

INCENTIVE PROGRAM SECRETS FOR MANUFACTURERS

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Incentive  Solutions™



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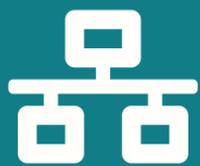
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1 WHY DO MANUFACTURERS NEED AN EXCELLENT INCENTIVE STRATEGY?

If you're reading this, you probably already know the importance of successful sales and marketing strategies in manufacturing. With so much information and marketing competing for your dealers' and distributors' attention, finding a way to stand out is crucial. Maybe you've been tasked with exploring new sales and marketing improvements. Maybe you just landed a new role, took over incentive program management, and now it's time to shine. Or maybe you're just doing your due diligence and staying up-to-date on the latest channel incentive best practices. Either way, here's the good news: just by reading this guide, you're going to be more equipped to compete in your increasingly challenging market with better incentive strategies and ideas.

To better understand the rationale behind running an incentive program, let's first take a look at the industry trends and challenges most manufacturers in your shoes are facing.



You need to make sure you're in your channel partners' circle of influence.

Noticed something, lately? Everywhere you turn, there are hundreds of agencies, services, consultants, and applications dedicated to helping B2B companies succeed. For every channel marketing strategy or sales philosophy, there are four conferences about it, 24 books; and dozens of LinkedIn groups dedicated to it. Forrester channel expert [Jay McBain](#) calls this the "rapid rise of non-transacting influencers." Your average channel partner's circle of influence is getting more complex every day. It's more important than ever to build transparent, meaningful relationships in order to regain control over how channel members perceive you. A well-run loyalty program can help you with the heavy-lifting in your relationship-building efforts.

The competition is breathing down your neck.

Manufacturers have long felt the pressure of competition from China, which generates more real manufacturing value added than the US, UK, Germany, and South Korea combined. Lately, U.S. manufacturers may feel like they're beginning to catch a break, with China's rising wages and inconsistent quality disrupting their long-held advantage. But a new challenge complicates the problem of manufacturing competition: the manufacturing skills gap. A 2018 Manufacturing Institute study found that the manufacturing industry would need to fill 2.4 million jobs before 2028. As manufacturers struggle to fill this skills gap, they could very well fall behind in quality and production as overseas factories take the lead. This guarantees that customer loyalty programs, customer retention strategies, and proper channel partner training will be essential to manufacturers in the coming years.



B2B customers expect a B2C buying experience.

We're way past that old "millennials are entering the workforce!" song and dance. The millennials are here, and many are now sales channel decision-makers. They grew up on the Internet, and they've come to expect a convenient, fast B2B buying experience similar to B2C shopping. A Salesforce consumer report found that "82% of business buyers want the same experience as when they're buying for themselves."

If you sell HVAC components, how can you compete with the fun of buying video games or new threads online? Imagine if your customers could instantly rack up points by selling your products, then redeem those points in an online rewards store with millions of products. Now your channel partners can count on having an experience with your brand that's exciting, convenient, and relevant to their personal interests.

Channel data is the key to success.

The importance of channel data is closely related to the previous issue: customer experience. Understanding your B2B customers' buying behaviors is the only way to understand their ideal buying experience is. And how do you understand their buying behaviors? By gathering channel sales data.

Online incentive program software allows you to gather a large amount of unique data about your channel partners' sales, brand awareness, product knowledge, even their lifestyles and interests/hobbies. When they interact with your brand within a reward experience context, you can see a whole new side of them and gain insights you wouldn't otherwise have access to.



These challenges are far from comprehensive. Every industry is different, and each manufacturer within each organization is different. But when obstacles are complex and unpredictable, that's a loyalty program's time to shine. Why? Because the impact of a reward is universal and timeless, and online technology allows you to apply that impact to your unique sales and marketing goals.

Now let's dive into the *What*, the *Who*, and the *How* of a customer loyalty solution that meets today's biggest manufacturing challenges.



