



Incentive Travel Resource Center

Return on Investment

Consider these compelling reasons to take a closer look at incentive programs in your business:

- Knowledgeable and attentive employees account for 80% of the reasons consumers feel satisfied, according to a PNC Bank Corp. survey.
- Fewer than one in four American workers is working at full potential; half of all workers do no more than directly asked, and 75% of employees say they could be more effective in their jobs, according to the Public Agenda Forum.
- 70% of unhappy customers abandon vendors because of poor service, according to the Forum Corp.
- A 5% increase in customer retention can increase lifetime profits from a customer by 75 percent, according to *The Loyalty Effect*, by Frederick Reichheld.
- 65% of executives believe that incentive programs using travel and merchandise are more memorable than those using cash; 60% of executives believe that sources of merchandise and travel are more helpful in creating an incentive program than are sources of cash, and 57% of executives believe that bonus payments are often regarded by employees as something they are due, according to the 1999 Incentive Federation Survey on Incentive Practices.

To mobilize people to achieve specific objectives, incentive programs marshal a combination of processes, including goal setting, assessment, award selection, communications, planning, tracking, training, and direct marketing. These programs are designed to help organizations motivate and equip people to achieve set goals in a specified period of time—and do it in a way that does not conflict with long-term compensation and pricing issues.

Incentives go far beyond the issue of selecting appealing awards, however: They lie at the heart of developing a successful, performance-oriented corporate culture.

Before planning your next incentive campaign, take time to review the appropriate overview selected from the list below. Each offers a concise, step-by-step guide to the critical issues you have to master in order to implement an effective program. The information is designed to answer your basic questions regarding incentive programs and provide checklists to the critical steps you'll need to follow in order to succeed. These checklists do not take the place of expert management or advice.

The following types of programs are covered:

[Sales Force Motivation](#)
[Safety](#)
[Dealer](#)
[Recognition](#)

Group vs. Individual Travel

Determining the appropriate type of incentive travel for your use is a critical step. Here are the basic benefits of each....

Group Incentive Trips:

- Camaraderie and team-building with co-workers
- Lavish social events - parties, banquets, awards ceremonies
- Group recognition
- Tournaments, competitions, golf clinics
- Bragging rights back at the office
- Montrose Travel representative on site to ensure the trip runs smoothly

Individual Incentive Trips:

- Flexibility - award winners can go where, when and with whom they choose
- Motivates a wider target audience
- Can bring the whole family
- Experienced travelers don't have to go to the same place twice
- Employees aren't out of the office at the same time
- Generally costs less than group trips
- Less work involved for the planner

A Step-By Step Guide to a Successful Incentive Travel Program

American business spends over \$10 billion a year on incentive travel and motivational meetings, according to industry research. Most major companies with large sales organizations or reseller networks have elaborate programs to motivate people through travel.

Incentive travel comes in two forms: "pure" incentive programs that offer travel as an award, and motivational meetings that use travel as a means of inspiring the troops and communicating organization goals.

The process of designing incentive travel programs in which people qualify for travel as an award follows much of the same process covered in sections on Sales, Reseller, and Employee programs. However, travel does involve special considerations, which have been outlined in the step-by-step planning guide below.

Motivational meetings share with incentive travel the need to motivate and communicate, but they usually do not share the need for specific qualification criteria or pre-travel communication, since the goal is to do the motivation at the meeting rather than motivate people to attend.

In both pure incentive travel and motivational meetings, the travel program differs from any other form of consumer or business travel in that the goal is to inspire and communicate, rather than simply offer an exciting trip. Whether the

incentive trip is pure fun, entertainment, or enrichment, or the motivational meeting has long days filled with meetings, both get the best results when everything is choreographed to inspire the audience. That means coordinating site selection, transportation, transfers, events, hotels, conference centers, audiovisual equipment, entertainment, and meals.

Understanding the Roles of Incentives

Offer people enough of an incentive and they'll try to accomplish your goal, but that doesn't mean they're equipped to do it. Meaningful incentive programs address not only the desire but also the ability of people to reach the goal. That means setting attainable goals, communicating them clearly, and providing for feedback. And no incentive program should be launched without addressing all of the elements that can affect performance.

Companies often use travel awards and other noncash incentives to distinguish their campaigns from cash compensation packages, so that the programs do not become an expected part of an employee's income. Surveys by the Incentive Federation show that organizations use incentive travel because it creates lasting memories for the participants and generates positive buzz throughout the organization. Because they do not have an impact on compensation, it's easier to use incentives as needed without creating the impression that people are getting pay cuts when no program is in gear.

