

THE INCENTIVE CHEAT SHEET

IMRA's Ultimate Guide to Selling and Sourcing
Branded Merchandise for Your Clients' Incentive
Programs and Corporate Gifting



Be an expert on your next sales call.



Our job is to make your job
easier.

in·cen·tive

From Wikipedia, the free encyclopedia

In economics, an **incentive** is any factor (financial or non-financial) that enables or motivates a particular course of action, or counts as a reason for preferring one choice to the alternatives.

This powerful motivation technique recognizes human nature and the importance of offering tangible rewards for predetermined behavior.

Did you know corporate America spends nearly **\$46 billion** dollars each year on merchandise and tangible incentives? Why? Because incentives work!

Incentives Can...

- Increase sales and productivity
- Boost morale
- Enhance quality
- Foster teamwork
- Decrease absenteeism
- Attract and retain quality employees
- Engage participants
- Improve work habits
- Ensure safety
- Reward loyalty

Ability x **Motivation** =
Performance

The fact is that goals direct our behavior. When an incentive (an object or event that is valued) is included with a specific goal, an individual is further motivated to achieve the goal.

The incentive must have a perceived value, and when the individual is willing to expend effort to obtain the incentive, it becomes a goal.

Beware of the Cash & Cash Equivalents Trap

- Cash can be considered income
- Cash has no lasting effect
- Cash has a poor perceived value

The Benefits of Tangible Non-Monetary Incentives

Executive White Paper published by The Incentive Research Foundation

There are four psychological processes that influence participant perceptions of tangible non-monetary incentives, making them perceived to be of more value than cash incentives of equal market value.

Perceived Value of the Award

- Evaluability – Affective Reactions Drive Perceived Value
 - Because attaching a monetary value to non-cash incentives is difficult, the participant's affective reaction to the award substitutes for its predicted utility. These perceptions tend to increase value beyond the actual amount.
- Separability – Non-Cash Incentives Have Separability
 - Individuals separate an award from other compensation. Tangible awards are not considered a part of their salary, therefore the award becomes unique and the performance more meaningful.

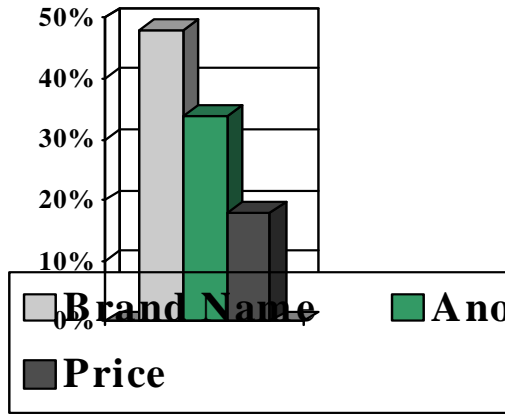


Value of Earning the Award

- Justifiability – Earning the Incentive Eliminates the Need to Justify its Purchase
 - Hard work becomes an attractive way to acquire something that was not justifiable otherwise. Earning the non-cash incentive carries more value than earning the market value of the incentive in cash.
- Social Reinforcement – Acknowledgement Increases Social Utility, Increasing Value
 - Non-Cash incentives are more socially acceptable to acknowledge, which increases the value through trophy value and keeps a link between the award and the company that provided it prevalent.

Despite inroads by private label products, national brand names still carry significant weight among consumers.

Nearly 1/2 of shoppers consider brand name first when making a purchase.



When to Use Branded Vs. Promotional Products

IMA's Principles of Results Based Incentive Program Design (Chapter 3.1)

Brands, by their very nature, generally have higher perceived value than non-branded products. Non-branded products can make up for that drawback, however, by being almost infinitely customizable to meet some communication or functional need that brands cannot be molded to fit. So even if the goal is motivation, the application may call for a promotional product instead of a brand. Here's a checklist to help determine which medium makes sense.

Factors Favoring A Branded Solution

- A primary purpose is to motivate people to do something.
- A primary goal is to have awards and recognition with high perceived value.
- An important goal is for people to share the recognition with their family and friends.
- The budget supports paying a higher price for the award.
- There is a feeling that being associated with brands will reinforce the brand of the sponsor company.

Factors Favoring A Promotional Product

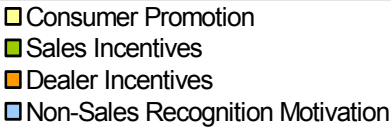
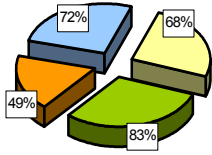
- The primary goal is to convey a message.
- A primary goal is to reinforce the brand name and generate awareness.
- A primary goal is to bring a theme to life in a clever way with a target audience.
- A goal is to get someone to an event—having the event name on the gift increases response rates.
- The economics call for a very low cost.

