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How To Get More Sales Volume Using Incentive Programs

Michael Senoff Interviews Incentive Program Expert

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Dear Student,

I'm Michael Senoff, founder and CEO of HardToFindSeminars.com.

For the last five years, I've interviewed the world's best business and marketing minds.

And along the way, I've created a successful home-based publishing business all from my two-car garage.

When my first child was born, he was very sick, and it was then that I knew I had to have a business that I could operate from home.

Now, my challenge is to build the world's largest free resource for online, downloadable audio business interviews.

I knew that I needed a site that contained strategies, solutions, and inside information to help you operate more efficiently

I've learned a lot in the last five years, and today I'm going to show you the skills that you need to survive.

It is my mission, to assist those that are very busy with their careers

And to really make my site different from every other audio content site on the web, I have decided to give you access to this information in a downloadable format.

Now, let's get going.

Michael Senoff

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How To Bribe Your Employees To Get Them To Sell More Of Your Products And Services Then Ever Before Using Proven Secrets Of Incentive Programs.

Organizations need motivation more than ever. They need customers to buy more and remain loyal. They need prospects to opt-in. They need to inspire employees to produce more and to deliver the customer what the company may promise in sales and marketing literature. In today's intensely competitive environment, it is critical for organizations to employ proven strategies that develop intense loyalty from employees and customers alike. A proven tool is the incentive program.

US corporations spend well over $120 billion on customer loyalty and employee incentive programs to accomplish a wide range of goals and objectives. The reason is simple, incentive programs work! As a matter of fact, they are considered to be amongst the most consistently effective and profitable marketing and human resource tools employed by all types of organizations.

- Incentives are proven to increase performance, by an average of 22% or more.
- Incentives consistently deliver a high ROI
- Incentives change long-term behavior
- There is an entire industry of resources and experts and resources committed to developing successful incentive and motivation programs.

In this exclusive interview, I talk to incentives expert Paul F, who shares with me his detailed 10-step process to insure incentive success. You will see why successful incentive programs start with a plan, not with a prize.

Paul tells me about an often overlooked and ignored method of tripling the return on an incentive program. He also lets me know proven methods you can use in your business that can double the effectiveness of an incentive program. You will learn how to avoid several major mistakes that could doom your incentive programs before it even starts.

After listening to Paul in this interview, you will see why using the services of an incentive expert is one of the best investments you can make.

Paul: Hello?

Michael: Hey Paul, Mike Senoff.

Paul: Mike, how are you doing?

Michael: I'm good how are you?

Paul: Great!

Michael: Give me a remedial definition of what an incentive program is and what kind of company could use one.

Paul: An incentive program is essentially an effort by an organization to modify behavior of their target audience through the use of some sort of reward mechanism. Whether it's cash, merchandise, or travel are the three big ones that are going to be used. That's the bottom line definition is that we're modifying behavior through the use of incentives.

Michael: Okay, and who is an ideal type of company who could benefit from incentives?

Paul: The most common is a sales organization. Another very, very large market is for safety incentives where it is in a plant environment and there are safety issues and as a result of the accidents, companies are finding that their workers are getting injured. They're losing time on the job and their OSHA bills are going up. Their insurance is skyrocketing and it makes it very, very difficult for them to compete in their markets with their unemployment costs and their workman's compensation costs out of line.

Any environment where you have a lot of team members working together you can easily use incentives to increase the performance of the individuals as well as the team. As a matter of fact, you typically can double the effectiveness of the incentive program when you incorporate a team element into it as well. But the caveat that the main reward mechanism is not dependent on the team performance and the team reward can be something as small as a pizza party to recognize the team. But what happens and where people fail in team incentive programs is where they tie the main bonus award to the performance of the entire team and if there are people who are slacking, the people who are working hard strongly resent the ones who are slacking and it can actually backfire on the program.

Michael: All right. Well we'll get into that and the mistakes. Tell me about the groundbreaking study from the incentive federation, the research behind incentive programs was conclusive that incentive programs worked. Is that true?

