

# A HOW-TO GUIDE FOR DESIGNING DISTRIBUTOR INCENTIVES AND LOYALTY

by Next Level Performance®

Welcome to your how-to guide to launching programs that motivate your inside sales teams, outside sales reps, and contractors. Incentives are a proven marketing tool to move specific products, create campaigns that last all year, or launch period-based campaigns that amplify sales.



## Your How-To Guide for Distributor Incentives & Loyalty

Trying to figure out how to develop a sales or partner promotion, a sales leaderboard, or a contractor promotion? This toolkit can help by guiding you through these easy steps:

1

**Determine your budget.** Should you have a fixed program budget to achieve a goal, or should you pay for all actual results to exceed your goals?

2

**Determine your audiences.** Who can best help you achieve your objective? Inside reps, outside reps, partners, or contractors? Or is it a combination of influencers that will get you the best results?

3

**Establish a proven incentive structure.** Is it a simple campaign, where you pay out for every achievement? Do you need to implement goals before paying out, or even multiple tiers? Is there a manager override to consider? Will leaderboards do the trick? What will motivate a contractor?

This toolkit will present the questions you should pose and answer, to structure your incentive or loyalty program. It also provides a library of structures that have proven successful.





## FOCUS ON MOVING THE MIDDLE.

Almost every organization has a group of sales performers in the top 20% who give their all in every situation, and another 20% at the bottom, who don't have the skill, or the will, to succeed. Focus your incentives on motivating the middle 60% between them: getting their best will typically yield modest per-person gains, but by volume the collective impact can be significant. And because your top 20% is competitive, they won't sit idle while a middle performer creeps up on them.

### Determine Your Budget And Audiences

Start by defining why you want to run an incentive, and ask yourself these questions:

#### What objective are you trying to achieve?

- What are your immediate goals and timeframe? Short-term sales lift? Product lift? Specific product purchase?
- What are your long-term goals? Sales growth? Contractor acquisition? Contractor loyalty?
- How is achievement measured?

#### What budget is available to impact your objective?

- Are you on a fixed budget?
- Should you choose an open-end structure, or a closed-end structure?

#### Who are the stakeholders that can impact those goals?

- Inside sales reps? Outside reps?
- Manufacturers, or dealers?
- What markets matter most?

#### What are the key goals of those influencers?

- Are they focused on your success, are you in competition?
- Do they have the knowledge, skill, tools, resources, or authority to achieve for you?
- How are they compensated?

#### Are they achieving your goals? Why or why not?

- How many salespeople are achieving those goals?
- What do the high performing salespeople do well, that the others do not?

#### What motivates them to achieve?

- Short-term promotions? Long-term incentives? Leaderboards?

#### What is prohibiting achievement?

- Do they lack the skill, will, or both?
- What enables/disables the new behavior?

## Proven Structures and Best Practices

To ensure your program is a success, Next Level leverages a host of design strategies. Many fit into one of the following incentive structures:

### Achieve and Receive

Sales reps or contractors receive a reward every time they hit an achievement. Quite often this means they begin earning (points, eGift cards, merchandise, travel) from dollar one in sales or purchases.

### Goal-Based

A minimum goal is required, and awards are pending until that goal is reached. Quite often rewards accumulate from dollar one after the minimum sales or purchase goal is met. Goals and minimum thresholds help ensure that you are not paying out for sales that would have happened regardless of the incentive.

### Tier-Based

This structure leverages a series of tiers with incremental earnings after goal achievement. For instance, \$10 is earned after a goal of 10 sales is reached, and an additional \$1 is then earned for every sale between 10 and 20. After 20 sales, an additional \$2 is earned for every sale between 20 and 30, and so on.

### Leaderboards

Leaderboards can be delivered as a standalone incentive program for sales reps, or they can be added to any Achieve and Receive, Goal-based, or Tier-based campaign to motivate progress beyond goal. A leaderboard ranks the top performers in any promotion, and often offers prizes or points on top of the standard promotion earnings for the top-ranking performers.

