

Slide 1



(JON)

Welcome to the IMA Incentive Industry Newcomer Boot Camp seminar. When Karen told me of the name change, I started practicing yelling "Drop to the floor and give me 10". She said that won't be necessary. This IMA session represents a basic introduction to the incentive business and will help you gain some perspective and insight into a fascinating and little understood market.

The goal of all of us on the panel is to help you understand the confusing incentive world and then show you how your company might benefit from this marketplace. We will show you possibilities and potentials but not the actual 'How To'. That will come as you network with others attending this meeting. However, this session will give you the tools needed to ask the right questions and a list of people and organizations you can ask.

## Slide 2



### Today's Speakers

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(JON)

**Mary-** CPIM

In the incentive business for more than 25 years.

12 years publisher of Potentials magazine.

Executive Vice President, The DataDirect Group since 2002.

**Jon-**CPIM

More than 30 years in the marketing and incentive business

Founder and CEO of The DataDirect Group and ReLink

**Warren Weaver-**

Director of National Sales for Zane's Cycles (Trek Special Markets Dist.) since 2003

Member of IMRA and IMA since 2003. PPAI since 2005

**Cindy Mielke, CPIM**

National Accounts Manager for JCPenny gift cards


IMA Past President

**Sean Roark, CPIM**

Vice President, PromoPros

That's us...who are you and what are your expectations?

Slide 3



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This session will provide a broad overview of the premium/incentive business and how suppliers, reps and customers interact to make incentive programs work.



(JON)


As with most markets here and around the world, the incentive business is changing. This panel is made up of some of the top pros in the industry. They are in the field, and in the trenches every single day. What you will hear them discuss is the newest, most pertinent, and most up-to-date information about this marketplace you'll find anywhere.

During the next 2 hours, you'll also receive a comprehensive overview of the sales and distribution basics. You will learn how you and your company can benefit from this exciting marketplace and you'll get the tools that can help you decide the best way for you to go to market.



## Today's Agenda

- Who are the customers?
- What are incentives?
- Why do incentive programs work?
- Where do customers buy incentives?
- When do they buy?
- How should you go to market?



(MARY)

When this course was first offered in the mid-eighties it was an all-day session. It has been revised every year and is now a much shorter and more focused session. This session will be a very fast-paced 120 minutes of some of the best insight anywhere on the planet.

We will start with some general insights; the who, what, why, where, when, and how of the incentive market. Some of what we'll cover this afternoon is

WHO are the people who can become your customers?

WHAT are incentives?

WHY do incentive programs work?

WHERE do customers buy their incentive products and services?

WHEN do these purchase decisions get made and executed?

HOW should your company go to market and benefit from this business?

That's a lot to cover and that's why we have these pros on the panel.

As we go through the session, there maybe things that come up you don't understand or would like more clarity on. Please raise your hand and ask questions at any time. This session is very informal and it's our goal to cover and explain everything you have questions about.



## It's all about motivation

- What is it?
  - Why do people do what they do?
  - They are influenced by factors that motivate them
  - Goals direct our behavior
- Does it work?
  - Increase employee performance 44%
  - Increase sales – 46% better than cash
  - Increase profits
- Can we make a living doing it?
  - \$46 billion in sales
  - 57% of America's large companies use incentives



(MARY)

Here is a very basic and probably simplistic overview of motivation. The goal of most motivation programs is to change behavior. Change how employees do things, how your vendors perform, how channel partners interact with your company, how your customers make choices about your products or services. Motivation is a tool that is used to improve individual performance which leads to improved company results.

It is based on understanding why people do what they do, how they can be influenced or motivated to change, and what goals and measurement tools can be developed to direct the behavior

Do incentive programs work? Study after study has shown that a properly designed incentive program will increase employee performance up to 44%. When companies use merchandise or gift cards, sales are 46% better than when programs reward cash. And it stands to reason that if performance and sales increase, so will the profits.