Paul: That is true. Well, prior to 2000 everything was pretty much hearsay and anecdotal evidence. There was really no consistent, valid and reliable university sponsored research that was conducted to verify the effectiveness of incentive programs. So, that landmark study by the Incentive Federation determined that the incentives that offered tangible rewards and properly designed and implemented and manage increase performance by an average of 22% and team incentives, as I said, could almost double that. And not only that, they also increased the interest and the work and performance towards a goal. People get a lot out of it personally. It's very, very gratifying when they feel they're being rewarded for their accomplishment of a goal. It also showed that the incentives increased the number of quality employees attracted to an organization an improved retention of other higher quality workers. Obviously, if I'm working for an organization and my friend or neighbors or associates are people with similar background and interest talk to me and I say you ought to come to work for my organization. They really, really take care of us. They see me with new golf clubs or going on a cruise, that obviously makes my employer very attractive. It also showed that both the employees and the employers place a very, very high value on incentive programs. So, employers see the results. The employees see the rewards and it works for very well all around.

Another thing that was really key is that so often companies make the big mistake of just offering cash as an incentive feeling that everything is going to be driven around cash. If you interview employees the common person is going to say give me more money. However, studies have shown when just being given more money, that necessarily is not going to improve performance and actually, the numbers that came out of that study showed that actually for every one dollar that you spend in travel or merchandise, you'd actually have to spend three times the amount, or three dollars to get the same ROI. So, the bottom line is travel and merchandise give you three times the ROI is compared to cash programs.

Michael: Can you talk about either some famous case studies where incentives have done dramatic things for companies or even some case studies of your own. Any stories that the listeners can relate to on the extreme power of how good incentive program like a before or after type case study, anything that you can think of?

Paul: There are a couple of big studies that were done. One of the big ones was the Good Year Tire and Auto Company had done a cash versus merchandise and travel comparison to their dealers and they found that the dealers that used merchandise and travel as compared to cash as an incentive program had, I think it was in the 25 to 30% range, improvement and performance.

Michael: Before we go into those results, can you set the stage and give a specific of how Good Year would have used this? For example, it would make an announcement. How was it actually used within the company?

Paul: Within the company there would be a pre-announcement that something special and grand was coming out to the dealers and the distributors of Good Year products. And then there would be a big announcement with fanfare and they would have support material coming out. They would have ad specialties and promotional products coming out. And a part of that package would be a very, very clearly defined set of rules and objectives.

Michael: So, it's like a competition among all the dealers to see who could sell the most. The one's who won got the incentives.

Paul: It wasn't just the one's that won. You can define it as reaching a certain performance objective because a mistake that can be made is only rewarding people that hit a very, very high plateau. When you only award the highest plateau level it's very, very early in the program, the vast majority of participants realize they are not going to hit that plateau. So, what ends up happening it's no longer motivational except for the people who would've been high performers anyway. So, what they would do is structure a program that there was a series of plateau awards for certain types of performance and typically the performance is going to be on a unit sales basis or it's going to be compared to performance from a prior fiscal period.

Michael: All right, so let's go back to this case study.

Paul: So, the case study showed that the dealers who were offered merchandise and travel their performance was almost 25% or 30% higher than in people that were offered just cash rewards. So, it really nailed down the value of a cash award. Taco Bell did a study and I don't recall the year when this happened, but the Taco Bell study showed that the stores that had an incentive in place for their employees were out performing drastically the stores that did not have any type of incentive for their employees. Both in customer retention, employee retention as well as profitability was drastically higher for the participating stores.

Michael: Okay. That's a good story, any others that you can think of?

Paul: Well, a customer of mine is a re-distributor of office supplies and paper products and janitorial supplies. I've ran a couple of different programs with them one for their sales reps where the winners got the opportunity to go to the super bowl, which is obviously a very, very nice prize. Others had the opportunity if they didn't win the super bowl they still had the opportunity to win TV's and grills and others that were very high incentive programs. There were eight suppliers that participated in that program and they were very, very big named paper and janitorial suppliers and their company sales who were of those participating suppliers on the average increased an 180% over the previous period. And that was through the sales reps. And then we had another program we just wrapped up actually at the end of last year where we offered to their top two hundred distributors, so my customer, which sells the products to a distributor. So, if you're a local distributor you're obviously not going to buy a truckload full of paper towels or toilet paper from Kimberly Clark, you're just not large enough. So, my customer as the re-distributor is the supplier to the smaller distributor. The distributors that we had participating in this program for one thing, when we mailed out the program we had an 83% immediate enrollment of the program, which is just absolutely phenomenal results to have that many of your customers say yes, please sign me up. And of those ones that did sign up, 70% of the participants increased their sales by 125% or more. 50% increased their sales by 50% or more and the top 20% increased their sales by over 200% from the previous period. In addition to that the customer was also penetrating new markets and they were able to establish strong foot holds in markets where they had been having trouble establishing any type of dominance prior to that.

