

The Business Case for Selling Incentives

in•cen•tive

From Wikipedia, the free encyclopedia

An **incentive** is any factor (financial or non-financial) that enables or motivates a particular course of action, or counts as a reason for preferring one choice to the alternatives.

Ability x Motivation = Performance

“One of the most fundamental equations in all psychology is **Ability x Motivation = Performance**.
Stephen Kerr, “Ultimate Rewards: What Really Motivates People to Achieve.””

Goals direct behavior. When an incentive is included with a specific goal, an individual is further motivated to achieve that goal. Of course, an individual is not motivated to obtain every incentive offered to him or her. The incentive must have a high-perceived value, and when an individual is willing to expend effort to obtain that incentive, they modify their behavior to earn the incentive.

Organizations that utilize incentive programs to help drive their business understand human nature and the importance of offering tangible rewards to motivate employees and customers to achieve pre-determined goals. This is why Corporate America spends nearly **\$46 billion** dollars each year on merchandise and travel incentives.

If you are not selling incentives to your customers, you are missing an opportunity to grow your business and increase your profitability.

The Business Case for Selling Incentives is your guide to information, resources, and tips about selling incentives to your clients. Most importantly, this guide includes a list of IMRA incentive manufacturers representatives. These experts will help you sell and source brand name merchandise for your clients' incentive and corporate gifting programs.

Selling Incentives = Opportunity

According to the Incentive Federation's 2007 United States Incentive Merchandise and Travel Marketplace Study, while 51% of companies in the US with revenues over \$100 million use tangible incentives, only 34% of US corporations of all sizes use merchandise and travel awards. This means there is tremendous opportunity for you to introduce the power of tangible incentives to your clients.

Corporate America use incentive programs to:

- Increase sales and productivity
- Increase participation in training programs
- Boost employee morale
- Enhance work quality
- Foster teamwork
- Decrease absenteeism
- Attract and retain quality employees
- Engage employees and customers
- Improve work habits
- Ensure safety
- Reward customer, channel partner, and employee loyalty

Seventy-nine percent of organizations that use incentive programs include promotional products in those programs; seventy-four percent of these organizations purchase merchandise incentives directly from promotional products distributors.- Incentive Federation Study

You are well-positioned to sell incentive programs.

- Your clients trust you.
- You know how your clients work and you know the challenges they face.
- You have tools and help available through IMRA!

Here's how to get started:

- Know your client's mechanics of distribution;
- Get to know your client's Sales VPs;
- Introduce yourself to HR;
- Ask about their rewards/recognition initiatives;
- Look at their current programs;
- Call your local Manufacturers Rep – they will share years of incentive marketing experience and expertise with you;
- Read *Incentive*, *Premium Incentive Products*, *SalesForceXP*, *Selling Power*, and other incentive-focused magazines to see how others do it. (See Industry Resources)

Questions to ask your Client:

- *Who plans and fulfills your sales incentive program?*
- *How do you recognize your employees?*
- *How do you encourage customer loyalty?"*
- *Do you offer your dealers/customers incentives to increase their purchases with you?*
- *Would you invest \$50,000 to get \$500,000?*
- *If you attain your goals this year, how do you plan to celebrate them?"*
- *How can I help you attain those goals?"*

Types of Incentive Awards

Your customer may tell you they use cash as an incentive. However, cash is usually not the most effective award choice. Though its value is concrete, a cash incentive is often used to pay bills or is spent on a variety of non-memorable items. In these cases, there is no "trophy-value" and the memory of "earning" an incentive quickly fades away. And there is a much greater problem. An Incentive Federation study found "three of five respondents agree a cash payment is perceived to be part of an employee's total compensation" and more than half agree "employees tend to look at bonus payments as something they are due as part of their compensation package."

Tangible Incentives are more effective than cash because:

- Tangible incentives deliver trophy value;
- Tangible incentives create lasting impressions and memories;
- Tangible incentives can deliver a higher perceived value at a lower price point than the cash equivalent;
- Cash may be considered income;
- Cash has no lasting effect.

The Benefits of Tangible Non- Monetary Incentives

Excerpts from Executive White Paper published by The Incentive Research Foundation

There are four psychological processes that influence participant perceptions of tangible non-monetary incentives, making them perceived to be of more value than cash incentives of equal market value.

Perceived Value of the Award

- 1) **Evaluability – Affective reactions drive perceived value.**
Because attaching a monetary value to non-cash incentives is difficult, the participant's affective reaction to the award substitutes for its predicted utility. These perceptions tend to increase value beyond the actual amount.
- 2) **Separability – Non-cash incentives are not confused with compensation.**
Individuals separate an award from other compensation. Tangible awards are not considered

a part of their salary, therefore the award becomes unique and the performance more meaningful.

Value of Earning the Award

- 3) **Justifiability – Earning the incentive eliminates the need to justify its purchase.**
Hard work becomes an attractive way to acquire something that was not justifiable otherwise. Earning the non-cash incentive carries more value than earning the market value of the incentive in cash.
- 4) **Social Reinforcement – Acknowledgement increases social utility, increasing value.**
Non-Cash incentives are more socially acceptable to acknowledge, which increases the value through trophy value and keeps a link between the award and the company that provided it prevalent.

When Is Branded Merchandise the Preferred Choice

Excerpts from IMA's Principles of Results Based Incentive Program Design written by Bruce Bolger CPIM and Rodger Stotz CPIM (Chapter 3.1)

Brands, by their very nature, generally have higher perceived value than non-branded products. Non-branded products can make up for that drawback, however, by being almost infinitely customizable to meet some communication or functional need that brands cannot be molded to fit. So even if the goal is motivation, the application may call for a promotional product instead of a brand. Here's a checklist to help determine which medium makes sense.

Factors Favoring A Branded Solution

- A primary purpose is to motivate people to do something.
- A primary goal is to have awards and recognition with high perceived value.
- An important goal is for people to share the recognition with their family and friends.
- The budget supports paying a higher price for the award.
- There is a feeling that being associated with brands will reinforce the brand of the sponsor company.

Factors Favoring A Promotional Product

- The primary goal is to convey a message.
- A primary goal is to reinforce the brand name and generate awareness.
- A primary goal is to bring a theme to life in a clever way with a target audience.
- A goal is to get someone to an event—having the event name on the gift increases response rates.
- The economics call for a very low cost.

Often times a company chooses to imprint their logo on a branded product. This has the benefit of potentially conveying greater perceived value and associating a lesser-known brand with a better-known one.

Tip: Note that some well-known brands do not allow co-branding without a management approval process.

Industry Resources You Should Know About

Incentive Manufacturers & Representatives Alliance (IMRA) – www.imraorg.net

Incentive Marketing Association (IMA) – www.incentivemarketing.org

The Incentive Research Foundation – www.theirf.org

Incentive Magazine – www.incentivemag.com

RepLink – incentive industry's database of more than 700 brand name products – www.replink.com

Premium Incentive Products Magazine – www.pipmag.com

SaleForceXP Magazine – www.salesforcexp.com

