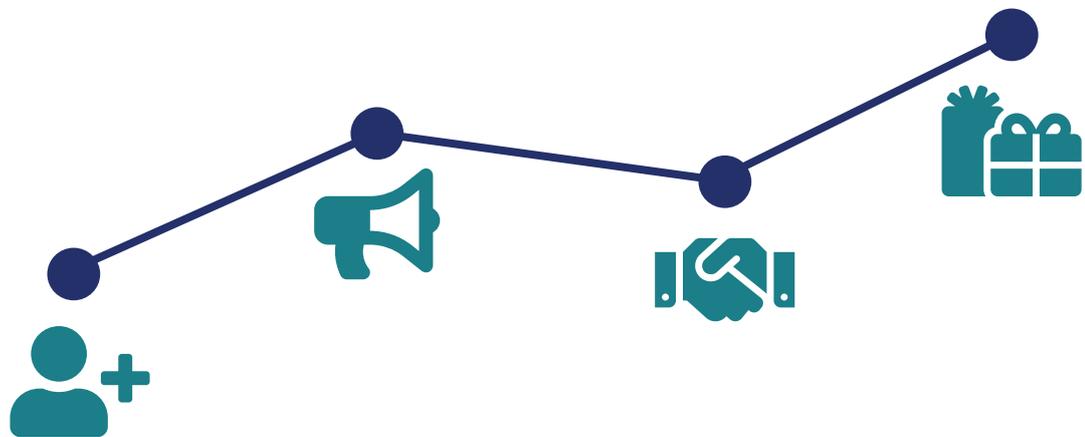


× Benchmarks of a Successful Channel Incentive Program



An **Incentive Solutions** study conducted by Kelly Held, Luke Kreitner and Mandy Freeman

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Introduction.

Everything we do at Incentive Solutions is centered around the needs and interests of our client base. The purpose of our Benchmarks of a Successful Channel Incentive Program is to answer an age-old question prospects and clients often ask us:

**What does a successful channel incentive program look like?
And how can I know if my program is on track?**

Channel incentive programs aren't always "quick fixes" with immediate return on investment. It can take time for an incentive program to change channel partner behaviors, establish greater brand loyalty, and allow the impact of rewarding channel partners to take effect.

In the meantime, B2B sales and marketing leaders still need to know if they're on the right track. Company CEOs, VPs, and Directors want to know if their sales and marketing budgets are being spent on the right tools and strategies. How can those responsible for channel incentive programs prove to executives that the program is doing its job and is on its way to earning ROI?

To answer this question, we studied the 35 most successful channel incentive programs in our client base. In order to provide the best, most consistent data possible, all programs fit the following criteria:

- **Strictly a channel sales incentives program.**
- **Active for three years or more.**
- **Began in 2010 or later.**

Methodology.

To paint a complete portrait of a successful channel incentive program, we recorded the average annual data for these **five key metrics**:



1.
Active vs. Enrolled
Participants



2.
Percentage of
Participants Who
Received Rewards



3.
Reward Redemption
Rate



4.
Performance
Tracking (Claims)



5.
Engagement
Snapshot

Active vs. Enrolled Participants.

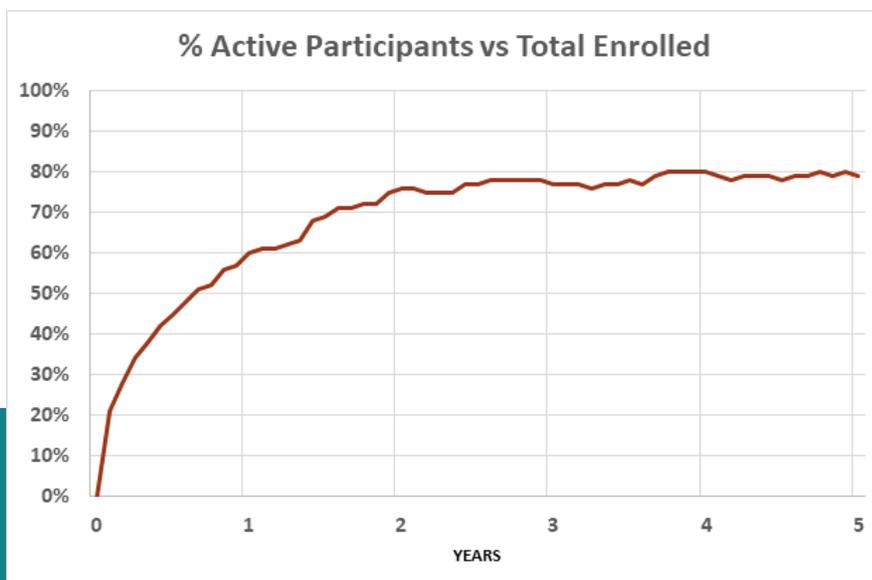
First, we examined the percentage of active participants in an incentive program, versus the entire enrolled participant base. For the purposes of this study, we define an active participant as someone who consistently takes actions to win and redeem rewards.