Michael: What would you tell a medium size company or small company or even large company who has no incentive in place, are they losing money because of it?

Paul: You are losing money. The customer is not offering any type of incentives they are leaving money on the table because an incentive program is really a 10 point precision target marketing program where you are directly impacting behaviors of those who can most definitely impact your results. You know who those customers are. You know who the sales people are or you know who the employees are. The average incentive program when you look at it if it's increasing performance by 22% or more, if you are not using an incentive program, then you are leaving money on the table in the form of lost sales or productivity.

Michael: I guess most companies believe their incentive program is you work for me and you get a check.

Paul: I find that more often with entrepreneurs than with companies who have sort of a broader look at things. There aren't very many entrepreneurs say that exact thing to me or even the old line VP's of sales who say their reps should be out there cold calling why should I pay them anymore to do the job that they should be doing or the reason you should them more is because you might have a rep who is of a 100% a quota whereas an incentive program, that same rep is going to get 120% plus of quota. Or the rep who is just struggling to get that next 60% of people who really are also providing a large number of sales by providing the incentive program to them, you're going to get a 20% plus increase performance improvement on that entire group. Saying that I'm not going to do it is essentially saying well because I'm paying them cash what they're doing is very, very good and I'm happy with it and I don't need them to do more.

Michael: If I don't have an incentive program in place and I'm considering hiring you or someone to put one, it's really free because the increase of profits and the sales generated because of the incentive program can pay for the program itself.

Paul: You nailed it right on the head. An incentive program is a definite investment and when a company is establishing an incentive program we go through a very detailed 10-point system to ensure that we cover everything and with that said you have to identify those things and you have to work a system to make sure that you're maximizing your return. And an incentive is properly run and communicated incentive program is going to yield a high return on investment. It's almost difficult to get them to fail.

Michael: What's the life span of an incentive program? Can it be ongoing for years and years or do they only last a limited amount of time?

Paul: Typically people are going to look at three different strategies. Zero to three months is considered a short term incentive program and that has the least amount of impact and that might be used in a retail environment where as a retailer says to the customers or says to the employees we need to move something real fast for whatever specific promotion or reason and we're going to get it out of here so they get a real quick spike that is not going to last.

The next is going to be a three to six month incentive program that can be effective but part of the problem with that is not being able to communicate the message effectively throughout a longer period of time to influence behavior so if somebody takes three to four months to identify and understand what they need to do to perform and when they only have two months left to actually excel.

The six to the twelve-month are the ones that are found to be the optimal time frame for an incentive program that is going to yield the highest results. When you start going beyond twelve months on the same incentive program you really risk burnout. It's very, very difficult to stick to a consistent message. So, what I recommend to customers is let's make a twelve month incentive program and we know it's going to work so half way through that incentive program we're actually planning the following incentive program which may have a similar reward mechanism but we're just changing the theme and we're also changing behaviors. One of the great advantages of a behavioral based incentive program instead of just a results based incentive program Michael, is that a behavioral based, that behavior once it changes that's ingrained as you probably heard there's 21 days to change a habit since it's the same type of strategy then okay, well we worked on this for six to twelve months and now this new behavior is ingrained in that participant particularly from the employee or the customer who says I am buying from them for this reason. They're giving me this or an employee says what I have just done I have ___ to me bank retail teller location. The bank teller, they're going to identify the five key behaviors or three key behaviors that they know is going to really make the customer the happiest. And there are studies out there that identify that or an incentive consultant is going to research it and give you those desired behaviors. So, when you reward those behaviors over a long period of time they're changed. So, when you come up with a new incentive program it's a very, very results based, but you identify the next set of behaviors that you want to change. So, each time you come out you're looking for identifying the next three or four core behaviors that are going to give you the maximum return on investment.

