyone asks: "what is better: cash or non-cash awards?" The mob of sales reps clamor, "give me cash, not prizes." Before launching an incentive program, Human Resources wisdom advises that basic, monetary needs must be met first by existing compensation structures. Conclusion: Cash is definitely king for base compensation and commissions.

Everyone should ask: "is cash motivational after base compensation and commissions?"



Cash rewards require 3x the incentive cost compared to non-cash.



TRAVEL

Group "club trip" rewards top performers

Individual trip options let winner choose own destination and dates



MERCHANDISE

Online merchandise catalog of exciting and practical items

Participants use bank account of points to redeem



GIFT CARDS

Used like cash at one specific retailer, dollar for dollar, often in specific denominations



PREPAID CARDS

Preloaded points works like a debit card, redeemable anywhere Visa/MC is accepted



CASH

You know what cash is! And how it works!

Always a popular, aspirational award

Produces memorable experiences for a lifetime

Socially acceptable to "show off" pictures and brag of adventures

Recognition in front of peers enhances experience and employee engagement

Ease of online shopping

Exciting awards increase motivation and aspiration

Has trophy value significance for concrete reminder of sponsoring company

Freedom of choice when at the retailer

Participant decides when and how to use

Easy to administer, one-time issuance

Participants can take advantage of sale prices

Can ensure purchase with lasting trophy value

Maximum flexibility & freedom of choice

Participants can take advantage of sale prices at retailers

"Wallet branding" when sponsor logo added to card plastic

Reloadable options available

Good option for channel incentives to non-employees

Ultimate flexibility

OK for channel incentives, where confusion with compensation is less of a concern

Provides currency for taxes on very large awards (ex. >\$5,000)

Time-consuming to plan travel arrangements and trip operation

Participants out of the office

Uncontrollable variables - weather

Some like to see & touch & compare items at retail stores

Fulfillment delays or discontinued items may cause complaints

May have to manage inventory issue and handle returns of damaged merchandise

Choices limited to one retailer

Typically no customization or sponsor banding

Appeal depends on individual taste and what retailer offers

Specific retailer may not be convenient for all participants

Generally lacks lasting trophy, with most purchases for necessities (groceries, gas, fast food)

Complexities in fulfillment (card branding, emboss line message, expire date)

Often confused with compensation, creating future expectancy, and dissatisfaction if incentive changes

Many HR departments dislike for internal employees due to compensation concern

No warm fuzzy feelings with cold cash

Disappears into checking account

Used for paying bills and basic needs

Recipients cannot recall what they purchased with rewards

Delivers minimal, lasting association with sponsor company due no trophy value

INCENTIVE RESEARCH

The all-time classic research paper on this subject is "The Benefits of Tangible Non-Monetary Incentives" by Scott Jeffrey, assistant professor in the Department of Management Sciences at the University of Waterloo, Ontario.

The research identified four key reasons for using non-cash awards in incentive or recognition programs.



EVALUABILITY // DAYDREAM VALUE

When properly presented, non-cash awards ignite the imagination in a way that enhances their perceived value. The participant's reaction to the award substitutes for its actual value.



SEPARABILITY // NOT COMPENSATION

Non-cash awards deliver more recognition because they don't get mixed with compensation. Cash invariably turns the extra reward into expected compensation. Cash creates entitlement — you can give it, but you cannot take it away. Non-cash spiffs can be turned on and off without entitlement problems.



JUSTIFIABILITY // GUILT-FREE SPLURGE

Participants receive special satisfaction from non-cash awards because there's no guilt associated with spending them. If a male participant has 50,000 points, he can guiltlessly select the 80" plasma TV for football season. But if the reward had been \$2,500 in cash, he and his wife might debate if instead they should pay off a credit card or start a college fund.



SOCIAL REINFORCEMENT // TROPHY VALUE

People feel free to talk about non-cash rewards in a way that would be inappropriate for cash compensation. It's socially unacceptable to brag about your bonus or commission, but it's acceptable to talk about an incentive trip to Maui. Non-cash prizes provide a tangible symbol of achievement.

Source: [The Benefits of Tangible Non-Monetary Incentives \(IRF\)](#)

WE SUGGEST ADDING TWO MORE BENEFITS OF NON-CASH REWARDS.



MEMORABLE // HALO EFFECT

Surveys show that merchandise and travel rewards are remembered longer than cash, with a longer-lasting boost in performance. They provide a lasting reminder of success and reinforce a positive association with the sponsoring company. For example, try to remember an employee reward, trip, or merchandise you won. Now, do you remember the amount of your bonus that year?



PROMOTABLE // BUZZ FACTOR

Cash is hard to promote — unless you keep increasing the amount. A trip to Monaco, a new HDTV, the latest i-everything from Apple, or big diamonds create visual interest that engages participants' brains — they see the reward, they want the reward, and they consider how they can improve their performance to earn it. Plus, a buzz factor occurs when employees talk about the prizes.

DID YOU KNOW....