2 WHAT SHOULD YOUR INCENTIVE PROGRAM DO?

The problem with many a manufacturer's channel incentive program is that it floats along aimlessly, with no well-defined purpose. Like any business asset, your incentive program is useless without a specific goal. Even goals like "increase sales" or "build customer loyalty" are too broad to give your incentive program true purpose and impact. Nope, you have to get up close and personal with your sales and marketing needs.

What do you need to know?

You'll need to get agreement and buy-in from multiple department leads by asking them questions such as:



SALES

- Which regions, distributors, or product lines are showing signs of slow-down?
- Which products are high-value and high-margin?
- What can Sales tell you about how and why distributors are (or aren't) selling your products?



MARKETING

- Has traffic to the corporate website dropped?
- Is that new campaign focused on energy-efficient products causing a stir?
- How can the incentive program work in tandem with upcoming marketing campaigns or promote important brand values?



OPERATIONS

- What does the company's current tech stack look like?
- Which software or applications have been most and least useful in helping the organization achieve its objectives?



RESEARCH & DEVELOPMENT

- What kinds of exciting new developments are coming down the pipe?
- What kind of innovations or updates are going to have the steepest learning curves?

What are your goals?

When you have answers to the questions above, you'll see where your company is in perfect alignment and where the disconnections are. You'll see what your company's primary objectives should be. A picture of your incentive program's purpose will begin to form. You'll be able to answer the three questions that are essential to defining what a successful incentive program looks like for your company:

What should the incentive program achieve?

Example Answer:

We need to show that we're more than just "that company that makes AC compressors." We need to increase awareness of the engineering improvements to our evaporator coils. We'll consider this goal achieved if average evaporator coil sales are 20% higher six months from now.

What are the key performance indicators (KPIs) of whether the goal will be met?

Example Answer:

Increasing average sales of evaporator coils sales by 3% each month is an indicator that we are on track. Other indicators that channel partners are selling more evaporator coils: channel partners are passing product knowledge quizzes on evaporator coils and views of the evaporator coil page of our website are increasing.

Who is held accountable for the program reaching its goal?

Example Answer:

Example Answer: KPI tracking responsibilities will be split up between three members of the sales and marketing departments. Each month, this team will report to sales and marketing leaders on the incentive program's progress toward its goal.

The answers to these three questions are absolutely vital. They will be the heart of your incentive program, so make sure you're not answering them on your own!



3 WHO IS YOUR INCENTIVE PROGRAM AUDIENCE?

Once you know your incentive program goals and KPIs, you need to figure out who has the power to help you achieve those goals. This aspect of implementing an incentive program has become extremely important in the manufacturing industry, as non-traditional, non-transacting organizations are gaining more influence over channel partners. What's a non-transacting channel partner? Think certified public accountants (CPAs), HR brokers, media companies, consultants, marketing agencies, and more. As the services of these entities expand, they get more entangled with different areas of the businesses they're partnered with. Forrester channel expert Jay McBain put it in perspective very well here:

80% *"We [recently] heard that Microsoft was bringing on 7,500 partners a month. If you look closely at them, you see that about 80 percent are 'non transacting.'"*

More and more unseen influences are entering your distribution channel. It's important to take these influences into account and make sure you're always targeting the right channel members in the right way.

Find the discretionary sales effort

Let's say your goal is the example used in the previous section: increase evaporator coil sales by 20%. Certain members of your distribution channel make the **discretionary sales effort**, i.e. it's up to them whether or not the end-user purchases your evaporator coils or the other guys'. It's not always easy to pinpoint where and when this effort takes place. Few end-users walk up to a counterman and ask for a specific brand of evaporator coils. More likely, this conversation will take place:

End-User:

I need an evaporator coil compatible with my HVAC unit. What do you recommend?

Counterman:

I recommend this Ol' Reliable Brand evaporator coil. It's a long-standing brand, we always have it in stock, and I know it's compatible with your unit.