Michael: What conditions must my company have, what must be in place to make me a good fit for an incentive program to work best?

Paul: Well, that's another really good question because often people have as many internal problems and issues that might need to be addressed. If a manufacturing facility is on strike obviously an incentive is not going to do anything for them. If they have a core product or a defective product an incentive is not going to do anything for them. For that to be effective the behaviors need to be defined. You ought to be sure that if the behavior change the reason for the change or the lack of performance is motivational and not environmental. If you delaminated the environmental factors such as job security, the quality of the product, and other items like that, you narrow it down and you know its behavior. If it's motivation based then the best intervention is going to be an incentive program.

Michael: What behaviors are we talking about in human beings that make incentive programs unnatural?

Paul: Well, when you go back to our college days and you looked at the ground breaking research of Abraham Maslow we know that the more someone has met a basic monetary need the more they will have psychic need that have little bearing on cash compensation. But with that essentially is meaning is that okay, I've got my cash, I'm living comfortably, my wife has a job or my spouse has a job we're living comfortably and I don't need to work any harder to gain anymore comfort and since they don't need to work any harder to gain anymore of their creature comforts they are worse off and are not going to or work any harder. However, when we add the incentive element in there that now comes towards the self-actualization where now if I perform well on the incentive I can brag to my family. I can brag to my coworkers. I can tell my neighbors that I'm going on a cruise. So, I have the brag factor and plus just the personal pride in a job well done and a job well rewarded. Those are the kinds of things that we can talk about in our society versus just the cash compensation.

Michael: What if I have a company and I chose to pay my sales rep just enough for them to get by to keep them working harder and motivated compare to paying them maybe too much that they become comfortable and lazy could paying my employees too much reduce my productivity? Is paying them just enough to keep them motivated an affective strategy and could paying my employees too much cause them to become that unhappy and lazy or my production goes down.

Paul: Well, if you're paying them too much and they know they're being over compensated for it, it can be pretty easy to tell and you get that comfort level in there, well hey, I'm making a lot I don't need to work any harder to earn this kind of money and you're not getting anything more out of it. From the other end of the extreme the effectiveness of incentive programs is assuming that the base employee needs are being met. It almost comes to philosophical interpretation of that you're just paying them just enough to get by then you really need some sort of dynamic incentive program and a very, very deep understanding of how you're going to motivate and change behaviors and provide them with the tools necessary to change their behaviors. If you're not providing them with the tools and not providing them with the education and you're not providing them with the training just paying them enough to get by means that you're going to have a revolving door of employees. They're not going to feel fulfilled at the bottom level of the Maslow's Hierarchy of need and since they're not feeling fulfilled there it is likely that they are always going to be on the lookout for a better opportunity.

Michael: All right, we've the different time lengths and life spans of incentive programs, can you talk about any specific incentive programs that work best? Types of incentive programs, can you give me an example of how one is used like what the employees hear from the company that gets them excited and motivated?

Paul: Well, when you're choosing the type of program there are three basic types of programs and one is an open ended program where the budget is not set because higher performances is going to yield higher returns and those are the most effective employees that can always say hey, I just earned a TV but if I keep going I can earn a cruise or I can earn a trip.

A close ended or a tournament program have a predetermined number of winners. That is not as effective because as I mentioned earlier, once the certain people know that okay, those top 20 won or the top 200 won, I don't have a chance of getting in there. Then the plateau program is very, very effective. I have had very great success with this combining of an open ended program where you're awarded points for achieving different plateaus of performance and what that does, is that rewards everybody from the highest performers, they're going to get the greatest rewards. The medium performers they're going to get more rewards than they would have had they not improved their performance. The lowest performance, typically the bottom 20% there's nothing you can do to motivate them. What you need to do is plan a very, very exciting kickoff program, a launch that is going to be memorable. Very often companies come out and they spend a large sum of money on developing an incentive program and they announce it via an e-mail or a memo. They might be spending several hundred thousand dollars on a cruise or grand event and then they just tell the employees oh, by the way, you can win a cruise if your sales increase by 20%. You've got to have a great kickoff. You've got to have great communications. You've got to convey the importance of the program. It's the communications that are key in conveying the importance of the program. The value of the award also communicates the value of the program and the importance of the program to the organization.