Our incentive programs have two different types of enrollment: **open and closed**. We conducted a separate study for each.

Closed Enrollment

A closed incentive program enrollment is one in which only invited participants can enroll in a program. In most cases, participants must receive an email invitation that provides the non-public program URL and instructions on creating their account.

- **After one year, an average of 60% of the enrolled participant audience was active in the program.**
- **After two years, an average of 75% of enrollees were active. That number stabilized until year five.**

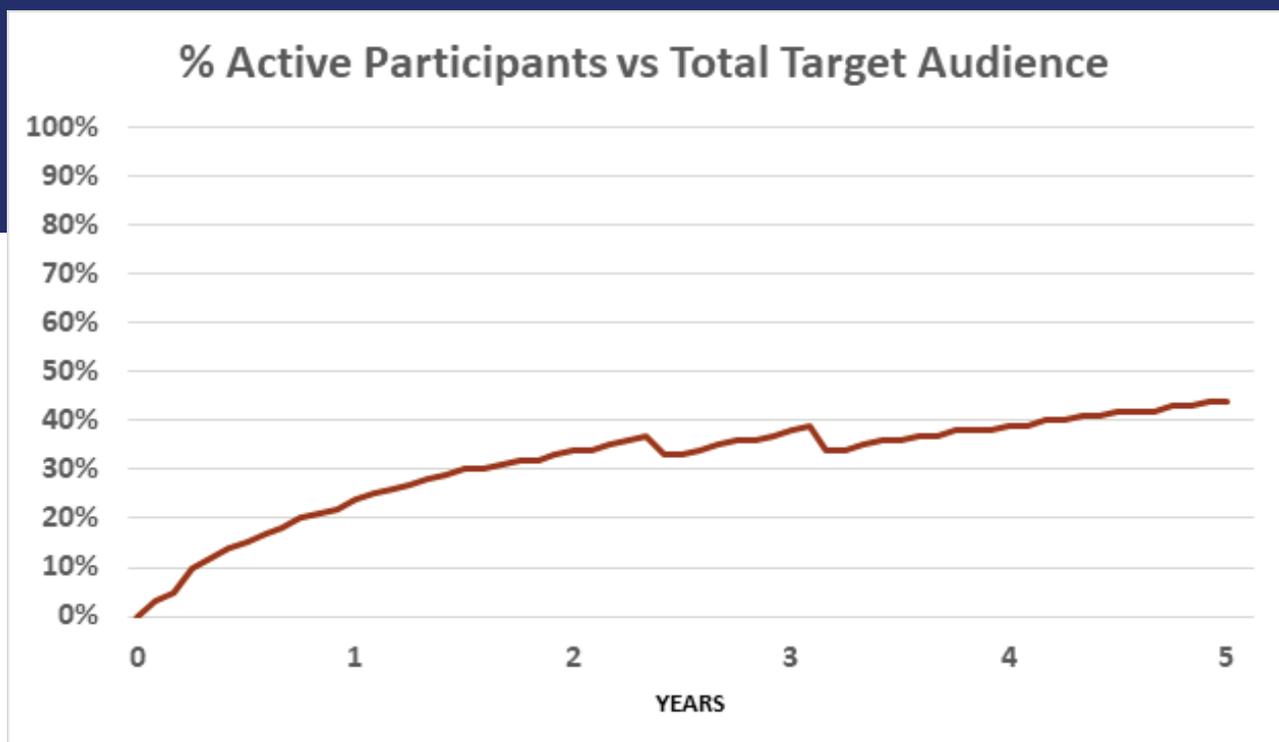


The average number of days it takes a closed enrollment program participant to enroll is **128, or about four months**, on average.

