



Enhancing Employee & Sales Performance with Meaningful Rewards

Payback Incentives: How Online Sales Rewards Ensure ROI and Decrease Admin Time

A White Paper

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Subject:

Corporate Incentive Program: Effectiveness & Results

Introduction: An invitation to enhanced sales team performance & results

No one tells a customer service experience story better than the customers themselves. This unconventional, yet revealing White Paper is on the effectiveness of Payback Incentives, an online employee performance awards program.

It's based on a conversation between John Taaffe, the Customer Support Director for Volvo Construction Equipment, Asheville, NC, and Rob Beightol, the Director of Marketing Communications & Product Management for Columbus McKinnon Corporation, Amherst, NY.

John Taaffe was invited by Jack Martin, Partner, J. Fitzgerald Group, to speak with Rob Beightol, who was considering using the Payback Incentives system to motivate Columbus McKinnon's team and get enhanced sales performance. Columbus McKinnon signed to become a Payback Incentives customer shortly after this conversation.

Headquartered in Lockport, NY since 2002, J. Fitzgerald Group, a sales solutions enterprise, created the foundations of Payback Incentives for John Taaffe's team at Volvo in 2006. Volvo's Payback Incentives program has realized \$35 million in incremental sales since the launch of the program. The program is used to encourage part sales and "soft" services sold by Volvo equipment dealerships in support of customer's construction equipment machinery.

J. Fitzgerald Group had been working with John Taaffe and Volvo Construction equipment in many different capacities since 2002, including all forms of traditional advertising, direct mail and support for its North American dealerships.



Payback Motivates Teams

Rob Beightol, Columbus McKinnon: Can you explain how Volvo Construction Equipment got started with Payback Incentives and the initial results?

John Taaffe, Volvo: The first year we attempted to motivate our sales teams and dealers we tried to do a trinkets-type program: you get so many points for a sale and then you convert those points into merchandise. It didn't create much enthusiasm at all. People got hung up on how many points they were getting, what the points really were worth, and, basically they did not trust the value of the awards or the program itself. We ran it for a year with very limited success and the dealers asking for a program change.

Then we met with J. Fitzgerald Group Partners Jack Martin and Carmel Cerullo-Beiter. They said, "You know, John, cash is king." I had some challenges trying to promote Payback Incentives within the Volvo organization and met some resistance from our dealer network when we first presented it. I wasn't too sure that it would make a difference.

Payback Incentives was launched at Volvo, giving our salespeople and dealers the flexible awards tool of an American Express debit card. As a web-based product, we could load funds in a predictable timeframe. We had individual salespeople making up to \$2,000 in the first year.

We are now approaching \$9 million worth of retail business that Payback Incentives generates year after year – and roughly 80% of that is truly incremental business. It just got people salivating... We still have a handful of smaller dealers who are not using it yet. But we've got over 85% of them using Payback Incentives (as of January 2010).

Robust Reporting & Analytics

John Taaffe, Volvo: Documenting the success is easy. The nice thing about Payback Incentives is that you get all kinds of reports. This is the selling point that I've used on dealers now that we have enough critical mass going: we're giving you a tool here that you can go back through your distribution system or your sales organization, or whatever and need from your reports: find out who is using it, to what level, in what program... You can manage your customer lists. It's just so flexible, so robust and so easy to use that it puts an extremely powerful marketing tool into your hands.



And then you can run the complete marketing program from Payback Incentives in terms of follow up calls – because you can download customer and prospect names, then hand them out and make sure that there's timely follow up. You can slice and dice the data in any way you wish. The more you use it, the better it is for your business.

Rob Beightol, Columbus McKinnon: Are you paying awards based on the current promotional campaigns or are the dealers getting paid on a percentage of everything that is sold?

John Taaffe, Volvo: Only on the current promotion, but you can do whatever you want. The nice thing about it is in the drop down menus, because it's a point and click system. The dealers enter what they have sold as part of the promo program, and the things they have sold outside of the current campaign.

