



BUILDING AND RETAINING CUSTOMER LOYALTY AND DISTRIBUTION MOTIVATION

Drive Performance

By Cotton Markert

Why Incentive Programs Work!

I know...You run a solid business. You have a good plan. You watch your costs. You pay attention to the details, and you even have a good sales and marketing plan. You live in a very competitive world, and you wake up with your mind racing (often at 4:15 am) wondering, "What am I missing?"

We all know how challenging it is to run a business. Most issues revolve around two things...these are your customers, and your employees. Someone once said, "There is only one problem with employees and customers...KEEPING THEM!" How can you retain both groups, show them they are appreciated, invest in the relationships, but get a return on your investment? How can they be motivated to achieve your targeted objectives?

This is where the right incentive

program, tailored specifically to your audience, can provide extremely successful results.

Motivation is a science. A great deal of time and effort has gone into understanding this science. Experts in the field believe that a properly designed and executed incentive program is targeted to what Maslow called the "Hierarchy of Needs"...That is the emotional level beyond what he calls "safety and security." The effective incentive program needs to focus

on what he refers to as "belonging, affection, self esteem, and respect." This is also referenced in the notable work done by the psychologist B. F. Skinner.

Properly managed and promoted, there is an absolute **ROI**.

People do business with people, not companies. Customer events allow that personal time to be people.

Cash has no memory! Events and travel awards create acknowledgement, appreciation, and loyalty.

His "Behavioral Model" explains how positive consequences can dramatically influence an individual's behavior. Incentive programs providing these positive consequences, defined by specific targets, and constant feedback



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to participants relating to their achievement, can provide a successful growth mechanism.

Let us look at the theory/reality of the Bell Curve as it relates to performance toward a defined business objective. The majority of people are "average" performers. That is to say, that 10% are overachievers, and will drive themselves toward excellence. There are always 10% at the bottom, and generally, there is little which can be done to move these people to perform higher. The successful incentive program is targeted to the 80% in the middle, with the objective being to positively influence this group to reach higher performance levels.

Why Cash Can't Do This As Well As Incentive Travel!

Several studies performed by such companies as Goodyear, and American Express, and several industry groups, show monetary benefits are often used for paying bills (29%), and many (18%) don't even remember how they used the reward. Put another way, "Cash has no memory." Therefore, these payments have only limited effect as compared to travel awards. It was also found that the value of travel is enhanced, because of the emotion of participants feeling special as part of this group, and that most would never spend the money to go themselves. This "memory" remains after the trip, and is often of great residual value to both the recipient, and more importantly to those who aspire to be in this group. The conclusion was drawn in one study that non-cash rewards achieved three times the ROI as compared to cash programs. Study respondents (79%) said they found non-cash awards to be extremely effective in motivating them to achieve their goals. Another study by ISPI concluded that incentive programs, done properly, increased performance by an average of 22%.

Finally, a study by the SITE Foundation showed "Incentives help create positive emotion in the workplace, which greatly influences commitment to the work task." Mike Hadlow, President of SITE also said, "Incentive programs may be the single most important performance improvement tool available to executives today."

These principles apply to indirect distribution and customers as well. People buy from people, and incentive travel offers time to socialize, relax, and communicate on a personal basis. A relationship created in a positive environment, where appreciation for sales contributions is expressed, has value beyond calculation. This is many times, THE relative competitive differential.

Therefore, in conclusion, the next time you wake up at 4:15 am, wondering what the "engine" could be to get your business to the next level, think about an incentive program as a real alternative. You will find that keeping those customers and employees may be easier than you thought.



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