

IMPROVING RESULTS WITH THE RIGHT MIX OF REWARDS

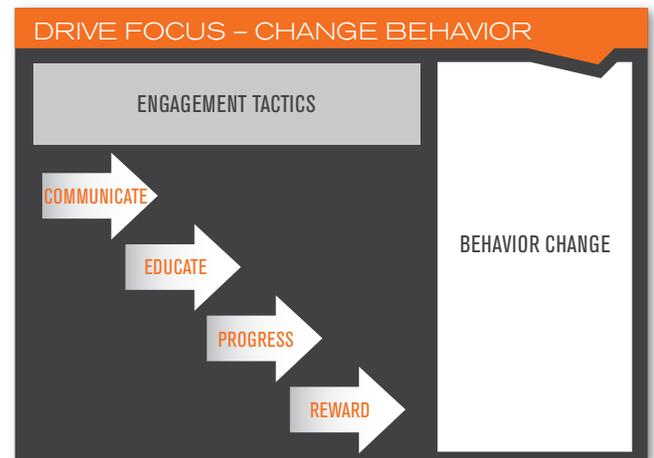
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and cash incentives are
NOT always the answer.

When was the last time you looked at the mix of total rewards for your sales team? With the growing research in the field of behavioral economics, more and more sales directors and VPs are realizing that bigger salaries, higher bonuses and cash incentives are not always the answer.

It seems as though no matter how much money you throw at your sales team, you still wind up with some high performers who work hard no matter how you challenge them, new hires who still aren't sure which end is up, a handful of slackers who may never figure things out and a mass of well-meaning reps who are literally caught in the middle. They want to improve their performance but something is stopping them:

- ✔ **Awareness**
They don't know
WHAT to focus on
- ✔ **Learning**
They don't know
HOW to improve
- ✔ **Measurement**
They aren't sure
WHERE THEY STAND
- ✔ **Reinforcement**
They aren't convinced the
rewards are worth the effort



Best-in-class companies spend anywhere
from 2-10% of total compensation on
non-cash rewards for their sales teams.

Once you are confident your compensation plan (salary + commission) is competitive, the best way to drive focus, teach new behaviors, report on progress and reward for improvement is to look beyond cash and understand how behavioral economics can unlock a variety of new activities that lead to results.

Based on experience, best-in-class companies spend anywhere from 2-10% of total compensation on non-cash rewards for their sales teams. If you are driving behavior change for tasks such as entering data into a CRM system, it is near the lower end. But if you want to motivate immediate results and push reps out of their comfort zone, the payout should reflect the higher risk. Short-term stretch goals can be as high as 10% of income for that period of time.

These rules apply not only to reps who are your employees. There's a growing trend to use a higher percentage of non-cash rewards for dealer and distributor channels to cut through the clutter, drive focus and gather vital data about who exactly is selling your product.

Here are some of the top ways sales leaders are succeeding by using non-cash rewards:

1 Setting Goals Using Self-Selection Structure

If you do an online search for "goal-setting", you'll get a return that includes millions of results and find thousands of books promising all kinds of ways to make your wildest dreams come true. But what the advice-givers frequently forget to point out is this: goals with the best chance of success are the ones you choose for yourself, not the ones that are handed to you by someone else. In a sales environment, goal-setting is an activity that happens all the time. New goals are handed out every day. But the key to success is taking corporate or divisional goals and making them meaningful to the individuals working to achieve them.

Example: A major food distributor drove unprecedented results by looking beyond top performer recognition trips and offering all reps (top, middle and bottom performers) the chance to earn points for choosing their own short-term improvement goals. The higher the goal they chose, the bigger the payout potential. Over 50% of the reps chose the highest goal offered and of those, over 50% achieved it.

2 Closing the Say-Do Gap

Let's face it; we all like to talk big. Especially managers. But the hard part is actually DOING what you say you will do. So many distractions, so little time. It's the management equivalent of talking about getting in shape but then focusing more on cheese curls than barbell curls. Behavioral economics research confirms what we've known all along: humans prefer to avoid pain and pursue pleasure. Adding short-term incentives with highly visual and exciting rewards like electronics, designer clothing, jewelry and travel will help close that gap and get your managers and reps alike focused on the work that needs to get done.

Example: A manufacturing company was trying to get their reps to focus on highly profitable but hard-to-sell accessories. It was an add-on sale that seemingly only added extra work to the sales process. But running a three month non-cash incentive got the managers' (and reps') attention. Sales of the hard-to-sell accessories increased over 50% during the three months of the program and stayed high because now the reps saw how much easier the accessories were to sell.