End-User:

Perfect! I'll take one!

The counterman may be recommending Ol' Reliable Brand because he genuinely thinks it's the best option for the end-user. Then again, he may be recommending it out of habit, or because he earns points from Ol' Reliable's channel partner program when he sells their evaporator coils. In this instance, the discretionary sales effort is with your counterman and he should be part of your incentive program's target audience.

More ways to research your audience

Other things to consider when selecting your incentive program audience:



Knowledge:

Who has the skills and industry experience to help you accomplish your goals? Consider offering them incentives for sharing their knowledge or building on it.



Culture:

Will you need to tweak your incentive strategies in order to resonate with a cultural group that's different from yours? Make sure you're not unintentionally alienating members of your target audience.



Demographics and Lifestyle:

Are there groups within your distribution channel who have more independent lifestyles and/or discretionary incomes? Can you build loyalty with newer, younger members of your distribution channel? Look for groups of people you can connect with in new and unique ways.



Engagement:

Do some of your channel members have less direct influence over the end-user's decision, but are highly engaged with your brand? Don't overlook their potential to "pass" their brand affinity down the sales channel.

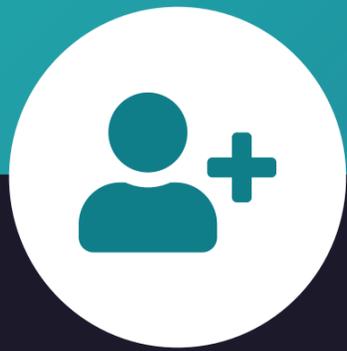


Past Efforts:

Have previous incentive strategies attempted to influence those with discretionary sales effort, with little to no success? Instead of repeating past mistakes, explore why those efforts were unsuccessful and adapt new strategies accordingly.

If you still can't decide who your incentive program audience should be...

What if you've taken all the above into account and answered as many questions as you can, but you're still unsure who your best incentive program audience is? This isn't an uncommon problem for manufacturers with a wide distribution channel and/or incomplete data about their channel partners. There are three incentive strategies that can help with this issue:



Open-enrollment program registration:

“Open-enrollment” means anyone can sign up. For example, one of Incentive Solutions’ manufacturing clients physically attached reward point certificates to their products. Customers supplied contact info when signing up to redeem reward points, which provided up-to-date customer data and indicating buy-in for future marketing campaigns.



Motivation to upload warranty registration and rebates:

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Referrals:

Referral programs are certainly not a new concept, but online incentive software allows you to get innovative without sacrificing time in rewarding channel partners for referring customers. This is a great way to supplement AI-generated leads from your CRM or ABM systems.

Remember that no two channel sales ecosystems are identical. Often, the manufacturers with the most successful loyalty programs are those that creatively invest in their relationships. Identify unique relationships that are ripe for potential growth and build your incentive plans around them.

4 HOW DO YOU RUN YOUR INCENTIVE PROGRAM?

You know **why** you need an incentive program. You know **what** your program needs to accomplish. You know **who** is at the center of those goals. Now it's time to decide **how** to implement and manage your program. There are four important aspects to incentive program management:

1. Budget & Billing

When deciding how to budget for your incentive program, your goal should be to achieve a positive return on investment (ROI). When you divide your return by your investment, you should get a positive number. Here's an example:



Return (Benefit): \$65,000

$$\text{Return (Benefit)} \div \text{Investment (Cost)} \times 100 = 130\%$$



Investment (Cost): \$50,000

As with many business ventures, there's a threshold of investment. When your investment is below that threshold, the chances of a positive ROI are very low. What is that threshold? That depends largely on the incentive provider and software you choose. Incentive Solutions offers a [free, online calculator](#) you can use to roughly forecast your incentive program ROI.



When determining your incentive program budget, make sure you're factoring in all the costs of a successful program:



Rewards

Be it debit cards, gift cards, merchandise or group travel, you'll definitely need to invest in some desirable rewards!