Open Enrollment

An open enrollment incentive program is one in which anyone can enroll, without an email invitation. This type of enrollment suits programs where sellers are unknown to channel stakeholders.

- **After one year, 24% of the enrolled participant audience was active, on average.**
- **The number of active participants among enrolled participants increased to 34% after two years.**
- **The number of active participants among enrolled participants continued to increase by about 5-10%, on average, until year five.**



Why Is Participation Higher for Closed Enrollment?

The percent of participants active is an important KPI for a channel incentive program: It shows that your program is effectively communicating a compelling value proposition to channel partners. However, it is also a measure of how invested channel partners are in your brand.

Why is this percentage so much higher for closed enrollment programs than open enrollment programs? Closed enrollment programs are more targeted, usually inviting participants who have a higher degree of familiarity and are already invested in your company (at least to the extent where accurate contact information has been exchanged).

Open enrollment, on the other hand, offers a more open-ended approach. It provides businesses with the opportunity to start building familiarity and investment with channel partners with whom they do not yet have a point of contact. In that process, poor prospects and part-time customers may also enroll in the participation. Of course, participation will be lower among those segments.

Percentage of Participants Who Received Incentive Rewards

The next part of our study determined the percentage of enrolled program participants who received a reward. In other words, they completed whatever action deemed them qualified to receive a reward, according to the program's rules.

Our incentive programs have two different types of reward distribution:

- 1) rewards distributed via file upload**
- 2) rewards distributed via participant-submitted sales claims.**

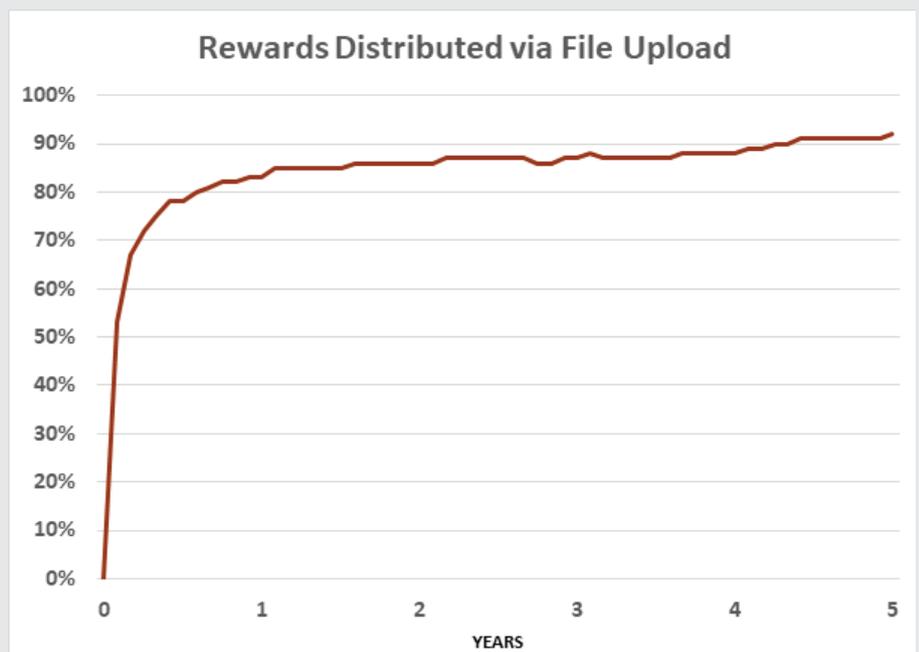
We conducted a separate study for each.

Incentive Rewards Distributed via File Upload

Rewards distributed via file upload are awarded to program participants according to a custom file uploaded by the program manager. The file must contain information on the reward amount each participant receives, whether a dollar amount for debit card reward programs or a number of points for online reward points programs.