Annual U.S. business spending on incentive travel, merchandise, and gift cards



\$54.5 billion
merchandise or gift cards



\$22.5 billion
incentive travel

Source: [Incentive Federation, Incentive Market Study, October 2013](#)

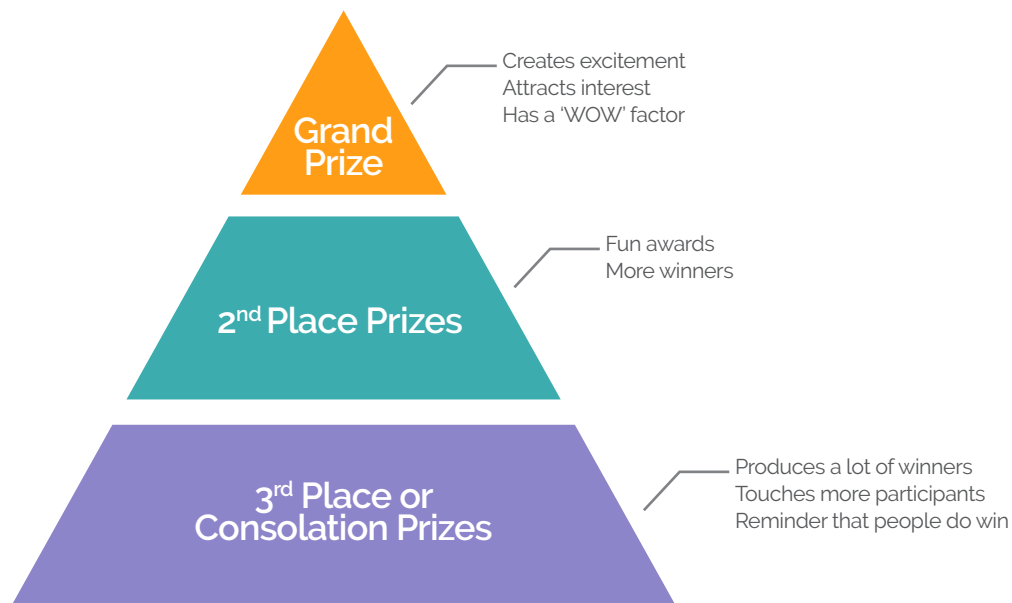
FINAL THOUGHTS

SIMPLE OR MOTIVATIONAL?

Proponents of cash rewards argue, "Everybody wants cash! Cash keeps the reward process simple. Non-cash rewards are more difficult to administer and fulfill. And, incentive programs require extra administrative work."

WE ASK: Is the goal simplicity or motivation? Minimizing costs or increasing performance?

Cash, very definitely, has its clear place in base pay and variable compensation (for commissions and bonuses). Applying the famous Maslow's Hierarchy of Needs, cash compensation is critical for satisfying our first, physiological need and our second need for security. To climb higher on Maslow's pyramid to levels 3, 4, and 5 for belonging, esteem, and self-actualization, non-cash rewards are more beneficial. Interestingly, we often see that once cash is the primary award, it becomes expected and easily loses attribution to desire behavior and performance improvement goals.





06

ASSIGN PROGRAM ADMINISTRATION

ASSIGNING RESPONSIBILITY

To ensure program success, it's critical that you assign the role of Program Administrator to someone in your organization. He or she will be the key contact for the program and responsible for all the main activities. Many companies hire an incentive agency for their consulting expertise and ability to handle the hundreds of details.

Consider the administrative needs early on. Group travel, merchandise catalogs, and gift cards have varying fulfillment requirements. The tracking of results and participant support can seem easy, but the questions, exceptions, and surprises will consume your time.



ADMINISTRATIVE FUNCTIONS INCLUDE MANY OF THE 12.5 STEPS IN THIS HOW-TO GUIDE

ALONG WITH ONGOING...

- ✓ Award fulfillment
- ✓ Results tracking
- ✓ Maintaining program records
- ✓ Reports to participants and management
- ✓ Participant support (this is always more time-consuming than envisioned!)
- ✓ Program evaluation and review

CRITERIA

Select an administrator (or agency) who:

- Is well-organized, detail-oriented, and process-minded.
- Can allocate the time required to run the program.
- Is accessible to participants.
- Has incentive program expertise.
- Has access to the resources for website development and database tracking.
- Will bear responsibility for tax reporting to the IRS and for legal terms and conditions.

AGENCY HELP

A third-party incentive company, or performance improvement company, can offer valuable expertise and efficiency. Incentive companies will guide you in creating an overall program design, motivation strategy, incentive rules, print and electronic communications, customizable website, reward recommendations, reward fulfillment, participant support, reporting, and overall program administration.