Michael: Can you think of an example of a company that you remember that had a great kickoff, communicated well with the employees and was a huge success? Can you tell the story about that?

Paul: Well, the one I mentioned earlier about the super bowl program was fun because initially they came to me and they said we want to have an incentive program and we want to give away 10 super bowl trips and I said well who's going to win? And they said what do you mean? I said if you're just giving away trips give me the top ten reps and let's just tell them they're going to win a super bowl trip. And they said what are you getting at? And I said what about the remainder of the sales people? Don't we want to get better results from them and they said well, yes, that's a good point. So, that's when we started including the merchandise and travel and other things where we created catalog of really high-end nice things for these sales reps to earn. And by the way, these are sales reps that were earning… to be employed with this company after a year, you've got to be earning 100, 120 their top people were earning seven figures. So, these are people who are motivated by money but can be motivated by more.

Michael: All right, so you worked with the owner of this company and then you guys decided to give away 10 super bowl tickets but you said let's go further. Let's make incentives for all the employees to get increased productivity; you created like a color catalog?

Paul: Yes, with a wide variety of merchandise, programs and packages that were available. I said well we've got to make an exciting kickoff and they said, what do you mean exciting? And I said where do you typically announce your programs? And they said, well here. And I said this is a warehouse. I said this is a good six-figure program, let's make it exciting. We're going to have this kickoff at Paul Brown's stadium, where the Bengal's play. At the time the Bengal's weren't doing as well but still it's a very nice facility.

Michael: So, they invited all the employees out for a game?

Paul: We sent out a little quiz to them in advance and said who's your favorite football team. What's your favorite color? What kind of car do you drive and what's your shirt size? And they didn't know why we were asking that question but what we were trying to do is we then took their favorite football team and we got NFL team jerseys with their name and their sales number on the back. And we gave that out during the kickoff meeting. We had Jim Breech, who was an ex-kicker for the Bengal's, he was their place kicker for years and holds several records. And he came and gave a motivational speech. We also played a family feud game amongst the reps where it was about product questions as well as questions about the company history and why a company should buy from my customer. And in addition to that we combined that with a trade show for all the vendors who were sponsoring it. And the vendors actually footed the entire bill because of the increase in sales they could see coming from this program.

Michael: How many employees did their company have?

Paul: The company has several hundred employees at that particular launch. There were sixty sales reps that were involved. Many of them had 200% increases in their sales of the effective products.

Michael: Everyone to the game and had all those events, the announcement was made about his wonderful incentive program and you got great results.

Paul: We got great results. We kept up with biweekly communication that let them know where they stood in relation to the other sales reps.

Michael: How was communications made?

Paul: That was communicated via e-mail as well as we did some brochures that reinforced the program and the value of the reward. When you're sending out communication Michael, you want to constantly be reinforcing. One is what do you need to do? That's the first thing. What is the behavior that you need to change? So, if it is sales, is it making more calls that's doing it? Is it maximizing and leveraging your existing relationships? Is it getting referrals and all the other things that we're taught in the HMA system? So, identify those behaviors and constantly be communicating those.

The other things you can reward people for very effectively is for training. Very often since it is behavior based, they may need training on how to best to perform that behavior. So, you can even tile a sub incentive program into the grand incentive program and say, if you complete this online training program by x-period of time, we're going to give you an extra 500 points in the program. So, there is always an opportunity to train and there's also an opportunity to reinforce the company's brand image and their unique selling proposition. Why people are doing business with us? So, those are the three things is that we want the behaviors. We want a reinforcement of the reward mechanism and also we want to reinforce the company's USP so that mantra is going out on the sales reps tongue every time they talk to a customer.

Michael: How about name recognition of points and people and where they stand? Kind of like a white board in a phone room where everyone knows where everyone stands. Is that an effective way?