Consultation

You should have access to incentive experts who help you plan strategically and advise you on best practices.



Software

Use incentive software that's accessible to your participants and integrates with your other sales and marketing platforms.



Management & Administration

Whether you plan to assign someone the role of incentive program manager or you outsource incentive program management, your program will need monitoring and assessment.



Marketing & Communication

A portion of your incentive program costs should go toward spreading awareness and excitement about the program to your future participants.

2. Rewards

The rewards you offer and the context in which you offer them can make a big difference in how successful your channel partner loyalty program is. A [biometric study](#) of reward response, conducted by The Incentive Research Foundation, found that rewards are appreciated differently depending on age, gender, circumstances, and more. So how do you know what kinds of rewards will work best? Use this breakdown as your guide:

	Who should receive them?	When should you offer them?
Debit and gift cards	<ul style="list-style-type: none">• Large, diverse audiences—it's a cash-like option that no one would turn down.• International participant audiences—virtual card and e-code options let you skip the usual hassle of overseas card delivery.	<ul style="list-style-type: none">• For short-term sales promotions (i.e. SPIFFS), since they're a great grab-and-go option with a low-to-no learning curve.
Merchandise rewards	<ul style="list-style-type: none">• Standard performers and customers who need a spark of motivation to elevate them into the top tier.• Younger channel partners who want to spend reward points at their discretion on leisure, entertainment, and experiences.	<ul style="list-style-type: none">• Whenever! Participants can build up reward points over time and spend them on big-ticket items or redeem “point-burner” items like movie tickets.
Incentive travel rewards	<ul style="list-style-type: none">• Your top performers and most loyal customers—those who have the biggest influence over your success.	<ul style="list-style-type: none">• Annually, as an opportunity to thank your VIP channel partners and build deeper relationships with them through a shared experience.• On important milestone and anniversary occasions, as a memorable way to repay a long-time partner for their loyalty.

When you keep these reward theories in mind, you can always offer the best-curated selection of rewards to achieve the goals you're aiming for.

3. Technology

It's important that your channel incentive strategy includes the right incentive software to help you achieve your goals. These are the foundational elements that every incentive system should offer:

- Automated reward redemption and fulfillment.
- Communication tools that allow you to enroll and communicate with your participants.
- An incentive program website that's consistent with your brand imagery and messaging.
- An administrative hub that enables you to track participant activity and behavior data.
- Access to real-time reports and analytics so you can monitor your program's progress toward its goals.

The beauty of online technology is that it's always quickly evolving. These days, incentive programs are capable of more than just the basics. Adding on more advanced, specialized features will help you achieve specific goals and expand the program's capabilities down the road when you're looking to further increase engagement and results. These examples are from Incentive Solutions' selection of pre-programmed, add-on modules:



Performance Tracking:

Run multiple, simultaneous sales promotions while tracking and collecting real-time sales data collection across your distribution channel.



CRM Integration:

Facilitate a two-way exchange of accurate, up-to-date data by integrating your incentive program with your existing CRM, marketing automation, or ABM platforms.



Leaderboard:

Display a public leaderboard featuring live updates of channel partners' goal progress, sparking motivation with a bit of friendly competition.



Org. Structure & Advanced Reporting:

Set up highly organized incentive management by partitioning your channel partners' incentive program experience according to their region, department, organization, and more.



Learn and Earn:

Reward channel partners for passing quizzes, answering trivia questions, or submitting surveys, motivating them to contribute sales data while increasing product knowledge.



Mobile App:

Let channel partners access your incentive program anywhere they go so they can enter data and earn rewards in real-time.



Open Enrollment:

Allow previously unknown buyers to enroll in your incentive program, no invitation required! They sign up via a custom form that allows you to capture the data you need, and have immediate access to enticing reward opportunities.