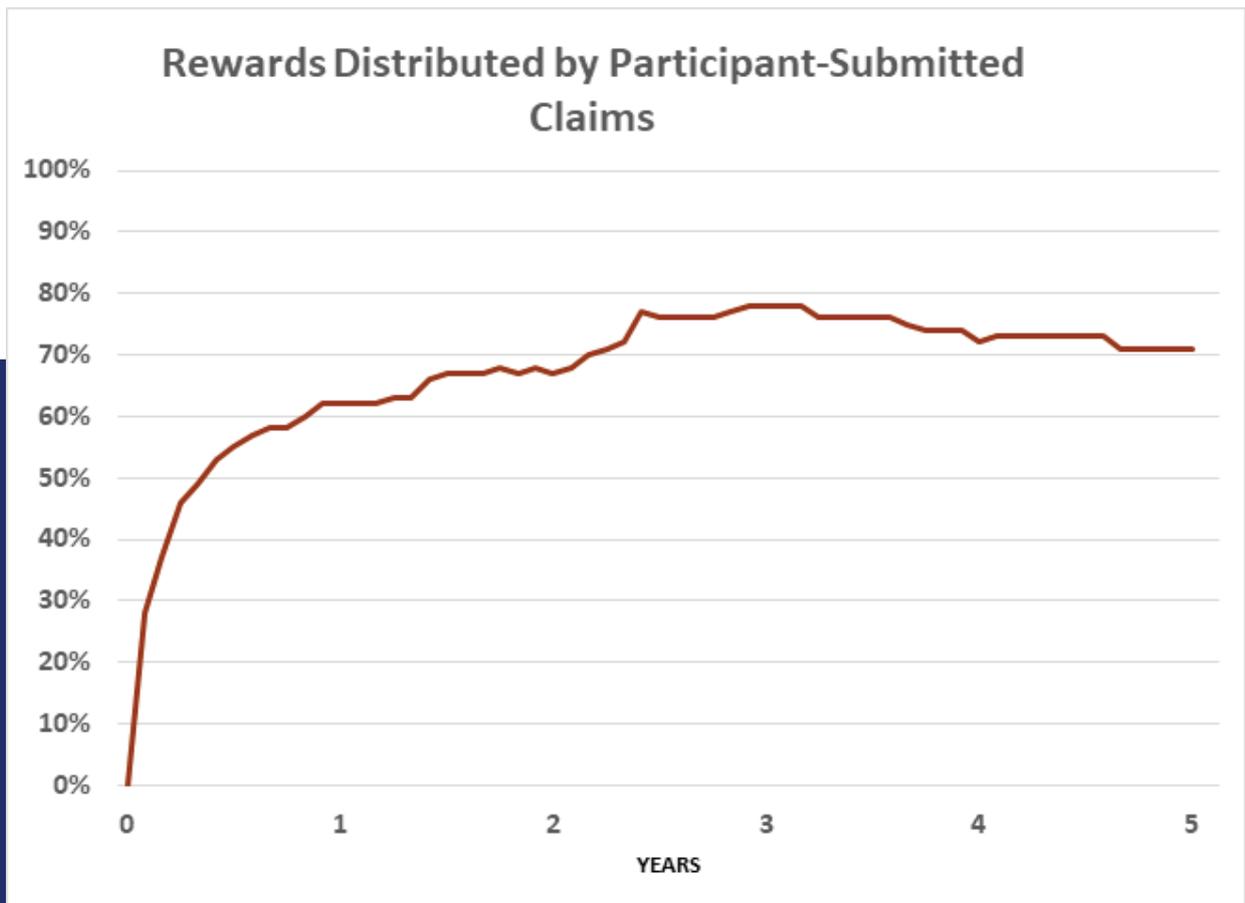
The percentage of incentive program participants who had received a reward via file upload reached 82% after the first year.

The percentage of incentive program participants who had received a reward via file upload increased gradually year after year, until year five.



Rewards Distributed via Participant-Submitted Claims

Rewards distributed via file participant-submitted claims are awarded to program participants according to documentation submitted to the program by the participant. The claim submission document may have been an invoice, receipt, UPC number, image file, warranty registration, or any other documentation verifying the participant completed the action necessary to receive a reward.



The percentage of incentive program participants who received a reward via file upload reached 62% after the first year.

The percentage of incentive program participants who received a reward via file upload reached 77% after 2.5 years.