Paul: That is highly effective in a sales environment, but perhaps a telemarketing sales environment. However, in other types of environment such as in safety programs, you don't want to do that. If it's in a customer service organization very often a type of person that is driven to the customer service job is going to be feeling very, very humiliated either sometimes by seeing their names at the top or by seeing their name at the bottom. If it's in a manufacturing environment or a production environment, which is safety related, what we want to do is highlight the people who performed safe behaviors. One of the problems with incentive programs in a safety environment, and OSHA can frown very, very strongly and actually start to fine companies for these types of things, is when they are rewarding only no accidents because that leads to non reporting of accidents and it also leads to peer pressure to not report. So, the bottom line in that sales environment, definitely count the standings. The big people want to see their names on top. The people who are getting better want to see their names moving up and the people at the bottom they're going to say I can't fit in this competitive environment.

Michael: What kind of legalities do I have to worry about in make sure I'm not overstepping any state contest laws and things like that?

Paul: Well, one of them, as I just mentioned, is when it's a safety program it comes to accident avoidance and OSHA frowns and union's frown deeply on that. The other one and it's a particularly if this is a publicly held company, you've got to consider the Sarbanes-Oxley implications and the reporting of income. How it's going to be reported. The exact value of the reward must be properly recorded and if you are a public company you are going to have to keep extremely detailed records on what was rewarded, how it was reported as compensation and how it is going to effect an employee, as well as the taxability, I should say, of the reward.

Michael: Is an incentive program something that can be written off as business expenses?

Paul: Oh absolutely. It's going to be written off for a business expense. The value of the reward in a program such as a length of service award or a safety reward, there are different types of things that the IRS is going to allow almost to be a gift, so the company can write if off and the employee does not have to report it. Typically if it's a safety program or a length of service program you can give a value of up to $600 in a one-year period that the employee does not have to report and the employer can still write off. Once you get out the length of service reward or the safety environment pretty much everything is going to be recorded as taxable income.

Michael: All right, when we talked a little bit about tracking and administration one fear I have, if I hire you and your firm to put my incentive program together, am I going to need to bring on an extra staff member to handle all the tracking and the administration or is this something that you take care of for me?

Paul: That has been greatly simplified due to the advent of the Internet, enterprise software, CRM applications. The bottom line, though, is that the customer is going to need to provide to me or to the incentive house with that initial data and we do need to be able to track the data. So, when that is done, if they're lacking in particularly the smaller to medium sized company that may not be full of technology as I said there are fairly inexpensive programs that can be implemented to track it. But still at the point of sale somebody has to be collecting the data and typically if it's in a sales environment or customer service environment they are tracking the performance of those people. With the Internet there is going to be things that are greatly simplified. Very often it is just the uploading of a spreadsheet through your CRM vendor or your incentive house technology vendor uploads it, they automatically calculate points. It's really amazing the technology that's driving this business. In addition to that by using that technology particularly for a smaller organization they can save a great deal of money by not having to invest in their own in-house technology.

Michael: So, if I wanted to talk to you in more detail about designing and developing an incentive program, what's going to happen when I call? What are the first things that you're going to ask me? Take me through the information you're going to need from me what can I expect to happen and how long is it going to take?

Paul: I am going to ask you what are your objectives of the program. Why are you doing this? Who is your key audience? Who is the audience that you're trying to use? We are going to discuss the types of incentive strategy. We are going to discuss the past performance. We are going to decide on the measurement criteria. We are going to identify what we call the behavioral gap, which is the difference between your goals and performance of your current target audience. We are going to want to know that. We are going to want to know have you run an incentive program in the past. Has it worked? Did it not work? If it did work why do you think it worked? If it didn't then how did you do it and let's take a look at how did you communicate it? What is your budget? Do you realize that this could be an expensive undertaking with the understanding that your back end rewards are going to pay for this early? We're going to look at planning on the budgeting. The budgeting is going to be 70 - 75%