Understanding the Roles of Travel

The nation's largest companies regularly use travel with every critical audience, from employees to top shareholders. The process of getting away together in a far-off land, or any off-site location for that matter, can create bonds that simply don't occur any other way. Even the most hard-nosed skeptic has respect for travel programs after attending a well-constructed event and maybe even shedding a tear or two at a particularly moving event.

Properly constructed, a travel program leaves an indelible imprint on the recipients and can open up candid dialogue that helps all participants expand their understanding of how to improve performance. The emotions forged by experiencing an exotic land or exciting city together, even if some of the time is spent in meeting rooms, become part of an organization's culture that can help inspire better teamwork and performance for years.

The following checklist doesn't begin to explore the details of choreographing an effective incentive travel or motivational meeting program. However, it provides a comprehensive outline of the critical steps involved.

Determine Your Incentive Strategy

Consider the following steps when structuring your incentive travel program:

- 1. Set goals.** Define what your company wants to accomplish in concrete terms: increase sales, increase unit volumes, or increase customer satisfaction levels? Translate the goals into numbers that can be compared from one time period to another. Are there any obstacles to achieving these goals, such as volatile market conditions or low employee morale?
- 2. Decide who you are targeting.** Are they consumers, salespeople, dealers/distributors, or customer service employees? Conduct surveys to learn more about the demographics, tastes, and lifestyles of these individuals.
- 3. Determine your budget.** After determining the dollar impact of your program, determine an amount you are willing to invest to achieve your goal. Surveys by *Incentive* magazine indicate that companies invest up to 20% of anticipated incremental sales in the awards, communications, and training necessary to achieve their goals. The budgetary process should also consider the tax implications of your awards.
- 4. Select an attention-getting incentive award.** Not only should you select a travel award that's clearly distinguishable from your compensation package, but you should select one that will reinforce your message, fit your

budget, and match the tastes and demographics of the target audience. Remember, the greater the recognition value of your awards, the greater the impact.

5. Determine who will manage your program. Will it be an internal resource, or will you use an outside agency like Montrose Travel? The discipline of incentive travel and motivational travel involves detailed knowledge of all aspects of travel, not just hotels and air transportation. An incentive travel expert marshals knowledge of marketing (to determine audience preferences), site selection, event planning, audiovisual techniques, team building, social-interaction management, and entertainment. This is no job for a mom-n'-pop travel operation, nor even for a corporate travel agent without a division geared to this business.

6. Determine how to track performance and measure results. Carefully measure the impact of your program against your objectives. Look at soft as well as concrete measures. What was the value of the bonding and communication and reaffirmation of shared vision?

Selecting Your Incentive Travel Award

Consider the following issues when determining your destination:

- **Choose a destination with resources and attractions** suitable to your audience, budget, and time constraints (don't just go where the boss's spouse wants to go). Look at your organization's culture and the goal of the program. Surprise people by mixing it up. If running programs for resellers, look at what the competition is doing.
- **Look carefully at international programs.** Depending on the group, there is almost nothing more exciting than taking a group overseas. If it's a motivational meeting, you can go to an overseas destination where you do business. If it's pure incentive travel, the tax implications are the same no matter where you go.
- **Look at the demographic mix of your target audience,** as well as its travel experience.
- **Don't worry if you have to travel close to home.** With a creative agency like ours, we can create interesting events in the most familiar of places.
- **Consider individual travel.** If you are looking at offering on-the-spot awards, are looking for an alternative to cash or merchandise, don't need to foster a group dynamic, or simply can't get everybody away at the same time, you can benefit from individual travel awards.

Laws and Taxes Involving Incentive Travel

Here's an overview of the critical issues involving laws and taxes affecting the incentive and motivational meetings business. Please note that these guidelines do not take the place of getting appropriate legal or tax advice.

Incentive Travel and Meetings

Navigating the mass of U.S. tax laws can be daunting for even the most experienced incentive travel professional. The following checklist is designed to guide you through the maze of regulations.

How is incentive travel different from meetings?

"Pure" incentive travel awards are given as a prize for reaching set goals. Recipients are typically customers, employees, independent contractors, or service providers who have met sales or purchase quotas or performance goals.

For tax purposes, pure incentive travel is "pleasure travel awarded for a business purpose." That means the sponsoring company can deduct the cost of the award (what the business actually paid, regardless of fair market value), and the recipient must report the fair market value of the award as income.