RESEARCH CONSIDERATIONS FOR HIRING AN INCENTIVE COMPANY



[CHOOSING AN AGENCY >](#)



[FEE ESTIMATOR >](#)

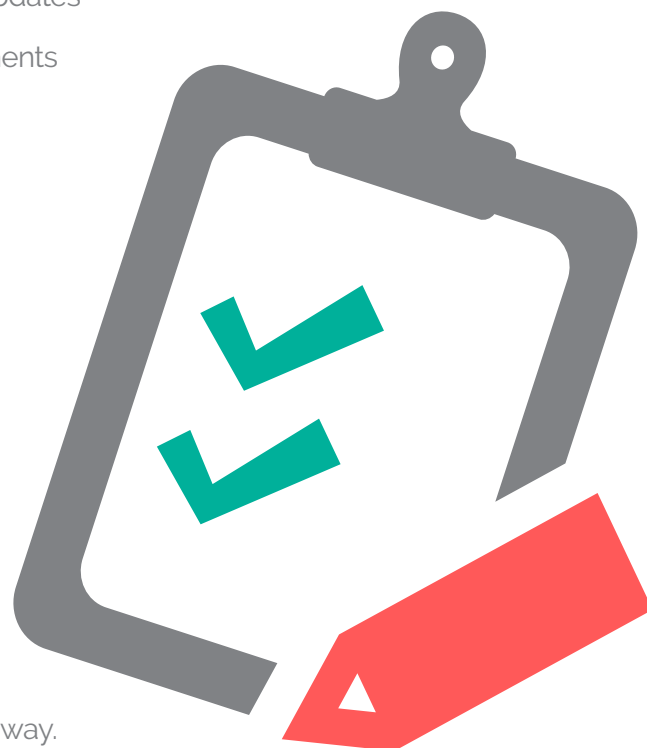
PROGRAM LAUNCH AND SETUP ELEMENTS HANDLED BY INCENTIVE COMPANIES INCLUDE:

- Overall incentive program design, development, and launch
- Timeline management, including deadlines, critical paths, and resource assignment
- Preparation of all program rules and eligibility — including legal terms and conditions
- Creation of all communication pieces, including creative direction, content gathering, graphic design, and production
- Management of web development, including IT requirements, functionality, custom programming, back-end databases, and reporting requirements
- Recommendation and procurement of travel, merchandise, and gift cards

ONGOING ADMINISTRATION FROM INCENTIVE COMPANIES:

- Point scoring or results tracking, including importing, validation, and reconciliation
- Provide customer service to participants and executives
- Oversight of day-to-day client communications and regular status updates
- Oversight of ongoing content changes and web updates
- Proactive recommendation of program enhancements
- Budget management and financial reconciliations
- Sales claim and other achievement verifications
- IT support for website, hosting, and maintenance
- Monthly statement process, including creative, content and e-blast distribution
- Conduct program performance analysis
- Reporting
- Tax reporting
- Award fulfillment

Plus, agencies are constantly seeing and trying new things, offering fresh insight and expertise along the way.



A PERSONAL NOTE



MIKE MAY

In my 20's, a business mentor named Mike Barnes told me the secret to success in business.

Mike said "Most business people, when encountered with a decision, know which direction to turn a lever. The successful people know exactly how far to turn the knob."

Implication: Incentive agencies can advise you how to turn the knob (with expertise on program design, rewards, and administration).

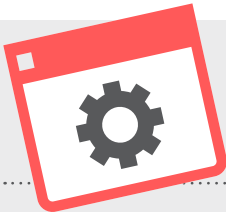


07 ADD TECHNOLOGY PLATFORM

CREATING AN INFRASTRUCTURE

Behind the scenes of your incentive program lies the backbone of its long-term success. More than just a pretty web design, the technology infrastructure and databases supporting your incentive are vitally important to its smooth performance, engaging UX (user experience), and ease of maintenance.

If a company has less than 50 participants and less than \$10,000 in awards, Microsoft Excel spreadsheets can be sufficient technology. If rewards are greater than \$20,000 or participants exceed 100, then a true incentive technology platform is a must, with interactive website tools and back-end databases.

	EXCEL SPREADSHEET	INCENTIVE WEBSITE
PARTICIPANTS	<50	>100
TOTAL AWARDS	<\$10,000	>\$20,000

STRENGTH IN YOUR PLATFORM

A strong platform that allows for quick implementation, effective communications, a well-built back-end database, and seamless program administration is key - and alleviates strain and ambiguity. For instance, our Ignite Platform enables quick launches and provides technical options that makes set up fast and flexible.

A good technology solution will include these web pages: Home, Program Rules, Enrollment, Current Promotions, Claim Form, My Account, Award Catalog, Award Redemption, T&Cs, FAQs, and Contact Us. Incentive website deliverables should include:

- Website development
- Customization options
- Content management systems
- Online forms
- Redemption or shopping cart functionality
- Secure data center hosting and monitoring
- Real-time reporting





DESIGN

HOME PAGE

The main landing page gives a motivational overview of the program. It should include visually appealing, custom, branded graphics. A clean menu should provide clear navigation to all program information.

PROGRAM RULES

This page provides a detailed, user-friendly description of the program, promotional offers, eligible products, and targeted behaviors.



ENROLLMENT

REGISTRATION

A page requiring all personal information to participate in the program. Pre-registration lists can create courtesy enrollments. The registration page should capture consent to legal terms and conditions too.

UPDATE PERSONAL INFORMATION

This page allows participants to update their personal information at any time or change passwords.



ACHIEVEMENT

OFFERS

Each eligible product (SKU) or targeted behavior can be assigned a point or dollar value. Database scoring logic should validate eligible data is submitted, calculate points, and update the participant's total points or standing.

