

Think you know how to run a local incentive? Think again.

Tim Houlihan,
Vice President,
Reward Systems
Group,
BI WORLDWIDE
and

Chris Dolan,
Director
Product Marketing,
Reward Systems
Group,
BI WORLDWIDE

Designing an incentive contest can be easy – almost anyone can do it. Set some goals, offer some awards, then sit back and watch everyone work like crazy to achieve their objectives. Right?

This type of thinking brings to mind a common “I’m an incentives expert” story: A talented and energetic sales manager thought he had put together the perfect contest – the top quarterly sales person earns a one week trip to Paris. Awesome, right? Halfway through the contest, he noticed overall results were well below expectations so he reached out to his top sales rep (who was also behind previous sales benchmarks) and heard, “I have three kids. I can’t take a week-long trip to Europe during the school year – not interested.” Other high-performing reps were also disengaged due to unrealistic goals, lack of understanding their progress compared to others and a general sense of apathy. They all assumed the top rep would be winning the trip so didn’t think it was worth bothering. At the conclusion of his failed contest, he ended up rewarding a below-average performer with an incredible trip to France. Meanwhile, quarterly sales were in the tank and the majority of his salesforce was disengaged.

This waste of time, money and resources could have been prevented if the sales manager had used five best practices for running incentives at the local level.

1. Consistency

Establishing replicable methods and preferred rule guidelines for contest design is the key to ensuring a successful outcome. That doesn’t mean every contest design should be exactly the same – quite the opposite. It provides autonomy at the local level for contest managers to be creative, flexible and empowered to maximize engagement and sales results.

How do you accomplish consistency? Stick with tried and true rule structures with various options to personalize each contest. Each location can customize sales objectives, contest goals, award payouts and tracking methods as long as the rule structures remain the same. Offering templates for communications and reporting will also ensure cohesion among all of your local contests.

2. Governance

“Begging for forgiveness instead of asking for permission” is not a sound contest implementation strategy. There are normally two outcomes for this type of approach. One: the contest was a flop and “I am sorry I forgot to run it by you.” Or two: the contest went way over budget and “the good news is that sales are up; the bad news is that I need a lot more money to pay out.”

Contest origination at the local level should always include a review/approval step in the process. Contest designs overflow with good intentions but without a consistent means of checks and balances, a manager could establish unrealistic goals or design a contest that is not in alignment with the expectations of business leaders.



Think you know how to run a local incentive? Think again.

Another potential issue could be the payout to effort ratio. This refers to the relationship between the amount of effort the rep must expend for the payout amount they might receive. All too often, this ratio is out of balance and usually requires effort that exceeds the perceived value of the reward. Providing sales leadership with the ability to review (and ultimately approve or deny) a contest before it is announced allows local mistakes to be avoided. Good governance can also expedite the time from design to implementation, mitigate ill-conceived incentives and ensure nobody is asking for forgiveness.

3. Transparency

What does transparency have to do with local incentives? Plenty. Transparency impacts all stakeholders within a local contest. Salespeople need clarity around the contest expectations, required outcomes of performance and their current progress towards achieving those objectives. Managers need visibility into team members' individual and collective performance. Sales management needs line-of-sight to both contest design and results to ensure every contest is aligned with organizational objectives. And most importantly, a contest creator needs the ability to foster transparency to ensure everyone is aligned with all of the contest parameters.

Nobody likes surprises at the conclusion of a contest. Reps don't like getting caught off guard with "I didn't know I qualified for a reward" and managers don't like thinking "I didn't realize my team was underperforming." The worst question of all is "Who authorized this budget?"

Good tools help track, update and communicate the progression of your contest from start to finish. Whether it's through an online tool, a spreadsheet or a self-reported claim form, it's important to provide real-time progress updates to all audience members. Gone are the days of posting activity results at the conclusion of the contest. Stakeholders want access to activity progress anytime, anywhere and on any device. They want emails and text messages to alert them of contest updates. Timely, relevant and transparent are three words to live by with any local incentive.

4. Vividness

Drawing from behavioral economics theory, *vividness* refers to the fact that people will remember and respond to things that are graphic and dramatic. Because salespeople are emotional beings, better results can be gained when applying vividness to incentives.

Once the rules are defined, the objectives set and the audience determined, the next question is frequently "What am I going to use as a reward to motivate my audience?" Frame it this way: "What is budget-appropriate, inspiring, meaningful and equitable for the effort that I am asking from my salespeople?" Cash can seem like the easy answer for both management and the reps; everybody gets it when the reward is expressed in dollars. But while cash is required to pay bills, it's not the most vivid nor the most effective at engaging your reps. Will reps chat about the cash bonus they earned with co-workers, family or friends? Money is

Think you know how to run a local incentive? Think again.

Ultimately a very private reward and talking about cash bonuses is usually not as socially acceptable as describing an experience or tangible award.

Rewards such as trips, big screen TVs or tickets to the biggest game of the year are both socially acceptable to discuss and they're much more promotable to your sales reps for motivation purposes. Gifts cards can be nice but who doesn't have a stack of unused ones in their wallet, purse or junk drawer? Remember, not everyone can travel freely due to parental obligations or other factors. Not everyone likes going to concerts. Not everyone needs a new television or wants a rough-and-ready four-wheeler. What we all want is the flexibility to choose.

Something for anyone and everyone is the key here. One way to ensure variety and functionality is with a points-based system backed up by lots and lots of award options. Keeping your awards offering fresh and vast is the best way to excite and inspire your soon-to-be contest achievers.

5. Goals

The most important lesson we've learned about salespeople in the years we've been studying, designing and executing sales incentives is this: having reps set their own goals gets them to achieve at higher levels.

In studies conducted by academics and by BI WORLDWIDE's own clients, reps who set their own goals always perform higher than those who don't. Recently, one of the largest telecommunications firms in the world undertook a study to test the efficacy of self-selected goals. All reps could earn the same rewards for the same amount of effort. They found that those reps who selected their own goals performed 43% better than those who didn't. Allowing salespeople to choose their own goals will lead to higher levels of accountability and motivation.

To learn more about how to efficiently and effectively facilitate contests at the local level using BIW solutions like GoalQuest® or Self-Serve Incentives, visit: BIWORLDWIDE.com or email info@BIWORLDWIDE.com.