A meeting is defined as an event that takes place primarily for the purposes of educating, motivating, and communicating, without any need for recipients to perform. Meeting planners should make sure they have documentation to prove that an event was indeed a meeting, such as agendas, programs, and premeeting materials.

What are the guidelines for "pure" incentive travel?

The crucial phrase in determining deductibility of your incentive award is whether the program was "ordinary and necessary." However, there is no clear standard of "ordinary and necessary." If the award program benefits the sponsoring company (by encouraging high performance), and the awards are not too lavish, the program usually will be deemed an "ordinary and necessary" business expense.

When is an award too lavish?

In addition to the need for a profitable business relationship between sponsor and recipient, the value of the award must be in line with the value of the business benefit provided by the customer, employee, or supplier. The award of a \$5,000 cruise for a customer's purchase of \$200 worth of equipment, for example, would probably be seen as "lavish and extravagant." A red flag might go up at the Internal Revenue Service (IRS), which would most likely disallow the deduction.

If the IRS perceives the award as other than furthering that business's interests, it will treat the award as a gift. The giver is limited to a deduction of \$75 per recipient per year, but the recipient does not have to report the award as income.

What records need to be kept?

The Treasury Department has clear "substantiation and documentation" guidelines that should be followed, particularly when the recipient is an employee. Awarding companies should protect their deductions by maintaining an account book, a diary, or a statement of expense. They should also retain canceled checks, credit card slips, and hotel receipts. Records should reflect the amount of each expenditure, times and places of travel, the business purpose of each expenditure, and the recipient's business relationship to the awarding company.

What needs to be filed?

Awarding companies can protect their deductions by filing the correct paperwork on recipients. For customers and contractors/suppliers, that means reporting any award that exceeds \$600 in value, provided the recipient is not a corporation. File form 1099 MISC, along with Form 1096, by February 28 of the calendar year following the year in which the award was made.

If the recipient is an employee, the employer must declare the value of the award as compensation to the employee and as wages for the purpose of withholding, using a W2 form. Recipients should know that the full cash value of the award (including reimbursed expenses) will be counted as gross income and should be entered on their 1040s.

What if business and pleasure are mixed?

"When a trip is taken for the purpose of business as opposed to pleasure, it is not a 'pure' incentive travel situation," explains Jim Gossett, attorney for the Society of Incentive Travel Executives (SITE). When a trip is made for both reasons, then it is a matter of determining which purpose is dominant.

When it's a business trip, expenses to and from the destination might not be counted as income to the traveler, and may be deductible under certain conditions. When it's pleasure, those expenses would be counted as income. Other expenses can be divided into "primarily business" or "primarily pleasure" categories and treated accordingly.

When expenses are deemed necessary to business and are not reimbursed by the employer, the IRS throws in a caveat: An employee may deduct only the amount of total annual business expenses that exceed 2% of his or her adjusted gross income. The amount of expenses below that limit is not deductible.

What if employees are reimbursed?

The 2 percent rule makes it important for employees to seek reimbursement using a plan that conforms to IRS guidelines. If the employer uses an "accountable reimbursement plan" (employees must substantiate, according to IRS Code 274, each expense being reimbursed), then reimbursed expenses are not counted as income, are not reported as wages, and are not taxed.

When an employee does not substantiate his or her expenses, reimbursed expenses are treated as income, must be reported on the employee's W-2 form, and are subject to income taxes. The employee can deduct these expenses as itemized miscellaneous deductions subject to the 2% rule.

Are there restrictions on per diems and mileage?

The Commissioner of the IRS has the authority to establish standard mileage rates and per diem rates for business travel. If you elect not to follow the guidelines, you are still allowed to deduct your actual expenses, but you must substantiate each item. For more information on per diems, call 800-829-1040 and ask for updates in Code Section 274 of IRS Publication 463.

What about company personnel required on the trip?

When company personnel are required to accompany recipients on a trip, their involvement is treated as a business expense. However, the IRS loves to challenge these deductions.

What about when spouses share in the award?

If the spouse of a recipient is included in a "pure" incentive travel award, the value of the award becomes part of the couple's income and can be fully deducted by the awarding company. If the trip is for business, the cost may be nontaxable (as income) for the recipient, but the spouse's expenses become nondeductible by the recipient unless he or she can prove that the spouse's participation served a "bona fide business purpose." The IRS recently changed the rules to require that the spouse be an employee of the primary business traveler to claim deductions.

