



## **Corporate America Ready, Willing, but Unknowledgeable About Using Online Incentive Programs**

*by Craig Miller*

A recent survey has revealed an increasing reliance on Web-based technology to motivate employees, salespeople, and customers. The survey's respondents – 171 sales, marketing and human resource managers at corporations that use incentives – indicated that motivation programs will increasingly be conducted online. Yet surprisingly, those same managers indicate they feel ill-prepared to take full advantage of the technology's potential.

The *Survey on the Use of Online Incentive Technology* was conducted via e-mail in May 2003 by the Department of Integrated Marketing Communications at Northwestern University on behalf of the Naperville, Illinois-based Online Incentive Council (OIC) of the Incentive Marketing Association. Approximately half of the 171 respondents represented end-user companies while half were from marketing service firms.

Among all respondents, 65 percent indicated that they had used Internet-based software for some or all aspects of incentive programs. Of those, 60 percent used the Internet for a client, while nearly 20 percent did so for themselves, and 20 percent for both themselves and clients.

"The demand for online incentives has grown substantially," says Michael Arkes, president and CEO, Hinda Incentives, a click-and-mortar performance improvement company based in Chicago. "I've been in this industry since 1997 when it hardly existed, so to see 65 percent of the respondents to our survey are online incentive users indicates phenomenal growth."

The survey also revealed a roadblock between these companies and a greater application of Web-based technologies in the motivation of workers, salespeople, clients, and channel partners. Fully 57 percent of respondents said the primary reason for not moving incentive programs online is unfamiliarity with how the Internet can be used for such programs. Other reasons companies didn't use online motivation were that they view the Internet as too expensive for this purpose (14 percent), and that they weren't running formal incentive programs (13 percent).

Both motivation clients and suppliers must change the way they think about the nascent medium before clients can maximize their return on program investments, according to industry experts on the OIC.

"I think corporate America is poised for a mass utilization of online motivation, and the organizations that take advantage of that will be winners," says Cheryl Nuttall, founder and vice president of business development at Altour Incentive Management, Phoenix, Arizona, a web-enabled incentive and recognition management solutions provider. "It's dependent on the industry's ability to express the benefits and application of online tools on a global basis. It has to be done collectively by everyone selling and supporting online tools, and the practical applications at the individual customer site."

## **Need for industry education**

Given the widespread acceptance of Web-based solutions for other typical consumer interactions such as bill paying, shopping, and general research, corporate America's lack of familiarity with how the Internet could be used to run incentive programs came as a surprise to some incentive industry experts.

"It's amazing – and it's our challenge – that 35 percent of the respondents are not running programs online," says Paul Haynes, vice president sales and marketing North America at the Sturbridge, Massachusetts office of motivation solutions provider Globoforce. "There must be systemic reasons they're not using it, and it must relate to ROI. Because if you just look at costs, it blows paper out of the water. But what you don't understand, you back away from."

According to Haynes, using the Internet's superior data collection capabilities can show the returns provided by motivation programs most easily. Survey respondents clearly indicated that data collection and management was a major reason to move motivation programs online. "The trend is to move everything online with some print support because the economics of it are so significant – management has instant access to data showing who's done what and when."

"There are tremendous opportunities in data mining and best practices," says Nuttall. "Organizations that can take the collective data and look at patterns, behaviors, and best practices will prove invaluable to client companies."

Nuttall notes that companies usually don't look at actual patterns in the data generated by motivation programs for use in making those programs more successful. Incentive program providers can help clients look at patterns of regional locations accessing the site, for instance, or types of businesses buying as a result of a program. They can also help clients analyze how the program's communications are affecting its success.

## **The benefits of going online**

Tim Lang, senior vice president of sales and marketing at USMotivation, Atlanta, a people performance management company, agrees with Nuttall. "If properly designed, the program should provide a wealth of information that the client company can then act upon," he says. "Data analytics and data mining are areas in which we are helping more and more client companies today. In most cases they are missing a golden opportunity if they are not using the available data to grow their company."