Quick Points:

On-the-spot reward points reinforce positive behaviors as they happen. Deliver immediately-redeemable, impromptu rewards to sales reps or draw in potential leads at events and tradeshows.



Integration Services:

Integrate your incentive technology with your corporate website for maximum brand consistency and a streamlined customer experience.



Advanced Communication:

Make your incentive marketing more exciting, more relevant, and more effective with extra personalization, premium templates, scheduling tools, and more.



Gamification:

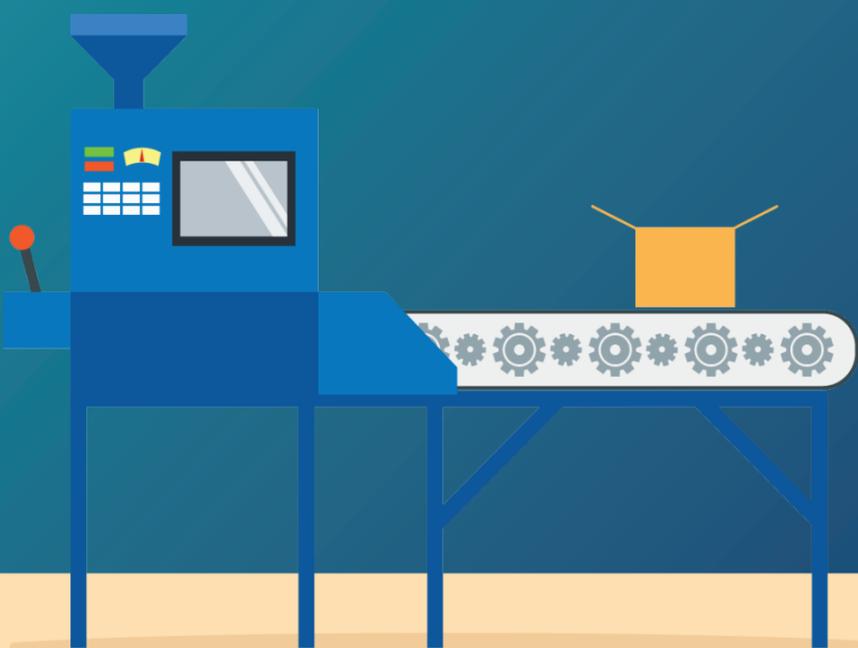
Elements of virtual gaming give your incentive program that extra boost of fun to keep participants coming back for more.



Total Recognition Suite:

Offer a communication platform inspired by social media to promote your corporate culture and recognize top performers.

Adding on features like these after your program is established will keep it engaging, boosting participation rates and fetching incrementally better results over time.



4. Measurement

When your incentive program is up and running, the next phase is to monitor and measure its progress so that you get the results you want. Track and report key performance indicators (KPIs) and keep in mind that your incentive program is a flexible, ever-evolving experiment. It can always be updated and improved to better achieve your objectives.

The two types of incentive program KPIs are leading and lagging. Leading indicators predict success and lagging indicators prove success. You should be tracking both kinds, and be prepared to take action when leading indicators start showing signs of slowing progress.

Leading indicators

Examples of leading indicator KPIs for incentive programs include:



Email bounce rates and undelivered direct mail:

This data indicates whether your incentive marketing is reaching your participants. Low numbers mean your participant data could be inaccurate or out of date.

Email open rates:

Incentive marketing leaders at Incentive Solutions have seen that open rates for rewards program-related emails are 22.3% to 268% higher than industry benchmarks. You can expect higher open rates for smaller audiences who have been enrolled in your program longer or are more familiar with your program. If this number drops, take a look at your email subject lines and deliverability.



Email click rates:

Email click rates indicate how well your calls-to-action (CTAs) work. If this number is on a downturn, you can experiment with different body copy, imagery, color, and CTAs in your emails, or invest in help from a communications specialist.

Percentage of target audience enrolled:

This is the percentage of your total invited participants who are actually enrolled in the incentive program. The higher, the better!



