

# THE INCENTIVE PLAYBOOK

REWARDING PERFORMANCE

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*Rewarding Performance*

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REWARDING PERFORMANCE

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Need to spark sales? Increase your market share? Motivate your salespeople? Recognize your best performers? **The kNEXTis XL Awards Solution (XLA)** can turbo charge your sales force so you can boost sales during slow seasons, create focus on new or special products, generate team spirit, and sharpen competitive drive. We've helped hundreds of companies launch and manage thousands of incentive programs, resulting in dramatic expansion in market share and increased sales of up to 300 percent. So we know why sales incentive programs succeed - and why they fail. We've used this knowledge to create "The Incentive Playbook for Rewarding Performance," an easy-to-read guide packed with the following valuable tips that will help make your next incentive program a success.

**Play# 1: Cash Is Not King - Maslow knew how to motivate a sales team.**

**Play# 2: The A-B-C's of Motivation - Motivate the middle to maximize results.**

**Play# 3: "What's in It for Me?" - Make your rewards personal.**

**Play# 4: Get S.M.A.R.T - Craft realistic goals for a successful program.**

**Play# 5: Now Hear This! - Communication determines whether your program sizzles, or fizzes.**

**Play# 6: Give, and You'll Receive -Incremental rewards keep the program growing.**

**Play# 7: Shine the Spotlight - Celebrate success and recognize the winners.**



**PLAY #1**  
**CASH IS NOT KING**

MASLOW KNEW HOW TO MOTIVATE  
A SALES TEAM

Sixty years ago, psychologist Abraham Maslow created a hierarchy of needs (see illustration below), which concluded that once basic needs are satisfied, people want more.

Apply Maslow's pyramid to how to best motivate your employees, and you'll discover that the "more" people want goes beyond cash incentives. Certainly cash pays for your employees' "physical comfort" and ensures their "security" - the Monetary Needs. But cash cannot satisfy their social, self-esteem, and self-realization needs. These are the Psychic Income Needs that drive individual employees to succeed - to be part of a team, to earn honor and recognition from their peers, and to realize their greatest potential.

In a sales environment, cash compensation - base salary and commissions - satisfies Monetary Needs. But just as money can't buy happiness, money also can't buy the intangibles that drive your salespeople - self-worth, feeling valued in an organization, and approaching each new sales day with enthusiasm and positive energy.

Thus, **cash is not king** - at least not when it comes to jumping up the performance of your salespeople.

Doubling commissions does not double sales!

Non-cash sales incentives, however, generate a greater feeling of personal achievement and increase your sales force's overall performance. In fact, merchandise and travel incentive programs can provide a 200 percent greater return than cash.

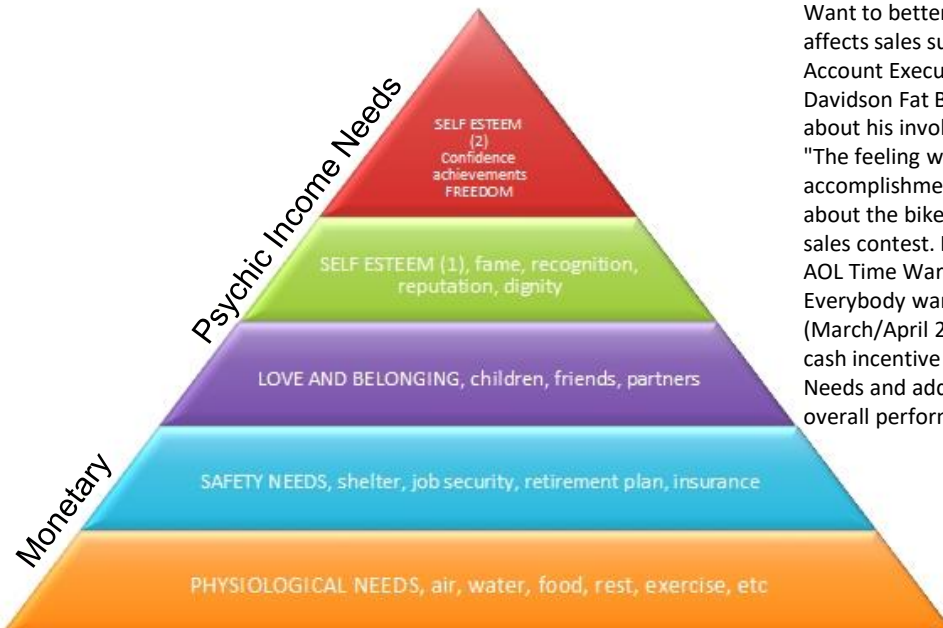
Once a salesperson's Monetary Needs are met, you've got to offer something that meets their Psychic Income Needs. Non-cash incentives provide "trophy value," or bragging rights - things that aren't possible with incremental cash incentives.

