

# HOW MUCH

ARE CUSTOMER PROMOTIONS & EMPLOYEE INCENTIVES REALLY COSTING YOUR BUSINESS?



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## Facts That Every Business Owner Should Know Before Rewarding Another Customer Or Employee.

You're probably wondering what this is all about. Well, simply put, it's about winning in business. Obviously, that's a broad statement that could lead down a path of many varied topics. However, the purpose of this article is the relationship between your business and its customers and employees.

Every business typically has three options when creating an employee incentive or customer promotion that motivates the target audience to take action: cash, merchandise or travel. Cash, of course, can be in the form of bonuses, rebates, discounts, "interest free", cash cards, etc. Merchandise can be catalog programs, buy "x" and get a free IPOD (or whatever), buy one-get one free offers and more.

Travel includes group travel programs, luxury "Dream Vacations" typically used in sweepstakes programs or individual travel awards. The individual travel awards include such options as free airline tickets, weekend getaways to a specific destination such as Las Vegas or getaways that include choices of destinations for the award winner.

Let me be the first to say that cash awards work. Whether an employee bonus or cash discount for a customer, cash works. But as I like to say, "Don't let good be the enemy of best". Cash does have numerous problems that limit its ability to successfully motivate.

The biggest limitation using cash as a motivator is- no leveraging of your investment. Five hundred dollars invested in a discount or bonus equals- five hundred dollars in motivation. It also equals \$500 off the bottom line. On the other hand, individual travel awards can cost under \$200 or even \$100, yet often have a perceived value of \$500 or even \$800 thereby utilizing the less equals more theory. In other words, getting a much bigger bang for your buck.

Looking at the big picture, if you had a \$20,000 budget for bonuses you will get \$20,000 worth of motivation from your target audience. The high value, lower cost travel awards can turn that into \$50,000 or even \$100,000 in perceived value and provide as much as \$100,000 in motivational value.

As a gift with purchase, it has helped our sales force in over 50 stores take a customer from a \$75 sale to over \$125 in many cases.

## THE MAJOR REASONS WHY CASH HAS LIMITED EFFECTIVENESS

### *Customer Promotion:*

There is no residual value to the customer. If a customer purchases from you because of your cash discount, then the next time they will buy from your competitor if they are offering a bigger discount. Do you remember the 10% of sale that your favorite retail store ran last year, what did you do with the money you saved?

Cash discounts can also become a part of the price. Just ask your local auto dealer, "When was the last time somebody actually walked off the lot with \$2,500 cash back in their pocket?" It never happens. Several years ago when auto manufactures stopped offering the rebates, business dried up. So back came the rebates and down went the bottom line.

### *Employee Incentives:*

As for cash bonuses, they often disrupt the compensation plan. Employees come to expect them and feel cheated if a company tries to take it away. Do you remember the last time you got a cash bonus? Can you remember where you spent the money? It typically pays off a credit card and rarely involves another member of the family.

Cash bonuses can even cause discontent among workers who may end up feeling under appreciated because of either the amount that was received or another employee getting more than they did.

## WHY USING TRAVEL AWARDS TO MOTIVATE YOUR CUSTOMERS AND EMPLOYEES IS THE BEST CHOICE...

Travel programs, if done right, can be very event driven and therefore not something employees tend to become dependent upon.

Let me ask you, do you remember the vacation you took last year? Two years ago? If someone else paid for it you would remember that as well, wouldn't you. Which one will your customer or employee talk to his friends about three or six months from now, cash or travel?

Vacations seem to find a way to stand out in the majority of people's mind. If you were to stop reading this article and go ask 10 people to tell you about a vacation they took as a child, 9 out of 10 would be able to give you amazing details about a trip that happened 10,15, or maybe even 20 years ago.

The best value for your incentive dollar is travel. Why? Survey after survey and study after study show people love travel.

When American Express Incentive Services (AEIS) polled 1,004 adult Americans at random in 1993, 63% said that their loyalty to their employers would increase if they had an ongoing incentive program that allowed them to choose rewards that were personally relevant. 53% said such a program would

increase their loyalty “significantly.”

The survey also revealed that employees were willing to work longer hours, take on greater workloads, and increase the speed and intensity of their work- if the payoff is a reward that offers them a choice. Shockingly 18% of working and retired Americans said they had never received a performance reward.