CLAIMS

To earn points, participants submit achievement claim forms for each eligible sale of a promoted product or behavior being rewarded. Submitted claims require sales header information (sales rep, customer, PO#, dates, etc.) and sales detail information (line items for each product sold, SKU, quantity, price, etc.). Best-in-class incentive platforms will use dynamic data entry forms to prevent invalid claims from being submitted.

ACCOUNT STATUS

Participants can view their points achieved, redeemed, pending, and their current balance.

AUTOMATION OF PROCESS

Participant touch points and communications can easily be automated - keeping engagement high and program admin low.

BONUS TIP

Some technology platforms afford integration with your CRM platform, making achievement and tracking real-time.



AWARD SHOPPING

REWARDS

A catalog provides pictures and descriptions, as well as the redemption costs for travel, merchandise, gift cards, or experiential awards — including global award options.

REDEMPTION

Participants select their desired reward, quantity, and shipping address.



SUPPORT

T&C

The Terms & Conditions page offers a comprehensive list of detailed “legal” rules of the program. Top incentive companies can prepare a draft of legal T&Cs for your approval.

FAQs

Frequently Asked Questions should supply answers to common questions, which helps participants and reduces support requests to the program administrator.

CONTACT US

This page should list all program contact information, including a dedicated phone number and email address managed by the incentive company, who should identify themselves only as “Program Headquarters,” so they remain transparent to participants.



CUSTOMIZATION

With any incentive platform, be sure to inquire about the options to customize. Most software will allow customization of the header graphics or background colors, but better packages allow you to change the page layout and header size. More flexible packages, like the Spear One Ignite platform, will support complex forms and scoring logic, including branching claim forms, multipliers, point splitting, accelerators, or pre-qualifying conditions.



IGNITE YOUR PROGRAM

Ignite™ is Spear One's flexible SaaS platform that enables quick launch and provides robust technical options for best-in-class program design and maintenance of your online incentive program site.

GET STARTED ►

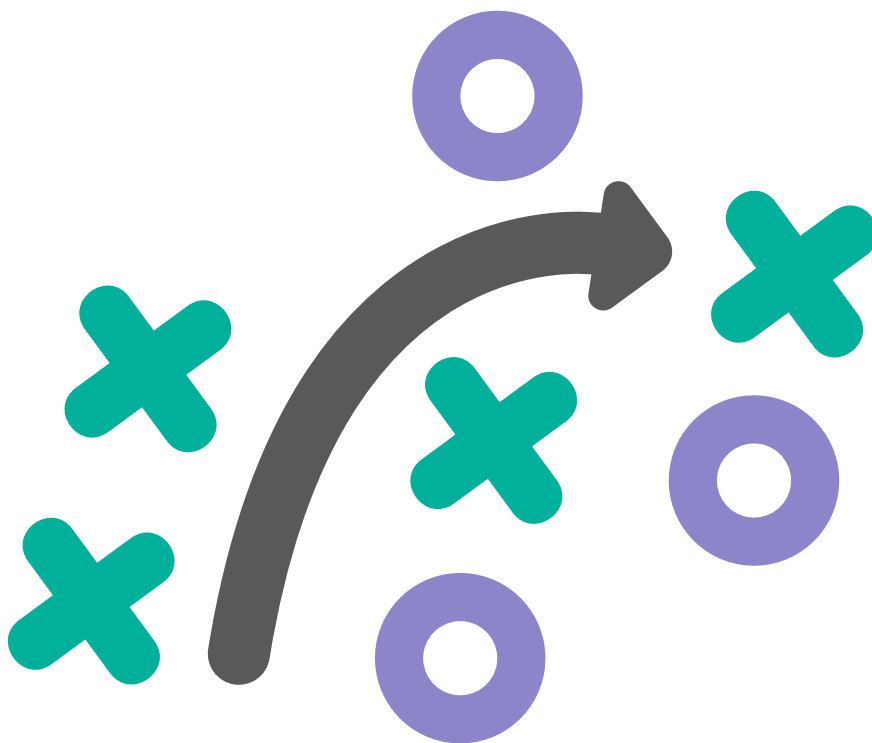
08 CREATE COMMUNICATIONS



CREATING A STRATEGY

Far too often, the incentive promotion strategy is an afterthought late in the incentive launch. Like any successful marketing effort, an effective incentive needs a comprehensive campaign strategy, creative theme, targeted messaging, and communications timeline to support your incentive deliverables and create top-of-mind awareness.

In today's world, people are bombarded with information. Emails stuff inboxes at the rate of 200+ per day. Users glance for a fraction of a nanosecond, with their index finger on the delete-key, rapidly clicking like a teenage video gamer. It's vital that your promotional strategy not depend solely on a few emails; your message must break through the clutter.





THEME

A clever, attractive theme can go a long way. Tie it to your program goals. Use the natural attraction of the travel destination or awards for visual interest. Evaluate style preferences — conservative, hip, retro, fun, corporate, or informative. Ask yourself: what do you want the audience to feel or think when they look at the graphics?



TEASER

Before officially announcing the program, distribute a teaser — something that hints of events to come. It might be a small promotional item or a creative, visually-appealing email to pique interest.



KICKOFF ANNOUNCEMENT

Custom design a promotional flyer to generate excitement and share high level details (incentive dates, eligible employees, program objectives, rules, and most importantly, the awards). Promote the overall program and direct everyone to the incentive website for full details. Include a clear call-to-action.