The incentive programs most often run online, according to survey respondents, were employee recognition (52 percent), sales incentives (34 percent), and customer acquisition/loyalty (9 percent). When respondents were asked about the specific program functions for which they used Internet-based technology, the highest-rated functions were running all aspects of the program (52 percent), communicating the program to participants (31 percent), and administering the program (8 percent).

Says Brian Galonek, president of incentive solutions provider All Star Incentive Marketing, Sturbridge, Massachusetts, and president of the OIC, "The percentage of users that indicated they use Internet technology to communicate with participants will grow dramatically in the coming years. The ability to use the award sites and email campaigns that accompany online programs to communicate with participants resonates more with our clients than any other single issue."

Respondents were asked to rate the importance of several dimensions of incentive programs. The top five highest-rated dimensions were data collection and management, reporting capabilities, ease of administration, ease of use, and award calculations. These most-important features all involve either data collection or program administration.

Respondents using Internet technologies were then asked to rate how well the Internet performed the dimensions relative to paper-based incentive programs. The aspects of Internet programs rated the highest

were: Immediate access to information, reporting capabilities, ease of administration, ease of use, and data collection and management.

In general, respondents indicated that Internet technologies performed best for the same dimensions they identified as most important. In particular, Internet-based programs are reported to perform much better than paper programs for the dimensions that deal with reporting, administration and data collection, as well as the dimensions relating to ease of use and reward flexibility. These results show that Internet use substantially enhances the administration and evaluation of incentive programs.

Says Roberto Guerrieri, co-founder and COO of Incentive Logic, an incentive solutions provider based in Scottsdale, Arizona, "Online programs have only been around for the last few years. The first step in the education process is getting clients to use online programs, and now we must teach them to mine their data better."

Guerrieri adds that most companies are currently interested in lowering costs and gathering more data. Whether the data is used for anything other than program administration, he says, is the next step.

As an example, he says that a newspaper company using incentives to get its readership to fill out a survey should track the reward most often selected. If the data shows 70 of the participating readers chose a CD, the next promotion to boost subscriptions should offer a CD rather than a day planner or flashlight.

"The data generated by online programs could be used for better marketing," says Guerrieri. "The industry has to use incentives more intelligently, and the Internet is a great way to bring that intelligence out – you can track a program's success and provide the ROI."

### **Realizing the full potential**

As companies become more accustomed to Web-based applications in general, they find additional areas – such as motivation programs – where the technology can be applied. Maximizing the technology's potential depends on the efforts of both client and incentive provider, says Arkes. "As resources, we need to help them. At a minimum, the client needs to devote the resources needed for timely approvals and, in more complex installations, input from IT is required to properly define requirements."

To the extent companies are using the Internet to run and optimize programs, it's a move in the right direction and a benefit according to Mark Witzling, vice president of incentive solutions provider Maritz Incentives, St. Louis, Missouri, and research chair for the OIC. "As more motivation program data is available, huge efficiencies and synergies can be generated as companies run more programs online and interconnect them. There's a lot of power there, a potential for them to capture their total spend."

Online motivation is one of the more recent applications of Internet technology. Only 21 percent of respondents felt they were using the Internet to its full potential. This seems to indicate that many firms see themselves on the early part of the learning curve with respect to taking advantage of the many strengths of online incentive programs.

Says Galonek, "The exciting part is that the solutions offered by web-enabled incentive houses continue to improve as new technology gets integrated. This means that no matter how sophisticated a client's solution is today, they can expect it to be better tomorrow."

For all that Web-based motivation can provide to corporate communication and marketing efforts, Witzling says the fundamental benefits will not change. "There's still a need to motivate employees, a need to understand company goals and create programs, communications, creative, analysis, administration, and reporting to meet those goals. We just need to use the technology to accelerate the benefits. The technology is an accelerator that allows the fundamental benefits to be applied a better way, but doesn't negate the need for those benefits."

