Beginner's Guide
to Incentive Program ROI

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Incentive Solutions

A Beginner's Guide to Incentive Program ROI

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How do you measure loyalty?

The debate surrounding the use of incentives in the work place is far from new. Whether you are a seasoned incentive user with years of reward experience and a clearly defined opinion, or brand new to the world of incentives and simply looking to learn more, we here at Incentive Solutions are happy to include you in our discussion.

With 25+ years of experience as a loyalty program provider, we are no stranger to the failed use of incentives. Like any executed strategy, the goal of perfection is often thwarted by the harsh reality of human error. Toss these factors in with the evergrowing capabilities of technology and even the top incentive advocates must constantly adjust to a new learning curve.

That being said we believe the blame for failed reward strategy shouldn't rest on incentives themselves. Afterall, we've made a business of running hundreds of successful incentive programs. In our opinion, the measure of a successful reward program lies in proving the value of your company's investment.

As the saying goes: "The proof is in the pudding," and in the incentive industry, that pudding is the data. Why debate the minutia of human opinion, or the variety of personality types that may or may not respond to incentives, when you can simply turn to detailed reports proving incentive program ROI? Today's incentive and loyalty programs are more than just rewards; they are a complete sales and marketing tech stack, providing invaluable customer data while simultaneously monitoring your incentive strategy progress.

It's not whether or not incentives work, it's about how well equipped your program is at providing the data that will make it work. Couple this data with ROI certified experts to analyze the data, and your program is bound to be a success.

Chapter 1

The Importance of Data: Building Your Case for Incentives

Implementing an incentive program is most certainly not a one person job. Neither is the decision to invest in one. When it comes to building a case for incentives, an investment of this size requires a compelling argument and convincing data to earn C-Suite approval.

The Incentive Research Foundation's latest Market Survey collected data from over 200 decisionmakers currently running an incentive program. Dividing companies into three separate categories by revenue, the results showed the following:

- The percentage of large companies ($1B in revenue or more) claiming ROI is unnecessary to justify their investment in sales incentive programs has dropped from 57% to 39%.

- The percentage of $1B+ companies who say they monitor specific results increased from 26% to 39%.

In other words, while many companies have not always collected specific, measurable results from their incentive strategy, the thought process is now shifting. Especially in times of an economic downturn, how can you be sure that your program is accomplishing it's intented goals?

Executives are expecting greater accountability in support of the value of an incentive program. Luckily, incentive technology has developed to provide it.

This also presents a valuable opportunity for companies looking to get ahead with a newly implemented, or newly enhanced, incentive program. Equipping your incentive strategy with the proper technology for data collection now can put your company ahead of the competition. This data can be used to help:

- identify areas of low participation or engagement to focus communication and training;

- change program design to better optimize results;

- analyze and help protect current investment levels; and

- determine future investments for program growth and enhancements.

Speed to market is a key factor in gaining differentiation in your channel, and being able to adjust and enhance your program based on real-time data findings is only becoming more popular. In just one year, the percentage of companies that have the ability to prove ROI of their incentive programs has increased at all revenue levels:

- $1M-$99.9M in revenue increased from 32% to 36%

- $100M-$999.9M increased from 38% to 47%

- $1B+ increased from 40% to 58%

Incentive programs are not new, but the way they are implemented can be. Innovation, in-depth data on your target audience, and speed to market can be the key to your incentive program's ability in differentiating your brand.

Which Departments Stand to Benefit from Incentive Rewards?

Be it a channel incentive program targeted at distributors or a sales incentive program for employees, incentive programs most notably provide sales and marketing solutions. More often than not, the budget for an incentive program is shared by the two departments.

Why is this the case? Incentive programs are both a fixed expense and variable expense.

A fixed expense is an expense that doesn't fluctuate based on sales volume. Fixed expenses typically fall under marketing budgets. For an incentive program, these include:

- system set-up costs;

- administrative costs;

- access to add-on incentive software modules;

- in-depth account management; and

- marketing the program to your participants.

However, the other part of an incentive program is a variable expense, meaning it changes based on sales volume and productivity. Reward costs rise as sales from your program participants increase, or if your target audience exhibits specific behaviors the incentive program was designed to promote. As a result, sales departments typically operate from a variable budget.

It's important to remind stakeholders in both departments of this specific incentive program dynamic. As incentive programs grow and evolve, so does the necessary budget to keep it alive. The good news? A positive ROI and happy, engaged customers are more than enough justification to receive continued support from leadership and make sure your program doesn't outgrow your budget.

Sharing the Benefits of an Incentive Program: Marketing & Sales

Below are just a few of the ways that marketing and sales departments stand to benefit from an incentive program.