Many companies do both and imprint their logo on a branded product. This has the benefit of potentially conveying greater perceived value and associating a lesser-known brand with a better-known one. Note that some well-known brands do not allow co-branding without a management approval process.

in•cen•tive pro•gram

From Wikipedia, the free encyclopedia

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



Some examples of Incentive Programs

- Sales Incentives
- Sweepstakes
- Service Awards
- Frequency programs
- Gifts with purchase
- Attendance Programs
- Safety Programs
- Corporate gifting

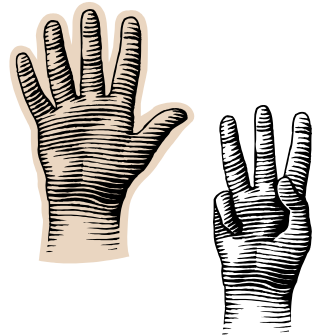
Incentive programs are among the few business strategies where **COST** can be based on performance and paid out after the results have come in.

Three most important variables to a successful motivation program

- The **Goal** that directs the behavior,
- The **Incentive** that motivates a person to obtain a goal, and
- The **Ability** of the participants to successfully achieve the goal that will engage the individual to participate.

8 Steps to Building an Incentive Program

- 1) Establish Objectives
- 2) Outline the Parameters
- 3) Measure Performance
- 4) Establishing the Budget
- 5) Selecting the Award
- 6) Run the Program
- 7) Celebrate!
- 8) Analyze This



A more in-depth look at how to create an incentive program can be found in *The Art of Motivation – An Incentive Industry Primer*, found online at www.incentivemarketing.org or at the IMA Booth.

1) Establish Objectives – The Blueprint

Identify what goal or objective needs to be accomplished (increased sales, improved attendance)

Objectives should be simple to understand and to communicate, yet specific so they can be measured

Objectives must be obtainable

Make sure that these objectives are communicated to all participants at the onset and reinforced throughout the entire length of the program.



2) Outline the Parameters

Who is the target audience? Who is eligible to participate in the program? Size, demographics, etc

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

It is important that you establish the parameters up front on how the program is to be measured so that you can prove to your customer that the program was successful.

What metrics are going to 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.)



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

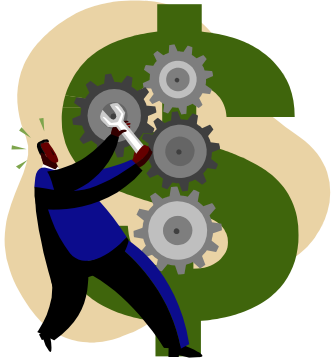
4) Establish the Budget

Three Elements Need to be Considered

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

Two Types of Award Budgets

- 1) Close-ended : Have a pre-determined number of award earners. The budget is fixed and you know the maximum costs up front
- 2) 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%

Determine the Award Values Based on Improvement

(Principles of Results Based Incentive Program Design)

Based on unit or dollar performance improvement

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

Ex: 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.

Use the Safest Estimate

Generally speaking, management wants reliable forecasts and programs with a good cost-benefit ratio. Since the cost of incentive programs should directly relate to performance, at least more so than most other marketing and sales tactics, it pays to err on the high side in terms of costs and - as every budgeter knows - err on the low side in terms of performance.



5) Selecting the Award

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

Understand your target audience

- Send out a poll; get employees involve
- Keep in mind the employees income; a highly compensated employee needs to be incented by a high value item, not a \$20 portable radio

The award:

- Has a high perceived value (See section 1) and Trophy Value
- Creates excitement amongst the participant base
- In a short program, the item should be of high value to produce quick results
- Cash is not King!

Merchandise awards satisfy the desire to point to something as tangible proof of one's success.



IMA's Principles of Results Based Incentive Program Design has a curriculum focused on Award Selection.

Award Selection & Administration Series Topics

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

Overview of Incentive Travel for the Basis of Rewards

Incentive Travel Site Selection

Incentive Travel Award Types

Overview of Gift Card and Certificates

Gift Card Types

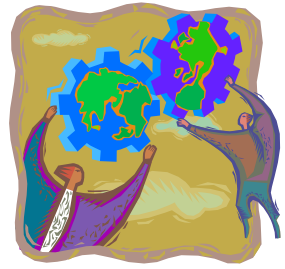
The Role of Gift Certificates and Cards in Corporate Recognition

6) Administering the Program

How the program is communicated, tracked and recorded.

