

Incentives...

A marketing success story

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Why incentives work?

Many theories have been advanced as to why incentives work...

The most popular is that advanced by Victor Vroom (and others) and is known as “*Expectancy Theory*”

Effort will be expended if the perception of probability that such effort will lead to desired outcomes.

Why incentives work

- Participants in incentive programs are motivated by
 - past experience
 - perception or interpretation
 - expectations
 - work environment

Loyalty

Programs devised by business to change
consumer attitudes

Who was first?

- First contemporary loyalty program launched by American Airlines in 1981
- First loyalty program used by the Cooperative movement in the UK in 1844 - the 'divi'

Loyalty programs

- Provide a total customer experience
- Economic decision-making is 70% emotional and 30% rational
- Incentive programs that tend to be rational do not work well

New Technologies

- Smart cards
- Radio frequency identification (RFID)
- Realtime Point-of-sale (POS)
- World Wide Web

Incentives

Used by business to change attitudes of employees or, more commonly, the employees of agents, i.e. the automotive industry

Incentive program

"A formal scheme used to promote or encourage predetermined actions or behaviour by a specific group of people during a defined period of time."

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Incentive rewards

- “Goods or services of tangible value provided at reduced or no cost following a period of sustained application resulting in the fulfilment of prescribed actions or the achievement of predefined objectives”

Types of rewards

- Merchandise
- Individual travel
- Group travel
- Lifestyle rewards (club memberships, etc.)
- Gift cards (credit/debit cards with the cash facility disabled)

Cash?

Size of the market

Total value (world) - US\$60 billion

Total value (USA) - US\$30 billion

Total value (Australia) - US\$2 billion

Market segmentation

Sales Incentive - merchandise: 15%

Sales Incentive - travel: 18%

Dealer Incentive - merchandise: 16%

Dealer Incentive - travel: 15%

Non sales employee - merchandise: 9%

Non sales employee - travel: 4%

Consumer/user promotions (premiums): 16%

Business Gifts: 7%

Tax!

Fringe benefits tax

Concentives

- An incentive travel reward with a Conference element built in
- May be a cost saving for the sponsor but a has a demoralising effect on high achievers

The future

- In 2006 only about 34% of companies that could use incentives actually used them.

• Source: American Incentive Federation

The future

- Differentiation and balance
- More segmentation
- More tiered programs
- Broadening existing relationships
- Instant point redemption at merchant partners

The future

- Loyalty initiatives will focus on engagement and building long-term relationships
- Focus more on emotions
- Customer and employee engagement
- Relevancy
- Cause related/CSR programs

We're moving into a world
where people care about how
they earn their rewards!

www.incentiveassociation.com