MARKETING	SALES
• Drastically higher open & click rates than industry standards for automated marketing emails related to a rewards program.	• Accounts who are part of a B2B loyalty program often increase their order size & order frequency.
• Rewards can be used to build a database by incentivizing channel partners to provide contact information & marketing data for themselves and for end consumers.	• Channel partner incentive programs can be used to generate demand and motivate distributors, dealers, contractors, and wholesalers to recommend more of your product to the end consumer.
• An incentive program can be used for a customer loyalty marketing campaign to gain access to new verticals with existing accounts.	• Reward programs can be used to nurture accounts and create engagement by communicating immediate, tangible value.
• Incentive programs can be structured to discover new accounts by using an open enrollment strategy, attaching point certificates to merchandise, or through a referral program.	• Using rewards to personalize relationships with accounts creates relationship capital, which is hugely important for B2B sales.

Asking (and Answering!) the Right Questions:

Below are four important questions to answer for sales and marketing department leaders when pitching the potential ROI of an incentive program.

1. Why would an incentive program cause a change in behavior for our channel partners? Will rewards really make a measurable difference?

Incentive programs provide tangible, non-cash rewards. Although rewards may seem silly compared to considerations like reducing overhead or maximizing profit, psychological studies have shown that people will expend more effort and have higher levels of sustained motivation when working towards non-cash rewards than they will for cash payment of equal (or even sometimes higher) value. This is because rewards have social value and create an emotional impact, making them useful tools to build relationships.

2. How will an incentive program increase sales?

Incentive programs can be used to build customer loyalty, motivate growth, prioritize specific products lines or to reward referrals to new verticals or qualified accounts. It's just a matter of choosing what outcome you want to inspire and aligning incentive rewards with those outcomes. In one case study, Incentive Solutions helped an industrial distributor increase average order quantity by 319% by giving incentives to their online customers.

Asking (and Answering!) the Right Questions:

3. How will an incentive program improve marketing efficiency?

Incentives can be used as part of a referral program or to motivate channel partners to supply contact information and marketing data for themselves and for end users. This will enable you to expand your account profiles and to market to those accounts more effectively. In various case studies, Incentive Solutions has found that automated emails related to a rewards program have much higher open and click rates than industry average (up to 55% and 17% higher, respectively!), which will improve your ability to communicate with accounts or prospects that enroll in your program.

4. Won't this add to the workload for both departments?

In addition to 12+ incentive software modules that can allow for your incentive program to integrate with your existing software and to automatically track and assign points, Incentive Solutions will provide you with a dedicated teams of ROI certified account managers and software developers to manage your program for you. After planning, it should require very little direct oversight or day-to-day work on your part.

Having an involved admin is a big part of program success. Don't have the time or man power? Make sure to find a program provider that streamlines the process and provides account managers to run your program for you.

With these questions as the basis for your compelling argument, the next step is to provide the data. This brings us to the ROI calculator.

Chapter 2 Proving the Value of Your Investment: The ROI Calculator

ROI is an important factor in successfully pitching an incentive program to company management. Rewards are nice, but at the end of the day, business growth is the measure of a successful incentive program. Luckily enough, Incentive Solutions has recently released its latest version of their ROI Calculator, providing you with tangible numbers that detail potential business growth.

Designed in-house by our incentive technology developers, the ROI calculator takes your current metrics alongside your sales and marketing goals to determine the program cost and ROI of a potential incentive program.

Steps for Using Incentive Solutions' ROI Calculator

1. Determine your goals for your incentive program.

First of all, we need to figure out why we are using an incentive program and what we need that program to accomplish. Are you looking to create a customer loyalty program across your distribution channel? Are you looking to incentivize dealers or contractors to increase their order size? Which member in the sales channel has the most influence on the sale of your product? Figuring that out will help in determining necessary target audience metrics.

2. Enter sales volume data (or project that data) for your target audience.

As mentioned earlier, your target audience consists of the customers (or internal sales team members) whose behavior your incentive program is aiming to influence. Identifying your target audience will provide an idea of the:

- average Customer Sales Volume

- number of Target Customers

The budget of your program will be dictated by determining the cost of providing all potential participants with incentive rewards, as well as how much of the revenue generated by your program inspired sales to put toward reward costs.

3. Enter average gross margin %.

The formula for gross margin percentage is Revenue minus Cost, divided by Revenue, multiplied by 100. Most businesses will already have this data somewhere on file.

4. Enter your current Marketing Dollar ROI

Again, determined from the standard ROI formula, this will help provide a clearer image as to how the return of an incentive program compares to the return of current marketing dollars spent.

It is important to note that in your ROI calculator results, you will be provided with a comparison of ROI from current marketing expenditure vs the potential ROI from marketing dollars spent on an incentive program. With consistently higher than average email open and click through rates on incentive program email communications, marketing to customers on the premise of providing rewards is a valuable tactic.