And, in today's world, the most important question is can you do it for a living. The industry is large. Surveys suggest that incentive sales could total as much as \$46 billion. Industry survey's also show that more than half of America's largest companies use motivation programs as part of their business strategies.



(MARY)


People Performance Management is the fancy, academic name that refers to our growing understanding of how integrated business strategies can be used to generate organizational business growth through better consumer and employee performance. The name comes from a forum which is part of the Integrated Marketing Communications Department at Northwestern University's Medill School of Business.

As a result of rigorous academic study and discipline, the motivation industry is finally able to prove what has only been guessed at in the past. When motivation is properly applied as part of an overall business strategy, success is nearly always assured.



## What is an incentive program?

- An activity designed to promote or encourage specific actions...
- by a specific audience...
- to produce measurable outcomes ...
- through integrated motivational strategies...
- during a defined time period.



(MARY)

As a supplier or sales rep in this business, you will be offering products and services to companies in support of their incentive programs. It might be useful to understand what exactly you're trying to support.

So how would we define an incentive program? The industry has developed a rather strict definition that contains five key characteristics that must be present for a programs' success.

An incentive programs must.....

*promote or encourage specific actions...* make more calls, install retail displays, buy more of a specific product, attend an event, sample a product, work more safely

*by a specific audience...* the sales team, regional distributors, warehouse or factory workers, customers

*to produce measurable outcomes...* increase specific sales functions, productivity, quality, shorter cycle times, safety, wellness


*through integrated motivational strategies...* rewards, communication, involvement, feedback, recognition, training

*during a defined time period...* daily, weekly, monthly quarterly or annually

Those are the major structural elements of an incentive program.


But the part of the program we are most concerned with is the REWARD. What happens when the specific audience does what you ask them to do? What do they get?

The motivation often is in the form of tangible rewards that are offered within the structure of an incentive program. These tangible rewards represent the things we sell. They take many forms, cover a wide variety of price points, and come from nearly every sector of commerce.



## Four types of incentive programs

- 1. Consumer/User Promotions
  - Sweepstakes (determined by chance)
  - Contest (determined by skill)
  - Continuity/Frequency
  - In-pack, on-pack, near-pack
  - Through-The-Mail



(SEAN)

Incentive programs can be categorized into four general types. Where it gets a little confusing is that companies often have more than one type of incentive program running at a time.

So Let's take a look at each of them

Consumer/User Promotions: These are offers tied to a specific product or service, or specific store and are generally aimed at a broad spectrum of consumers or users.


Could be a sweepstakes,

a contest,

a continuity or frequency program,


a giveaway tied to the actual store merchandise,

or a through the mail offer.



## Four types of incentive programs

- 2. Dealer/Distributor
  - Dealer Loader
  - Display Enhancer
  - Dealer Incentive




(SEAN)

Dealer and Distributor programs are less visible because are business-to-business programs that focus on a very narrow audience. For example,

Dealer Loader is designed to motivate dealers or distributors to purchase larger quantities of products during a specific time frame. The audience might include dealer principals, buying agents at a distributor or wholesaler and might even include the sales force.


Display Enhancers: Setting up end caps or shelf displays to promote a specific item.

Dealer Incentive: A way to encourage the store management to 'push' or promote a specific item.



## Four types of incentive programs

- 3. Sales
  - Follow up leads
  - Present new merchandise
  - Find new customers
  - Make more calls
  - Improve customer-contact data
  - Open credit accounts more quickly
  - Order processing and delivery
  - Customer service



(SEAN)

Sales programs are the most recognized of all incentive programs. The idea is to motivate the sales force to go out and do great things. Sell more stuff. Make more money.

Sales Incentives: They take many forms and are generally designed for Sales Managers, internal and external sales reps, and sometimes include sales support personnel.