Are there special restrictions for foreign travel?

When a trip meets the requirements for "pure" incentive travel, treat foreign travel as you would any other incentive travel award. Problems arise when the trip is characterized as a meeting. The IRS does not allow business deductions for travel to conventions/seminars/meetings outside the "North American area," unless it's proven that the meeting was directly related to the conduct of his or her business.

What about cruises?

For "pure" incentive travel arrangements, cruises present no special problem. Business travel on cruise ships can be deductible, subject to general business travel rules. For conventions/seminars/meetings, travel is deductible if the taxpayer establishes that:

- the meeting is directly related to his or her trade or business;
- the ship is of U.S. registry and makes all of its ports of call in the U.S. or its possessions;
- the taxpayer attaches to his or her tax return: a statement detailing the number of days of the trip and the number of hours devoted each day to business; a statement signed by an officer of the sponsoring organization verifying the above information.

Sales Force Motivation

The role of sales management is to oversee the company's sales operations. Although the job entails many responsibilities, success depends on two overriding factors: recruiting and mobilizing the sales force. In addition to directing the troops in the field, however, there are a number of overall managerial functions involved, among them approving sales promotion and incentive programs. The manager who combines sound management with people skills stands a good chance of fielding a sales force that effectively develops accounts and satisfies customers.

As part of managing overall sales functions, sales managers analyze competitive products and selling techniques, review research, and work with budgets and quotas. They decide on computer systems, set pricing policies, choose distribution channels, determine travel and entertainment policies, establish territories, and decide which trade shows and conventions to participate in. They also have the last word in determining how incentive programs can be used to support these and other sales functions.

The responsibilities of directing the sales force include staff recruitment, performance evaluation, training, directing daily sales activities, dealing with customer service, developing and tracking leads, compensation, and motivation.

Leadership and Marketing Smarts

Today's turbulent economy has spurred changes that affect the way sales managers manage, train, and motivate the sales force. They must meet the challenges of a changing marketplace. A prime example: containing costs while increasing the sales force's ability to gather strategic information and cultivate relationships with customers and prospects.

Such managers must possess two important qualities: up-to-the-minute knowledge of the marketplace, and strong leadership that enables them to recruit and mobilize salespeople cost-effectively.

Elements of Success

Here are the key elements of successful sales management:

Vision. Sales managers lead by identifying ways to create value for their customers.

Strategic sales plan. Leaders who understand the big picture must be able to specify the best sales opportunities and decide how the sales force should go after them.

Base your training strategy on specific needs. Make sure everybody in your sales operation buys into your strategy. Training should spell out paths of success for each individual.

Develop a relationship-oriented management style. Shift your focus from reviewing to planning. Sit down with people to help them plan crucial calls.

Updated compensation plan. With more people sharing corporate accountability, sales managers need to measure and reward their sales forces for their impact on profit, not gross sales.

Empowerment. Effective managers prefer that salespeople make most key decisions. Adopt an attitude of trust and teach salespeople how to make these decisions.

Targeted incentive programs. Achievement awards must be based on what salespeople want, and the requirements for winning must be realistic. Incentive programs should focus not only on salespeople's productivity, but on the contributions of all people and all channels involved in the sales effort.

Know whom to promote. Ambitious salespeople often want to move into management, even though they might do better to stay in sales. Make sure such individuals get recognition within the organization. They should feel valued for the work they do so that they don't feel a continual need to improve their status.

Automation. Make sure your company has a contact-management software program. That will make it easier for salespeople to keep track of customers and prospects and communicate with them.

Incentive Program Checklist

Here are the fundamental steps to success:

1. Specify Your Objectives

Begin by specifying your objectives in numeric terms. Example: Increase sales by 10% in the third quarter.

2. Determine Who Is Critical

Look at your organization to determine who has the best chance of improving performance. Chances are you'll find it's the middle 60% of your organization. They generally have plenty of room for improvement. Thus your incentive program probably should be geared to promote incremental performance of a large number of people, not just the top 20% of your sales force.

3. Involve Your People

To get the best out of employee-involvement efforts, use a human resources employee or a trained facilitator so that employees speak freely. Consider introducing a process to identify:

- leverage points—where do the salespeople feel they can do better?
- resources needed—what do your salespeople feel is holding them back?
- types of recognition that will have appeal and be promotable but not become confused with compensation

4. Structure the Program

When building your incentive program, consider these options:

Open-ended strategies motivate all salespeople to improve their performance over the past.

