BUILDING EFFECTIVE INCENTIVE PROGRAMS: A BLUEPRINT FOR SUCCESS
Incentive programs are valuable tools for achieving many business goals, from sales growth to motivating employees. That’s why more than three-quarters of 500 business decision-makers surveyed by American Express allocate funds for customer incentive programs (76 percent), and an even higher percentage fund employee programs (78 percent).¹

To be successful, incentive programs must be chosen wisely, implemented well, and tracked effectively. Otherwise, they can add cost and administrative effort without achieving the desired results — or worse, alienate the customers or employees you hoped to cultivate.

The following pages provide a blueprint for implementing any successful incentive program, whether it’s designed to reward dedicated employees, increase revenue, or achieve more specific goals. Recent research and interviews with program providers.

specialists have identified four critical phases:

- Identify program goals and behavioral changes you hope to influence;
- Design the program’s structure;
- Communicate the program;
- Measure success and refine/optimize for the next iteration.

### Identify Program Goals and Behavioral Changes

What do you want to achieve? Drive sales of a new product? Retain employees longer? Get employees to quickly adopt a new technology? Program development starts by establishing specific business goals, pinpointing the behaviors you want to reward in order to achieve those goals, and then determining the best way to reward those behaviors.

For example, if the goal is to decrease employee turnover, you may focus on providing gifts and public recognition for employees who stay longer at the company. “Psychologically, recognition is important to making employees feel appreciated by the organization, and the corresponding monetary reward makes that appreciation ‘real,’” says John Hornbogen, Director of Business Development at RPG Card Services, a global provider of prepaid card reward solutions to retail organizations.

Sales goals may be achieved with customer rebates or loyalty programs. “Rebates are a great tool to sell out older inventory, introduce a new product, gain market share or create a pricing advantage,” explains Brian Phillipy, President of full-service marketing solutions company Afligo. Loyalty programs can increase revenue per customer, and can also be used to gain market insights by rewarding customers for engaging more deeply by writing reviews or downloading apps, according to a 2015 report from Capgemini Consulting.²


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—John Hornbogen

Director,

*Business Development,
RPG Card Services*
Design and Build the Program

Once you’ve honed in on the program goals and targeted behaviors, it’s time to define the nuts and bolts of the program, such as the budget and the reward value, vehicle, frequency and timing.

US companies budget an average of $13,300 for employee incentives and $12,000 for customer/client incentives, according to an American Express-sponsored survey of 500 business decision makers conducted by Ebiquity, Inc. Because that average includes companies of all sizes, however, it can be deceiving; those we interviewed spend far more. At Time Warner Cable, for example, Kimberly Wartluft, Senior Manager in Financial Shared Services, told us, “We spend millions each year in our decentralized employee incentive program in which departmental managers make the specific awards.”

The American Express-sponsored research found that monetary value of the reward is by far the biggest factor influencing employee morale, followed by reward frequency. For programs using prepaid open loop cards as rewards, the research found that the most popular value for employee incentives was $100; for client or customer incentives, $25 and $50 were nearly tied, with 27 percent and 26 percent of respondents, respectively.

Escalating reward values can be a great way to increase the desired behavior. To drive sales of lower-priced items, for example, a brand that offers a family of car-care products might offer a $2 rebate on single items but a $10 rebate if you buy three complementary products.

**FIGURE 1: INCENTIVE PROGRAMS Aligned with Business Goal Examples**

<table>
<thead>
<tr>
<th>PROGRAM TYPE</th>
<th>BUSINESS GOAL EXAMPLES</th>
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<tbody>
<tr>
<td>Sales force incentive</td>
<td>Introduce new product</td>
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<tr>
<td></td>
<td>Change sales behavior</td>
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<td></td>
<td>Increase forecasting accuracy</td>
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<td></td>
<td>Increase revenue per customer</td>
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<td>Customer loyalty</td>
<td>Attract customers from competitors</td>
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<td></td>
<td>Gain customer insights</td>
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<td>Consumer rebate</td>
<td>Gain market share via pricing advantage</td>
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<td></td>
<td>Clear out inventory</td>
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<tr>
<td></td>
<td>Introduce new product</td>
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<tr>
<td>Employee incentive</td>
<td>Encourage change in employee behavior</td>
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<tr>
<td></td>
<td>Accelerate adoption of new technology</td>
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<td></td>
<td>Refer qualified sales leads</td>
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<tr>
<td>Employee recognition</td>
<td>Decrease employee turnover</td>
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<tr>
<td></td>
<td>Improve employee morale</td>
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<td></td>
<td>Reward additional effort or exceptionally good work</td>
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<tr>
<td>Wellness</td>
<td>Lower healthcare costs</td>
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<td></td>
<td>Increase productivity</td>
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<tr>
<td></td>
<td>Enhance employee well-being</td>
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For internal initiatives such as employee recognition programs, offering the highest-possible frequency of rewards can help maintain awareness and excitement. Programs may combine smaller, more-frequent awards with larger, less-frequent prizes. For example, a low-value weekly excellence award is complemented nicely by an annual four- or five-digit award for which only weekly winners are eligible.