3 Launching New Products

The statistics say it all: 35,000 new consumer products will be introduced this year and there is evidence that over 70% of those new products will fail. Salespeople know the risks that come with new product launches. Many of them play the waiting game and see if a new product will succeed before adding it to their sales presentations. Early adopters deserve to be rewarded at a higher level and non-cash promotions are the perfect way to set up a high risk/high reward payout.

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Example: A beverage company was launching a new product to its sales team and distributors. Setting up in-store displays was seen as a key behavior, as was early adoption by consumers. An integrated strategy of consumer and distributor promotions, plus sales-rep goal-setting incentives, were used to drive activity and results.

4 Changing the Game

Technology has automated many areas of the sales process, but it has also reduced our attention spans to eight seconds per topic before we are on to the next story, website, phone call, text message or meeting. So in a fast-moving sales culture, how effective is it to announce a new comp plan in January and expect your team to remain focused on it all year? It doesn't work anymore. You need levers you can turn on and off on a quarterly, monthly, weekly or even daily basis. And for this, points and promotions are perfect. Cash doesn't cut it. Once you introduce cash to solve a problem, it's next to impossible to take it away.

Example: A manufacturing company has held a leadership position with several products for many years. When they need to drive focus with their dealer sales reps, they avoid sales and discounts and motivate using non-cash rewards. Promotions don't run year-round; instead, they are seasonal to match advertising, social media and direct mail campaigns.

5 Generating Buzz

There is still no communications channel more effective than word-of-mouth. You can post sales data you want online, have meetings in-person and via webinar and announce all kinds of new initiatives. But what *really* gets communicated goes through informal channels. One way you can capitalize on the grapevine is by giving away awards people will talk about. In nearly every culture, it is frowned upon to talk about how big your paycheck is or how much cash you earned for the big sale, but fire up that new barbeque grill or load up that designer handbag for a night out and the buzz will begin.

Example: A large technology & entertainment company believes very strongly in a variety of motivators for their sales channel. In addition to strong cash comp plans, they frequently run promotions to drive sales of strategic products and focus for new and emerging products. And at the end of the year, their top performers are invited to a President's Club. But no promotion or award generates as much buzz as the yearly Warehouse Windfall – a 90-second dash for prizes just before the holidays.

6 Getting a Jump on the New Year

What makes New Year's resolutions so popular? Must be something about the clean slate, the fresh start and the bold optimism that comes with forgetting about lost opportunities and silly mistakes of the previous year. On January 1, everybody is tied for first on the leaderboard and has seemingly unlimited potential. That's often the case with new months as well. (Somehow it doesn't seem to work on a weekly basis – Mondays are tough on everyone.) Take advantage of this energy and develop a promotion that drives speed to sale and activity. Using cash makes everyone stop and ask themselves: "Is this really worth it?"

Example: A consulting company added a new high-profit product that many team members avoided discussing with customers for a variety of reasons. The manager ordered 20 inflatable Godzilla monsters and placed one in his office, then announced the first 20 people who sold the high-profit product would each receive one of the monsters of their own. No one wanted to be the only consultant without a monster and in the first week 20 sales had been made.

7 Reinforcing Steps to the Sale

The experts in game mechanics believe the same technologies that get people addicted to smashing up cars, scoring touchdowns and crushing candy in virtual environments can lead to more sales. In many ways they are right: who doesn't get a thrill from completing a task and moving on to the next level? But it's the behavioral science behind the technology that is really important – or the game just becomes a waste of time. Understanding the biases behind your sales team's behavior can lead you to new approaches and unlock new levels of performance.

Example: A pharmaceutical sales team had one specific product that was second in market share. The company had tried many things to take the lead. But they didn't build momentum until they took the national goal and broke it down into smaller goals to engage their sales team. On the quest for each market to take over the competition, they created a map and color-coded each team's progress, then published the map for everyone to see. A simple tactic, but it drove every region to new levels of activity and results because the last thing they wanted was for the company's president to see their market remain blank.

Growing evidence points to non-cash rewards as effective motivators. Gone are the days of passive, boring point catalogs with minimal to no chance of earning something meaningful. Today's promotions use powerful behavioral economics tools to engage sales and dealer reps with highly-visual, quick-hit games that have vivid awards worth pursuing. And if you use non-cash awards, the minute winners are announced they'll go social with the news and help generate even more buzz, more activity and – most importantly – more results.

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