Program Equity

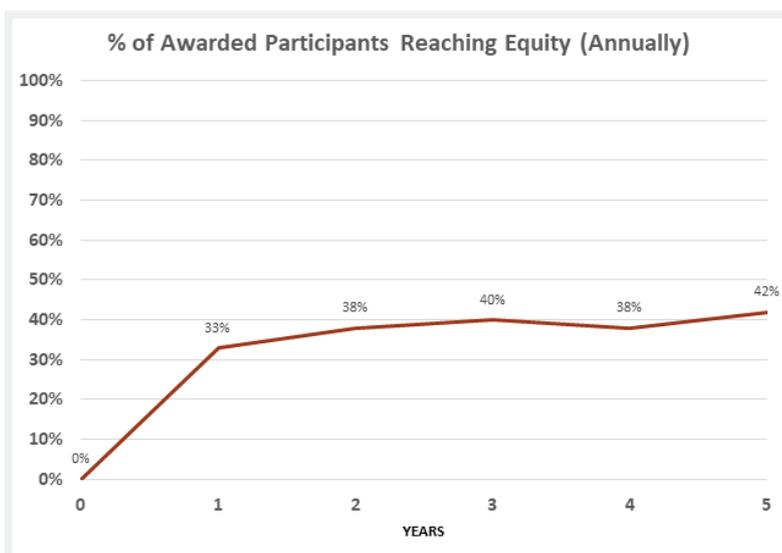
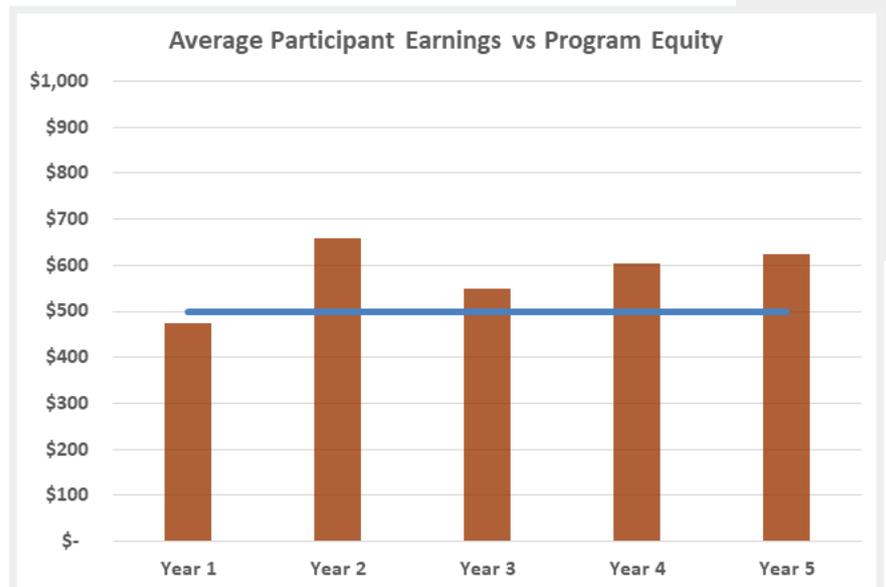
A channel incentive program is a plan or system within which vendors motivate channel partners with non-monetary rewards in order to align their behavior with the goals of the vendor. For most channel sales programs, that goal is improving sales volume.

We define program equity as the average annual earning potential for participants. Furthermore, it's the perceived value in the program driving them to take action.

The average channel incentive program equity amount is \$500.

On average, successful channel incentive programs have nearly reached program equity (\$473) by year one.