Imagine a salesperson has earned a cash bonus. He walks around his neighborhood yelling, "Hey, check out my new \$1,000 bill." Ridiculous? Yes. Yet bragging rights and celebrating success are a huge part of the sales motivation process. Now imagine that same salesperson won a 62" big screen TV in a non-cash incentive sales contest. A neighbor drops by for a visit and says, "Hey, cool new TV. When did you get it?" Time for bragging rights: the salesperson says he won the TV because he was the top sales performer in his office. But, even better than that, for the next 10 years every time the salesperson watches that TV, he'll remember what he did to earn it and which employer provided the reward.

If you want your sales team to be truly inspired and to maximize their motivation, you must create the environment that motivates them to achieve, Maslow knew how to motivate a sales team, and so can you by creating a compensation plan that includes a mix of base salary, commissions, and non-cash incentives.

Want to better understand "trophy value" and how it affects sales success? Here's what Todd Ridgeway, an Account Executive for AOL Time Warner who won a Harley Davidson Fat Boy motorcycle as a top sales performer, says about his involvement with a non-cash incentive program: "The feeling was, and continues to be one of tremendous accomplishment. Even today, when someone inquires about the bike, I tell them the story of how I won it in a sales contest. It not only makes me feel good, but it makes AOL Time Warner look like the greatest employer on earth. Everybody wants to know how to get a gig with AOL". (March/April 2002 Sales and Marketing Magazine) Non-cash incentive programs meet your employees' Physic Needs and add the necessary zing to your sales force's overall performance.

**MASLOW'S HIERARCHY  
OF NEEDS**



## PLAY #2 THE ABC'S OF MOTIVATION

MOTIVATE THE MIDDLE TO  
MAXIMIZE RESULTS

Your sales team can be divided into A, B, and C players. Your "A" players represent 10 percent of your team and are your top performers. Top performers will always be at the top. They have the skills and are self-motivated to consistently perform at a higher level. Your "C" players represent 10 percent of your team and are your bottom-end performers. Even incentives will usually not motivate them to perform at a higher level.

But it's your "B" players - the ones in the middle - who will be most influenced by a sales incentive program. Your "B" players represent 80 percent of your sales team. While they're your average performers, incentives will motivate them the most and therefore have the greatest impact on overall results. Target the middle of your sales force with an incentive program, and you'll drive more individuals to the top - and maximize results.

How do you motivate the middle? Your incentive program must offer the opportunity for every participant to be a winner. This is often referred to as an "open-ended program."

### MOTIVATE THE MIDDLE TO MAXIMIZE RESULTS



All people achieving goals of program can earn awards

All people achieving goals of program can earn rewards. In an open-ended program, participants earn the reward if they achieve the goal of the program. Such a program would offer them, for instance, an opportunity to earn "x" for every widget sold or "y" for every product demonstration.

In contrast, a "close-ended program" has a limited number of winners. If you have a sales organization of 50 sales representatives and offer a reward to the top 5 sales performers, the majority of your sales team - the middle 80 percent - will believe they have little or no chance of winning. **A close-ended program targets the top performers and does little to motivate your middle players.** Offer only a close-ended program, and the biggest part of your sales force - the "B" players - will immediately tune out and ignore the program. That means that you've failed to motivate the middle - the segment where an incentive program will have its greatest impact!

Close-ended programs play a critical role in motivating the cream of your sales team - the "A" players. Certainly it's essential to reward your top-performers because you want to keep them at the top of their game - and ensure you retain these sales superstars. But remember Play #1. A combination of closed and open-ended reward programs will better satisfy an individual's range of Psychic Income Needs. A close-ended program, which celebrates the "best the best" (such as through a Presidents Club, where the top 10 percent of your sales team goes to Hawaii, or awarding a Porsche to your top performer at your national sales meeting) satisfies an individual's personal esteem and honor needs. An open-ended incentive program earns an individual recognition from family, friends and peers.