Several online motivation experts say the soft economy and lack of capital investment dollars has slowed the expansion of motivation programs and companies' ability to further leverage their incentive investments. Survey respondents were asked if the data collected through incentive programs are used as input into other business decisions. Thirty-seven percent said they didn't use the information for any other purpose, while 28 percent use it for customer relationship programs, and 22 percent for developing sales and marketing strategies.

One reason is bandwidth says Incentive Logic's Guerrieri. "Everyone has been downsized and there are no longer assistants to help. But the opportunity in our industry is servicing programs. Clients want to outsource program setup and management. They may have a multi-million dollar marketing budget and one person trying to do everything, so we have to show we can service their needs."

### **Online motivation's growth imminent**

According to the survey, the growth of online motivation will continue. Sixty-two percent of the respondents indicated they were very likely to use the Internet in this capacity again, while an additional 26 percent said they were somewhat likely to do so.

Bill Wicklem, CEO of Paramax, Red Bank, New Jersey, a leading software development company specializing in incentive-based applications, says that some incentive program providers are currently missing opportunities presented by the Internet. "The Internet can make programs more dynamic and more effective, and increase participation, achievement of goals, and sales. But some in the industry will miss that opportunity if they're late adapters of technology and don't promote full-featured online solutions to their clients."

Wicklem says adding such touches as surveys, training, suggestion boxes, and automated e-mail to online programs can dramatically increase the response rate of participants. If companies only save time and money moving motivation online, they're not achieving the full benefit of the Internet.

"People talk about reports and how they can be used to help companies understand markets better," Wicklem says, "but in our surveys we find that these reports are more limited to analyses of programs themselves – who earned what, how many, the total value of rewards. In many cases, the reporting mechanism isn't being integrated into the general marketing report structure, not drawing knowledge out of their industry using the Internet. You have people registering for online programs, but not being asked questions about their businesses. If you put a few survey-type questions on the registration form and integrate it with an existing marketing database, you begin to see improved value."

Online motivation experts say much of the problem lies with the traditional thinking of motivation providers and incentive houses, which are focused on the redemption process – getting more merchandise and points earned. Yet large and mid-sized companies that have initiated CRM programs within the last few years seek more benefits from their programs.

Large companies often run two dozen incentive programs with several different providers, each of which has a champion within the company. Upper management, however, typically seeks to consolidate the programs to create enterprise-wide programs on a global scale that will provide better reporting into CRM programs – a strategy which breaks down the relationships endemic in the 100-year-old incentive industry.

"We believe that the problem lies with those designing the programs in the first place," says USMotivation's Lang. "They need to be aware of all of the features and benefits of their new online system. We feel that it is our responsibility to ensure that those developing the program know not only what our basic system will do for them, but after reviewing their real needs, what an enhanced system may do for them."

Lang notes that any worthwhile incentive program has four key components: communications, training, measurement and rewards. If any of those elements are lacking, a client's program will not be as

successful, whether it's online or not. For example, if a company enrolls participants in an online system but never communicates with them, it's doubtful that program participation will reach desired levels.

“In the last few years as incentive programs were migrating from offline administration to online administration, the focus was on ensuring that the technology supported the program,” Lang adds. “Now that the business community is more comfortable with technology to support incentive endeavors, we are starting to focus more on using technology to its fullest potential. The challenge with technology is that it continues to evolve. Therefore, we must continue to develop new and useful innovations that enhance the online systems, make sure our clients are fully aware of those innovations, and educate them on the potential and power of the innovations.”

*For more information from The Online Incentive Council (OIC), a strategic industry group of the Incentive Marketing Association, please visit [www.useonlineincentives.org](http://www.useonlineincentives.org) or contact the IMA:*

*Karen Renk*

*1801 North Mill, Suite R*

*Naperville, IL 60563*

*p/630.369.7780*

*f/630.369.3773*

*email/ [info@incentivemarketing.org](mailto:info@incentivemarketing.org)*

*Craig Miller has written dozens of articles about the incentive and performance improvement industry over the last 15 years.*