

Incentive Program Rules Overview



Rule Type	Description	Pros	Cons
Straight Incentive	Award specific value for each unit or dollar or other discrete measure.	Award and action tied directly together.	<p>Variable budget - unable to specifically know ahead of time what maximum exposure will be.</p> <p>Payout on performance that would have occurred whether there was an incentive or not.</p>
Hit & Win	Each participant is assigned an overall program objective, either expressed as a dollar amount, percentage increase or number of units. Once objective is met, a specific award, or choice of similar value awards are offered.	<p>Provides specific target for participant to focus on.</p> <p>There is a maximum budget exposure that can be know before the program operates.</p>	<p>Little or no motivation to exceed pre-determined objective.</p> <p>Success of the program depends on how well objectives are established.</p> <p>Top performers typically are assigned much greater objectives and this causes negative feelings about the program.</p>
Group Competition	<p>Participants are placed into homogeneous groups based on sales, purchases other business metric and compete for a set number of awards.</p> <p>Example: All participants who sold between \$1,000,000 and \$2,000,000 are grouped together and compete for 2 trips to Hawaii.</p>	<p>Controls budget exposure by limiting the number of awards.</p> <p>Introduces a spirit of competition which in some cases is more motivating than the actual award.</p>	<p>Award earning potential is dependant on the performance (or non-performance) of others - not under participants control.</p> <p>Participant could wildly exceed previous performance and still not earn award - demotivating for the future.</p>
Incentive with minimum qualifier	Participants are assigned a minimum goal based on historical performance and corporate objectives. Once objective is met, incentives are earned based on units, dollars, percentage growth. Minimum objective is typically set between 80 - 110% of previous performance based on corporate objectives/culture.	<p>Some budget control by only awarding incremental sales.</p> <p>Awards are earned based on individual performance not chance or non-controllable issues.</p> <p>Corporation only pays for performance over specific levels.</p> <p>Program funding comes from incremental revenue.</p>	<p>Budget is "open-ended" so that total marketing budget is not known at onset.</p> <p>Success is dependant on proper goal setting.</p>
Plateau Structure	<p>Awards are earned after achieving specific levels of performance measured in units, percentage or dollars.</p> <p>Example: Participants earn \$25 for the first 10 units, \$50 for the next 10 and \$100 for the next 10 units (overall \$200 for 30 units.)</p>	<p>Provides for "breakage" -- performance that has occurred but not rewarded. From example if a participant sells 19 units the award payout only occurs at 10 units - essentially the corporation gets 9 units of performance without paying for it.</p> <p>Allows for larger "promotability" for the top tier of awards to capture attention of participant. Promote program by saying \$200 for 30 units versus - \$6.66 per unit.</p>	<p>Participants can become disillusioned by not earning awards if the next level is missed by a small margin.</p> <p>Final budget is variable.</p>
Fast Start Fast Finish Spurt Activities	Specific periods during an incentive program where special emphasis is place on specific performance. Can be based on a specific unit, time period or other criteria.	<p>Injects additional excitement into the program.</p> <p>Provides promotable activities during the longer program to maintain excitement and performance.</p>	Additional budget expense for awards, communication and administration.