

DEALER INCENTIVE PROGRAM

Writing Down the Rules

If there's a golden rule for writing rules, it's "keep it simple." Rules should always be free of industry jargon, easily understood, specific, straight forward and above all, fair. Get a second opinion before officially releasing them by giving a copy of the rules to several potential participants for feedback.

For programs with a close-ended budget

- Make Your Own Odds: "Earn a sweepstakes entry for every case you sell, so those who sell the most have the best chance of having their ticket drawn."
- Hit-and-Win or Buy-In: "The top 50 who achieve the objective get the award; those who reach at least 50 percent of their objective can pay a premium and buy into the award."
- Only the Top Win: "The top 50 achievers and their spouses win the award" or "The three people who submit the greatest number of accepted ideas win."
- Unequal Thirds: "Participants are divided into three groups (each accounting for one third of the sponsor's total volume) and the top 20 participants in each group win."
- Take-One Board: "Sell X amount and you get to choose an envelope on the prize board that may be worth up to 100,000 points, plus serves as an entry in a one million-point sweepstakes."

For programs with an open-ended budget

- Basic: "Earn 100 points for each sale you make" or "Earn 500 points per unit sold plus 1,000 bonus points per month."
- Escalator: "The more you sell, the more you earn."
- Two-for-One: "Participating distributors can earn 10,000 points per \$1,000 in incremental purchase increase, providing they buy a certain number of points to pass along to their customers."
- Retroactive: "You have to reach a minimum goal before earning any points, but payoff is retroactive to include all sales once the goal is passed."
- Team Bonus: "Along with the individual points, each person will be eligible for a 5,000-point bonus quarter if all the people on the team meet their sales goal."

small or large budgets:

Close-ended programs: This plan caps the percentage or number of participants who can win the award. You will know in advance exactly how much to budget, if for example, only the top 25 dealers will win the awards.

Close-ended programs can fall short when it comes to motivating, however, because some dealers may feel they don't have a chance to

win or will not want to compete if they won't be rewarded, especially if they surpass their goals but don't quite make it to the achiever level.

Open-ended programs: In this plan, every participant who meets the goal wins. Everyone is motivated to participate and do his or her job. The challenge of this type of program is that you won't know for certain what the costs will be until the program has ended. You will have to forecast costs during the planning stages.

You can package a dealer incentive program in any number of creative ways, but you will have to choose the method for motivating the target audience and measuring their progress.

- With a win/win structure, never assume that the old 80/20 rule—80 percent of your volume comes from 20 percent of your work force—is applicable in every case. Calculate the ratio of your work force that produces most of the volume and award accordingly. For example, you may choose to offer a few tiered levels of merchandise awards or more expensive items to your top performers. The object is to strike a balance between an award large enough to be a motivator and one that fits within your budget.

- Pacing—or taking into account your industry's seasonal cycles—should never be overlooked. It wouldn't pay, for example, to run a program that is shorter than a selling cycle; you won't get the maximum benefit from it. Although most successful programs run during peak seasons, don't rule out the slow ones—during a lean period they can help bridge a gap.

- Choose an applicable method to measure success in terms of sales performance, progress towards goals or a change in behavior, whether it's calculating the units sold in a given period, dollars in sales or aisle displays made.

- Decide also how you'll record and communicate progress to the participants. A short three-month program, for example, might call