Want to inspire 90 percent of your team? Combine open-ended and close-ended incentive programs to get the best out of the majority of your sales force. Use a close-ended program to honor the top 10 percent of your sales team and satisfy their need for honor and personal esteem. Use an open-ended program to inspire 80 percent of your sales team and maximize results. As for the remaining 10 percent, well, it's no Play how you handle them.

**PLAY #3**  
**“WHAT’S IN IT FOR ME?”**

MAKE REWARDS PERSONAL

When you announce your sales incentive program, the first thought your salespeople will have is, "What's in it for me?" Two keys will ensure that your program's reward will be motivating. First, your incentive should be **worth** going for. Second, the reward should be something your employees **want**.

A proven rule-of-thumb for a sales incentive program states that the incentive should be worth **3 to 5 percent** of an employee's annual compensation. If you're running an incentive program for a salesperson whose annual compensation is \$60,000, the potential reward should be around \$3,000 annually or \$250 per month:

$\$60,000 \text{ compensation} \times 5\% = \$3,000 \text{ annual incentive}$   
 $\$3,000/12 \text{ months} = \$250 \text{ incentive per month}$

Annual Compensation	Reward Potential/Month
\$30,000	\$125
\$60,000	\$250
\$90,000	\$375
\$120,000	\$500

This means that a salesperson who makes \$60,000 could potentially earn a \$750 home theater system in a 3-month incentive program. **Remember, the reward has to have a value that will motivate your sales rep to work harder.**

You can't dramatically change a salesperson's behavior for a couple of movie tickets! Budget your incentive program correctly, and you'll have an impact on individual motivation as well as overall results.

It's also important that your program offers rewards that inspire the participant, not you. Just because you get turned on by a 14.4 volt variable-speed power drill doesn't mean others will. And while you may yearn for a fancy 5 mega-pixel digital camera, it won't motivate those who already have one or the person who fears technology. A trip to Hawaii may be your dream vacation, but it can be a logistics nightmare for new parents.

Rewards that drive behavior are effective only if the prize is relevant to the individual. Since it's nearly impossible for prizes to be equally coveted by all participants, the best program awards prizes through a catalog with a large selection so participants can select the reward they want. The more meaningful the reward, the more motivating your program will be. And, as we said in Play #1, the more memorable a reward is, the more influential it will be on an individual's future performance.

Studies show that 85 percent of prize points redeemed from a reward catalog are for home and family items. Take advantage of this by leveraging the family and/or spouse as "assistant sales managers" who can encourage participation in the incentive program. Motivate one, and you motivate them all. Include the family in the announcement of the incentive program and send program updates to the home. "Friendly" encouragement boosts interest and helps participants see that the benefits of the program are professional as well as personal.

## PLAY #4 GET S.M.A.R.T.!

### CRAFT REALISTIC GOALS FOR A SUCCESSFUL PROGRAM

Incentives are a proven way to increase sales and motivate a team to "go the extra mile." But you must craft realistic goals for a program to succeed.

First, determine your overall program objective, which typically falls into one of four categories: (1) increase performance, (2) change behavior, (3) expand mind share, or (4) improve company morale.

Next, because an incentive program involves a significant investment of money, time, and resources, ask:

- What is the key, measurable objective of the program?
- Why am I running a program?
- What do I hope to accomplish by the end of it?
- What product, service, or behavior am I looking to influence?

Now set goals that are specific, measurable, attainable, relevant, and time-specific - or **S.M.A.R.T.!**

**Specific** - Goals must be clear and unambiguous. Specific goals tell your sales team exactly what is expected, by what time, and at what cost. Because the goals are specific, you can easily measure progress toward their completion. Example: Rather than say, "Sell more," say "Sell 10 widgets" or "Sell the latest version of the widget."

## HIT THE TARGET



**Measurable** - Set goals that determine how progress will be tracked, who is responsible for tracking, how often to expect data, etc. Example: Rather than say, "Do a better job," say, "Get an 80 percent or higher rating on the customer satisfaction report."

If you want to track the sales of widgets, identify the resources and process in detail; if necessary, rework the goal if any parts of it can't be met (for example, if you can't track the results or your reseller isn't willing to share sales results).

**Attainable** - The moment of truth comes when you launch your program, your participants review the goal, and immediately evaluate whether they have a greater chance of achieving the goal than not achieving it. Participants must believe they have at least a **51 percent chance of success**. As one of our customers told us, "You want your goals to be just out of reach, but not out of sight." Set goals that will drive your participants to perform at a higher level. If your goals are unrealistic, participants will give up before the program even gets off the ground.

