

GET MORE THAN YOUR FAIR SHARE OF ATTENTION IN YOUR CHANNEL

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**Capture the attention
of your distribution
channel with reward and
recognition programs
designed based on
the principles of
behavioral economics.**

The goals of the manufacturer and those of the uncontrolled distribution channel are often at odds. The channel wants to focus on high-margin products and increase total sales, while manufacturers want channel partners to promote the whole line and increase market share for the manufacturer's brands. Channel partners want more autonomy and exclusive access to end users, while manufacturers want more control and their own access to end users.

Your uncontrolled distribution channel has a lot of places to focus their attention. Reward and recognition programs have long been used to engage the channel and align their activities with manufacturers' goals. Applying behavioral economics to your reward and recognition program designs can cut through the clutter to capture more than your fair share of your channel's discretionary focus and effort. Here are ten best practices to follow that use behavioral economics principles to design the most effective reward and recognition programs.

1 Mix it Up

Even the best solution doesn't work all the time. There's a reason why the P90X® workout works. Build a calendar and introduce new structures every few months to keep things fresh and participants engaged. Once participants are on the hedonic treadmill and are eager to move to the next level, they will pay more attention to new promotions that offer the chance to earn additional rewards.

2 Too Much of a Good Thing

Too much cash in the system results in a reduction of sales. When people say they want cash, what they're really saying is, "I want to work less and get paid more." When that cash is coming from the manufacturer, there's the added conflict of compensating channel employees. Hedonic rewards, like travel, merchandise and entertainment, are highly emotional and make people feel good about what they have accomplished. Re-consumption occurs every time they remember the experience or show off the reward they've earned.

3 Obey the Rules

When it comes to getting results, a program's rules structure is almost as important as the awards offered. Even the most appealing rewards will be wasted if your rules structure isn't right. Make sure your rules structure is aimed at getting the right audience to perform the desired behavior. Consider what you are trying to get done and then determine everyone who needs to change their behavior to accomplish it. When targeting dealership salespeople, for example, don't forget to engage their sales manager with rewards for overall achievement or an over-ride of their team's performance.

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4 Less Can Be More

Lower budgets can drive better results if you only pay for performance. If you get participants to choose their own goal, they will only expect to be rewarded if they achieve it. They'll also strive harder to hit it. Choice architecture offers carefully selected and often limited options and then allows the participants to choose. Consider historical performance or overall quarterly goals when setting the baseline for your goal levels.

5 Say-Do Gap

We say things that we intend but will do the opposite depending on the situation. Nearly 70% of people who pay for health club memberships never actually use them. A variety of studies have shown that when asked, most people say cash will change their behavior – but when it comes to actually doing that behavior, more people perform when motivated by a non-cash reward.

6 Give 'Em a Chance

Giving mid-level and underperformers a chance for rewards can provide as much lift as your top performers. Recognizing top performers is important but shouldn't be your only focus. Don't heavily rely on the 80/20 rule. Recent studies prove that building rules structures to engage all levels of performers generate better results. Create competitive groups that segment your participants based on similar performance levels. When people believe the reward is within their grasp, they are more likely to be engaged and strive to achieve it.

7 Jackrabbit Start

A "fast-start" accelerator gives participants more traction right from the start. A recent study of more than 600 programs proved that those who hit the ground running in a promotion end up being the top performers. Logical, yes, so why not apply the principle to everyone by offering a fast start bonus to get things started. Early success also gives you something to promote throughout the remainder of the program.

8 B-I-N-G-O

People will work harder and faster toward completing a goal if you give them a few "free" spaces. Create illusionary goal progress by giving participants a head start to convince them they're already well on their way toward achieving their goal. A recent study proves that when asked to do the exact same thing, those who were told they were already 15% ahead ended up outperforming all others.

9 It's All About Me

People will do amazing things just to earn the right to brag about it. It's called the spotlight effect. Social media has created an imaginary currency of bragging rights. Badges, public recognition and non-cash rewards allow the participant to boast about their accomplishments.

10 Maybe, Maybe Not

A variable-ratio reward system keeps them coming back for more. Just like slot-machines in Vegas, when there's a probabilistic element of chance for a big reward, participants will do what it takes to get another crack at it. Carefully structuring payout schedules to create buzz at the right intervals helps fuel the frenzy.

Follow these ten best practices to apply the science of behavioral economics to your next program design. You'll get the attention of your distribution channel and ultimately increase sales.

To learn more about BI [WORLDWIDE](http://WORLDWIDE.com), visit: BIWORLDWIDE.com or email us at info@BIWORLDWIDE.com.

For examples of how other manufacturers have put these principles into action, download our eBook of **17 Successful Channel Engagement Programs.**

