

## Basic Facts About Designing an Incentive Program

### in•cen•tive pro•gram

An incentive program is a structured plan to get people to do what you want them to do.

#### Examples of Incentive Programs:

- Sales incentives
- Sweepstakes
- Service awards
- Frequency programs
- Loyalty programs
- Gifts with purchase
- Attendance programs
- Safety programs
- Training programs
- Wellness programs
- Corporate gifting

## 8 Steps to Building an Incentive Program

- 1) Establish Objectives
- 2) Outline the Parameters
- 3) Measure Performance
- 4) Establish the Budget
- 5) Select the Award
- 6) Implement the Program
- 7) Celebrate!
- 8) Evaluate the Program.

**Tip:** A more in-depth look at how to create an incentive program can be found in *The Art of Motivation – An Incentive Industry Primer*, available at [www.incentivemarketing.org](http://www.incentivemarketing.org).

### 1) Establish Objectives – The Blueprint

- Identify what goal or objective needs to be accomplished (increased sales, improved attendance) Objectives must be obtainable.
- Objectives should be simple to understand and to communicate, yet specific so they can be measured.
- Make sure these objectives are communicated to all participants at the onset and throughout the entire length of the program.



**Tip:** The goal must be fair to all involved and obtainable by everyone.

### 2) Outline the Parameters

- Who is the target audience? Who is eligible to compete in the program? Size? Demographics?
- What are the rules of the program?
- How long will the program run?
- Close-ended or open-ended?
- Who will be doing what? – Define each person's role (participant, administrator, arbitrator)
- Individual goals, team goals or both?
- What are the rewards?

### 3) Measure Performance

- What metrics will be used? (Qualifiable – more restrictive, needs to be qualified for or Qualitative – measured in numbers.)
- How is performance communicated throughout the program? (Online updates, email, etc.)

### 4) Establish the Budget

Three elements need to be considered:

- 1) Length of the program
- 2) Number of participants
- 3) Expected Results

There are basically two types of award budgets.

- **Close-Ended:** Program defines a pre-determined number of award earners. The budget is fixed and you know the maximum costs up front.
- **Open-Ended:** Enables all people who achieve program goals to earn awards. You can estimate the costs involved, but will not know the actual cost until the program is finished.

#### Typical Break Down of Budget

Awards	80%
Communication / Promotion	10%
Administration	5%
Training / Research	5%



**Tip: Determine the Award values based on unit or dollar performance improvement.**

Many companies allocate 5% - 10% or more of the value of incremental improvement

Example: For the first \$1,000 in incremental performance, the participant gains \$50 in award points.

For non-sales programs (ie. Attendance, Safety), determine what the “value” to the company is when the goals are met.

### 5) Select the Award

It is important to select the right award because if the individual is not emotionally vested in the incentive, they will not pursue the goal.

#### Understand what motivates your target audience.

- Send out a poll.
- Involve employees in the award selection.
- Keep in mind the employee’s income; most likely, a highly compensated employee needs to be motivated by a high value item, not a \$20 portable radio.

#### An effective incentive award:

- Is appropriate for the goal;
- Reinforces the organization’s values;
- Has a high perceived value and Trophy Value;
- Creates excitement amongst the participant base.



**Tip:** Brand name merchandise has a high-perceived value and satisfies the need for trophy value.

**Tip:** Check out the Award Selection & Administration Series Topics available at [www.incentivemarketing.org](http://www.incentivemarketing.org). See Principles of Results Based Incentive Program Design.

[When to use Branded vs. Promotional Products](#)

[Motivational Merchandise ROI Measures](#)

[Cash vs. Merchandise](#)

[Why do Lifestyle Incentives Work](#)

[Learning the Science of Reward Selection](#)

## 6) Implement the Program

- Determine how the program is communicated, tracked and recorded.
- If appropriate, provide training. Participants need to know how to perform the desired function in order to improve their performance.
- Communication: Give participants all the information they need to be successful.
  - 1) Tell them what you want them to do.
  - 2) Tell them how they can do it.
  - 3) Tell them what they can earn if they meet their goals.
  - 4) Tell them how they are doing.
  - 5) When the program is over, tell them how they did.
  - 6) Tell them what they won.
  - 7) Deliver the award on time.

**Tip:** Encourage your client to use promotional products to announce the program and to keep participants' interest high throughout the program.

## 7) Celebrate!

Ideally the program results and the program top performers will be recognized in front of their peers. Make a big deal out of the winners, but be sure to recognize ALL of the improvements made by all participants, not just the winners.

## 8) Evaluate the Program

Measure the results and program ROI (Return on Investment) to determine if the program was a success.

- Were the objectives realistic? (How many people participated? How many people stayed with the program? How many people met the objectives?)
- Did the outcome meet initial expectations?
- Was the program cost-effective?

**Tip:** IMA's Principles of Results Based Incentive Program Design has a chapter dedicated to the measurement of ROI available at [www.incentivemarketing.org](http://www.incentivemarketing.org)

### Measurement Series Topics

[Overview of ROI Measurements](#)

[ROI Incentive Programs: Driving People, Driving Profits](#)

[Overview: ROI Measurement Approaches](#)

[The Master Measurement Model of Employee Performance](#)

[Tracking the Long-Term Impact of Incentive Programs Using Readily Available Employee Data](#)

