

# Are you maximizing your ROI<sup>2</sup>?

By **BRIAN**GALONEK

There are many types of incentive programs - sales, peer-to-peer, safety, wellness, and loyalty, to name a few. When properly designed, each type of incentive program can, and should, improve employee engagement and produce a favorable return on investment.

The problem for most companies is knowing how to develop an ROI<sup>2</sup> (Return on Incentive Investment) plan. This paper will review several measurement considerations, both quantitative and qualitative, for the various types of incentive programs. This paper will also explore several options for planning and implementing an ROI<sup>2</sup> strategy as well as ways to use the data obtained to improve future incentive programs and overall company-wide performance.

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# The Incentive Impact

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Properly constructed, implemented, and monitored incentive programs are proven management tools that help to achieve quantitative and qualitative goals such as saving money, increasing sales, rewarding and retaining employees, fostering teamwork, gaining loyal customers, and building brand equity. These measurable results can reveal a positive return on incentive investment that has a long-term positive impact on the bottom line. Unfortunately many companies forgo the ROI<sup>2</sup> measurement process. Yet, the analysis of measured results helps determine needed procedural improvements (within a company as well as within the company's incentive program), influences expenditures, and shapes future investment strategies. The omission of an ROI<sup>2</sup> measurement process, therefore, is especially alarming



With the bottom line directly tied into player traffic and frequency, casinos need to establish relationships with existing and potential customers to discover what they expect and demand from their gaming experience.

## What to Measure

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In "Measuring Up: How to Track ROI on Employee Incentives," published in Potentials Magazine, Eilene Zimmerman states, "One of the biggest mistakes companies make when it comes to measuring the return on investment on incentive programs is not measuring it at all. If your version of ROI is that employees tell you they think the program is great, you're not being a responsible manager. The only way to know if your incentive program is working is to quantify what you get for your investment." She goes on to say, "What you choose to measure should also include how the desired result will impact all parts of the business."

In a recent Incentive Magazine study, 35% of respondents stated that they do not measure ROI in their marketing programs or their incentive programs. "Insufficient Data" was the reason chosen by 38% of the respondents while "Perceived Complexity" was chosen by 26%, and "Not Required" was chosen by 46%. (Percentages can equal more than 100% due to multiple responses.) Interestingly, only 51% of respondents indicated that they use questionnaires or surveys as part of the methodology for determining ROI. Surveys, quizzes, and questionnaires provide a non-complex way to gather sufficient data to facilitate accurate ROI measurement. Using tools such as surveys, quizzes, and questionnaires is also a great way for those that are not required to measure ROI<sup>2</sup>, to nonetheless prove the value of their programs.

The type of incentive solution that is put in place greatly depends on the intended goals of the incentive program. Before a solution is decided upon, a company should work closely with their incentive house to outline program objectives and establish goals. These goals should be focused on one or more particular aspects of business performance and incorporate both short-term and long-term objectives. Establishing objectives beforehand is essential to determining the best possible solution and benchmarking performance throughout the life of the program.

As stated previously, ROI<sup>2</sup> goals and measurements vary depending on incentive program. Sales, safety and loyalty incentive programs, for instance, are mainly numbers-driven. Beyond determining the increased revenue, sales incentive program measurements may also include new client acquisition and increased market share, cross-selling, as well as increased brand recognition and awareness. ROI<sup>2</sup> goals for safety incentive programs may include fewer lost workdays due to work-related injury or illness, fewer accidents, reduced insurance claims, reduced OSHA incident rate, and the completion of safety audits. For loyalty incentive programs, ROI<sup>2</sup> may be measured by customer retention, cross-selling, referrals, and new

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customer acquisitions. Peer-to-peer incentive programs, on the other hand, are designed with mostly qualitative objectives in mind. To measure the qualitative ROI<sup>2</sup> goals of a peer-to-peer program, surveys that tap into overall company morale and satisfaction should be administered before, during, and after the incentive program. With a peer-to-peer solution, it may also be beneficial to measure employee engagement, retention, increased team performance, and reduced absenteeism to determine overall effectiveness of the incentive program. After all,



**Maintaining optimistic work environments and morale is imperative in the gaming industry in order to reduce costly employee turnover and to assure positive customer service.**

peer-to-peer solutions are often used to establish and maintain positive morale, as well as to retain and reveal “Star Performers.” For all types of incentive programs, pre-incentive program planning in the form of an ROI study will improve program effectiveness.

## Methods for Measuring ROI<sup>2</sup>

With web-based incentive solutions comes the optimal measuring and reporting environment - real-time results. Online incentive solutions can provide up to date outcomes such as participant performance, brand and award preferences, geographic trending, and point accumulation and redemption rates, all of which facilitate ROI<sup>2</sup> measurement and reveal “Star Performers.” Two-way communication, more efficient point tracking, and immediate award redemption

and money on communication, administration, award selection, and fulfillment.”