Closed-end strategies distribute awards to the top performers in each volume category or region.

New product introduction is an approach that budgets a small amount of your new-product budget to get salespeople to increase their commitment to the product.

Plateau programs reward salespeople in an increasingly significant way for making incremental sales, such as 5% or 10% above last year's quota.

5. Determine Your Award System

Depending on your objectives and your audience, you may want to use cash, cooperative marketing dollars, or noncash awards such as merchandise, travel, and gift certificates. Tangible, travel rewards, often work best when companies want to:

- publicize the top achievers; it's easier to publicize travel rewards than cash bonuses, which can create jealousy and spur questions about compensation
- clearly distinguish the incentive program from cash compensation so that the reward system doesn't become expected
- build relationships with salespeople at off-site travel programs
- get the attention of high-income individuals for whom cash has no impact

6. Develop Your Budget

If you structure your budget properly, the program will cost relatively little. Incremental costs will be incurred if the program generates improved performance, but the added revenue should make it worthwhile. Fixed costs, such as administration, communications, and tracking, start at \$25 per individual per program, not including development costs and time. If the program is properly structured, award costs come into play only if the group achieves its goals.

7. Decide Who Will Run the Program

Establish whether you want to implement the program on your own or outsource all or part of it to a company to

handle program development and fulfillment, administration, database, and other functions. However, companies often find it difficult to provide their travel fulfillment.

8. Establish a Communications Plan

Make sure your reward program is easy to understand and filled with benefits for your target audience. Develop a theme that relates to your other marketing themes. Communications should be monthly for longer programs (six months to a year) and biweekly for shorter programs. Use printed materials, e-mail, and Internet and Intranet sites.

9. Launch the Program

Time your kickoff to coincide with your overall marketing effort. Make adjustments or send out additional information based on month-by-month results. Consider how you will announce the program: a personal letter, e-mail, company Web site, or a combination of these elements.

10. Fulfill with Integrity

Whatever you've promised the top achievers, deliver it. The point of the program is to make achievers feel special and to make their colleagues eager to perform during the next program. Publicize the achievers' performance and present the awards promptly and as personally as possible.

11. Conclude and Evaluate the Program

When the qualification period is over, generate reports immediately and notify all participants of their final standing. Then look carefully at the results to isolate the factors that could have affected your program. Consider tracking your salespeople's performance after the program to see whether the momentum is sustained when no incentive program is in place.

Inspiring Resellers

U.S. companies spend more than \$5 billion on incentive programs annually to motivate retailers, agents, distributors, brokers, and other middlemen to sell more of their products. To maximize performance of their resellers, the biggest names in the travel, automotive, technology, food products, and insurance industries all have strategies encompassing incentives, recognition, meetings, and training.

Reseller incentive strategies differ from other relationship-building efforts in that they often have short- or long-term goals linked to sales, retention, or participation in company co-op marketing programs. Your program should be structured to reflect the type of middleman you want to motivate. Here are 10 steps for implementing a program for middlemen.

Steps to Success

1. Specify Your Objectives

Begin by specifying your objectives in numeric terms. Example: Increase sales by 10% in the third quarter.

2. Who Is Critical?

Determine which resellers are critical to your business. Identify what these target audiences can do to help you achieve your objectives: stock more product, participate in marketing or training programs, put up displays, participate in co-op marketing programs, or provide customer databases.

3. Determine What's in It for Them

Consider sponsoring a customer council where top resellers are invited to express their needs and concerns. Dealers and distributors often react more enthusiastically to strategies that help them address fundamental problems, such as fighting competition, improving the training and retention of salespeople, building consumer loyalty, or building sales of a product or service category.

4. Structure the Program

When building your incentive program, consider these options:

- Open-ended strategies motivate resellers to stock or sell more by setting goals above the past year's quota.
- Closed-end strategies distribute awards to the top performers in each volume category or region.
- New product introduction is an approach that budgets a small amount of your new-product budget to get dealers to increase their commitment to your product.
- Plateau programs reward dealers or distributors in an increasingly significant way for making incremental purchases, such as 5% or 10% above last year's quota.
- Cooperative marketing programs give resellers bonus points for using co-op dollars, putting up displays, or participating in a training program for salespeople.
- Product-specific programs offer bonus points to distributors who sell or buy more of a specific product.
- Database programs offer dealers a reward for providing customer names for co-op direct marketing or telephone-sales solicitation on behalf of your company's product.
- Customer-affinity programs invite top distributors to special meetings that blend training, motivation, and entertainment.
- Sales/purchase incentives promote sales in a particular season to maximize results.

