

**A Case For Sales Incentive Programs**  
**A White Paper**  
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## Why Start a Sales Incentive Program?

A well-designed sales incentive program will not only inspire exceptional performance from a sales team, it will also put an organization on track to meeting its strategic goals. The best sales incentive programs are put in place to motivate, giving employees the opportunity to earn bonuses or commissions along with non-monetary perks—or incentives.

The incentives market is thriving. According to an Incentive Federation Inc. study, 74 percent of U.S. businesses spend \$76.9 billion annually on non-cash incentives like travel, merchandise, and gift cards. The market is largely driven by smaller businesses whose budgets are considerably smaller, but the large number of these businesses creates a \$39 billion market. Non-cash sales incentives are the largest category in this market, with \$21.4 billion in spending annually.

In September and November 2012, Aberdeen Group surveyed 312 organizations about their sales effectiveness practices and accomplishments, specifically to understand how sales performance management is effectively deployed. Over half the respondents listed non-cash rewards and recognition as an important part of sales performance management.

## Why Have a Sales Contest?

Sales incentive contests can inspire employees to achieve a specific goal, encourage them to compete against one another, and create an environment that fosters teamwork. Contests that are meant to increase sales can have a short-term or long-term goal. A long-term sales incentive contest might run over several months and have a larger prize, such as a cash bonus or an all-expenses paid vacation. A short-term sales incentive contest tends to run for a week or two and offers smaller prizes, such as gift cards or lunch out with management.

## Why Have a Third Party Sales Incentive?

Whether an organization has an internal sales team or uses third party sales or channel sales partners through a distributor network, the goal remains the same—get them to sell more through some sort of reward or incentive. An internal sales team gets paid to sell a product, assuring them of a job and commissions. But, getting sales people to reach beyond their comfort zone to make that extra call, push for cross-sell opportunities, or seek out customer pain points requires more than just a commission.

It's been said that 80 percent of sales comes from just 20 percent of an organization's workforce, possibly because 20 percent of the population is naturally motivated—they love what they do, they love the thrill of the hunt and, as a result, they get compensated accordingly. But, what about the remaining 80 percent of an organization's sales force? If they were given additional incentives to go further, sales would increase as well as the percentage of people contributing to that success.

With distributors and third party sales it's a similar story. If they can sell one product more easily and make more profit over another product, they will. An added incentive to sell one product



over another can be the difference. Non-cash incentives like travel, merchandise, and gift cards are all great options. However, for a sales incentive program—especially third party sales—cash is still a huge motivator. Sales people are naturally motivated by money. They are often paid partially or wholly on commission, meaning every extra dollar they can earn is part of their overall compensation. When trying to get a distributor or channel partner to sell one product over another, cash is a great way to go as long as the cash award is high enough that they will actually want to sell the product.

## Types of Incentive Awards

The old adage “cash is king” is true in many instances. It gives the recipient total flexibility to buy whatever they want. The downside is that sometimes people use their cash awards for less meaningful items—like gas or groceries—that don’t have lasting value. In that case, the reward is simply looked at as found money to help out with ever-increasing expenses. That’s why, for many employee incentive programs, companies are less likely to see a true change in behavior.

According to an Incentive Federation Inc. study, respondents from industry lists such as Incentive Magazine were asked what types of non-cash sales awards were used in their various programs. Award types were defined in two categories: incentive travel and merchandise/card.

The categories were specifically defined for respondents as:

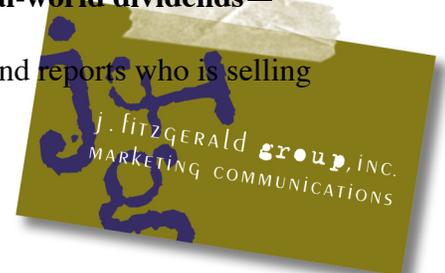
**1. Incentive trips**—Travel experiences to motivate and/or recognize participants for superior performance in support of organizational goals. With these programs, incentive travel is the key award. Participants may win a spot on a group travel program, or they may be able to select from among various travel packages—either group or individual. Related expenses including room and other gifts are included.

**2. Points-based or merchandise awards**—These are merchandise or other awards used as part of an incentive or recognition program. Rewards may be a variety of products of different values, gift certificates/gift cards, experiences, or individual travel. These programs may allow participants to redeem points for awards of their choice, or earn different awards based on level of achievement. How much award choice, or how little choice, participants get is usually up to the employer or sponsor.