### Contractor Promotions

Contractor promotions can be highly effective when you need to increase purchases for a product, drive traffic to a point of sale, online store or agency, or stimulate a specific market. You can create a goal-based reward strategy offering points for purchase thresholds, or simple in-store tactics like scratch-offs for purchase-based activities.

## PUSH/PULL PROMOTIONS

While many of these structures are designed to reward sales to the end contractor (Push), contractor promotions (Pull) can be utilized in conjunction with push incentives to motivate growth and drive contractor loyalty. Many of the best designs include Push and Pull components.





## NOT SURE WHAT TO GIVE SALES REPS?

Consider the ultimate gift of choice: give points, redeemable in reward catalogs.

- Points are both currency and choice.
- Points keep every program modern.
- Points keep every program relevant.
- Points are still personal. (Hint: It's all in the delivery!)
- Points can ensure the award is commensurate with the achievement or effort.
- Points eliminate the confusion of the prize, if you're participating in multiple campaigns.
- Points reward, and recognize, but also drive loyalty (that's right – they accrue).

### **Reward Strategies That Motivate**

Awards are not the same as compensation. Your reward strategy should do more than mirror compensation. Performance programs offer something extra for extra effort.

There are guideposts that can help you make confident reward decisions – redemption reports, consumer trend analyses, and a keen understanding of the audience in question, can help ensure you are providing high value reward options that inspire program interest.

### **Non-cash incentives are more impactful than cash incentives**

Merchandise carries your brand, experiences create lasting memories and stronger relationships. Points provide the ultimate gift of choice. And travel breaks down the formal barriers between buyer and seller, and transforms the relationship into one that is equal parts respect and friendship.

### **How much is enough?**

Awards should be appealing and commensurate with the effort required to achieve them.

Award values can tie directly to total revenue generated or profit margin achieved. Examples:

- 5-10% of total profit for the program period
- 20-50% of incremental profit for the program period
- 1-5% of the rep's typical compensation for the program period



## Communicate and Engage

The award touches the winners, but the communications can motivate the entire audience.



### Distributor incentives

Getting the attention of your audience is a challenge, as partners and contractors receive offers from many competitors. These tips ensure your program is easy to understand and benefits your entire audience.

- Develop a theme for the incentive program and try to relate it to your marketing themes
- Provide participants with useful information throughout the program
- Launch the effort with an enrollment kit that asks for basic business address information
- Since your program should support your marketing objectives, link it as much as possible to the overall marketing push
- Leverage leadership videos and media that promote the awards that participants can win
- In addition to your launch kit, have your salespeople mention the program in their presentations
- Hold regional kickoff meetings with partners and contractors
- Send regular updates to all enrollees, providing their results to date, plus useful information to help them improve performance

### Contractor loyalty

Contractor communications can vary greatly by the audience you're touching, and the nature of their work day.

- Short, reward-based emails with frequency will build interest
- Mobile-first promotions are important for contractors on-the-go, like contractors
- Animation in emails or social media are attention grabbers
- Point of sale - whether you're in agencies, big box retail, warehouses or dealerships - influence purchase behavior
- Instant gratification drives growth and loyalty