Average time-to-enrollment:

On average, how long does it take an invited participant to enroll in your incentive program? This stat indicates whether your incentive program's value proposition seems worthwhile. Offering limited-time enrollment bonuses is one way to create urgency and reduce average time-to-enrollment.

Reward site log-ins:

The number of participant log-ins to your reward site shows whether your audience is engaging with your program. A low number tells you that you need to better capture their interest.



Rewards earned:

If your target audience is earning rewards, that's good! A rising number of rewards earned is a strong indicator that your program is on its way to positive ROI.

Percentage of points redeemed:

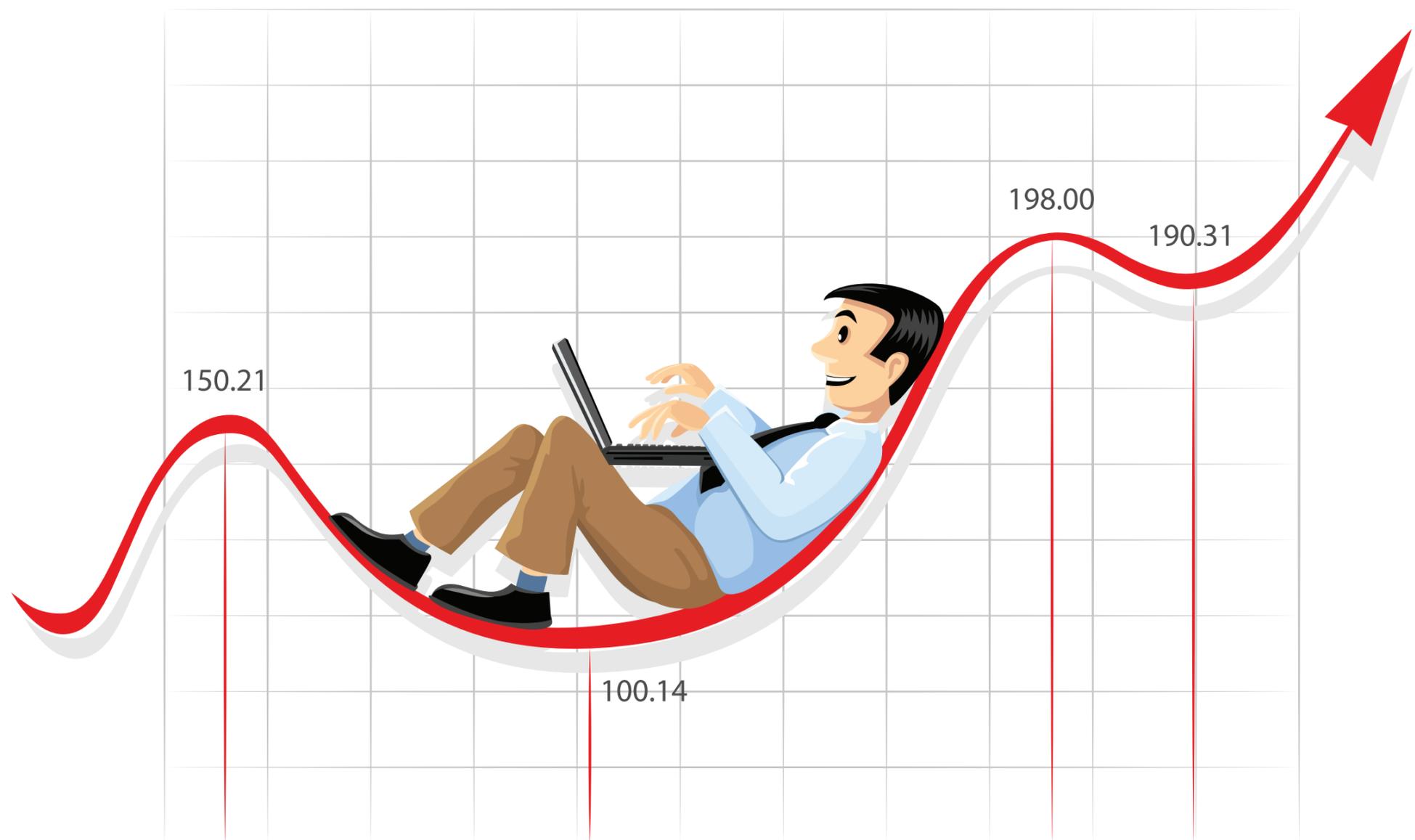
If you run a points-based reward program, your participants can either spend or accrue the points they receive. The percentage of points spent, or redeemed, is a measurement that can tell you how well the rewards are reinforcing the desired behaviors. The "heck yeah!" feeling of spending reward points is key to continuing your incentive program's success.