Not surprisingly, the use of incentive travel and merchandise/gift card differs across program types. Whether an actual sales team or a staff of customer care agents and managers, it’s a company of employees with real goals that they must reach.

Payback Incentives (<http://www.paybackincentives.com/>) is an online sales incentive program with parameters, milestones and award choices set to the desire of the employer using the service. It encourages employees to exceed their goals by:

- **Creating a profit sharing culture where each employee receives real-world dividends**—from cash to cruises, valuable gifts and more.
- **Creating a culture of competition**—employees see on leaderboards and reports who is selling more and how close they are to their own goals.



- **Targeting certain services, products and even customers as sales targets and goals**— staff turn prospects into customers and take the credit.
- **Reporting transparency** - clear reporting on who has met goals, completed trainings, and what they have earned lets everyone know where they stand.
- **Sharing of data** - by individual, team, region, division or the entire company on a permissions-basis controlled by the employer.

### How Much Should Be Given Per Sales Incentive?

Employees weigh an incentive's value against how hard it is to earn. Choosing rewards that inherently have a higher value inspires higher performance. Keep in mind that indulgences, especially those that don't have to be justified, are more valuable. So are things that attract peer attention and stand out from regular pay.

According to an October 2013 Incentive Market Study by the Incentive Federation, respondents were asked to provide their annual spend for incentives. Categories ranging from “Less than \$1,000 per year” to “Over \$1 Million per year” were offered. As expected, the data indicates larger firms have higher budgets, with a large proportion of firms in the \$1,000 to \$10,000 category, with many firms also in the “Between \$10,000 and \$100,000” category. For the Sales Incentive Travel Spend category of spend, average budgets are as follows:

| Group                       | Sales Incentive Travel |
|-----------------------------|------------------------|
| Spend \$1 - \$10 million    | \$18,547               |
| \$10 - \$100 million        | \$36,488               |
| \$100 million - \$1 billion | \$106,978              |
| \$1 billion+                | \$475,105              |

While the budgets may look significant, incidences of sales incentive travel rewards are lower than merchandise/card for employee and customer programs (these budgets are within firms that use those types of awards). For Merchandise/Gift Card spending, budgets follow a similar pattern.

| Group                       | Sales Merchandise and Card |
|-----------------------------|----------------------------|
| \$1 - \$10 million          | \$20,118                   |
| \$10 - \$100 million        | \$73,546                   |
| \$100 million - \$1 billion | \$128,640                  |
| \$1 billion +               | \$352,930                  |

Total market size is calculated by extrapolating the average incentives spend within firm size to the population of U.S. businesses of that size using non-cash awards. The total size of the non-cash incentives market is \$76.9 billion; with non-cash sales rewards being the largest category of spend at 28 percent of the market.



It is also informative to evaluate the breakdown of the \$76.9 billion market by size of firm. Because of the sheer number of firms in the smaller business category, firms between \$1 million and \$10 million in annual revenue account for more than half the market.

Although the size of the market is predominantly driven by smaller firms, the higher incidence and larger budgets deployed by mid-sized and large firms results in a shift in proportions. While small firms account for 86 percent of U.S. firms, they account for only 51 percent of the non-cash incentive spending.

### **Selecting the Right Recognition Provider: What to Look for in a Program**

There are hundreds of incentive programs, many of which seem the same.

Payback Incentives (<http://www.paybackincentives.com/>) provides the highest level of flexibility and sales or goal enablement with the least amount of company management time. You choose the performance goal and the award—Payback Incentives tracks the progress and automatically provides the award when the goal is reached, providing true ROI for each initiative.

Many programs, whether company-run or managed through other providers, can be cumbersome and time consuming, because they:

- Are managed through an Excel spreadsheet
- Utilize inflexible, off-the-shelf software
- Require several people to manage
- Cannot execute more than one incentive program at a time
- Consume administrative and management time
- Only target new products and services

Payback Incentives manages all incentive campaigns, however many a company may be running simultaneously, eliminating administrative and management time. One of the biggest benefits that makes Payback Incentives unique is usable, reporting analytics, providing the ability to easily track and report on a wide variety of data and act upon it.

Payback Incentives was created by J. Fitzgerald Group, an international marketing technology company specializing in full-service advertising, marketing, web design and research. JFG's clients span local, regional and worldwide markets.

JFG's other featured online sales enablement program includes i-Marketing Online (brand-protected, customized marketing systems). JFG empowers client partners to close the sales loop—from marketing to incentivizing.

To learn more about Payback Incentives call 716-433-7688.