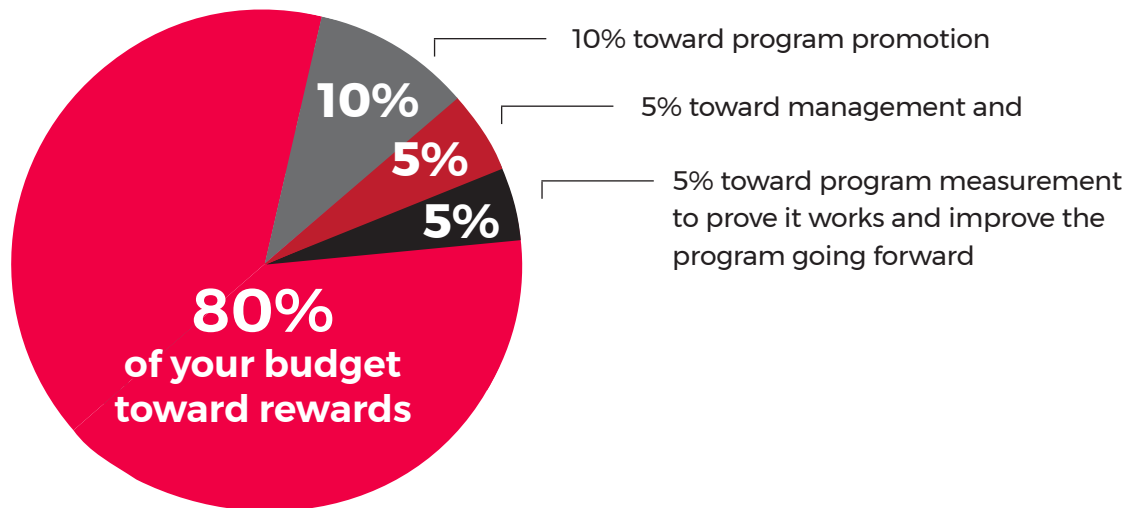
## Budgeting Guidelines and Best Practices

Budgets can be heavily dependent on your choice of “closed-end” vs. “open-end” programs.

In “closed-end” incentives, the awards budget is limited to a specific amount (\$100,000 for example). The downside of a closed-end incentive is that your top performers, who already produce for you, will likely reap the bulk of the rewards. Most participants will not be motivated by a program where they perceive they don't have a chance of earning.

“Open-end” incentives are those in which everyone who achieves their sales or purchase threshold earns an award. While the costs can't be predicted with high confidence, properly set quotas guarantee that the incremental revenue will more than pay for the awards.

Overall program budgeting guidelines:



### Tips for managing budget

There are practical best practices that will allow us to structure a program, work within an approved budget, and maximize your ROI. Potential rules may include:

- Manage the number of eligible participants
  - Eligible participants must be invited to participate (good standing)
  - Implement a registration deadline to participate
- Set minimum goals for new sales teams or contractors
  - This strategy can be utilized to eliminate non-productive or unengaged reps or contractors
- Install a cap on the reward payout
  - Limit the total number points a participant can earn during the promotion period
- Manage points expiration
  - Points won't expire for a year, but can be capped
  - Points won't expire as long as contractors purchase a minimum dollar amount over a rolling 12-month period





## **Amplify Sales, Deliver Results**

Not sure where to turn next? At Next Level Performance, we've been delivering impactful sales incentives and contractor loyalty programs for 45 years.

Our leading edge Amplify® Sales technology delivers short- term sales campaigns to quickly move product, long-term comprehensive sales incentive strategies, and dynamic rewards that motivate and retain sales teams, channel networks, and your most important contractors.

### **Unlimited campaigns, Next Level success**

With Amplify® Sales modules, your sales team, channel partner, or contractor incentives can be tailored to meet the needs of any audience and serve any promotional purpose. This powerful campaign stack comes complete with a proven set of open- and closed-end promotion structures of varying types, that can be- stackable, and accommodate individual and team campaigns.

With Amplify® Sales you can run complex, segmented incentive campaigns for an unlimited number of distributors, wholesalers, and contractors with efficiency and simplicity.

### **Engage and excel with gamification**

Simple, informative, and enticing. A sales incentive strategy is only effective if your participants are engaged, and we know how to drive participation. Use Learn & Earn tools to inform and educate; gamified Spin & Wins to entice and reward.

With a dynamic and intuitive user interface, a branded design aesthetic, and a library of engaging applications, Amplify® Sales is your team member's platform of choice.

### **Sponsorship and partnership opportunities**

Amplify® Sales provides a multitude of opportunities to strengthen partnerships and promote sponsors. Offset costs by selling real estate on Amplify's dedicated Sponsorship pages; offer banner opportunities for partners to purchase promotion of their products, services, and promotions; provide dynamic video and downloadable paid participation modules; launch Learn & Earn or Spin & Win options for sponsors; even allow partners to run promotions directly through your portal. It's a great way to improve relationships, offset costs, and drive sales quickly.