5. Enter the % of sales that you want to allocate for payout for the participants of your incentive program.

This number is an estimate of how many dollars' worth of points (or travel incentive costs) you plan to assign to your participants per dollar sold. This percentage will fluctuate depending on how broad your target audience is and how closely they work with your business.
Incentive Solutions also has options to apply different percentages to different members of your organization or different areas of your distribution channel. Whether your company is releasing a new product, or market trends force a quick pivot in direction, your budget allocations are easily customizable to your evolving business goals.

6. Enter your sales increase estimate %.

This percentage will also be an estimate, and usually reflects a company goal. To gain a better understanding of sales growths from current and past incentive programs, make sure to take avantage of our free consultations, or explore some of our case studies.

7.Calculate your potential incentive program ROI!

Based on the above data, the ROI Calculator will calculate your ROI as well as the average monthly benefit your incentive program will generate for your company. The beauty of this tool is that it provides projected business growth, meaning if you aren't arriving with an ROI that exceeds your expectations, you can adjust estimated numbers to determine the necessary metrics that would make an incentive program a worthwhile investment.

Additionally, there are strategies we can explore to increase your business growth and improve your distribution channel sales. The ROI calculator is intended to give you a ballpark estimate, but we encourage you to discuss both your results as well as the possibilities for your company's incentive program with an ROI certified expert.

Chapter 3
What is Your Data Telling You?

CRM software is now one of the biggest software markets in the world. By 2025, CRM is expected to reach more than $80 billion in revenues.

We can't say we are surprised! CRM is one of the greatest online management tools for sales and marketing efforts, allowing access to customer data in real time to help shape personalized customer interactions.

The key to efficiently measuring this data? A fast, efficient method of feeding marketing, communication and incentive data into one location.

By connecting your incentive program to your CRM system, your company can:

- track sales
- monitor and store purchase documentation
- track marketing efforts through email open and click through rates
- update customer profiles
- identify top earners via leaderboard data
- develop successful sales promotions and much more!

For companies to succeed in increasingly digitized and data-driven markets, tying data to outcomes is crucial. CRM integration helps to build a better, more accurate picture of your customers and their purchase history. Fine-tune your sales and marketing efforts from a one-stop shop of customer data.

Additional incentive technology offerings provided in an Incentive Solutions reward program include:

Online Partner Portals and an Incentive Mobile App – Does your organization provide all possible opportunities for digital connection and engagement? Top channel incentive programs include digital and mobile hubs where channel partners can become better acquainted with your brand, get up to speed on your latest promotions, create wish lists, and redeem points for rewards.

Single Sign-On Capabilities – If your business currently has an online presence, the last thing you want to do is complicate the user experience with multiple logins. Providing your channel partners with single sign-on for all your business platforms drastically improves the customer experience.

Organizational Structure – Personalization starts with organization. Segmenting your target audience by location, organization, department, or a host of other metrics allows you to get specific in providing the support that's right for each participant.

Various Communications Platforms – Incentive program software includes omnichannel communications tools, email templates, and customized communication plans to engage your participants from a variety of platforms. Keep your brand top of mind with proven effective reward based marketing.

Advanced Marketing Services – In addition to providing digital platforms for communications, Incentive Solutions provides options for custom marketing campaigns to fit your company's unique business goals. Based on A/B testing and program data analysis, our channel incentive marketing consistently outperforms industry benchmarks.

Social Recognition Software – Social recognition is a powerful tool for motivation. Mimicking online social media platforms, this software feature fosters emotionally connected relationships within the work environment.

Partner Qualification and Certification – Online training incentives are a great way to enable partners to sell your product. Exchanging rewards for completing certifications is mutually beneficial for channel partners and manufacturers alike.

Motivating Rewards and Promotions – Does your incentive program software provide personalized promotions and rewards to your customers? With millions of reward options in an online catalog, or fast delivery of funds to a reloadable debit card, incentive software guarantees a joyful reward experience.

Ready to Reap ROI from Your Incentive Program?

There is a popular saying that applies to any endeavor: "What gets measured, gets done."

Of course, this is more than a saying. It is true. While investments in marketing efforts are difficult to measure and notorious for yielding minimal ROI, a loyalty or incentive program is one of the most measurable forms of business expenditure. Couple this with advanced data collection capabilities and motivated sales behavior, and your incentive program can quickly become your greatest tool.

With your projected ROI goals and the help of the right incentive program provider, you can structure the ideal incentive program that fits your unique sales and marketing goals. With analysis from experienced program managers on your collected data, you can guarantee your program will be on track to achieving your desired ROI.