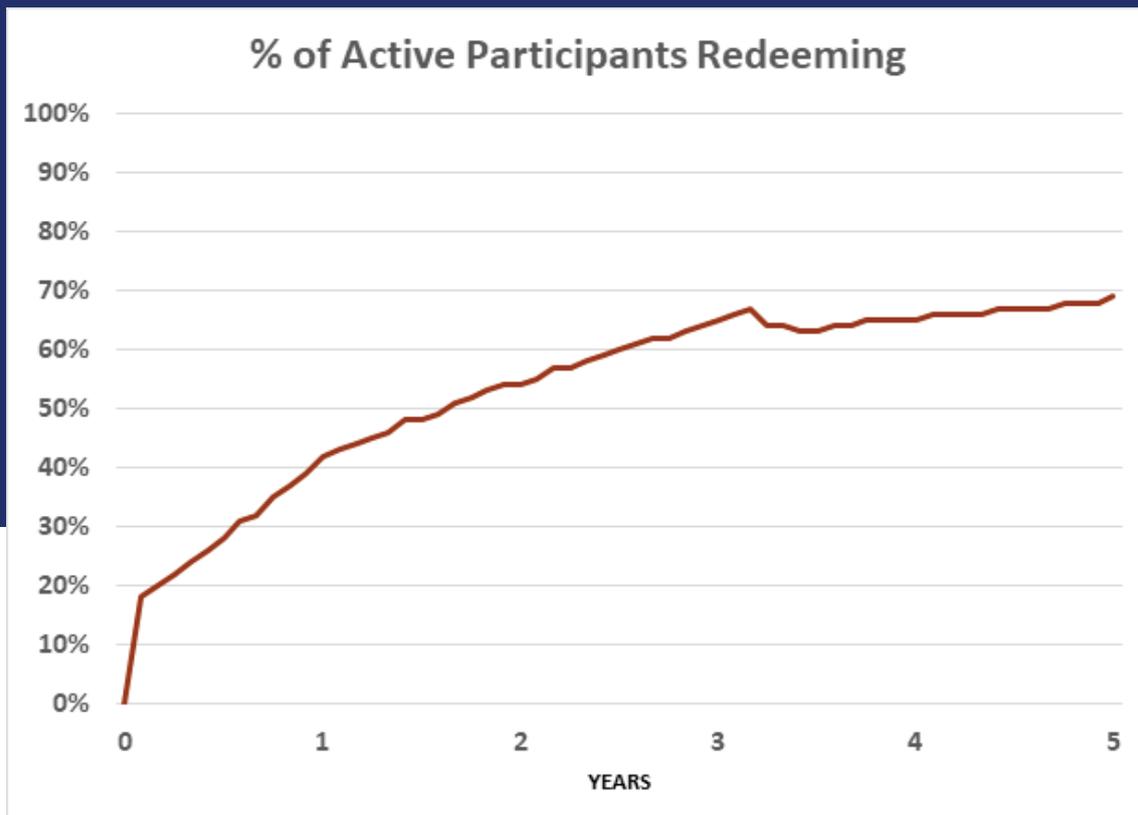
Channel incentive programs go over program equity by year two (\$660) and continue to go over equity until year five.



The percentage of participants reaching annual equity averages to 33% by year one and increases gradually over time until year five.

Reward Redemption Rate

The percentage of active participants redeeming for the rewards they've earned is a major indicator of the program's engagement and impact. For rewards to act as positive reinforcement for desired behavior, it's necessary for participants to claim and receive them.



On average, the percentage of active participants redeeming for rewards they've earned reaches 39% after the first year.

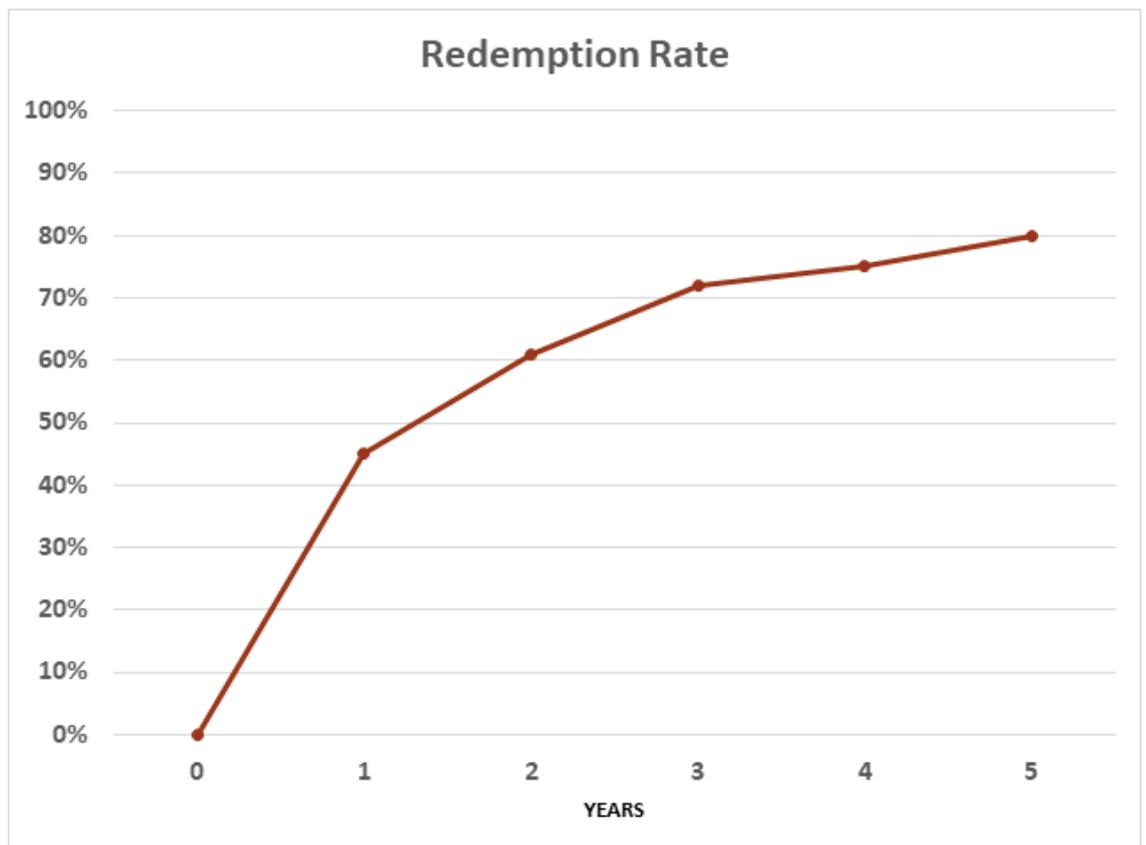
The percentage of active participants redeeming for rewards peaks at 67% in the third year, on average, plateauing at this number until year five.