GRAPHICAL EMAIL ANNOUNCEMENT

Convert the kickoff announcement to a PDF or graphical, HTML email and blast it to participants. Consider breaking the graphics and messages into pieces for a multi-touch email campaign.



KICKOFF EVENT

If your participants are in a large office or just a few locations, try to add a launch event announcing the new incentive program, live and in person. Make it a party with decorations and themed snacks. Demonstrate a personal commitment to the incentive's success, as well as challenging your audience.



POSTCARDS

Direct mail postcards are making a dramatic comeback. Email marketing is over-saturated, with open rates and click-thrus declining further and further. Mail a visually-engaging, custom-designed, full color, cardstock postcard to catch their attention and convey importance.



BANNER OR BUTTON ADS

Consider online ads (especially for external channels). Post ads on employee intranet sites and partner portals too.



POSTERS

Themed, 18x24, full color posters are super billboards in large offices or in break rooms of retail businesses.



REMINDERS

Consider mailing reminders to the participants' homes to create additional family support. Something as simple as program letterhead can be used to reinforce both theme and incentive.



MONTHLY STATEMENTS / NEWSLETTERS

Electronic statements give detailed feedback on points, current ranking, and status; communicate messages from management; recognize winners; and announce new program information. For an improved user experience, personalize your message with variable content based on the user profile.



GIVEAWAYS

Tangible, promotional items generate excitement and motivation for the incentive program. When an employee uses a practical item like a pen or mouse pad, or is amused by a tactile toy like a stress ball, they are reminded of the incentive program. We recommend one giveaway at kickoff and another at program mid-point to serve as an effective reminder.



KICKOFF KITS

We love 3-dimensional kits with a "thud factor" — a custom box of collateral and giveaways that makes a thud sound when it lands on a desk. Kit ideas include: giveaways, brochures, selling aids, tip sheets, notebooks, pens, posters, window clings, etc.

FINAL THOUGHTS

REMEMBER

- Create a catchy theme.
- Include graphical look and feel (creative art design).
- Prioritize and narrow core messages.
- Consider brand guidelines: Follow closely or creative freedom?
Is this incentive for external customers or for internal employees only?
- Design your communications campaign up front, but be flexible as needs arise.
- Kickoff the program with a bang. Don't make the common mistake of sending one email and expecting it to be enough.
- Keep the program visible with ongoing repetition.
- Publicize success and add meaningful recognition.

TO STIMULATE AWARENESS AND INCREASE PARTICIPATION:

- Leverage all internal communication channels (meetings, team calls, newsletters)
- Use parallel communications (both print and electronic)

#1 Mistake

Tiny communication or promotional budgets. The incentive becomes the best kept secret.

09 BUILD THE BUDGET



BUDGET PERSPECTIVES

If Program Design is the work of the incentive psychologist...
and Rewards are the motivational coach...
then, building the Budget is role of the wise **financial planner**.

Properly designed, an incentive program will be self-funding with incremental gross margin on the increased sales volume. If your objectives are not sales-based, but on less financially quantifiable improvements such as customer satisfaction, retention, or employee engagement, then consider the awards an investment that provides other long-term benefits.

Calculating the budget begins with the two most important perspectives of an incentive program:

COMPANY PERSPECTIVE ANALYSIS OF INTERNAL FACTORS

- Revisit your company/program goals
- Determine if the program will be based on incremental sales, competitive response, growing market share, new product line sales, or sales enablement
- Identify the importance and profitability of each activity or eligible product sale
- Determine the percentage of gross profit which can be paid out to achieve a certain performance (5-10% is the industry rule-of-thumb)

PARTICIPANT PERSPECTIVE ANALYSIS OF DEMOGRAPHICS

- Re-examine your participants base (Target Audience from step 2).
How many participants? Who are they?
What is their average income?
- Reward selection/value based on assessment of what it takes to motivate participants.
How much is enough? Is there an amount that's too much?




INCENTIVE INDUSTRY WISDOM

ESTIMATED PROGRAM BUDGET

(based on percentage of profit contribution that the incentive program will generate)

.5 – 3.0% of total gross profit

5 – 10% of incremental gross profit

	PARTICIPANT AWARD EARNINGS		
	LONG-TERM PROGRAMS	SHORT-TERM PROGRAMS	
	DURATION	6-12 MONTHS	60-90 DAYS
	% OF PAY	1-5%	3-8%

EXAMPLE

ASSUMING A \$60,000 ANNUAL SALARY:

For 12-month program: 4% of \$60,000 = **\$2,400** incentive

For 3-month program: 6% of 3-month pay (\$15,000) = **\$900** incentive

KEY BUDGET DRIVERS

- Number of participants
- Percentage of participants achieving incentive levels
- Duration of program
- Average award amounts
- Forecasted results

FIND THE FUNDS

WATCH GROSS PROFIT, NOT SALES

Many incentive advisors focus on sales as the starting point for budgeting. We think that's dangerous in complex businesses today with wide-ranging product portfolios, varying product mix, and most importantly, sliding gross margin percentages. Some products have higher ticket prices and higher gross margin percentages (like complex, \$50,000 software systems). These support larger incentive payouts. Many commodity products in competitive industries (like computer parts or electronics) have smaller ticket prices with lower gross margin percentages. These make meaningful incentives look more difficult.

