



How to Develop an Incentive Program

#1 Establish Objectives

Identify what goal/objective needs to be accomplished, for example: improved attendance, increased sales of a particular product, etc. The objectives must be simple, specific, and obtainable. Begin with a clear, briefly stated objective and communicate it to all participants.

#2 Outline the Strategy

Build the foundation of the Incentive Program carefully, expanding on the methodology to be used. The structure of the program should detail exactly who is the target audience, and anyone else who will be influenced by the program. The size of the group is important to the budget of the program, as well as the ability to communicate clearly and measure the results accurately.

Other considerations are geographic boundaries or sales regions, legal considerations, family issues, the length of the program and timing, individual goals or team goals, and of course, the reward.

#3 Measure Performance

Define both quantifiable and qualitative goals that can be measured, and keep it simple. It might be necessary to look at historical data and come up with an average in order to define a particular sales goal. The goal needs to be fair to all involved, and obtainable by everyone.

#4 Establish the Budget

Depending on whether the program involves sales or non-sales personnel, the budgeting will be different. In general, the three elements of budgeting include: 1) number of participants, 2) length of program, 3) expected results.

There are two types of award budgets: 1) closed-ended, and 2) open-ended. You would need to determine the maximum costs involved with a closed-ended program, and an estimate of costs involved for an open-ended program.

In a sales program, the primary rules are: 1) Anywhere from 5% to 10% of additional (incremental) gross sales during the incentive period can be applied to the total cost of the program, and 2) The cost of the incentive awards should equal 5% of all compensation for the program period.

In a non-sales program, it is more difficult to put a monetary figure on the value of "improvement," but some measures are possible that involve increased productivity, improved attendance, and improved safety (fewer traffic tickets, for instance). The budget is then determined by the "value" the company will realize from the improvements made by the Incentive Program.

#5 Budget Elements

Awards	80%*
Communication / Promotion	10%**
Administration	5%**
Training/Research	5%**

* For merchandise awards, this includes shipping (about 10% of the cost of the items) and taxes (about 6% of cost).

**The last 3 categories are fixed costs comprising 10-20% of incentive program costs.

#6 Select the Perfect Award

It is important to select the correct award because if the individual is not emotionally vested in obtaining the incentive award, he or she will not pursue the goal. Spend some time speaking with the target group and select an award within the framework of the budget that will be important to the group.

#7 Administer the Program

Administration is approximately 20% of the program budget, and a good 50% of the planner's time. The target group needs clear, consistent communication and timely feedback on measurement of their performance.

#8 Celebrate the Success of the Program

The end of the program should be celebrated with the target group and performance measurement by individual or team should be provided at this point. Individuals should then receive their awards.

#9 Analyze the Success of the Program

Did the Incentive Program achieve its objectives? Were the participants motivated to change their behavior? Remember, an Incentive Program provides a short-term gain, and follow-up programs are important. Start planning the next one today.