Lagging indicators

Lagging indicators will vary from program to program, depending on what your specific objectives are. These are examples of a few lagging incentive program KPIs:

- ✓ Overall sales increase
- ✓ Sales increase for a specific product
- ✓ Average order size
- ✓ Average order frequency
- ✓ Performance on satisfaction surveys
- ✓ Customer retention rate
- ✓ Number of referrals
- ✓ Overall ROI



The incentive program lifecycle

When you run a channel incentive program, you can expect it to unfold something like this:

	INTRODUCTION	GROWTH	MATURITY	DECISION
STAGE DESCRIPTION	<p>Implement... 0 - 12 Months</p>	<p>Reinforce... 12 - 30 Months</p>	<p>Optimize... 30 - 48 Months</p>	<p>Expand or Re-plan... > 48 Months</p>
PROGRAM OBJECTIVES	<ul style="list-style-type: none"> • Build awareness • Drive enrollments • Generate excitement • Promote early activation 	<ul style="list-style-type: none"> • Harness loyalty to exploit brand preference • Shift the bell curve • Drive engagement by offering new/richer award opportunities 	<ul style="list-style-type: none"> • Drive program/cost efficiencies • Seek other applications to replicate program success • Plan for program re-launch • Is it time to target other pain points with a different promotion? 	<ul style="list-style-type: none"> • Re-launch the program • Or...implement exit strategy
COMMUNICATION STRATEGY	<ul style="list-style-type: none"> • Engage internal stakeholders • Communicate often (online and offline) • Effectively convey program value (WIIFM—What's in it for me?) 	<ul style="list-style-type: none"> • Integrate marketing communication calendar • Segment audience for relevance • Re-promote program benefits • Encourage training to improve product knowledge 	<ul style="list-style-type: none"> • Depends on above 	<ul style="list-style-type: none"> • Depends on above

Based on years of partnering with manufacturing companies and helping them achieve sales and marketing goals with incentive strategies, Incentive Solutions experts determined that channel incentive programs tend to follow a cycle.

There's a spot on this chart that probably caught your eye right away: 30-48 months. This is when manufacturers tend to reach the point of diminishing returns with their initial incentive plans. It's reasonable to assume that your incentive program has fully addressed your initial objective by this time. The program isn't new and shiny anymore. Growth could very well stagnate.

It's wise to re-invest in your program at this time by launching new sales promotions, targeting a new audience, or introducing new features. An interactive leaderboard, gamification, or opportunities to earn 3X points, perhaps? Or maybe you need to rethink your original goal and design an incentive program around a new objective.

The good news is that you have data, experience, and mutually rewarding relationships under your belt at this point. It would be hard not to make the program more successful by utilizing everything that's at your disposal!

HAPPY INCENTIVIZING!

Do you feel inspired by all this incredible incentive strategy? Are you ready and empowered to create the best channel incentive program your company has ever seen? I hope so!

You can always access the regularly updated [Incentive Solutions blog](#) for ideas on planning, running, and measuring successful incentive programs. If you have any questions, don't hesitate to contact us. We'd also love to hear about the outcomes and techniques you discover on your incentive journey.

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