Employing an automated opt-in registration module that stores and builds a database of information is a key component in launching an efficient ROI<sup>2</sup> incentive program. The data captured during registration plays a significant role in future sales and marketing efforts. If managed properly, a database can tell a great deal about the participants - including which awards they gravitate to and which selling seasons are best driven by the program. Armed with this data, a company can include merchandise and travel awards that will push sales to their maximum levels and beyond. As an element of virtually any incentive program, surveys and quizzes that engage the participants will aid in the education process and help capture feedback vital to determining the program's success.



**When used properly, incentive programs can dramatically bolster customer loyalty.**

are other advantages of online programs. Donna Oldenburg confirms, “Technological advances have made it easier and more affordable than ever to run ROI incentive programs. The Internet and Intranet have been vital to companies that can now save time

## ROI<sup>2</sup>: The Formula for Success

There are several resources available to companies interested in measuring the return on their incentive investment. Some companies use third party consultants to monitor, evaluate, and adjust incentive programs. The process of bringing an outside team in and up to speed for ROI<sup>2</sup> analysis isn't as daunting as it may seem but it may add considerable value to the final incentive program. Other companies opt to dedicate internal staff to supervising and assessing the objectives set forth in an incentive program. Whereas this may appear to be a cost-saving choice, using the Incentive House that has designed and implemented the solution to monitor and evaluate return on incentive investments is often more cost-efficient, reliable, and accurate.

A properly built and managed employee recognition / rewards program is the single most effective tool that companies can use to consistently drive higher levels of employee engagement. When you consider Gallup's data from their widely published “State of the American Workforce” research, it is easy to see why the average ROI for these types of programs is 4:1. In their research Gallup showed that “highly engaged companies”, defined as those in the top 25% as compared to those in the bottom 25% within a specific industry, enjoy the following benefits:

- 81% lower absenteeism
- 18% lower turnover (in high turnover industries / job categories)

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- 43% lower turnover (in low turnover industries / job categories)
- 28% lower shrinkage (theft and loss)
- 64% decrease in accidents
- 41% decrease in quality defects

All of those improvements have also been tracked by Gallup to the following for highly engaged companies:

- 10% increase in customer loyalty / engagement
- 18% increase in productivity / sales
- 23% increase in profitability

### 1. Map the Plan

Identify the specific corporate objectives that the incentive program will support. Benchmark where you are today and where you want to go. Answer the question, "What business challenge do you want to address?" The stated objectives can be aligned with financial (e.g. sales) as well as non-financial (e.g. employee engagement) measurement results.

### 2. Target

Seek out those audiences with the greatest opportunity for improved performance (e.g. sales force, service, support, etc.) and identify what they value to determine the mix of recognition options.

### 3. Engage & Communicate

Launch the program with enthusiasm and maintain regular communication updates to keep the momentum.

### 4. Fulfill Expectations

Deliver what was promised in a timely manner and demand superior customer service.

### 5. Measure

Ask, "Did we achieve our objective, what was the return on investment?" Evaluate the program and determine how to expand the focus and raise the bar.

## About The Author | Brian Galonek

Brian Galonek is President of All Star Incentive Marketing, a full-service Incentive House. For decades, All Star has been improving the development, implementation, and strategic management of customized incentive programs to enhance clients' business performance by targeting client sales teams, employees, customers, and prospects. The success of All Star's clients can be attributed to All Star's "Proven Process" which takes clients from concept through reporting to ensure maximum ROI<sup>2</sup>.

Brian, who succeeded his father as President in 2001, worked as an Account Manager and Sales Manager for 13 years after graduating from the University of Massachusetts School of Business, where he majored in Marketing. Brian, who is actively involved in the Incentive Marketing Association and the Incentive Federation was one of the first 25 people in the U.S. to earn the Certified Professional of Incentive Management (CPIM) distinction. He also served as both the Education Chairman and President of Incentive Technology Council (ITC).

Under Brian's leadership, All Star developed and launched PROPEL, its suite of web-based technology solutions for online program management, which has been widely adopted. The company also developed vertical industry expertise, becoming one of the nation's top suppliers of safety incentive programs and winner of the Incentive Marketing Association (IMA) Circle of Excellence Award for best safety incentive program.

### Brian on Motivation

"Now, more than ever, I am motivated by the challenge of making All Star an outstanding place for our employees to work. When we are successful at accomplishing that goal, the rest takes care of itself."

All Star Incentive Marketing® is committed to helping businesses grow and thrive by **ENGAGING**, **MOTIVATING**, and **REWARDING** the people behind their success. We do this by developing, implementing and managing powerful incentive and engagement programs that drive customer loyalty, employee motivation, sales, safety, and wellness. With a combination of proprietary technology, superior program management, outstanding customer service, unparalleled product sourcing and fulfillment capabilities, All Star maintains leadership in the incentive industry by helping clients exceed their business objectives.

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