for rewards, 20 – 25% for communications and 5 – 10% for administration and tracking. We're going to determine the criteria. Is it going to be the percentage of sales or profits? If it's going to be a sales operation, if it's going to be an improvement in performance or a decrease in accidents or an improvement in plant productivity. So, those are the types of things that we're going to have to look for in the budgeting. I should mention this too, is that very often companies can get very, very scared when they look at, Oh my gosh, if everybody gets this top reward it's going to cost me a fortune. Everybody is not going to hit that high performance. You're still going to have that 80/20 rule that their performance is going to be broken up. So, not everybody can earn the maximum reward. You know we want to identify the target audience. What are the demographics of the target audience? What is their age, income, and education level? What is the best method of communicating with them? If it's in a plant environment it's not likely going to be Internet communication. However, if you're in a high-end sales environment those are the types of people who are going to have quick access to the Internet and they're going to be using it. What is the target group? What do they think of your company? Is it your sales people, performance or focus groups? And I've done that and spent a day in a company's operation interviewing both management and employees and finding out what do you think of this company. Because very often that's going to identify whether the behavioral gap, as I mentioned earlier, is due to motivation or other issues. And I have said to perspective clients in the past, I'm sorry but right now is not the time for an incentive program. You need to fix these other problems first. Are you trying to reward employees, prospects, or channel partners? Do they have the skills? Do they have the product knowledge necessary or are we going to need to perform additional training? Who else has an impact on this program? Are there customer service, production and shipping personnel? I've seen disasters in incentive programs where the incentive itself was a huge, huge success but production capacity fell so far behind that the sales reps and the customer base were totally alienated by the program, which started out as something very, very exciting. We want to know what motivates the audience. We're going to perform some focus groups and that's where is it going to be cash? Is it going to be merchandise? We want to research the participant involvement. We want to understand the participants and what is important to them. We want to talk to those people. We want to see if there is any type of cultural issues. Sometimes we might be in a bilingual organization and, obviously, with the many Hispanic workers, particularly in the country, are we going to need to provide different types of performance rewards? Hispanics are very, very family oriented. If you have a very, very large Hispanic population in your environment, then you're going to want to include the family in your incentive program. If it's non–Hispanic and are typical white middle-class or whatever you choose to define it, it's going to be more individual based. But very often I do recommend involving the families, so the more touch points that we can do. We're going to look at the program duration. How long should it be? And once again, I'm going to recommend at least a six to twelve month program. We're got to define the program rules. We've got to have very, very clear objectives. We want to make sure that the programs objectives are going to be a stretch but very, very obtainable goals. We want to make sure that the program rules are going to be very, very clear. So, we're going to say what are the rules? Companies very often have way too many objectives and way too many rules and it's like reading the back of some sort of a contract where nobody understands it and they don't' understand what they need to do. So, very often what I will recommend is that I will say let's some other people involved in developing the rules and get them involved at the very, very beginning and you tell them the objectives that you're trying to achieve and let them know if they feel that's the same issues that they have for non performance. Am I not buying as much from you because you're not giving me a proper incentive or is your quality poor? I've mentioned earlier we're talking about program's communication how often are we going to communicate with the audience? If it's an employee audience you can have far more communications than you are with a customer audience. Very often you've got that fine line being drawn between over communicating with a customer and communicating just the proper amount of information. I want to know since who they are, what communications are you sending out to them right now. How are they responding to those communications? How are your sales people, your customer service people currently following up? What types of relationship do you, your employees, and your sales people have with your customers? Do we need to address that issue as well? We want to look at the type of rewards selection. What reward are you thinking of offering? What have you offered in the past? Once again we go back to the cash versus merchandise and travel debate that I mentioned earlier. But a big mistake people make in selecting rewards as a CEO or CFO or somebody says, Hey I went to this island or I played golf here and I had a great time so we're going to go there. But that's great if everybody golfs and loves the Caribbean but if some people say well I hate the Caribbean and I don't golf, there's no incentive there. So, we have to target that reward mechanism to the demographics.