5. Determine Your Award System

Depending on your objectives and audience, you may want to use travel or some type of other incentive. Look at your competition and find out what options will get the most attention, making sure that they are divorced from compensation and pricing issues.

Tangible rewards, such as travel, often work best when companies want to:

- publicize the top achievers—it's easier to publicize tangible rewards than cash bonuses, which can create jealousy and spur questions about compensation;
- clearly distinguish the incentive program from cash compensation so that the reward system doesn't become expected;
- build relationships with owners, managers, and employees of smaller concerns who appreciate the special recognition;
- get the attention of high-income individuals for whom cash has no impact.

6. Develop Your Budget

If you structure your budget properly, the program will cost relatively little. Incremental costs will be incurred if the program generates improved performance, but the added revenue should make it worthwhile. Fixed costs, such as administration, communications, and tracking, start at \$25 per individual per program, not including development costs and time. If the program is properly structured, award costs come into play only if the group achieves its goals.

7. Decide Who Will Run the Program

Establish whether you want to implement the program on your own or outsource all or part of it to a company to handle program development and fulfillment, administration, database, and other functions. However, companies often find it difficult to provide their travel fulfillment.

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Make sure your reward program is easy to understand and filled with benefits for your target audience. Develop a theme that relates to your other marketing themes. Communications should be monthly for longer programs (six months to a year) and biweekly for shorter programs. Use printed materials, e-mail, and Internet and Intranet sites.

9. Launch the Program

Time your kickoff to coincide with your overall marketing effort. Make adjustments or send out additional information based on a month-by-month check of results. Consider how you will announce the program: direct marketing, e-mail, Internet, advertising, sales calls, a personal letter, or a combination of these elements.

10. Fulfill with Integrity

Whatever you've promised the top achievers, deliver it. The point of the program is to make achievers feel special and to make their colleagues eager to perform during the next program. Publicize the achievers' performance and present the awards promptly and as personally as possible.

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When the qualification period is over, generate reports immediately and notify all participants of their final standing. Then look carefully at the results to isolate the factors that could have affected your program. Consider tracking your resellers' performance after the program to see whether the momentum is sustained when no incentive program is in place.

Employee Recognition

For performance-oriented companies, employee recognition is a vital part of continually communicating and reinforcing ever-changing goals. Not to be confused with incentives, recognition involves drawing attention to employees who perform. Recognition can be spontaneous, whereas incentives are publicized in advance and generally are intended to induce people to achieve a specific objective.

Traditionally, recognition meant service awards based on the number of years an employee spent with a company. In an era of downsizing and restructuring, traditional service awards seem inappropriate, but it is still important to maintain morale.

Research and common sense suggest that happy, committed employees work more productively and provide better service, thereby increasing customer satisfaction and profits. But some companies have been slow to react to this correlation between employee satisfaction and profits.

Key Elements of Satisfaction

The key elements of employee satisfaction are:

- Sense of purpose
- Fair compensation
- A feeling of appreciation
- A feeling of participation in the way their jobs are done
- A management style that incorporates coaching, encouraging, and empowering

Some researchers argue that using traditional incentives can create an atmosphere of destructive competition within a company, focusing on winning instead of working together. But understanding the basics of recognition can help companies keep the emphasis on steady improvement in employee performance, not competition.

The Recognition Process

The critical steps in a recognition program are:

- Determine your objectives (i.e., the behaviors you want to recognize)
- Analyze the demographics of your organization to understand the culture(s) you have to reach
- Determine the statement you want to communicate
- Develop a communications strategy that creates awareness about the recognized individual
- Develop an awards strategy that distinguishes compensation from recognition
- Involve employees in developing the program and even in helping to select achievers
- Develop a meaningful presentation strategy so that people feel that management cares
- Rethink recognition on a regular basis to make sure what is being recognized is in keeping with current corporate values and objectives

Recognition can be as broad a concept as you want to make it, based on the values you want to promote within the organization. A human resources specialist suggests that managers take the number of people they supervise and multiply by two minutes to determine the amount of time specifically devoted each week to getting to know people and understanding what makes them feel appreciated and motivated.