For every unit sold, they just hit that product button, enter it in Payback Incentives and, what's beautiful about it is that a report pops out that says, "Joe sold five of these units from January to March, this is the dollar value in terms of sales, this is the rebate, and this is the incentive paid out." You can track it all flawlessly.

In Payback Incentives, there are all kinds of approval levels in terms of who can see what. The sales person can only see his or her activity, the manager can see all of his salespeople and the company can see everything by branch – it's fabulous.

Focus: Products and Campaigns

John Taaffe, Volvo: The biggest fear that I had, or that was presented to me, was losing track – that the salespeople would be so focused on a particular product promotion that we wouldn't be able to get them to focus on anything else.

The exact opposite is true. You can tell how much focus they are having on a particular product and then manage or adjust that. What surprises you is that the products you think they shouldn't focus on, they don't. You can also manage other products you'd like them to focus upon.



For example in our world of customer support, people aren't used to getting an incentive or commission. So our payout is fairly low, per \$1,000. We pay \$20 per thousand – \$10 goes to the salesperson and then \$5 to the parts and service manager. For pushing the promotional program, they each get a cut. So we can get synergy and more of a team concept at the distribution level.

Incentives Payback

John Taaffe, Volvo: Our managers push the programs to make them successful. They have strategy and marketing meetings, to maximize and enhance the team approach. As our district customer support managers say, "This is the marketing plan – and these are your responsibilities to drive it." So then the dealer principal sees what the activity is. Now if we want to change it up and say we'll pay \$100 for this product launch for this amount of time, you can play with the programs and have them do whatever you want. If a product comes up to the maintenance cycle, you can emphasize it with bigger awards in Payback Incentives.

Rob Beightol, Columbus McKinnon: Have you heard of people being afraid of using cash as a sales performance incentive?

John Taaffe, Volvo: It's one of the most understood elements. You need to have it. If you sell \$1,000 you get X – how much simpler does it get? Some of our salespeople use it as 'free money' for themselves, some use it as family income, others use it in other ways.

We see all kinds of stuff happening. Many salespeople have been extremely successful. We've learned a lot about what motivates people at the dealer and sales level. We audit Payback Incentives on the dealer's behalf and alert them of anomalies and rule bending – that gives the dealers a comfort zone.

Rob Beightol, Columbus McKinnon: You said the incentive program you had before, with the catalog, was basically a failure. But Payback Incentives really took off – was it the cash incentive, or was it that all the pieces of Payback Incentives just seemed to fit together for your organization?

John Taaffe, Volvo: I'll tell what we noticed: the other program was laborious to orchestrate and to make it attractive enough to what kinds of catalogs to offer, where the dealers could shop, what kind of point system to use.



We found the first program extremely confusing for the salespeople. They kept asking: “What do I get for how much? How much do I have to sell?” They lost enthusiasm. “That’s not what I want – why don’t you have hunting boots?” and so on – we just never had what they wanted.

So Payback Incentives gave them the ability to shop wherever they wanted. It’s money, on a card you can use, like cash, anywhere in North America. People just love it. We’ve had comments about people saving up for Christmas presents or something special they’ve wanted. We’ve run it for four years now and it’s just been very successful.

Rob Beightol, Columbus McKinnon: We have a current corporate card system that lets you earn points, but it’s amazing how little you can get with it. If we don’t make it attractive, it will become a real negative.

John Taaffe, Volvo: That’s right – making it attractive is a key point. And the thing we also stress is the transparency – even if you change the structure of it and communicate it. Make your sales incentive program easy to understand.

If it’s very clear that this is branded for Columbus McKinnon, that as a salesperson you will get “this award” for every \$1,000 in sales, it’s very satisfying for them. You’re being consistent, the sales teams are not confused or misled, and they’ll want to sell your product.

Rob Beightol, Columbus McKinnon: I also like that Payback Incentives is not an administrative burden. We’ve used gift cards in the past, but without having a real online management system in place, it’s a tremendous burden to track, get the cards out, and so on. Administratively it was a nightmare.

