



Beyond Fulfillment – Why Do Some Incentive Programs Not Work?

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Incentive program sponsors typically focus on the awards and fulfillment aspects of a program. It is the exciting part of the program, seeing what is available for redemption. The award is the payoff for the achievement. It's the reward for the accomplishment. But great awards and flawless fulfillment do not guarantee a "successful" program. Incentive programs are far more complex than just fulfilling awards. If it were that simple, all incentive programs would work but they don't. So why don't they?

Incentive programs draw some parallels to direct marketing. On the surface, both appear fairly simple initiatives. Incentive programs give some prizes to people that achieve a stated performance over a specific time period. Direct marketing is sending "junk" mail to someone on a list and hoping they respond. In both cases, a company may feel that the initiative is simple enough that this could be accomplished in house without engaging an outside firm and then they become discouraged when the results are not what they expected or needed. Direct marketing programs rely heavily on numerous variables to increase the response rate that ultimately results in a sale. The four major categories of variables are the list, the offer, the medium and the timing. These four categories are not equal in their importance to success. In direct marketing, the list can account for 40% to 60% of the success.

In incentive marketing or performance improvement, there are a number of similarities to direct marketing. A poorly designed incentive program may reward performance that does not create incremental overall performance or the targeted audience cannot perform at the levels necessary because they cannot control some aspect of the performance requirements. In the performance improvement industry, there are also major categories of variables that will dictate the performance of a program. The major categories are the audience (list), the rules structure (offer), engagement or communication (medium), the time period (timing) and the award. These categories, like the direct mail categories, are weighted in their respective importance to the success of the program with the rules structure accounting for 40% to 60% of the success. Poorly designed rules may be too complex to understand and administer or have goals set too high that the audience will not achieve the results.

To increase the odds of success, targeting the correct audience in direct marketing is essential and direct marketers will say a mediocre offer at the wrong time to the right audience will still produce results. This is called winning ugly. So it is with incentive programs. The target audience has to be inclusive of the people that are responsible for the desired results, anyone that could say "no" or derail the incentive program as well as the people that can deliver the desired performance.

Capturing the audience's attention requires that a direct marketing offer is clear and concise. The headline has to communicate quickly and effectively to engage the recipient. Similarly, the communications used in an incentive program to engage the audience must break through the clutter and communicate what they need to do and what's in it for them. There is more information on the engagement aspect of an incentive program that encompasses not just the initial engagement but how to keep the audience engaged throughout the program.

The rules structure in an incentive program will dictate the outcome and ultimate success of the program. Some program designers try to be too clever in the design and end up suppressing the performance. Rules should be simple to understand and execute. Simple is superior. Complex, ambiguous rules structures are the reason most incentive programs don't work.

Timing is important to a direct marketer, reaching the target audience just prior to when they are going to make a decision on the product or service. Most incentive programs are ongoing and the timing is less critical. An overlay program or spiff that is timed incorrectly could have a negative effect on the base program and cannibalization of base sales to chase an incentive is a concern for all marketers.

In direct marketing, and it is easy to get one small element wrong such that it renders the entire effort ineffective. Incentive programs have the same issue. Concentration on the wrong elements of the program can produce disastrous results. Direct marketers have the ability to do split testing, creating a control group to continue to refine the offer or rules and incentive programs typically do not. Incentive program sponsors are marketing to a captive audience that comes in contact with each and variations in rules for the same participation level will alienate part of the audience that feels they are being treated unfairly.

Looking across performance improvement companies that design and operate numerous incentive programs for their client companies will illustrate that the awards are only one aspect of an incentive program. Companies with successful programs will be at both ends of the award spectrum:

- From a limited number of awards to unlimited choice;
- From high end memorable awards to lower end functional awards;
- From experiential to tangible;
- From point-based award redemption to plateau catalogs.

All of these can be successful given the 'right' audience, the 'right' rules structure, the 'right' engagement strategy, the 'right' earnings potential and the 'right' timing.

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