

# “Canceled, End of Discussion.”

## How Proving the Value of a Sales Incentive Travel Program Saved the Program and Much More for the Company

By Jan Farr Koors, Vice President, Constellation Communication Corp.

***“Sales is the heartbeat of every business venture. The pace of sales determines the pace of business. Therefore, talented salespeople earn the most personal income, contribute most to the bottom line, and, consequently, are a much sought-after asset in the business world.”***

Mr. CEO’s directive was crystal clear and left no room for interpretation: *“there will be no future President’s Club Program. It cost too much money.”* He had made his decision. A business decision based on cost control and budget management. A decision that did not include consideration of a payback rationale. Why? Because there was no payback rationale for him to reference. No cost justification. No assessment of value. Clearly, it was an internal program, an expensive internal program, and it had to go. Period. *“Canceled, end of discussion.”* Or, was it?

Companies spend millions of dollars cultivating and maintaining a strong sales force. The ability to recruit, train and retain the best sales talent can determine certain success or certain failure. Developing and retaining a powerful sales force is an investment. As with any investment, there is a formula for measuring the return on the investment, therefore, justifying (or not) the associated costs. This case study demonstrates how assessing value and justifying cost of sales incentive programs are essential when programs come under scrutiny.

### Background

*Sales is the heartbeat of every business venture. The pace of sales determines the pace of business. Therefore, talented salespeople earn the most personal income, contribute most to the bottom line, and, consequently, are a much sought-after asset in the business world.* Sales incentive programs that include all expense paid trips to exotic locations may sound frivolous, but are prevalent among corporations as an effective tool for recruiting and retaining the best sales talent.

### Case Study

Mr. CEO’s directive to cancel the President’s Club program caused a wave of anxiety among MajorCorp’s three (3) business unit Presidents. The Presidents knew, intuitively, that the President’s Club had tremendous value and positive impact on their



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respective sales teams. The only way to save the program was to prove value. The current year program would be the last chance to measure and report that value.

Several MajorCorp departments and partners were enlisted to help determine the value of the President’s Club program: Human Resources determined the cost of recruiting, hiring and training a new sales person; Event Production produced a video element capturing each President’s comments on the importance of the program; Constellation Communication Corporation developed a value model and surveyed program participants, analyzed the data and reported the findings for what was to be the last President’s Club program. The Event Marketing team summarized an exact cost of planning and implementing the event and brought it together in the final presentation on value and justification.

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The President’s Club program addressed much more than the obvious objective of identifying and rewarding high performing sales people. The research provided a direct correlation to the impact of the program on increased sales revenue for the qualification period. Second, the findings revealed a direct connection to increased employee loyalty, ensuring retention of high performing, talented sales employees. According to “The Loyalty Effect” by Frederick F. Reichheld, the minimum average cost to replace a sales professional is \$300,000.

In addition, the study identified the influence of the program on happier more satisfied sales employees. It is well known that when people feel appreciated and rewarded, they tend to treat customers more favorably, therefore, resulting in higher customer satisfaction levels and improved revenue generation and retention.



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### **Response from Management**

The report derived from the valuation model and participant survey results were pivotal in Mr. CEO’s decision to rescind his directive to cancel the President’s Club program. He said, *“based on the data reported, I am absolutely convinced that it would have a negative impact on our sales force to cancel the President’s Club sales incentive program. I appreciate the due diligence to evaluate and analyze the program in order to provide me with factual information that the President’s Club is actually essential to our market performance in a number of ways.”*

The outcome was profound in that Mr. CEO seldom reversed his directives. Further, he expanded the program to include other business units, centralized the program management resulting in a net cost reduction per head, allowing for inclusion of more participants, and approved the budget for future President’s Club programs. As the President’s Club continued, it was refined to include self-funding winner criteria. (For details on the self-funding approach to program strategy a more detailed version of this case study is available on request.)

### **Supporting Detail:**

- An astounding 90% of the program participants responded to the program evaluation survey.
- 85% of the respondents rated the program as Excellent. Ninety- nine percent rated it as “Excellent or Good.”
- Verbatim comments demonstrated the importance of the program for increasing sales revenue: *“The President’s Club is a great motivator for me. It has become a club of status and achievement. It causes me to put forth more than just my best effort. I want to exceed all of my objectives to insure that I win the President’s Club trip.”*

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- 90% indicated the program was a direct influence on their performance, while 47% rated the program as “Extremely Influential” on their motivation and performance.
- Proof of this concept was revealed through the behavioral findings. About half of the participants pinpointed a specific time during the year when their motivation became apparent, resulting in a change of tactics on the job.
- Most of the participants listed specific changes in job related behaviors resulting from a desire to qualify for President’s Club.
- 88% of participants indicated the program was “Influential” or “Extremely Influential” in their loyalty and commitment to a career with MajorCorp: *“It keeps me working at my highest level (golden handcuffs). I might look for work elsewhere if not for the opportunity to win the President’s Club.”*
- Results demonstrated a positive impact before, during and after the actual trip for all who were eligible to win. For example, non-winners reported that they focused on the next President’s Club destination as another chance to distinguish themselves, resulting in perpetual incentive and motivation.
- ROI - Estimates of the percentage of increased sales revenue attributable to identified behavioral change in the sales force was calculated from the data. This was combined with the estimated value (replacement cost and opportunity loss) of retained high performance sales employees against traditional attrition rates.
- All discussions regarding canceling the program were handled behind the scenes. There were no communications to the eligible universe that the program was endangered.
- Program expansion plans included the rationale for setting sales objectives and winner criteria to generate incremental sales revenue to off-set the program cost thereby engineering a self-funding President’s Club sales incentive program.



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