

USING INCENTIVES TO DRIVE SALES: BEST PRACTICES

Walter Ruckes, Vice President, Sales Engagement Strategy, BI WORLDWIDE

A successful sales incentive program will include three critical elements: goal setting, emotional commitment and focus. These elements will serve as the foundation for both short-term and long-term programs that will ultimately help you engage your sales reps to achieve your business objectives. Explore our guide to learn best practices to follow when designing your next incentive program.

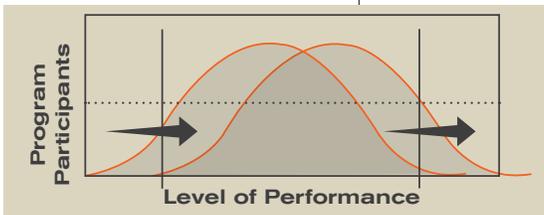
What we believe about incentives

1. Solutions must be grounded in behavioral economics
2. Leaders are key to a successful program
3. Incentive programs should be funded from incremental gain
4. Global programs must be local
5. Local client service matters
6. Engagement & ROI should be measured
7. Experience makes a difference

Why incentives? What do they do?

Compensation plans create a bell curve of performance among sales reps... incentives move the middle.

Unlike compensation, which isn't changed throughout the year, incentives are flexible and can (and should) be changed quarterly, monthly, weekly or even daily to meet objectives and drive focus on specific business objectives.



Where do incentives fit?

Incentives should be treated as a separate component of your overall strategy to engage and retain your sales reps.

Cash Compensation	Non-Cash Incentives	Recognition
Attracts and retains good people	Achieves specific objectives; drives desired activities	Communicates standards and corporate alignment
Long-term/stable	Short-term	Long-term
Market driven	Results driven	Performance driven
Establishes performance standard (minimum)	Complements compensation	Establishes performance levels: Good, Better, Best
Private	Public	Very public
Satisfies basic needs	Satisfies wants	Satisfies self-esteem



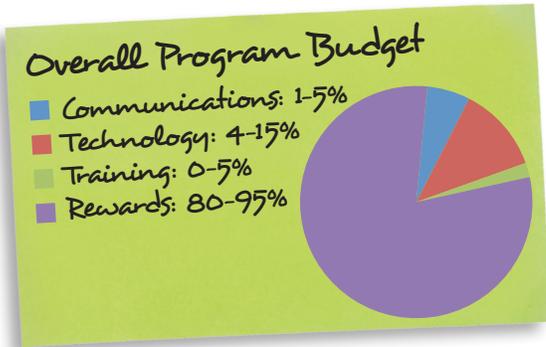
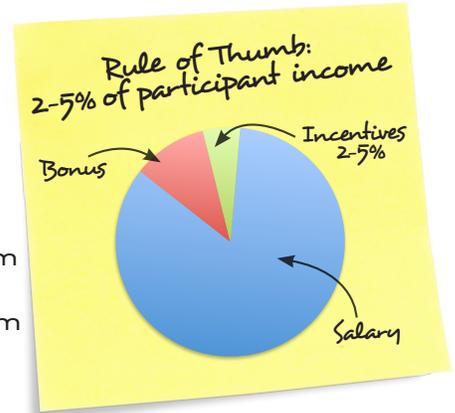
What are incentives intended to do?

Incentive programs provide sales reps at all levels the opportunity to stretch and increase their performance throughout the year, as well as:

1. Narrow the gap between current performance and quota
2. Sustain high performance
3. "Move the middle" in the performance bell curve
4. Drive activities, short-term impact and on-demand behavior change

How much should I spend on incentives?

- **1-5%** of total sales revenue
- **5-10%** of incremental sales revenue
- **12-24%** of incremental profit
- **2-5%** of the average participant's income (multiplied by the fraction of the year that the program period represents)
- **15-25%** of cost savings in a cost-reduction program



Guidelines for incentive program benefits

The percentages allocated for each component will vary based on the types of programs being designed. Non-reward percentages may be significantly higher for programs with very small budgets and/or small audience sizes (ex: pilot programs).

Why non-cash incentive programs?