We want to know in advance how we're going to measure the progress. How are you going to track the outcomes? What are the measures that we're going to use and what is the method of collecting data? Basically there is a simple tool that was provided by the sight foundation we wanted to determine the process. How are we going to measure that in a numeric way where the two or three related processes, or outcomes that are going to be measured, what is the basis for comparison? Typically it's going to be a fiscal period or if it's a productivity issue we're going to say this period of productivity to this period of productivity. We want to have a very, very clear unit of measure. We want to know the value of unit of improvement so if it is an increase of 10% in productivity what is the dollar value of that clerical employee improving their productivity by 10%? What does that mean to me as an organization? And sales are typically easier to measure, but we want to have quantifiable measuring criteria. The award level for each unit as improvement and we also have to realize that very often you may need different types of rewards for different levels for every organization. So, we may be involving shipping, production, and sales in this operation. But if the shipping people making $10 per hour, production are making $25 an hour and the sales people are bringing in $100,000 a year, than we're going to need different types of reward mechanisms. Typically, when you're looking at for budgeting purposes as we mentioned that the percentages but you're going to want to look at a value to motivate someone is a number to use you're getting 3% and 8% of their compensation for that given period of time. So, if we have a sales rep that's earning a $100,000 a year and it's a one-year program then we should be looking at a reward mechanism between $3000 and $8000. That should be what the person can strive for that is going to have the most and deepest meaning to them.

I want to know from the company what type of tracking mechanisms do you have in place or am I going to need to out source this? I'm going to then say perform and set up regular periods of time for analysis and feedback. One month after the launch of the program I'm going to want to communicate with the participant and the company to say does everybody understand the rules. I'm going to call a couple of the participants and say what do you perceive as the behaviors you need to do to earn this reward. Once I get that feedback if it's very, very clear then we've come out with the proper communications then we'll continue with the communications strategy but as with any other business strategy we may have to change midcourse.

Michael: Well, obviously there is a lot that goes into this. This is not a simple undertaking and you Paul, you've got a very busy practice currently among the other marketing things that you're doing now and I want you to set some criteria for anyone listening to this, is honestly and straight forward as possible, who would you tell not to call you about an incentive program and identify what type of person do you only choose to work with? So, really qualify the listener if someone is interested who you absolutely won't take the time to work with both as a person and how you structure your incentive practice?

Paul: I would say do not call me unless your target audience is going to be at least 150 to 200 people. Then you should be going to a much smaller organizations that are trying to do that in-house. I would say if you're the type of person that thinks that an incentive program is a cure all for your organizations woes, do not call me. Because if you're not going to willing to identify other issues that are not performance related are motivation related such as poor quality, poor training, poor hiring practices, poor customer reputation, do not call me on that. You need to take a look at your operation and make those corrections first. I would also say that if you're not going to be willing to spend at least $150,000 or $200,000 on an incentive program that is going to give you a typically a 22 to 30% plus return then don't call me on that. I do want at least, how my fees are structured and I want to make sure that it's well worth my time. And if you do not know your target audience and you're hoping that this is going to get you to identify your target audience and you don't know anything about your employees or your customers, you have other issues and other marketing and production issues that you need to identify and enhance. So, I want someone who does have an operation that is smooth and well running who is willing spend $150,000 to $200,000 necessary and who is willing to let me take the reins and they're willing to take advise and they're willing to go the extra mile and they're willing to provide training and they're willing to really invest. This is a very, very significant investment and I want somebody who is going to say this is a good investment for me. I want somebody who I can partner with an incentive program that is successful. I look upon that as a multiyear client I'm partnering with them and we're going to really help your company grow. We're going increase your loyalty of both your employees and your customers.

Michael: I know with your practice you're extremely busy and generally you charge several hundred dollars just for an initial consultation and you've agreed with me for any of our listeners from hardtofindseminars.com that you'd be willing to wave the initial 30 minute consultation fee and offer anyone interested in exploring an incentive program a free 30 minute consultation?

Paul: Absolutely.

Michael: Paul for anyone to who would like to take you up on your 30-minute consultation what would be the best phone number for them to contact you on?

Paul: Michael they can reach me at 425-905-2048.

Michael: Okay, let me just repeat that, that's 425-905-2048.

Paul: That's correct.

Michael: Okay, wonderful. Well, you have given us an incredible amount of information. I can't wait to re-listen to this. This is an incredible investment and I can't think of any kind of money markets that can bring you this kind of return if you're a company with employees.