

Case Study for Direct Sales Incentive Success

Premier Incentives

Maximum Success Through Motivation



Thank you for your interest in our services. This Case Study provides complete details, including additional results gained outside of the original goals, and an in-depth analysis of the ROI solution offered.

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Summary

A well-known United States based Fortune 500 computer manufacturer faced increased complexity and competition in its marketplace. For its salespeople, this meant working harder, oftentimes for less compensation. A means was needed for increasing sales staff success, energy, and retention. The specific goals of a new incentive initiative included:

- Increase sales by 15% over the previous year
- Increase the customer base by not less than 25%
- Maintain total SG&A expenses at not more than 26% of projected sales

An in-depth analysis of the internal and external environment in which the company operates was conducted by The Business Group. Based on this analysis, the objectives, rules and awards were put in place for an ROI Incentive Program.

Over a period of seven months, the following program results were achieved:

- Total sales increased by 25%, 10% over the projected 15% increase
- The company increased its customer base by 35%
- SG&A expenses were maintained at 6% less than projection

The incentive program yielded the following Return on Investment (ROI):

Total Incremental Improvement:	\$ 599,000
Total Incremental Costs:	\$ 119,800
Total ROI:	\$ 479,200

To determine the return on investment for this program, all additional incremental sales and costs were calculated, including increased operational costs and incentive program costs.

ROI Analysis - Case Study for Direct Sales Incentive Success

Background

COMPANY OVERVIEW

The company is a well-known United States based Fortune 500 computer manufacturer that recently undertook one of the largest restructuring programs in the history of American business. In addition to reorganizing its operations to concentrate on those businesses where it enjoyed competitive advantages, the company was making a concerted effort to move from a product orientation to a marketing orientation.

SITUATION ANALYSIS

There were a number of factors working against the company during its period of refocusing. These included: extreme pricing competition; reduced customer budgets; shorter development periods; and increased foreign competition. Computer technology was changing rapidly and “breakthrough announcements” were shaking the industry. Long-term investments were being deferred, while purchases of computer systems waited for the next wave of innovation to reach the marketplace.

Selling was becoming increasingly difficult, even for those with considerable experience. The more successful sales managers and sales representatives were being courted vigorously by competitors. High attrition among this group would negatively impact the company’s marketing capabilities.

COMPANY OBJECTIVE

The company desired a strong incentive program that would meet three different critical needs:

- Increase sales by 15% over the previous year
- Increase the customer base by not less than 25%
- Maintain total SG&A expenses at not more than 26% of projected sales

Solution

An analysis of both the internal and external environments in which the company operates was completed. The internal analysis revealed that in the years when the company operated sales incentive programs, a disproportionate percentage of the increased sales came from the top performers in the company. These top performers generally reached their sales objectives early in the program and assumed a less aggressive sales posture throughout the remainder of the program. It was also apparent that some of these top performers had deferred booking sales until the beginning of the sales incentive qualifying period.

The external environment analysis indicated that the company would continue to face new competitors entering the marketplace from foreign markets. Economic indicators, both domestically and abroad, were forecasted to be within the same range as the immediate year. Employment, especially in the US market, was under tremendous pressure, as companies used stock options; cash bonuses and cars as incentives to lure qualified employees.

PROGRAM DESIGN

An incentive program was designed that would motivate all sales personnel, including additional incentives for the

top producers to reach even higher levels of performance. The Rules Structure that was developed provided the company an opportunity to exceed their sales related objectives.

INCENTIVE PROGRAM OBJECTIVES

Based on an in-depth analysis of the competitive marketplace, it was estimated:

- Sales could be increased by 25% to 40%
- New customer acquisitions could be increased by 30%
- SG&A expenses could be lowered to 18% to 22% of sales

INCENTIVE AWARDS

Incentive awards were selected based on the demographic profile of both the Target Sales Representative and the Top Producers. This profile considered the economic factors of each of these individuals and the type of incentive award that would provide the highest perceived value to them. A high-end and very attractive cruise was offered as the incentive to motivate this very competitive group of high achievers. While all could earn other awards and incentives, only a very limited number of award earners could qualify for the cruise incentive.

BEST PRACTICE RULES STRUCTURE

The rules structure was designed to achieve the stated sales objectives and to provide additional benefits that were not originally recognized by the company. These included points for:

- Favorable call/close sales ratio
- New customer acquisition
- Exceeding established sales objectives
- Individual reduction in sales related expense budget

Results

- Total sales increased by 25%, 10% over the projected 15% increase
- The company increased its customer base by 35%
- SG&A Expenses were maintained at 6% less than projection

Additional Results Beyond Original Scope of Goals:

As is often the case, the analysis conducted at the beginning of the program revealed a number of issues that were not anticipated when the company sponsoring the program set goals for the program. The analysis indicated that the past sales incentive programs had actually created several issues for the sponsoring company.

These issues surfaced and, while outside the original scope of work, were investigated and incentive rules developed to resolve them. Each of these issues is identified below, along with their potential impact, the incentive program rules designed to create change, and the results which were achieved during the program's implementation.

ISSUE: DELAYED SALES

Top sales performers were holding back on booking orders in order to start their incentive-earning year off with a strong base of business.

IMPACT

The company lost the potential for booking sales dollars when they were actually earned. Many Sale Representatives who were striving to be an incentive award participant got

discouraged when the top performers came out so strong at the start of every program.

BEST PRACTICE RULES STRUCTURE

A limited number of awards for top sales performers were added to increase competition among this elite group and to incentivize them to sell throughout the program period.

RESULTS

Sales for top performers continued throughout the program.

ISSUE: SPORADIC SALES

The company sales curve assumed the shape of a hockey stick. Sales were not evenly distributed throughout the year, in some cases due to the months where participants sought to qualify for incentives.

IMPACT

The company missed out on the use of revenue during the "valley" portion of the curve.

BEST PRACTICE RULES STRUCTURE

To emphasize the value of sustained performance, sales representatives were provided with "credit" for goals achieved in previous years.

RESULTS

Sales for the company evened out and budgets were made easier to prepare for future years.

Summary of Results

A monthly monitoring of the program results was initiated as the program operated. This allowed both the company and the incentive team to monitor changes in the overall behavior of the internal and external environment of the company as the program unfolded. By tracking these

changes and adapting the rules structure to meet any unforeseen changes, plus or minus, an accurate measure was achieved of the incentive program's impact on the company.

The financial results created, expressed as incremental above the projected company plan, specifically created by the ROI Incentive Program included:

- Incremental increase in sales of 25%
- Incremental increase of new customers by 35%
- Incremental decrease in SG&A Expenses of 6%

The non-financial results included:

- 40% of the award participants were "first time" award winners
- Program participant surveys yielded a 97.3% positive response (excellent) rating
- Turnover of sales professionals was essentially non-existent

The incentive program yielded the following Return on Investment (ROI):

Total Incremental Improvement:	\$ 599,000
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Learn More!

Learn more about our ROI Incentive programs at premierincentives.com or by contacting a Premier Incentives consultant at the following:

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