LOOK FOR MDF

Today, it has become increasingly possible for resellers to get co-op marketing dollars from manufacturers, for Market Development Funds (MDF), for incentive programs promoting specific products.

CONTRA REVENUE

This one is complex! For accounting purposes, incentive payouts are viewed by the CPAs as additional discounts off the selling price, hence the name "contra revenue." This charge against net sales is at the top of an income statement, whereas other sales and marketing expenses are "below the line" of gross profit as SG&A (selling, general, and administrative expenses). Many companies allow contra revenue liberally for rewards, so the incentive sponsor may only need to find budget dollars for the incentive support costs.



BUDGET PIE

At Spear One, we created the proprietary term “Budget Pie” to describe the slicing of the four key ingredients of a successful incentive program.

REWARDS

This accounts for the largest portion of your incentive budget. Whether the rewards portion of your program budget goes toward HDTVs, gift cards, or a trip to Bora Bora, it must be a meaningful investment for success.

COMMUNICATIONS

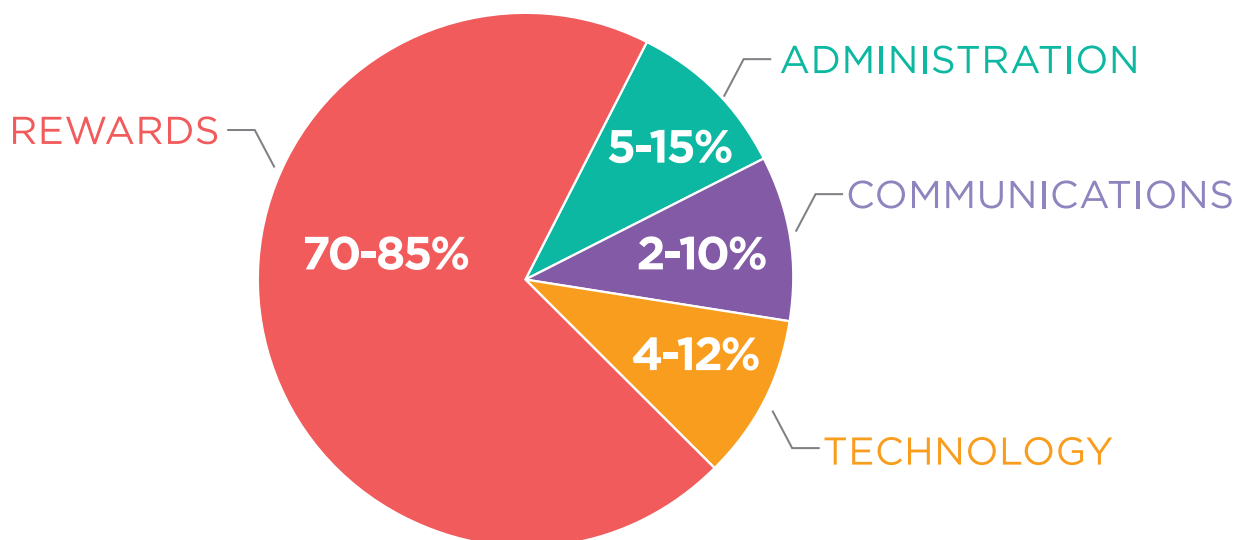
Make this investment to capitalize on a great reward, by making sure participants know what to expect throughout the incentive program, to keep the contest exciting, and for training too.

TECHNOLOGY

Nowadays, customizable websites and tracking databases add efficiency, scalability, and reporting required by participants, management, and the IRS.

ADMINISTRATION

This element includes funds for customer service, enrollment, reward fulfillment, performance measurement, and feedback.



FINAL THOUGHTS

As a rule of thumb, 70% should go to rewards and then approximately 10% of the total budget for each of communications, technology, and administration. For larger programs or simple programs, the rewards percentage can be higher and support percentage lower. For programs that are small, short, or complex, the support percentage could be higher.

Like grandma's apple pie, all the key ingredients must be properly portioned for tasty deliciousness — or here, incentive success, motivated employees, and positive ROI results.



**BUILD YOUR BUDGET AND
PLAY "WHAT IF" WITH
INCENTIVE SCENARIOS**

BUDGET BUILDER ►





10 TRACKING ACHIEVEMENTS

TRACKING AND MEASURING

How will you measure and track participant progress? This is a crucial step in running an incentive program. Unless participants know how well they are progressing toward their goal, they have no opportunity to increase their performance.

Frequently, the biggest challenge is capturing the data. Can you get a file download of the employee information from the HRIS (Human Resource Information System)? Even if the data exists, will HR release it due to privacy or security concerns? Once you have employee data, the next challenge is capturing the sales or performance results. Can you get a download from Salesforce (or other CRM system)? Can you get sales data from the order management system or the accounting system?

If you cannot get electronic file downloads, then you will need an online enrollment form, plus a sales claim form for reps to submit their eligible sales online.





