

Case Study for Retail Industry 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 small retail business was experiencing difficulty in recruiting and retaining store employees. Within a few miles of their location in a strip mall, a new regional shopping mall had recently opened. In addition to attracting much of the workforce, this new mall also started to draw away customer traffic. Facing a slowdown in foot traffic and a loss of key employees, an ROI Incentive Program was instituted with the following goals:

- Recruit at least two new qualified employees
- Retain two existing key employees
- Increase customer traffic by 25%

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

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

- Three new and qualified employees were hired
- All key existing employees remained on board
- Customer traffic increased by 60%

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

Total Incremental Improvement:	\$206,000
Total Incremental Costs:	\$ 32,000
Total ROI:	\$174,000

To determine the return on investment for this program, all additional costs were calculated and included, including increased operational costs related to the ROI Incentive Program and incremental incentive program costs.

The complete details, including additional results gained outside of the original goals, are documented below.

ROI Analysis - Case Study for Retail Industry Incentive Success

Background

COMPANY OVERVIEW

The company is a well-established West Coast retail clothing store, providing mid priced casual clothing for men and women, located in a main shopping district of the city. The company has built a solid base of regular customers over the fifteen years that they have been in this location. In the past few years, the growth of this city and the surrounding communities has outpaced most of the rest of the state.

SITUATION ANALYSIS

The increased development of the entire region in which this business was located generated a great deal of customer traffic. Unfortunately, much of that traffic was to the regional mall and the new retail stores that were built around it. In addition to attracting customers with both television and newspaper advertising, these new retail centers were also attracting the employee base.

The loss of customer traffic translated into a drop in sales. Higher salaries and a fresh new environment attracted employees to the new retail centers. The owners of the clothing store found themselves spending more and more time trying to service their dwindling customer base. With only so many hours in the day, they had little or no time to develop marketing strategies to offset the new competitive forces they now had to face.

COMPANY OBJECTIVES

The company desired to stay in business and maintain a high standard of customer service to their loyal customers. In order to maintain the vitality of this business they established three critical objectives:

- Recruit at least two new qualified employees
- Retain existing two key employees
- Increase customer traffic by 25%

Solution

An analysis of both the internal and external environments in which this business operated was completed. The internal analysis indicated that while the young employee base had provided a steady stream of employee referrals, they did not remain on the job for extended periods of time and were more attracted to the environment at a regional mall.

The external environment indicated that this business would continue to lose customers to the new regional mall stores. Pricing pressures were a new reality and the marketing budgets afforded by the larger stores were far in excess of what this business could support.

Program Design

An incentive program was designed that would motivate new qualified employees to work at the store. Rather than recruiting from the younger age group, this program was aimed at the senior marketplace. Our external analysis had revealed that a large part of the new residents who had moved to this area were seniors. Many had retired early but were looking to maintain a steady, less stressful form of employment.

Incentive Program Objectives

Based on an in-depth analysis of the competitive marketplace, it was estimated the following as realistic goals of a program:

- Not less than three new key employees could be hired
- Both key employees could be retained
- Customer traffic could be increased by 40-50%

Incentive Awards

Individual travel incentive awards were selected since the new target employee was considered to be an experienced traveler. The design of these awards allowed for each award recipient to take their award at their leisure rather than on a fixed schedule. Award categories also allowed for a high degree of flexibility in both the length of the award time period and the quality of the overall experience.

Best Practice Rules Structure

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

- Hiring bonus points after completing two weeks of training
- Favorable evaluation after three months of employment
- Favorable customer comment cards received
- Referral of employees hired by the company
- Suggestions implemented for driving new customer traffic to the store

Results

- The company hired three new qualified employees within two months of the program start
- After six months, all new and previous key employees were still receiving favorable ratings
- Customer traffic increased by 30% within three months and 60% after six months

Additional Results Beyond Original Scope of Objectives

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 sponsoring company set objectives for the program. 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: DECLINING GROSS SALES REVENUE

The business owners were so focused on the loss of potential employees and their ability to replace them that they paid little or no attention to the financial statements until their previous year's sales had been reported to them by their CPA.

Impact

While the growth of the surrounding area had been building for a couple of years, financial statements revealed that the growth in sales for this company had not moved forward at all, in fact there was a 3% decline in the most recent year.

Best Practices Rules Structure

Incentive award points were provided for total sales dollars per employee, and for the achievement of the store's overall monthly sales objective.

Results

Sales increased, from the same time period a year previous, by 12%. In addition to this financial gain, the owners of the company now presented monthly financial statements for review with their employees. This resulted in several changes in both product lines and pricing changes that were made within 30-40 days of seeing a change in the marketplace, rather than the usual and customary 9-12 months of negative impact.

Summary of Results

A monthly review of the ROI Incentive Program was initiated. These monthly reviews were directly responsible for getting the owners to work on their business from a different perspective. Rather than being in-store employees, with these ROI Incentive Program procedures in place, the owners of this business were motivated to meet with new suppliers and negotiate better terms for various areas of their business. In addition, for the first time ever, this company had a written business and marketing plan.

The results created, over a six month time period, were:

- Incremental increase in sales of 12%
- 100% employee retention factor
- Three new employee hires
- Customer traffic increased by 60% in a six-month time period
- Four major lines of merchandise were dropped from inventory
- Six new major lines of updated styles were added to inventory

The ROI Incentive Program yielded the following Return on Investment (ROI):

Total Incremental Improvement:	\$206,000
Total Incremental Costs:	\$ 32,000
Total ROI:	\$174,000

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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