

# The science behind successful incentives? Change.

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Incentives work. There is no dispute about this. Dogs ring bells to get food. Mice race to get to the cheese quicker. Humans run 26.2 miles for a t-shirt and a medal. Sales people consistently maximize their comp plans when being paid a commission.

Wait a minute. Not every commissioned sales person maxes out his or her comp plan. But if all commissioned sales people have the same opportunity to make more money, **why don't they?**

The answer is deceptively simple and it's found in what behavioral economists call the *hedonic treadmill*. The short story is this: whatever level of income you have and the effort you exert to earn it becomes the norm. To earn more would require working harder and most people are, well, pretty complacent. All people say they *want* to earn more money but *very few* say they'll work harder to earn more.

The *hedonic treadmill*<sup>1</sup> is similar to being on a real treadmill. At first you feel fine. After a while, you begin to feel fatigued. After several hours, the steps become normal and you almost forget about the constant motion of one foot in front of the other. The same is true with contests. If you run the same contest with the same rules on the same products with the same rewards month after month, your sales people will stop paying attention.

Changing things up helps re-energize and refocus our efforts. **Here are three things you can do to improve the effectiveness of your sales incentives.**

## 1. Change the rules.

Stack ranking is great occasionally but after awhile, the folks on the south side of the winner's circle will stop paying attention to your "Top Ten Go To Hawaii" contest. By using a stack ranking one quarter and individual objectives the next quarter, your sales people will think about their business in light of the new rules. That consideration is a tiny act of engagement that could lead them to working harder and delivering greater results for you.

## 2. Change the rewards.

Many sales managers believe that sales reps are coin operated so they begin incentive conversations with cash, cash and more cash. But if more cash were the answer, why wouldn't your commissioned sales people already be working harder to earn more? Mix it up by using different rewards: dinner with the SVP of Sales, a weeklong getaway at the company's condo on the Big Island or points that can be redeemed for a 70" OLED curved-screen television, a Callaway XR Pro or a smart watch. Sure, they could afford to buy those things with their own money but they won't. You'll give them bragging rights when they pull the new driver out of their bag and their golf partners wonder where they got it. "My company gave it to me for being a top performer." The sales rep gets the glory and you get the incremental performance required to earn it.

## 3. Change the focus.

The problem with focus is that it's difficult to maintain for long periods of time. Asking your reps to sell more of the new, high-margin widget month after month is fatiguing. Rather than a monthly contest that rewards reps for selling Product A, consider changing the emphasis every so often.



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You could switch the contest to reward them for selling other important products or for increasing margin or for selling partner products to keep things fresh. The reps will give you more effort in part because you're changing things up? This allows them to naturally adjust their focus and you will benefit from re-energized reps with each new contest.

BI WORLDWIDE's new incentive application can help you efficiently manage all three of these elements. *Self-Serve Incentives*, powered by the G5 incentive system, allows you to choose from five simple pre-packaged rule structures and launch a contest in just a few minutes.

To learn more about BI WORLDWIDE and Self-Serve Incentives, visit: [BIWORLDWIDE.com](http://BIWORLDWIDE.com) or email [info@BIWORLDWIDE.com](mailto:info@BIWORLDWIDE.com).



<sup>1</sup> Frederick, S., & Lowenstein, G. (1999). Hedonic adaptation. In D. Kahneman, E. Diener & N. Schwarz (Ed.), *Well-being: The Foundations of Hedonic Psychology* (302-329). New York : Russell Sage Foundation.

<sup>2</sup> Mayo, E. (1946). *The Human Problems of an Industrial Civilization* (2nd edition). Harvard University.