The reward timing is a critical consideration, both for open-ended and limited-period programs. For recognition programs that reward employee longevity, most companies choose meaningful dates such as an employee’s employment anniversary or holidays. On the other hand, challenges like employee “burnout” may be best addressed by spot awards that recognize hard work in the moment. Experts also recommend that sales people are immediately rewarded, to sustain their excitement for achieving sales targets. “The payoff’s got to be quick,” says Jason Adwin, Senior Vice President, Sibson Consulting, which specializes in sales-force effectiveness. “You should pay it out as soon as it’s done. You want that direct reinforcement and the Pavlovian aspect.”

Consider how you’ll administer the program. Does your organization have the skills, resources and internal platform required, or should you enlist a service partner? In either case, automated online processes can make life easier for consumers and employees while reducing administrative costs.

Communications: The Critical Success Factor

Experts agree: Communicating clearly and consistently is critical to success. It’s important to keep programs simple so that employees or customers quickly understand the benefits and can easily engage. For customer-focused programs, strong advertising and marketing are important to make customers aware of the opportunity. Online channels including website, social media and mobile can make it easy for consumers to engage and also help you collect valuable feedback.

It’s just as important to ensure your company’s teams are enthused about customer-focused programs, so they execute effectively. Even something as seemingly straightforward as a rebate form can impact success; if it confuses

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customers, they may not provide the information required to qualify. “Then they’ll mail it in and be denied because they missed a critical piece,” Afligo’s Phillipys says. “Now the customer is upset, and complaining on social media.”

Employee incentive programs generally offer two different communication opportunities: setup messages that relay guidelines and eligibility; and celebratory messages that recognize and praise the winner. Public recognition is important to employees; it’s also a cultural communications tool. “If you regularly recognize employees who exemplify certain behaviors and values, then you are reinforcing those behaviors and communicating what the company holds important,” says Kevin Curtis, Director of Marketing and Business Development at O.C. Tanner, which helps corporate clients develop programs that appreciate people who do great work.

Measure Success and Optimize

Carefully analyzing performance metrics enables you to track the program’s return on investment (ROI) and — just as important — pinpoint trends and areas for improvement. Has employee turnover decreased, or has customer satisfaction increased? If so, create more ambitious goals for the next program iteration. If not, set more reachable goals. If you find you’re achieving goals for sales but not for customer satisfaction, the metrics can help you identify where the program needs refinement.

Careful examination of how people respond can help you refine the program. Are employees actively competing or striving for the reward? If not, the reward may not have the right emotional significance. An employee panel may help identify rewards that trigger a better response. “Not everyone wants to go to the same restaurant or spa, or wants the same gray sweatshirt in a size large,” says Hornbogen.

**USING PREPAID REWARD CARDS IN INCENTIVE PROGRAMS**

The selection of reward vehicle can influence the success of an incentive program. Program experts agreed that open loop prepaid reward cards, like those offered by American Express, are highly effective for many programs. They offer recipients the flexibility to spend the reward however they want, which is a key reason that 500 business decision-makers surveyed rank gift cards more highly than any other type of gift for rewarding employees and customers. Of note, virtually all (96 percent) agreed that gift cards are a great way to encourage employees to do their best. Plus, a reward card can have a much greater emotional and psychological impact than an employee’s take-home pay. “Cards have an unwritten intent statement: ‘Use this for something nice,’” says John Hornbogen, Director of Business Development at RPG Card Services. “When you get a card, you’re more likely to use it to pamper yourself. You can go out and buy dinner for your family, or take yourself out to a place that you typically wouldn’t go.”
Participant information also may reveal valuable marketing information and new opportunities. Says Phillip: “A good program should ask about a customer’s likes, so that you can follow up and say ‘Hey! We understand that you live in the Northeast and fishing is one of your hobbies. Here’s something that could be of interest to you.’”

Conclusion: Careful Planning and Execution Leads to Success

Well planned and executed incentive programs can deliver significant business value. They can also gather valuable information that helps optimize future programs and reveals future marketing opportunities. Following the steps in a clearly defined blueprint — starting by identifying goals, then designing and communicating details, and finally analyzing the metrics and refining the program — can maximize the success of any employee- or customer-facing program.

A Four-stage Blueprint for Successful Incentive Programs:

1. Establish clear goals and metrics, pinpoint the behaviors you want to reward, and identify the best reward method.
2. Plan the detailed workings of the program, including the specific reward vehicle and value, frequency and timing. Keep it simple.
3. Communicate the program clearly, consistently, and frequently.
4. Measure results, using the information not only to track success but also to refine programs and identify new opportunities.