Here is a list of several basic sales incentive programs as well as other inter-related strategies that can and will improve sales



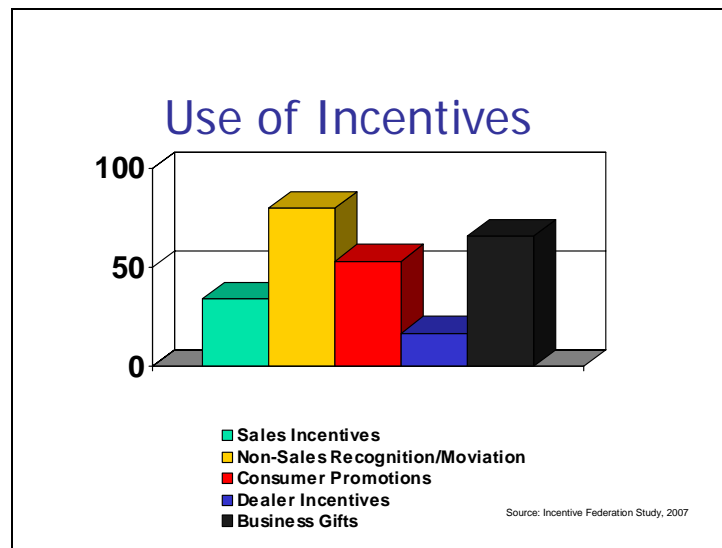
## Four types of incentive programs

- 4. Non-Sales Recognition/Award
  - Safety
  - Attendance
  - Productivity
  - Quality control
  - Suggestion box
  - Training/wellness
  - Ride share
  - Longevity



(SEAN)

This is a really interesting kind of incentive program. Companies are learning that motivated employees perform better. And not just sales people or channel partners, but everyone. By encouraging specific employee behavior, organizations are seeing measurable improvements in employee retention, productivity, skill-building, customer service, everything relating to the workplace.



(JON)

Based on some recent Incentive Federation research, here's the way companies say they are using merchandise in their incentive programs. The average merchandise budget for these programs three years ago was \$119,000. Among companies that use incentive programs, here's how they rank:

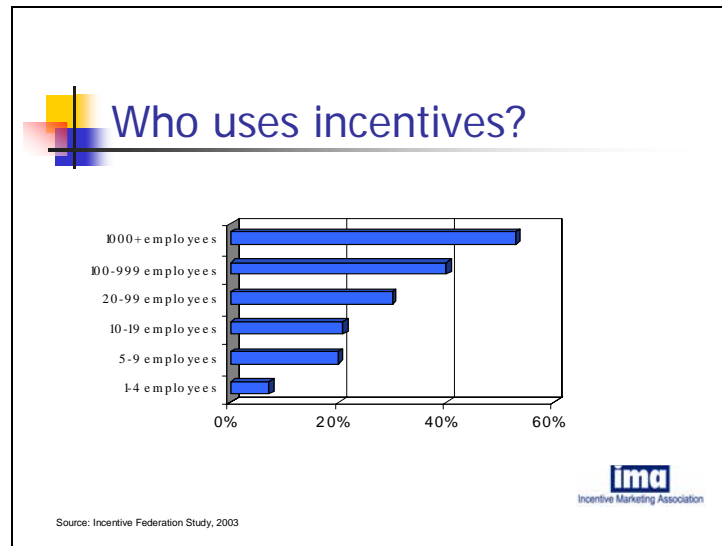
Sales Incentive programs are used by approximately 1/3 of the companies

Non-Sales Recognition and Motivation is the most popular incentive strategy

Consumer promotions are the things that motivate the end user to buy

Dealer Incentives include all the motivation strategies designed for channel partners


Business gifts can represent a large sales potential for the right items



(JON)

According to the Incentive Federation study, the bigger a company, the more likely they are to use incentives and the more money they spend on them.


Bigger companies have more employees, more customers and probably bigger problems. They are also probably feeling more competitive pressures and have the tools and budgets to react.



## Where users buy

Depends on several things:

- Program objectives
- Company knowledge of incentive programs
- Incentive budget
- Complexity of program



(MARY)

Where do corporate users go to buy their incentives? It depends on a lot of factors.