YOUR PROGRAM SHOULD COLLECT DATA IN THESE AREAS

KEY TRACKING ELEMENTS

- ✓ Capture enrollment on each participant
- ✓ Track individual participant performance (sales or behaviors)
- ✓ Calculate and issue points, or update ranking results
- ✓ Redemption trends
- ✓ Minimize administrative burden using a strong incentive database / platform

PLANNING PHASE

- ✓ Establish listing of all eligible participants in a master database - whether via mass import or individual enrollment
- ✓ Capture baseline measures, if required
- ✓ Determine method and frequency of obtaining performance data (hard copy or electronically, weekly or monthly, etc.)
- ✓ Determine how often participant progress reports will be sent and what information will be communicated. Also consider real-time data as a benefit for participants.





YOUR PROGRAM SHOULD COLLECT DATA IN THESE AREAS

ENROLLMENT

- ✓ Enroll prospective participants
- ✓ Collect job title, department, geographical region
- ✓ Determine unique identification field, such as employee number or email address
- ✓ Get SSN upfront for tax reporting (chasing SSN's in January after awards are issued is very difficult!)
- ✓ Set individual goals, if applicable

TRACKING RESULTS

- ✓ Determine measurement periods (weekly, monthly, quarterly, or yearly)
- ✓ Receive participant performance data
- ✓ Verify accuracy and compliance with incentive rules (data, products, conditions)
- ✓ Record and store information
- ✓ Calculate points or rankings



VERIFICATION

As performance data is submitted via electronic file upload or an online claim submission, three important audit steps should occur.



1. VERIFICATION

Robust incentive platforms will verify that only eligible claim data is submitted using “business rules” technology. This electronic verification is often customized to the incentive sponsor’s requirements for eligible dates of sale, SKUs, geography (or vertical market), authorized sellers, and other qualifying conditions.



2. CALCULATION

The incentive technology should have a strong scorekeeper engine to maintain scoring logic and to calculate points earned. It verifies qualifying requirements, calculates points, and updates point totals.



3. APPROVAL

The back-end system should have functionality to batch verified sales for final approval by an authorized company manager.

SUGGESTIONS

- Allow plenty of time to get your measurement tracking system in place. Don't get stuck scrambling to catch up! You don't want to launch and find your database has problems.
- Determine how much lead time you need to calculate sales results or behavioral achievements at the end of a performance period.
- Using 2-3 measures should be the limit



RODGER STOTZ

Incentive Research Foundation, Chief Research Officer

“No phase of program planning is more important yet more often overlooked than measurement”

11 FULFILL REWARDS



THE BIG MOMENT

Here's the step participants have worked for — the rewards!

Regardless of the award type, here are some important disciplines.

- Awards should be delivered in a timely manner. Delayed fulfillment demoralizes the previously motivated audience.
- Try to get the results quickly, so the awards can be given out while the program is still fresh in everyone's mind.
- Present awards in person if possible, for added recognition.
- Make sure the awards are easy to fulfill. Difficulties or dissatisfaction at this point can negate much of the positive morale.
- If possible, give the participants options - the power of choice can be an additional motivation factor.



IMMEDIACY

Make sure your winners enjoy speedy fulfillment. It's bad when the winner receives their prize but cannot remember why they won. After creating positive energy with an incentive, employees can quickly become demoralized and disengaged if they're forced to wait 60 days for their award.



ADD RECOGNITION

Celebrating success is a fundamental element to foster longer-term, employee engagement. Avoid the awkward situation of a prize box shipping to the winner's doorstep with no celebration or recognition. Add your own special style to say "congratulations" and "thanks." Research studies show sincere recognition adds even more motivation and loyalty value.



AWARD NEUTRAL

Many incentive companies have an award bias. They might push merchandise catalogs, gift cards, or a club trip as the solution for every business challenge. Spear One has an award neutral philosophy. Using our expertise, we match the right award recommendation to your audience needs and business goals.

12 REPORT RESULTS



GOOD REPORTING

In today's world of Sarbanes-Oxley and budget scrutiny, your incentive program must have detailed reporting to demonstrate ROI, or the newer ROO (return on objectives). Without good reporting, your incentive may be easily sacrificed at the first sight of budget cuts. You should determine the meaningful program activity reports that senior management desires and ensure reports are issued timely.

ROO IS THE NEW ROI

Today's complex businesses with multiple sales and marketing tactics are challenged to calculate ROI due to judgment calls on how much success to attribute to each tactic. Return On Objectives has zoomed in popularity. Measures might include new customers, repeat customer loyalty, sales enablement, customer satisfaction, employee engagement, retention, etc.



COMMON REPORTS

Items included in typical incentive reports:

- Sales performance information — summary and detailed reports
- Points earned (and sales) by sales rep, by geographical region, by product line, by SKU
- Points earned (and sales) by incentive offer
- Listing of all enrolled participants
- Progress reports or leader boards
- Website usage statistics

Monthly reports should be pushed out automatically as PDF files. At any time, a good incentive platform will empower you to pull (export) the detailed transactions to Excel for ad-hoc analysis.