Award Selection

Managers who plan recognition programs often wonder whether they should offer cash as an award, or tangible incentives such as merchandise, travel, and gift certificates. Proponents of cash argue that it's easy to administer and employees can use it for anything they want without the restrictions placed on other types of awards.

In contrast, proponents of tangible incentives say cash is a poor motivator, because it has little "trophy value." Most people don't talk about how much they earn, and the money often ends up being spent on everyday necessities or paying bills. Cash incentives also quickly become confused with salary and bonuses, so they can become yet another yearly expectation.

Both cash and tangible rewards can be appropriate in a recognition program, depending on the company's purpose for distributing the reward. If the goal is to compensate people for extra performance, cash should be offered. However, if the goal is to recognize people and express thanks for overall performance, something tangible like travel should be considered.

Tracking

It's easy to assume that there is no way to measure recognition efforts. If you set goals for the recognition program, however, there are obvious ways to measure results. Some examples:

- Reduce employee turnover—ratio of voluntary departures, period to period
- Improve employee awareness of company values—percentage of employees who demonstrate knowledge of company goals and values in employee surveys

- Job satisfaction—percentage of employees that, in company surveys, cite the recognition effort as an effective strategy for promoting employee loyalty

Workplace Safety First: The Role of Incentives

Safety is an important bottom-line consideration, since reducing worker injuries saves money. There are over 6 million work-site injuries and illnesses a year in the U.S. That's 7 cases per 100 full-time workers. The result is lost productivity, workers' compensation claims, damaged equipment, and lawsuits.

The good news is that safety programs work, especially those that rely on incentives to encourage employee participation. And initiatives in many states reward companies for effective safety programs by offering a 5% credit on workers compensation premiums. Although complicated, federal tax laws provide incentives for companies to offer qualified safety programs. With a qualified program, employers can deduct the cost of rewards and employees can accept them on a tax-free basis.

Critical Issues

Like other efforts to promote behavior, safety campaigns are a blend of leadership, employee involvement, communications, and incentives. Here are some critical issues:

Be proactive. Identify dangerous behavior and then use education and incentive programs to reduce or eliminate it.

Analyze every aspect of the workplace as it relates to safety. Construct a clear set of guidelines for preventing unsafe conditions.

Establish these critical components:

1. Regular observation of behavior on the job
2. Goals for improving safety
3. A feedback loop
4. Recognition for improvement

The carrot vs. the stick. Programs that punish unsafe practices are clearly less effective than those that reward safe ones. You want full employee participation in the program, so create a clear incentive component with the help of an incentive marketer, if possible.

Step to Success

Here are the essential elements of a successful incentive program to promote safety:

Assemble your team. Begin your program with employee input, since employees can help you pinpoint critical areas as you examine every process in the workplace to see how safety can be improved. Form a safety committee and designate a safety manager. Solicit outside input from safety consultants, insurance companies, workers compensation representatives at state agencies, and members of the Occupational Safety and Health Administration (OSHA). Assign employees to enforce the safety procedures and analyze the program's results. Schedule regular safety meetings.

Determine the return on investment. Consult with your insurance carrier to get information on how your safety program can potentially reduce premiums or qualify you for support services to make your program more successful. Talk with your tax attorney to find out how you can structure the program to take advantage of federal tax incentives, something your employees will especially appreciate.

Develop safety procedures and set goals. Prepare a precise, comprehensive set of safety procedures that identifies safe behavior on a task-specific basis, and distribute the details to all employees. Policies should be broken down by work function and department. Establish, if possible, a realistic set of goals for improving safety. Goals should be stated in terms of problems identified and corrected or of reduction in time lost due to accidents.

Implement a training program. Safety training is the best way to insure that your procedures are understood and followed. Use this process to promote the incentive component of the program. Training must be ongoing, especially as you adjust procedures based on what you learn.

Create an incentive program. Part of your safety policy should be a clear system of rewards based on safety performance. Behavior is the means to safety, and incentives are a reliable means of improving behavior. Since safety is an ongoing concern, the incentive program must be designed to keep employee enthusiasm at a high level over the long term. Cash incentives are a poor choice for safety programs since cash has a limited trophy value and can come to be viewed as expected compensation that is painful to take away. Individual travel incentive programs work well here.

Provide regular feedback. In prominent locations where employees will see them, post results, tips, and notices about the people who spotted safety problems.

Tips

Potential reward levels should total between 3% and 5% of salary.

The promotion should have a strong theme, be ongoing, and change periodically as the program matures.

