



HOW TO KEEP YOUR COMPANY'S EDGE

Want to stay ahead of the pack? Incentives are a great tool to motivate employees and keep customers loyal.

Reports predicting the imminent demise of the American worker have been greatly exaggerated. In fact, employees may never be more critical to the health of the nation's economy. Twenty-five years ago, 85% of most American companies' assets were in machinery and other hard assets, and only 15% in intangible capital, or human talent and knowledge. Today, according to a Brookings Institute study, the numbers are exactly reversed.

This may be good news for a service-based economy. Yet—given the current volatility in world markets, plus a growing fear of losing experienced workers as the baby-boomer workforce ages and retires—it is predicted that there will be ten million surplus jobs to fill in 2010. The challenge facing American business is not only to retain talented employees, but also to keep them focused on what's important to the organization—all the while retaining the loyalty of longtime customers.

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Proper Alignment

To meet these challenges, more and more companies are turning to incentives for employees and customers alike. "Incentive programs allow a company to focus people's activities and tasks on what produces financial outcomes," says Rick Blabolil, president of the Incentive Marketing Association (IMA), which consults with and helps guide suppliers and buyers of incentives. "They align what the individual does to what the company would like them to do, and they allow companies to keep the investment they place in people and the intellectual property they develop in those employees."

Incentives have become increasingly important in the scheme of things, developing into a \$46 billion-per-year industry. While hard to gauge a return on investment, that number appears to be worth its weight in performance. A 2003 study entitled "Incentives, Motivation, and Workplace Performance," conducted by the Incentive Research Foundation, found that properly constructed incentive programs can increase employee performance by as much as 44% in teams and 25% in individuals.

In an effort to push incentives and boost results, some companies are marketing to employees as they would to an external audience, using gift cards, merchandise, travel, and other incentive tools toward that end. This strategy of internal marketing is helping create what Blabolil calls "brand ambassadors."

"Companies are treating employees as a critical point of customer contact," he says. "If employees aren't satisfied, they can't deliver satisfaction. A satisfied

employee drives a satisfied customer, which leads to positive performance and financial outcomes."

A case in point is T-Mobile USA. Eight years ago, the company's call centers were dead last in the industry in terms of customer satisfaction, according to J.D. Power and Associates, the marketing information services firm known for customer satisfaction surveys and research. Reacting to the need for change, T-Mobile put into

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—Kimberly Carrette, Canon U.S.A.

place an in-depth program to motivate and train some 26,000 call-center personnel on how to field phone calls, how to sell, how to service, and how to collect on mobile phone services.

Under T-Mobile's incentive program, everyone in the organization can earn points or credits that can be used to purchase merchandise. Top-scoring employees are invited to banquets where they meet with senior executives, and the top 1% of these top performers get to go on exotic trips and spend more time with executives. The results: Since 2000—in fact, for the last seven years in a row—T-Mobile's incentive program has earned the company a number-one rating by J.D. Power.

"What happened is that it has become a part of the culture," says IMA's



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Blabolil. "It wasn't just a program that starts and stops. It's become imbedded in a culture where there is a genuine attempt to value the employee, and it says, 'Not only do I want to hire you, I want you to succeed, and I want to give you the tools and support your need to be successful.' Too often, companies simply throw dollars at these programs. I think it really has to be something that comes from top management and is encouraged and supported all the way.

"The T-Mobile program," he adds, "is the epitome of what a program can do to change a culture with rewards and recognition."

Gift Card Program

At the same time, a number of companies have been marketing their products as incentive tools to employees at other companies. Take SUBWAY's gift card program, rolled out in 2006. "A lot of companies are using the card in various customer promotions, but we've also had companies who've come to us for internal rewards or recognition programs," says David Harris, manager of marketing communications at Value Pay Services, a subsidiary of Independent Purchasing Cooperative, which is owned by the SUBWAY franchisees of North America. For example, last year, \$5 SUBWAY cards helped U.S. Air Conditioning Corp. boost sales by more than 7%.

Of greater value—and greater impact, perhaps—are high-end products that help "incent" employees to achieve better and better results. "High perceived value is the big thing," says Kimberly Carrette, manager of premium accounts and special markets at Canon U.S.A., where she is responsible for selling the company's consumer products to corporate end-users for use in incentive programs.

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This year, as in the past, the PowerShot Digital ELPH cameras are some of the most popular items in the Canon lineup. They're especially strong in incentive programs, Carrette says, because "they're desired by everyone—young and old, male and female. They make the selection process much easier for the decision-makers who are trying to get the right mix of items to incentivize their target audience to take action."

PowerShot digital cameras have also been used to positive effect in-house, spurring Canon employees to exceed company goals. Winners of PowerShot cameras become eligible for Canon's "Spirit Award," which recognizes outstanding performers at international managers' meetings, and the sought-after products themselves appear to hold a special value for both employees and the company.

"Merchandise has a trophy value," says Terry Markwart, Canon's director and assistant general manager for special accounts sales, pointing out that premium products transcend travel or cash rewards and help brand the company image among fellow employees and customers.

Surprisingly, the current economic downturn doesn't appear to have hurt Canon's incentives business. On the

contrary: "All companies are tightening their belts a bit across the board," says Carrette, "but typically, in our market, when things get a little tough on the consumer side of things, that's when we do better, because companies have to do more to get employees to take action."

What all these efforts amount to is what everyone in the incentives industry is talking about: "Engagement." Through incentives and recognition, companies are making employees feel more a part of the company, which drives their activities. And that, in turn, makes customers feel more connected to their products, which of course drives sales.

"Engagement is a holistic look at the way people contribute and the way they get involved in a company," says Blabolil. "Incentives and recognition are tools of engagement. They help you find out how valuable employees are, and they support the intellectual property you develop in them. In the past, people may have been expendable, but the more you're investing in them and creating engagement, the more you're creating lasting value." ●

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