**Relevant** - Do the goals relate to the overall objective of the program? Will they allow participants to meet the overall objective? Are they relevant to your employees, company, and customers? Relevant goals focus on such things as units sold, product sales to specific accounts/ departments, or product education and demonstrations that influence product revenue. If a key strategic objective of your company is to successfully launch a critical new product, don't set a goal that rewards overall revenue.

**Time-specific** - Clearly define when the program starts and ends. Make sure there's sufficient time to influence or track results. If the sales cycle averages 60 days, don't run a program for 30. Programs that are too short may not track accurate results; programs that are too long risk losing participants' interest and focus. A time frame of 3 to 6 months is the most successful.

**A general rule of thumb is to limit the focus of your program to 3 to 5 tasks/goals.** Also, be sure to make your program simple. If participants have to read a manual to determine the goals, rules, and process of the program, they'll mostly likely tune-out and turn-off. Test your program prior to launch by asking a few salespeople to review it. If they're confused, chances are other participants will be as well.

## PLAY #5 NOW HEAR THIS

COMMUNICATION DETERMINES WHETHER YOUR PROGRAM SIZZLES, OR FIZZLES

The most effective incentive programs must command the attention of participants and then provide them with consistent and constant motivation throughout the duration of the program. This is achieved through constant communication, starting from the launch of the program. The best way to kick start an incentive program is via a launch event that educates participants, gets them excited, and conveys to them a sense of urgency in reaching results. Your program should have a promotional theme, which can be tied into your launch. Let's say your theme is "Race to the Finish." You can kick off the program at a local NASCAR event or give your executives racecar-styled driving suits. At the end of the launch, hand them each a stopwatch to remind them that the clock is ticking!

If time and expense are factors, create a launch kit to introduce the program. Send participants a letter to announce the program. Clearly articulate what the program involves and what you want them to do.

But even if your launch is wonderful and your promotional theme is clever and inspiring, ongoing communication with participants is crucial to ensuring a successful program. **You must constantly reiterate program objectives to keep these objectives fresh in participants' minds.**

Communicate on a weekly basis with participants. Send regular e-mail updates that tie into the program's theme. Visual displays can also be effective: a bulletin board that's set up as a "scoreboard" or "leader board" shows how individuals or teams are doing and can fire up a little friendly competition.

### Scoreboard

Name	Target	Results to date	Points
Tom Sawyer	\$2,000	\$4,500	300
Huckle Berry	\$2,000	\$3,000	200
Peter Ford	\$2,000	\$2,200	100
Colin Red	\$2,000	\$1,500	50

On-line scoreboard gives participants the opportunity to track and monitor their points

Promotional items that tie into the program can be distributed every few weeks. For the "Race to the Finish" theme, for example, you could give out driving gloves the first week, a Hot Wheels car the next, and so on. As the program nears completion, you could hand out checkered flags!

During the program, tell participants how well they're doing in advancing towards their goals and how their efforts rank against their peers. Competition among participants is healthy: it gives your program more traction and drives higher results from your salespeople. But be sure to provide such information while the program is active. A participant who finds out he's in last place a few days before the program ends - or even after the program ends - will not be able to modify his efforts or increase his motivation. **Therefore, the three keys to effective communication are update, update, update!**

Technology provides a vital and valuable umbilical cord between you and your participants. Even when salespeople are scattered across the country or around the world, the avenue for sending vital messages and regular updates are just a mouse click away. An Internet-based incentive program also makes it a snap for your participants to access the program at home or the office. The easier you make it for participants to get engaged and interact with your program, the more successful your program will be.

Every incentive program offers you the opportunity to educate your participants. Well-educated participants mean increased sales! Provide them with product information and a selling tips document. Reward them for taking a weekly product quiz (see Play #6). Reward your channel partners for completing a certification program or utilizing your partner resource Web site. **Ongoing training of your participants allows them to better sell your products and has a long-lasting effect that carries on well past the time frame of your incentive program.**

**Your incentive program also provides you with the opportunity to reinforce your company's brand.** Branding is absolutely critical when you're running an incentive program that's focused on your dealers and resellers. Interact with participants via a communication plan that reflects your corporate image. Use print, video, Web sites, e-mail, or launch meetings to convey a consistent look and message.