Sales reps say they want cash, or cash equivalents like gift cards, but we've proven they will repeatedly work harder and perform at a higher level for non-cash rewards like merchandise or travel.

Cash & Cash Equivalent	Non-Cash
<ul style="list-style-type: none"> ▪ More rational ▪ Gets "lost in checkbook" ▪ Low trophy value ▪ Higher overall cost ▪ Lower performance ▪ Private 	<ul style="list-style-type: none"> ▪ More emotional ▪ A "halo" over behavior ▪ High trophy value ▪ Lower overall cost ▪ High performance ▪ Public

Non-cash rewards produce results

Incentive programs that offer non-cash rewards are proven to be more effective than those offering cash or cash equivalent rewards.

Audience	Non-Cash Reward Results	Cash or Debit/Gift Card Reward Results
Automotive Dealers	8.2% sales lift	1.2% sales lift
Tire Manufacturer Dealer Reps	32% sales increase	22% sales increase
Financial Firm Sales Managers	58.2% achieving	29.9% achieving
Window Dealer Reps	15 conversions/rep	12 conversions/rep
Retailer Reps	85.3% of objective	76.1% of objective
University of Chicago Study	38.6% increase	14.6% increase

Source: "Making the Performance Connection", BIWORLDWIDE, 2010.

USING INCENTIVES TO DRIVE SALES: Best Practices

Effective Rewards

Justifiability: It's difficult to indulge with our own money but we'll gladly accept something high-end as a reward for achieving a goal.

Sociability: When we earn a non-cash reward like a watch or a trip, we're more likely to talk about it with others than if we were to receive a cash bonus.

Experiential: Motivation is extended and reinforced when the reward is above and beyond fulfilling a basic need.

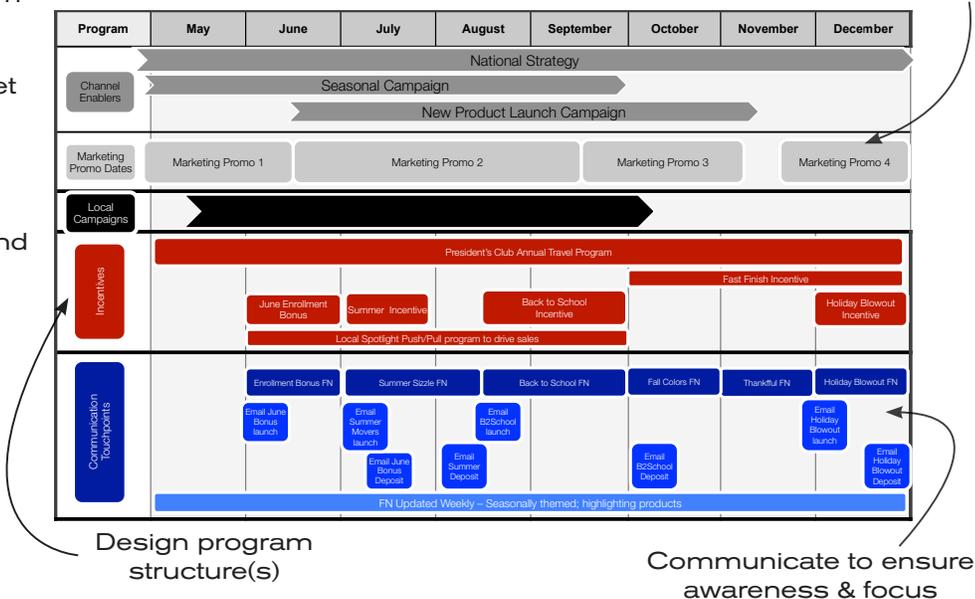


Copyright © 2005
Professor Ran Kivetz, Columbia University

How do I get started?

- Define program objectives
- Define and segment target audience(s)
- Determine performance drivers
- Gather data and key metrics

Align with key strategies and marketing efforts



BIWORLDWIDE applies the science of behavioral economics to design sales incentive programs that reward your sales force for behaviors and results that make your organization successful. We offer a number of solutions to help our clients drive results, including GoalQuest®, the only patented incentive solution in the industry.

For more information on **BIWORLDWIDE**, visit: BIWORLDWIDE.com or email us at info@BIWORLDWIDE.com.