Redemption rate is the percentage of rewards earned that are redeemed for.

The redemption rate of all rewards distributed averages to 45% at the one-year mark.

Redemption rate of all rewards distributed increases to 60% by year two.

Redemption rate of all rewards distributed increases by about 10% every year after that until year five.



Sales Claim Submissions

In most of our clients' channel incentive programs, actions that qualify participants for rewards are based on sales promotions. A sales promotion is any limited amount of time during which a participant may claim rewards for selling a qualifying product. We examined the time and rate at which program participants submit sales claims in order to receive rewards.

Average Number of Days Until a Salesperson Submits a Claim

Short-Term Promotions (3-4 months) 36 days	Long-Term Promotions (6 months or longer) 71 days
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Average rate of claims submission among all eligible participants is 27%.

Engagement Snapshot

Our study included a “snapshot” of all major key performance indicators (KPIs) for our most successful channel incentive programs. These KPIs determine average participant engagement according frequency of logins, rewards earned and rewards redeemed as they correspond to a specific participant status. A legend defining the six participant statuses can be found on the following page.

	Invited	New Enrollee	Not Engaged	Low	Mid	High
% of Total	14%	2%	11%	7%	31%	36%
Redemption Rate	0%	7%	80%	78%	65%	76%

Limetime Stats by Participant

Average Earned	\$798	\$181	\$1,686	\$1,484	\$4,367	\$8,049
Average Redeemed	-	\$13	\$1,346	\$1,153	\$2,828	\$6,144
Average Outstanding	\$798	\$168	\$340	\$331	\$1,539	\$1,906

Annualized Stats by Participant

Averaged Earned	NA	NA	\$276	\$354	\$728	\$1,365
Average Redeemed	NA	NA	\$220	\$275	\$472	\$1,042
Average Outstanding	NA	NA	\$56	\$79	\$257	\$323

Invited:

- Participant was invited and added to the incentive system, but has not activated their account.

New Enrollee:

- An account that has been activated within the last three months.

Not Engaged:

- An account that has been enrolled over three months, but has not been rewarded in the last 12 months.

Low Engagement:

- An account that has received three or less rewards in the past 12 months; OR has not logged in within the last nine months.

Mid Engagement:

- An account that has received four or more rewards in the past 12 months; OR has logged in within the last six months.

High engagement:

- An account that has received four or more rewards in the past 12 months AND has logged in within the last three months.

Results

So, what does a channel incentive program with a promising ROI look like? The benchmarking study demonstrated that, overall, successful programs reach year five with an average of:

75%

total enrollees active (for an open enrollment)

39-44%

total enrollees active (for closed enrollment)

82%

participants receiving an award (via file upload)

77%

participants receiving an award (via participant-submitted claims)

\$660

program equity spent

67%

participants redeeming awards they've earned

These numbers demonstrate that a successful channel incentive program maximizes enrollment from the start, maintains a high level of engagement, and keeps participants both winning and redeeming awards. Monitoring these benchmarks allows vendors to make sure their program is on track to reach its objective.

Incentive Solutions[®]

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