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HOW TO RUN A SUCCESSFUL INCENTIVE AWARD PROGRAM

We come from a society that encourages incentives or "rewards" early on in life. For example, getting good grades in school was the motivation for a reward, congratulations and respect from the whole family, teachers and classmates. A good report card also encouraged siblings and classmates to strive to attain the same high standards as the achiever. Incentives are a very positive and continuous cycle of motivation. The results of which are good for all concerned.

Anything that promotes higher levels of performance can be considered an incentive: money, merchandise, trips, better working conditions, etc. But regardless of what kind of incentive you use, to be effective an incentive must:

- ?? Motivate toward higher standards of achievement.
- ?? **Have intrinsic value, in keeping with the achievement attained. And in the case of merchandise incentives, they should be well-known and respected brand names.**
- ?? **Incentives must offer peer recognition. What's the point of being top man or woman if co-workers are not aware of such successes.**

Study after study has proven that motivation, reward and recognition are the psychological elements that make incentives and incentive programs effective in enhancing or improving performance.

Why Incentive Award Programs Work

Incentive Award Programs work because they are designed to accomplish goals while fulfilling the psychological and emotional needs of the participants. They provide a formal, structured means of rewarding specific, measurable accomplishments.

You may already give bonuses to top achievers, extend special commendation to exceptional employees, or otherwise do things that constitute giving incentives. But such efforts aren't as effective as giving actual merchandise incentives for two reasons:

1. They reward the very people who possess enough inner motivation to reach high levels of performance, while failing to stimulate the average or below-average performer.

2. They neglect the peer recognition factor that provides an important psychological key to continuous high performance.

Incentive programs begin by defining the performance level desired within a prescribed period of time. Since management sets the goals, they can focus on participants' efforts in specific areas for improvement. Just be certain that people know what is being asked of them, and everyone starts off on an equal footing.

By announcing the goals and time frame, a competition between participants is created. When properly promoted and encouraged, this friendly competition generates enthusiasm and peer pressure among participants, increasing the likelihood that all participants, not just the few usual top producers, will improve their performance.

Finally, by announcing a specific incentive for attaining the required level of performance, that incentive becomes a recognized symbol of achievement, one which when gained, becomes a matter of pride and stature for the winner(s). It represents not only a goal achieved, but also, a level of performance to live up to in the future for all participants.

The Right Incentive Program For You

There are many kinds of incentive programs. One is sure to be right for your company.

Sales Incentive Programs

These programs are designed to affect the performance of those responsible for selling your products or services, whether they are salaried, commissioned sales employees, representatives or distributors.

Sales Incentive Programs are used by manufacturers, distributors or retail firms, and can be applied as broadly or narrowly as the sponsor wishes.

Some examples are:

Broad Programs

- ?? Overall dollar sales increase**
- ?? Overall unit sales increase**
- ?? New account openings**
- ?? Account upgrades**

Narrow Programs

?? New product introduction

?? Increased sales of particular product or service

Dealer Incentive Programs

Dealer Incentive Programs are Sales Incentive Programs for representatives employed by a separate company that services yours, or representatives directly commissionable by you. Regardless, these representatives are involved in the sales of your products or services. The same broad or narrow goals can be applied, with the additional factor that you must

promote, administer and verify the program in ways acceptable to the participating dealerships.

If the distribution of your product or service involves selling through dealerships, it is often effective to run a program that encompasses both your own direct sales force plus the dealer level, so that all levels are focused on the same goals.

Productivity Incentive Programs

These programs are directed to improve those areas of a company that involve costs rather than sales. Used primarily by manufacturing or service industry operations, they can include such areas as:

- ?? Quantitative productivity (speed)
- ?? Qualitative productivity (accuracy, reliability, safety)
- ?? Training
- ?? Lateness and Absenteeism

Customer Relations Incentive Programs

These programs are designed to improve performance in service industries or retail operations by affecting attitude and demeanor to customers. Most familiar are programs run by hotels, airlines, restaurants, banks and similar industries where the friendliness and cooperation of employees in the public eye deeply affects the satisfaction of the customers.

Consumer Incentive Programs

A Consumer Incentive Program encompasses virtually every type of consumer promotion: in-packs, on-packs, self-liquidators, coupons, rebates, contests, sweepstakes —any offer designed to motivate the consumer to act in accordance with the manufacturer's, distributor's or retailer's wishes.

From these broad definitions, you should be able to select the appropriate incentive program.

Remember, with any of these programs you must take into consideration the various levels of performance employees could possibly attain. The value of the merchandise selected should match those levels. A well-planned and structured program should offer each participant, based on his level of achievement, the opportunity to earn one of the prizes.

Relating Goals To Budgets

Once you've determined the type of Incentive Award Program you need, the next step is to decide how much money you are going to spend to achieve your goals.

In a designed program, most of your costs will come only after your program has ended and your goals have been reached. Your dollars -spent will be in direct proportion to the success in achieving your goals.

There are three basic elements to an Incentive Award Program:

- ?? Administrative Costs —this sum is minimal; it involves the paperwork, managerial and clerical time.