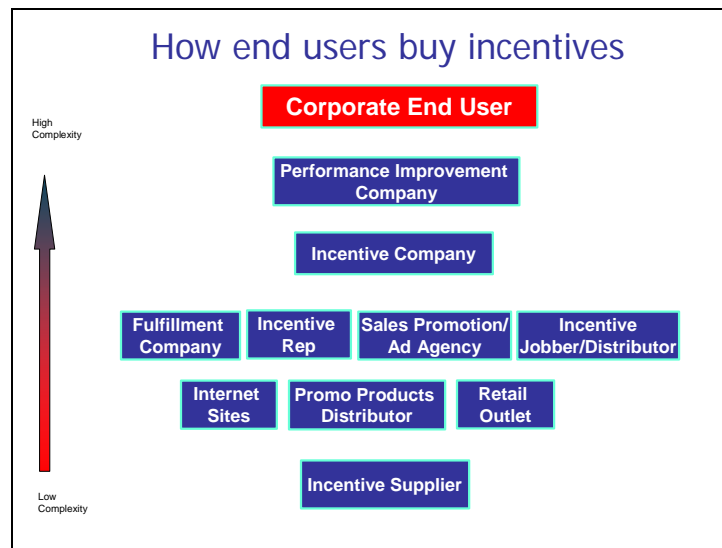
Some decisions are driven by the program objectives. Simple programs can often be handled internally or with the aid of a rep of supplier.

If a company understands incentive programs and they have a lot of experience setting them, they may just have the purchasing department source the merchandise

Small budgets are generally administered internally and large budgets are outsourced to incentive and promotion companies

Program complexity drives purchase decisions as well.

These factors combine to help us determine where to make the sales call. Who should we attempt to sell.



(MARY)

Here's another way to look at where purchase decisions are made. It's all about how complex the incentive program is.

**Low complexity- Product sourcing only**

Factory direct- Merchandise; travel; gift certificates

Internet- Merchandise (e.g. Amazon.com), travel (e.g. Travelocity) and gift certificates

Promotional Products Distributors- merchandise (e.g. imprinted pens); some handle gift certificates; recently have gotten into travel (e.g. low cost sales incentives coupons)

Retail- Merchandise (e.g. Wal-Mart), travel (e.g. travel agent/AAA) and gift certificates e.g. JC Pennys)

**Moderate complexity- Ideas, products, multiple facets**

Travel Agency- Itinerary; ticketing; lodging; transportation; events

Fulfillment company- products, shipping, tracking, communication

Incentive reps- Merchandise; some gift certificates

Sales promotion/Ad agency- Plan, creative theme, communication, products, delivery, tracking; fulfillment;

Incentive jobber/distributor- products, shipping, tracking, communication

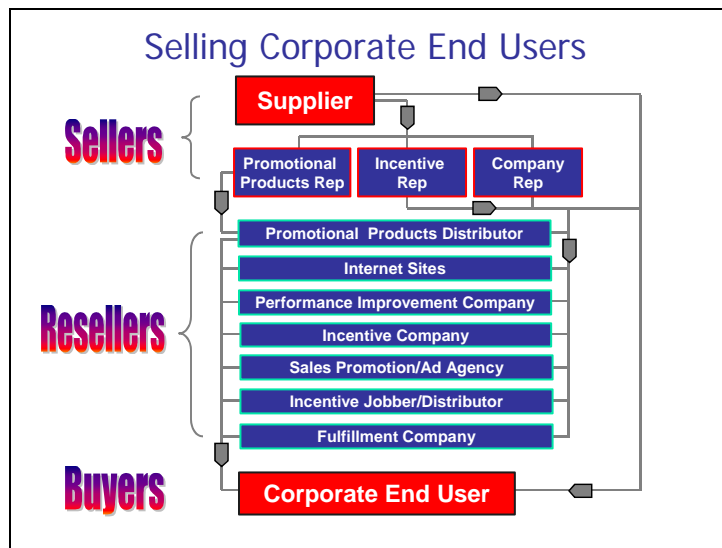
**Complex- Complete incentive program**

Destination management company – group travel; gifts

Incentive company- merchandise, travel, gift certificates, online programs

**Highly Complex- complete performance improvement program**

Research; training; incentive programs; measurement; fulfillment; tracking



(MARY)

Here is how merchandise, gift cards, and incentive travel product SELLERS reach the corporate incentive END USER.