Respondents to the AEIS survey said the awards they most wanted were:

- ❖ Trip to a destination of their choice (40%)
- ❖ Shopping spree at stores of their choice (23%)
- ❖ Home improvements/home beautification items (19%)
- ❖ Season tickets to their favorite entertainment venue (10%)
- ❖ Electronics (4%)
- ❖ None of the above or don't know (4%)

## GROUP TRAVEL VS. INDIVIDUAL TRAVEL

The one thing people can never get enough of is vacations. Many think of incentive travel as group travel. And it is. But this is not where the story ends. Individual travel has become a great supplement to group travel as well as a stand-alone program in many incentive plans.

Group travel tends to be used by companies to award the top 5% to 10% of their target audience. What I have found that means is it may only motivate the top 10% to 20%. Why? They are the only ones that come close to qualifying year in and year out for that award.

Therefore, the other 80% of the target audience is not even remotely motivated that the “Presidents Club” (or whatever they call that top 5% or 10%) is going to Maui.

So what are you doing to motivate the other 70-80 percent? Individual travel can be a great way to take the excitement that a group travel program creates at the top end and move it through your sales force or customer base.

I learned this 15 years ago when I first became aware of individual travel awards. I have a friend who is a Membership Director of a local chamber of commerce looking for a way to improve the results of an ever-declining annual membership drive. He gave a trip to the top producer and the top team every year. His problem was the top producer was the same person every year.

When he moved to an affordable individual travel award, the chamber of commerce had the best results in years. In fact, the results repeated themselves the next year. Why? The people, who had given up trying to win the trip, now had a reasonable goal to earn their own vacation. I have seen similar results in virtually every industry and application.

*“This was our most successful promotion to date. As a gift with purchase, it has helped our sales force in over 50 stores take a customer from a \$75 sale to over \$125 in many cases. Employees love the simplicity of it and customers feel that they are getting a good deal. I recommend the program to national retailers to really give their customers a little something extra.” -Ryan Lanier*

“When was the last time somebody actually walked off the lot with \$2,500 cash back in their pocket?”

Individual travel awards are family vacations that are deluxe, yet inexpensive, will easily pay for itself, allow you to set reasonable goals, and most importantly reach the other 70% or 80% of your target audience.

## Individual Travel Awards:

- ❖ Are Exciting
- ❖ Are Easy and Fun to Promote
- ❖ Have Universal Appeal
- ❖ Produce Long Lasting Memories
- ❖ Provide Family Involvement
- ❖ Forms a Stronger Bond Between the Giver and the recipient

These flexible awards are usually 3 day/2 night or 4 day/3 night awards that offer multiple destination choices. Depending upon the product and price point, I have seen them range from as few as 15 to as many as 500 destination choices.

Some offer hotel accommodations only, while some include amenities and others even include transportation at a higher cost. Individual travel awards are in tune with the way people take their vacations. According to studies done by USA Today more than 80% of Americans prefer driving on vacation. That's 80% of your target audience. Since AAA tells us that today nearly 87% of Americans drive on vacation, why not a “Family Drive Away Getaway?”

This type of award allows the recipient to travel where they want, when they want, and with whom they want.

## THE PITFALLS OF USING TRAVEL AWARDS

You should be aware that some companies will print you off a colorful piece of paper, call it a certificate, and only charge you \$1.00. Others will charge you a one time or even a monthly membership fee and allow you to print off as many vacation certificates as you like. And some will even pay you a commission when one of your customers actually travels.

## WHY WOULD THEY DO THAT?

The answer is very simple. They are in the certificate sales business, not the successful promotions business. Their sole purpose is to move travel certificates in as high a volume as possible. They don't want your customers to travel. So they create Terms and Conditions for each certificate that make it almost impossible to travel.

I have even seen some certificates that don't provide any way for a person to redeem it. No phone number, no fax number, and not even an address to ship it to. Nine out of ten times your customers or employees will call you and you will be forced into handling traveler questions instead of focusing on what really matters...your business.

## HOW TO AVOID COMPANIES THAT SELL WORTHLESS TRAVEL AWARDS

The key to avoiding this is to find a company that instead of selling vacations provides successful promotions. If you work with a company that provides true individual travel awards, your business will never have to worry about taking reservation calls or questions from customers about travel. Award recipients have access via toll free phone numbers, Internet, and fax to a full reservations department that handles all their travel requests as well as questions or concerns that travelers may have. □