Promotion: How do we communicate the objectives and reinforce them throughout the program?

*** Additional revenue source for you;
Hello...Promotional Products! ***



Research / Training: The participants need to know how to perform the desired function in order to improve their output

Communication: Give them all the info they need

- What you want them to do
- How they can do it
- How they are doing
- When it is over, how they did
- What they have won

7) Celebrate!

The Peer Pressure Measure – If everyone knows who succeeded in meeting and exceeding the goals, the chances of them engaging in future programs are greater.

You have to openly commemorate the program – make a big deal out of the achievers, but make sure to recognize the efforts of ALL of the participants.

8) Evaluate the Program

This is where you measure the results and the ROI (Return on Investment) to prove to your customer that the program was a success from a financial point, as well.

ROI Considerations:

- Were the program objectives met – What did the program accomplish
- Were the objectives realistic (How many people met or exceeded the goals)
- What type of participant succeeded/did not succeed and why
- Did the outcome meet initial expectations



Measurement Series Topics

Overview of the PIBI Model

Overview of ROI Measures

ROI Incentive Programs: Driving People, Driving Profits

Overview: ROI Measurement Approaches

Determining the Return on Investment of Incentive Travel Programs

The Master Measurement Model of Employee Performance

Tracking the Long-Term Impact of Incentive Programs Using Readily Available Employee Data

Performance Measurement & Incentives In The Era Of Sarbanes-Oxley



Can my business profit by selling premiums and incentive programs when the margin % can be lower than the promotional products I sell today?



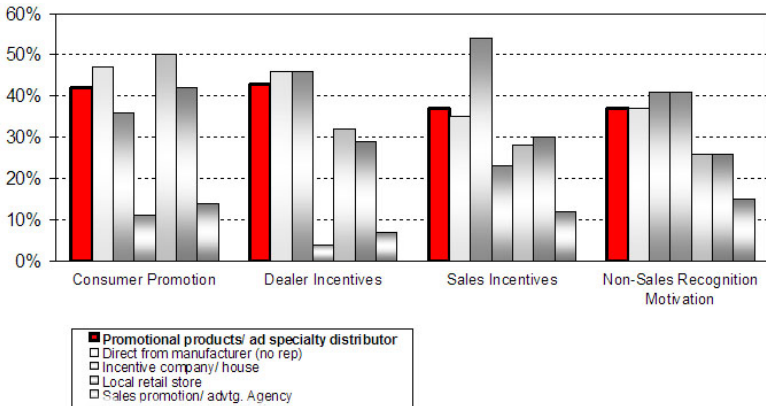
100% of nothing versus a % of something big

American businesses spent an estimated \$46+ billion on merchandise and travel for motivational use in 2006.

2007 Incentive Federation Survey
www.incentivemarketing.org

Merchandise for Premiums & Incentives
 Incentives are already being supplied in large part by Promotional Product Distributors.

Source: Incentive Federation Survey, May 2005



Why You, you may ask?

Why NOT you?

- You are already present in their organization
- Your clients trust you
- You know how your clients work
- You are the “expert” in creating awareness
- You have tools and help available from IMRA reps and suppliers (an excellent resource on branded products)

How to get involved in Incentive Programs

- Become familiar with all the channels of distribution your client’s company sells in
- Get to know your client’s Sales VPs
- Introduce yourself to HR
- Ask about internal rewards/recognition
- Look at their current programs
- Call a local Manufacturer’s rep-they’ve seen lots of programs
- Read ROP Magazine, SalesForce XP, Selling Power, and other sales-related magazines to see how others do it

Some Questions to ask your Client

- *“Who does your sales incentive program?”*
- *“What do you do to recognize your employees?”*
- *“Do you offer your dealers/customers incentives to increase their purchases with you?”*
- *“Would you invest \$50,000 to get \$500,000?”*
- *“If you attain your goals this year, how do you plan to celebrate them?”*
- *“How can I help you attain those goals?”*

rep·re·sen·ta·tive

Professional incentive representatives function as direct factory agents for the brand name manufacturers they represent. Incentive representatives may also be known as a premium representative, and they are very similar to a Promotional Products Multi-line representative. They are responsible for all sales activity within their territory. Incentive reps are skilled in understanding the needs of a variety of customers that include ad agencies, premium product distributors and sales promotion agencies. In general, over 90% of a representatives business is done through a 3rd party who re-sells merchandise to the corporate end-user. Because of the retail nature of the brands a premium rep handles, they have a tendency to become more involved with the sales process than a more traditional “multi-line” rep.