ASSESSMENT & ADJUSTMENT

At the mid-point, use your reporting system to learn what's working and what needs improving. It never hurts to have a program review to review the data. After analyzing the reports, consider what adjustments should be made. Perhaps, more communications or promotions are needed to build awareness or understanding. Clarify any points of confusion. Adding a spurt activity or overlay contest with an exciting prize can draw extra attention. But, don't change too much; participants are not as familiar with the program as you are!

ROI

At the conclusion, reflect on your success. Calculate incremental sales lift, incremental profit, and return on investment to demonstrate the program met expectations. Consider if the program also met the participants' expectations. And of course, evaluate how you could improve the incentive efforts next time.

TAX REPORTING

For US participants, "Uncle Sam" has some required tax information that he feels very strongly about. At the conclusion of each calendar year, the taxable value of incentive must be added to an employee's W-2 or reported on a Form 1099-Misc for non-employee contractors. Incentive companies, like Spear One, have a thorough understanding of the IRS rules regarding incentive awards, and they can assist you with IRS compliance and calculating the lowest taxable values to save on taxes.



TAX VALUES

MERCHANDISE VALUED AT 70%
INCENTIVE TRAVEL VALUED AT 75%

[MORE DETAILS ►](#)





12.5 **KEEP IT
FRESH**

MAINTAINING THE EXCITEMENT

Keep your incentive program fresh and exciting by adding some pizzazz to the core structure.

To continue participants' interest, we recommend offering new awards, short-term contests, exciting travel trips, special drawings, spurt promotions, referral bonuses, or extra communications. You can also spice up programs with new award offers.

CLIENT SALES EXECUTIVE

"Enablement is everything."

- on the challenge of training new reps and partners as products become more complex and rapidly evolve.



CONTESTS & PROMOTIONAL IDEAS

FAST START

bonus points on all performance measures during the first few weeks or month

LEADER BONUS

extra rewards for top performers (and recognition on the website)

MANAGER OVERRIDE

the manager receives a matching percentage (often 10%) of points earned by their direct reports (which encourages the manager to motivate all their reps!)

TRAINING BONUS

complete training, earn bonus points; make a sale of trained product, earn 2x points

SPURT ACTIVITY

increase award potential for a specified period
(ex: double points for a slow month)

TEAM BONUS

if the team meets a pre-determined goal, everyone wins

TOP PERFORMER

grand prizes or special offers awarded to top achievers

**BID & WIN**

predict your sales increase to receive an award; the higher the goal, the higher the awards

ACCELERATORS

every time a rep passes a threshold, their points accelerate
(after level 1, earn 150%; level 2, 200%; level 3, 300%)

EARLY ENROLLMENT

earn extra points for enrolling by a specific day

REFERRAL

refer a friend for extra points

SWEEPSTAKES DRAWING

earn tickets in a random prize drawing

SCRATCH-OFF CARDS

instant win cards can have bonus points or special prizes,
depending on the card's hidden value

TRAINING GAME

online games have become popular as an effective technique to promote new



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Incentive Fee Estimator

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Ignite Technology Platform

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Incentive Budget Builder – for “what if” incentive scenarios

<http://www.spearone.com/incentive-budget-builder>

Tax values for Incentive Programs

<http://www.spearone.com/tax-implications-of-incentive-programs/>



WORKSHEET



WORKSHEET

Print this worksheet to use as a guide to planning and designing your incentive program.



01 DEFINE GOALS

of _____ (product)

in _____ (market)

thru _____ (channel)

during _____ (timeframe)

by _____ (\$ or %)

Reminder: Are the goals S.M.A.R.T.?

02 UNDERSTAND TARGET AUDIENCE

Average Age _____

Male/Female _____

Average Pay _____

Job Titles, Level _____

of Participants _____

of Locations _____

03 ANALYZE CURRENT STATE

04 DESIGN PROGRAM STRUCTURE

05 SELECT REWARDS & RECOGNITION



Travel

☐

Merchandise

☐

Gift Cards

☐

Prepaid Cards

☐

Experiential

☐

06 ASSIGN PROGRAM ADMINISTRATION

Reminder: Internal do-it-yourself or hire an incentive agency?

07 ADD TECHNOLOGY PLATFORM

08 CREATE COMMUNICATIONS

<input type="checkbox"/> Theme	<input type="checkbox"/> Kickoff Event	<input type="checkbox"/> Monthly Statements
<input type="checkbox"/> Teaser	<input type="checkbox"/> Kickoff Kits	<input type="checkbox"/> Postcards
<input type="checkbox"/> Kickoff Announcement	<input type="checkbox"/> Banner or Button Ads	<input type="checkbox"/> Reminders
<input type="checkbox"/> Email Announcement	<input type="checkbox"/> Posters	<input type="checkbox"/> Giveaways

09 BUILD THE BUDGET

		Industry Norms
Awards	70-85%
Technology	2-10%
Communications	4-12%
Administration	5-15%
TOTAL	

10 TRACK ACHIEVEMENTS

11 FULFILL REWARDS

12 REPORT RESULTS

12.5 KEEP IT FRESH!

For a complimentary 15 minute consultation on your worksheet with Mike, please send your worksheet to info@spearone.com. Include "12.5 Step Worksheet Consultation" as your email subject line.