John Taaffe, Volvo: There’s always a little bit left on gift cards that gets thrown away. And I’m not going to let the card company make money on what we can’t spend. With gift cards, our feeling was: okay, I’ve got \$3 left on my Tiffany gift card, now what? To be honest, I was also thinking about it from my own perspective: I have a gift card program through my cable provider and I must have 40,000 points – but just try to redeem them, there’s never anything I want there. It serves as an extreme disincentive.



One other point: we have a corporate card and I went to transfer points to an airline – but the card company is no longer a partner with them. So here we go again. Points-conversion is constantly an irritant. I haven't seen a point-based system that works seamlessly that people are happy about.

So if you're trying to get salespeople encouraged about your company and maybe they offer other companys' items as well – how do you keep them enthused and wanting to sell your product? Make it easy, make it understandable, make it transparent and keep them on their game. Payback Incentives is simply a tool to manage that – everybody's happy now.

Rob Beightol, Columbus McKinnon: Most of our distributors do carry competitive lines, so this is going to be a major tool for them to concentrate on ours and to drive business. It's a big part of the value package that we're putting together. I just wanted to make sure it doesn't come across in any way as a negative or a deterrent.

John Taaffe, Volvo: It can quickly become a disincentive and all the money you are spending works against you, if it's not programmed right. We hit on an absolute win with Payback Incentives and it's radically different from anything anyone else is doing in our industry. We're viewed as a front-runner because of it.

I'm not getting paid to tell you this, but J. Fitzgerald Group is an organization that looks to create a win-win. We've stuck with them through our whole marketing program and they have constantly created more value through the program by watching our costs, transferring money around so we're getting the biggest bang for our buck.

So year after year we've netted savings in various areas – and have been able to use those monies for other activities. Just so you know, that's kind of the way I've seen their organization work with us and it helps us in making Payback Incentives successful.

Rob Beightol, Columbus McKinnon: During my visit to J. Fitzgerald Group, we looked at different elements of your program – and that's where we'd like to head with our program as well.



John Taaffe, Volvo: Payback Incentives creates fun for the people selling and makes it easy for our district managers to speak about it in front of an organization because it is that simple and transparent. Not a lot of time has to be spent on the tool – other than to say this is slick and easy to use.

Rob Beightol, Columbus McKinnon: That's a big part of it for us. We have to keep it as simple as possible.

John Taaffe, Volvo: The other thing is to tell them: we've got something that's going to make your job even easier, that's not what they normally hear.

At the beginning of the program, when I presented it to the Volvo dealer council, it just didn't seem to have the full body of support. We really needed to champion this thing. But when we were just about ready for launch of the first quarter, we got so much pushback I didn't think it would fly. But our management said we could go if we had 20% buy-in. We scrambled to get that – which actually came much sooner than we thought. And then it just grew from there.

As with any program, the way we've been able to champion it is by including district managers in our quarterly teleconferences with our distributor network. So we keep the fire behind the actual meat of it – the tool is in the background, which makes it easier for them to see their cash.



Summary

Volvo Construction Equipment chose Payback Incentives to motivate its dealer and sales network.

John Taaffe, the Customer Support Director for Volvo Construction Equipment, suggested to Rob Beightol, the Director of Marketing Communications & Product Management for Columbus McKinnon Corporation, that they launch a Payback Incentives program to realize:

1. **ROI:** drive incremental sales of products
2. **Simplicity:** easy to set up, manage, enter data, track sales & reduces admin time
3. **Scalability:** add new promotional programs; change existing; create short-term; and provide individual & team incentives
4. **Tracking:** who is selling what, where and to who & target any products
5. **Flexibility:** you choose the award & choose the earnings parameters
6. **Transparency:** sales dashboard gives people quick access to information
7. **Visibility:** see what's going on in the field, identify the need for programs, the best salespeople and customers
8. **Rapid Deployment:** define your earnings parameters, Payback does the rest
9. **Secure:** information is protected & monitored to prevent any fraudulent activity

J. Fitzgerald Group can be contacted for questions and online demonstrations at 716-433-7688 or www.paybackincentives.com.