The Differences

rep·re·sen·ta·tive

- ◇ **Sell only in a defined territory**
- ◇ **Do not handle competitive lines / products**
- ◇ **Sell as agents, do not take possession of the products or invoice the orders they sell. The supplier invoices directly**
- ◇ **Compensated by commission from the supplier on sales, in the 2-5% range**
- ◇ **Typically handle multiple brands in the major product categories**
- ◇ **Typically entrepreneurial, owner operated with support staff**
- ◇ **Interface with distributors, refer clients to distributors, receive commission on sales through distributors**
- ◇ **Do not generally maintain inventory**
- ◇ **FOCUS ON THE DISTRIBUTORS NEEDS AS CUSTOMERS**

dis·trib·u·tor

- ◇ **May sell anywhere**
- ◇ **Often handle competitive brands – can handle as many different brands as their customer base wants**
- ◇ **Typically take ownership to resell**
- ◇ **Compensated by margin of sales price over cost**
- ◇ **Often handle several hundred lines**
- ◇ **Large firms often publicly traded, have branch offices located in cities throughout country**
- ◇ **Rely heavily on rep for referrals, training, technical support**
- ◇ **Maintains inventory**

What you can expect from the Incentive and Premium Representative:

The “Premium Rep”—your best friend

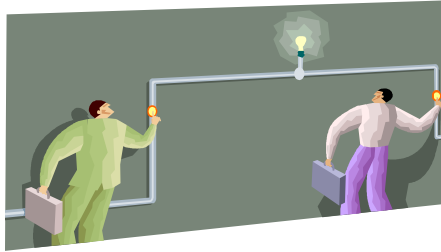
- Know market trends, the latest promotion techniques, and the benefits of each.
- Supplier status, which suppliers are better suited for a particular program
- Assist in promotional planning, from the creation of the idea to selection of the appropriate merchandise manufacturer.
- Experience – The majority of incentive representatives have well over 10 years of experience in working with promotional products distributors
- Sells at factory direct pricing and can negotiate discounts for volume purchases in some cases
- Will NOT “poach” your accounts
- 90% or more of their business comes from distributors
- Due to long term relationships with suppliers, representatives have the ability to negotiate special requests

The Relationship between the Promotional Products Industry and the Incentive Industry is a **WIN-WIN situation**. Corporate America is moving to consolidate purchases of goods and services utilizing fewer numbers of vendors. Rather than risk losing their current customer base, Promotional Products Distributors are moving quickly and deliberately to expand the products and services they offer.



Working with Retail Brands – Your Cheat Sheet to Success

Working with an incentive representative and branded merchandise, there needs to be a minimal understanding of the business.



1) Understanding - Understand how the Brand comes to the retail market

- ◇ New product introductions tied to key industry trade shows
- ◇ The complete product line may not be available to our industry
- ◇ At end of a product's lifecycle, closeout merchandise may become available. Pricing and availability should be discussed; don't make any assumptions.
- ◇ Be prepared to share as much information about your client and the promotion as possible. Many manufacturers have policies that prohibit selling in certain markets.
- ◇ Communicate all deadlines, in-hands dates and special labeling requests in advance. Last minute requests tend to cause delays.

2) Timing - Allow for extra time for your first transaction with a retail brand

- ◇ Brands don't subscribe to the promotional products market credit sharing information
- ◇ Each brand will have their own requirements to establish an open line of credit. These may or may not be negotiable.
- ◇ Initial order quantity minimums may apply

3) Preparing - This is where a distributor can offer special services to their clients, with this comes the potential for increased profit potential.

Premium representatives can offer suggestions on how to work with each brand and still meet your clients' needs and expectations. Below are a few common scenarios.

- ◇ Many brands don't decorate. Some have outside contractors that they can recommend. As a Distributor, you may already have a similar decorator. Typically your local decorator will be more cost effective.
- ◇ Drop-shipments may carry extra handling charges, be open to possibly drop shipping from your facility
- ◇ Many brands usually do not insert something into their product box. This may be another opportunity for you to offer your clients a unique solution, increasing your profit.

The Incentive Representative is able to help you determine each brands policies and procedures with regard to your needs.

Top Quality Brands
Smart Incentive Solutions



SOUTHWEST INCENTIVES INC

S e r v i n g S p e c i a l M a r k e t s

1121 Hampshire, Suite 200 • Richardson, TX 75080

972-437-4400 • 972-437-2222 (FAX)

www.SouthwestIncentives.com