## PLAY #6 GIVE, AND YOU'LL RECEIVE

INCREMENTAL REWARDS KEEP THE  
PROGRAM GROWING

Nothing breeds success like success. For an incentive program that runs 90 days or longer, you can "prime the pump" of success by recognizing the early achievements of participants. Take 5 to 10 percent of your overall budget and use it to reward key activities or behaviors in order to keep participants' incentive and motivation high. Here are some ideas:

**Reward an activity that drives results.** Let's say you've launched a 6-month program to motivate your sales team to sell a new product. You know that a product demonstration is a key step in what is typically a 3-month sales cycle. Reward salespeople for the first product demonstration they give to a new prospect. This gets them engaged in your program, gives them a taste of success, and further motivates them to sell your product.

Or, during the first 30 days of the program, reward your team for hosting "lunch and learn" sessions with customers. Get them to initiate activities that fill the top of the sales funnel!

**Use two-way communication to keep participants engaged in the program.** Two-way communication "oils" the program's "engine" and augments mindshare for results (communication = mindshare = results!).



Imagine that you've just announced a new product. The product is critical to your company's success, so you need to command the attention of your dealers. For the next 90 days, you offer dealers an incentive to sell this product. You announce the product and the associated incentive at your national dealers meeting and provide dealers with a 2-hour training session.

Now, what's the Play to ensuring that your dealers retain and act on the knowledge you've given them? Each week, post an on-line "sales tip of the week" that reinforces part of their training. At the end of the week, send out an on-line survey that asks one specific product question related to the selling tip. As an incentive for completing the survey, give participants additional "reward currency." Participants become "conditioned" to expect a weekly survey, and are thus motivated to respond because they know that they'll earn an additional reward (reward currency) for their response. That means they'll check out the incentive program on an ongoing basis for the reward as well as for the selling tips. The result? You've created, motivated, and ensured a "performance loyalty" program with your dealers!

**Generally you want to reward your participants for accomplishing a specific task or for driving a specific result.** But if the environment and timing are right, you can use "freebies" to wet your team's appetite and create an ongoing "feeding frenzy" towards achieving their goals. Here are a few great promotion ideas that have been used by our clients when they announced an incentive program at a product kick-off and/or national sales meeting:

- 1) As each salesperson enters the conference hall, give them a balloon (nothing like a balloon to put a smile on someone's face!). Fill approximately 10 percent of the balloons with coupons that designate a reward value. After the incentive program is announced, the reps get to pop their balloons to see if they've won the reward coupons. The enthusiasm (and noise!) generated at this time will help turbo charge the product launch.
- 2) If you want a less boisterous (and perhaps safer) approach at your program's launch, tape the reward coupons underneath 10 percent of the chair seats at the meeting. At the designated time, tell participants to look under their chairs.
- 3) During a question-and-answer session, ask individuals in the audience a question about the incentive program. If they answer correctly, give them some reward currency!



## PLAY #7 SHINE THE SPOTLIGHT

CELEBRATE SUCCESS AND RECOGNIZE  
THE WINNERS

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Our last Play to a sales incentive program's success is a reminder about what not to keep from your team: both your sales force's achievements and each individual's successes during the course of the program.

Imagine that you've successfully launched your program. You were diligent about communicating with your participants along the way. You ensured that results were updated in a timely fashion and that the program generated the results that you wanted. (Basically, you followed our first six Plays to the letter!)

But you've missed one key element in your program. If you fail to celebrate success, you've failed to leverage 80 percent of the non-results oriented benefits. Remember, recognition is as important as the reward. Don't wait until the end of the program to applaud specific achievements - participants and teams should be recognized at every opportunity along the way.

Recognition cannot happen too often nor too loudly (but sincerity is important!). Do you remember Play #1 and Maslow's Hierarchy of Needs? Honor, importance, recognition, and other psychological needs are critical to instilling a sense of self-realization - the fulfillment of potential - in individuals.

Pats on the back are great, but don't do them privately. Use newsletters or on-line communication to recognize high-achievers and to foster peer recognition. Posting an on-line picture of your "Top-Producing Salesperson of the Week" goes a long way in motivating that individual as well as other participants who want to receive similar recognition themselves.

Finally, don't forget to celebrate the incremental successes along the way to achieving your program's ultimate goal. Promote and applaud your participants' efforts - both individual and team - whenever you can!

A great way to motivate your team is to have some of the rewards shipped directly to your office at the end of the program. Then hand them out at your next team meeting; that hot DVD player is a sure way to fire up the sales force! Take pictures of the winners and circulate them to other participants. The motivation level will be sky-high the next time you run an incentive program!



Rewarding Performance