Suppliers can sell directly to the End User. Obviously the easiest and simplest way to go IF you know who all of your customers are.

But more often, suppliers use one of three types of Selling Agents.

Promotional Product Reps: They are independent regional or national rep groups specializing in servicing Promotional Products distributors.

Incentive Reps: Less than 200, they are independent business organizations and they sell branded merchandise and some gift cards generally within an exclusive territory. The good ones are members of IMRA.

Company Reps: Employed by the individual suppliers to make client calls exclusively on behalf of a supplier's products or services.

These SELLERS call on a variety of what the industry calls RESELLERS. Resellers buy merchandise and resell it to their customers, in most cases, corporate end users. RESELLERS include:

Promotional Products Distributors: There are thousands of these companies across the country selling mostly unbranded, imprinted merchandise. They are represented by ASI and PPAI.

Internet Sites: The giant is Amazon but there are many others as well including Retail Stores and specialty distributors.

Performance Improvement Companies: Full service incentive companies like Maritz and Carlson.


Incentive Companies: More specialized, these organizations often focus on employee motivation or corporate promotion

Sales Promotion Companies and Ad Agencies: Generally limit their activity to sales promotion

Incentive Jobber/Distributor: A fast growing source for brand name products. They often have a national sales force and generally stock and ship the merchandise they represent.


Fulfillment Companies: Generally hired by several suppliers to handle drop ship requirements for incentive programs.

In most cases, it is these RESELLERS that move most of the merchandise into the incentive marketplace. They are your primary customer.




## What do customers look for from an incentive supplier?

- COMMITMENT
- Knowledge & Experience
- Rapid response to short deadlines
- Good service
- Reliability
- Quick turnaround
- Quality
- Reasonable price




(WARREN & CINDY)

Doing business in this marketplace is not difficult if you listen to customers and give them what they want.



## Where to go for help

- IMA
- Other Associations
- Publications
- Shows
- Other



(KAREN)

There are many places to get help in the industry. These four categories, plus many web sites can help answer the questions you have.



(KAREN)

Membership includes: merchandise suppliers; gift certificate suppliers; performance improvement companies; providers of on-line incentive programs and services; fulfillment houses; distributors; manufacturers representatives; sales promotion agencies; consultants; full-service incentive houses; and the major trade publications and trade show managers in the incentive field.

As a service, IMA has created strategic industry groups that focus on various parts of the incentive business. The association also has many education opportunities, a mentoring program and, of course, this session.



(KAREN)

The information site of the Incentive Industry, sponsored by the associations, magazines and trade shows and others, is IncentiveCentral.org. It contains much useful information about the industry and those who can help you.



## Additional Industry Resources

- Programs, case studies, research
  - [www.incentivecentral.org](http://www.incentivecentral.org)
  - [www.incentivemarketing.org](http://www.incentivemarketing.org)
  - [www.sitefoundation.org](http://www.sitefoundation.org)
  - [www.performanceforum.org](http://www.performanceforum.org)





## IMA Strategic Industry Groups

- Incentive Manufacturers & Rep Alliance
- Incentive Gift Card Council
- Global Incentive Council
- IMA-Canada Council
- Incentive Travel Council
- Performance Improvement Council
- IMA – Europe
- Recognition Council





## Publications

- Human Resource Executive
- Incentive
- Motivation Strategies
- Occupational Health & Safety
- Premium Incentive Products
- Promo Magazine
- SalesforceXP
- Sales & Marketing Management
- Selling Power Magazine



A most underutilized source of information is the trade press. There are many publications that are active members of IMA. Feel free to contact any of them for industry information.




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Questions?




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Thank you for coming!



Questions?