- ?? **Promotional Costs** —the dollars needed to generate excitement and enthusiasm and to keep participants informed. This is approximately 10% of your total budget.
- ?? **Incentive Costs** —which should represent nearly 90% of your total budget. Since incentives are only purchased and given after they've been earned, this cost is only incurred if your participants have actually achieved the goals. Therefore, your incentive costs are in direct proportion to the success of your program.

Running The Program

Here is a synopsis of what you must do before the program begins:

- ?? Choose someone to design and be responsible for the program
- ?? Establish your objectives
- ?? Calculate your budget
- ?? Specify eligible participants
- ?? Establish written rules and verification procedures
- ?? Select awards in accordance with budgets and achievement levels
- ?? Set start and end dates

Even if you've done all these things, your program will require continual promotion if it is to succeed. Since program results are directly related to promotional pressure, use some or all of these techniques to maximize promotional efforts:

- ?? Get actual samples of awards or color pictures
- ?? Start off dramatically
- ?? Prepare and distribute periodic promotional pieces, mailers and be sure to give interim standing reports as often as possible
- ?? End the program with flair —banquets, award ceremonies, congratulatory letter, etc.

Selecting Awards

The best incentives are ones that can be recognized by peers. This is what helps make an incentive motivating. Merchandise, or in some cases, travel awards are preferable. Such awards stand apart from wages. They constitute a permanent reminder of the program and its objectives.

Experienced program directors have found that items that are unrelated to business or office -personal gifts, items that relate to leisure activities such as sports equipment, or gifts that enhance a home, are most desirable. Timepieces —watches and clocks —have traditionally been recognized as excellent awards because of their visibility, usefulness and beauty.

A successful technique is to offer a wide variety of award gifts (within the price ranges that correlate to your budget) so that recipients can select the item that holds the greatest personal appeal.

Choosing an experienced award manufacturer or distributor is pertinent to your program. They can offer expertise in planning your awards as well as promotional materials needed to enhance your program plus, they will offer award gifts at below retail cost.

What you really have to decide is what percentage of sales or savings generated by the incentive program will be devoted to the program itself. For example, if implementing the program means you will increase your sales by 20%, would 1/10 of the increase be an acceptable cost for doing extra business? 11 certainly seems sensible. If by improving employees' attitudes, you get more satisfied repeat customers, what is that value in dollars and cents?

In addition, a good common sense rule is to set goals that are realistic and attainable. Often, the attainability of your goals is simply a function of realistic timing. You cannot rectify all the weakness of an operation in one program. So the second common sense rule is to determine the time frame needed to achieve both short and long term goals. You can fine tune your program accordingly. Chances are, with each successive program, you will become more and more successful as you become more familiar with the mechanics of motivation. You may even find that after a period of time, you will be spending less money on the program because you have created a new goal-oriented work environment.

Using A Value System To Reflect Goals Reached

Since incentive programs are a structured means of rewarding specific, measurable, activities, you must devise both the rules and the means of measurement.

These rules and means of measurement can be as simple or complex as your program requirements, as long as they are fair to everyone and everyone understands them.

Begin by dividing your award budget by the number of participants. The results will be the maximum total dollars you can afford for awards for anyone individual.

The next step is for you to decide whether you want all participants to be able to win equal incentives, or whether you want to have different incentives for different levels of achievement.

Another consideration for keeping all employees performing at their optimum ability, is to provide prizes for under-achievers. The best programs are structured so that every participant earns a prize. This works to your advantage because nobody wants to win the low-end incentive, as it doesn't make for the best peer approval.

Often the focus of the program becomes too monetary if the measurement is set in terms of actual dollar value. To avoid this, many program developers prefer to assign points to the levels of achievements, rather than actual dollar values. The points are then counted at the end of the program, and translated into prizes earned.

The final step in this phase of developing your program is to actually select incentives that your participants will want to win for their earned award points.

Consider the following:

?? Merchandise selected should be trusted, well-known brand names which offer value Merchandise should have warranties

?? For on-going programs, merchandise should have continuity

?? On-time delivery is a must

The Results

After your program ends you should write down what was and what was not achieved. What was the response to the award selected? Did you get the return on investment you expected? Analyze these factors so the next time you will be able to create a more effective program. And before you plan your next program, solicit suggestion from those who participated in the last program. Ask your participants what they feel would be a useful and logical extension of the program that just ran.

Remember that virtually any problem or situation involving people can be addressed and resolved by the motivational impact of a properly run incentive program.

Other Types Of Programs

When you have the need for other types of programs, you'll find the Hero's Salute staff experienced in these areas as well:

?? Sales Incentives

?? Dealer Incentives

?? Recognition Awards

?? Productivity Awards

?? Business Gifts

?? Safety Awards

Let Hero's Salute Help You Plan Your Incentive Program

Our trained specialists are ready to help you. They will sit down and help you plan all your programs and tell you about special ways to customize your gifts. Our consultation service is free and there is no obligation to buy.