

INSURANCE & FINANCIAL MEETINGS MANAGEMENT

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The R.O.I. Challenge

Create Incentive Programs That Deliver Long-Term Benefits, Not Just 'Sugar Highs'

BY STELLA JOHNSON

Companies in search of third-party planners or consultants know they've come to the right source when they read Bob Dawson's email tagline: "Incentive ROI that makes bean counters smile." He knows of what he speaks, and then some, particularly when it comes to one of the hottest topics facing the incentive travel marketplace: the new ROI challenge.

James B. Dittman,
President, Dittman
Incentive Marketing

If nothing else good comes out of the economic downturn, at least the longheld business practice of using sales incentives to effect robust revenue has endured and been validated, notes James B. Dittman, president of Dittman Incentive Marketing, located in New Brunswick, NJ.

"Just as you can't cut your way to prosperity," Dittman says, "you can't maximize your incentive program ROI by cutting costs, at least not without eroding your own success in the future."

For the sake of the insurance and financial sectors, we engaged Dittman in a little more discourse on the subject of the new ROI challenges ahead.

I&FMM *What should planners be thinking in terms of the new ROI facing the industry?*

Dittman Think of ROI in terms of ROO — Return on Objective. Aside from numbers, if your objective was to get your salespeople to spend more time selling full line, not just the more

popular products, is that actually happening? Are they continuing to do so? Or, are you trying to get your people more engaged on an everyday basis? If you are succeeding, your turnover rate is likely dropping, and that's certainly a cost-effective outcome. Most importantly, conduct attitudinal surveys to measure levels of engagement, job satisfaction and other perceptions that are critical to the program's overall success.



"If you have done it right, the cost of the program will only be about 25 percent of the incremental gross profit, thereby creating a powerful case for the power of the sales incentive."

I&FMM *How do you sell clients on the necessity of incentive programs to drive sales?*

Dittman By pointing to the studies done by the Site Foundation, People Performance Forum, Enterprise Engagement Alliance and others that prove double-digit increases attributable to sales incentive programs. Further, if a person needs to have it proven, it means they are not conducting any sales incentive programs at this time. When that's the case, it creates the condition for a classic test that will,

inevitably, prove the value of corporate incentive programs. The classic test is:

- Start by asking client to project gross sales over the next full quarter.
- Ask them how much more they believe they could realistically achieve if everyone were truly engaged and motivated. That becomes the objective.
- Then build an incentive program for that quarter that focuses on individual effort and reward.

At the end of the program, look at the sales for the period with the incentive program, as compared to what was projected without it. Calculate the gross

profit on those incremental sales and compare it to the cost of running the incentive (awards, communications, etc.). If you have done it right, the cost of the program will only be about 25 percent of the incremental gross profit, thereby creating a powerful case for the power of the sales incentive.

I&FMM *Can you provide a successful client scenario that illustrates your principles?*

Dittman Yes, a software company that sells through value-added resellers, companies that distribute a producer's product but add value to that product, most often by integrating it into a larger system. They wanted to target a program at the sales consultants in the reseller organizations, something they had never tried before. We created a "rules structure" using our Great Escapes Individual Travel product that produced a norisk, self-liquidating program.

Great Escapes is a tiered structure of 10 custom travel awards at each of 10 levels (from \$500 to \$10,000) delivered with white-glove service and promoted with a powerful set of electronic communications. Each sales consultant was given a target and an opportunity to earn his or her own Great Escape. The goal was to sell five units more than target and earn a Level One reward. Ten units over target earns Level Two, and so on with no limit.

Since each five-unit increase generated more profit for the company than the cost of the award itself, there was no need to limit the amount that people could earn. And since there was no up-front cost for the program, there was absolutely no risk.

The program produced a 27 percent increase in sales.