Plateau incentive programs work best with safety. Even if you have a 100 percent safe workplace, give employees something to shoot for.

In selecting awards, look for high trophy value, reliable vendors, and offer the greatest degree of flexibility possible.

Present awards with fanfare, preferably at a public function in front of peers.

Remember, marketers have a strong role to play in a successful safety program. Safety campaigns require marketing expertise, because they require good communications and attention-getting devices. Get your marketing department involved.

To keep safety in the forefront, develop a safety newsletter or devote a portion of the current employee newsletter to safety. Peer pressure is an effective tool in maintaining safety, so tout the safety achievements of individual employees. A good safety record should also be promoted outside the company to potential customers, the press, and investors.

Incentives in Promotion Marketing

Promotion marketing is defined as any marketing device, other than advertising, that is designed to stimulate an action or sale. This broad field includes merchandise and travel premiums and incentives, point-of-purchase (P-O-P) displays, sweepstakes and contests, event marketing, couponing, advertising specialties, frequency marketing, licensing, sampling, and in-store marketing.

Promotion marketing is used to address specific tactical problems or objectives. With companies focusing increasingly on integrated marketing strategies, it is frequently linked to advertising, training, meetings, and employee incentives.

Incentive Spending Tops the List

Consider these statistics. According to *Promo* magazine, of the \$80 billion or so spent in the U.S. on promotion marketing in 1998, almost one-third went for premiums and incentives, well outpacing P-O-P displays, which took second place with \$13.1 billion.

Think consumer incentives, and count among the major users the biggest names in American business, from Burger King to Xerox. Incentives often come into play to support new product launches and product repositioning. Incentives are also used in the following ways in consumer promotions:

Gift-with-purchase offers: added value to prompt people to make or increase purchases; frequently used by fast-food, automotive, telecommunications, and other industry giants.

Frequency programs: awards given to loyal customers, now a part of every major airline and hotel chain's marketing mix.

Self-liquidators: special items customers can purchase at a low cost that breaks even for the sponsor; used by many of the top names in consumer products.

Direct mail syndication: sale of special items to customers at reduced prices; these programs are a staple of the credit card and utility industries.

Sweepstakes and contests: frequently used to get customer attention and generate increased response; almost every company uses one from time to time.

Onpacks/near packs: merchandise packaged in some way with a product.

10 Rules for Success

Keep these points in mind when developing a promotion marketing program using incentives:

1. Recognize that consumer incentives work as part of an overall program and have to be integrated with other marketing and communication efforts.
2. Understand that the type of award you select is critical; it must provide a true value to the recipient and reflect the highest standards of integrity.
3. Set clear, realistic goals and a manageable means of tracking results. Don't bet on achieving goals that have never before been accomplished. Review your company's past promotional history for what has worked, what hasn't, and why.
4. Consider the types of outside suppliers required; work with reputable vendors who will deliver what is promised on time.
5. Create and communicate legitimate excitement; never resort to deceptive hype. Make sure rules and conditions are clearly spelled out.
6. Review the strengths and weaknesses of your product or service and make sure the incentive program isn't an attempt to mask a fundamental problem.
7. Identify types of consumers, middlemen, or employees who will be instrumental in achieving your goals; make sure they are considered in your planning and communication efforts.
8. Check your promotion for legal issues.
9. Communicate regularly with people essential to the promotion; keep your sales force excited.
10. Evaluate your promotion against your objectives.

Legal and Regulatory Issues

Many aspects of promotion marketing using incentives are subject to federal and state regulation. It is advisable to have your program checked by an attorney who specializes in promotion law.

The most critical issues involve games of chance and products packaged with food. Consumer promotions in the food industry can be affected by potential health and packaging concerns, and all consumer premiums have to meet

the highest standards of product safety. Programs involving tobacco and liquor are heavily regulated by the federal government, as well as by state authorities, and most tobacco programs are now taboo.

Sweepstakes and contests are getting greater scrutiny than ever as a result of aggressive promotional strategies used in the magazine subscription business. Remember, no sweepstakes or contest can require a purchase for entry. If you decide to run a sweepstakes or a contest, the rules must:

- Explain the nature of the random drawing and who will conduct it
- Spell out any people, such as employees, who are excluded
- Clarify the geographic scope
- Outline prizes and how people will be notified
- Disclose the odds of winning
- Describe limitations and disqualification criteria
- Address the issue of sales tax or income tax liability
- Tell people how to find out who won
- Require winners to provide the sponsor with the right to publicity