

Busting The Top 10 Incentive Myths

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Business growth: it's what drives business success in any economy. With new customers even harder to find in today's market, it is imperative to sell deeper into your current client base. But if you've fulfilled all of your customers' promotional products needs, the only way to get more business is to add to your offerings. Selling incentives is a natural line extension that opens up new lines of revenues while building on your skills as a promotional products professional.

Many promotional consultants have shied away from selling incentives because there are misconceptions on how the industry works, the effort involved and the real dollars to be made. But the reality is that distributors who don't include incentives in their product mix are leaving money on the table—as well as opening the door for competitors.

To help set the record straight, we've busted the top 10 incentive myths so you can be armed with the facts about the role incentives sales play in business growth.

Myth 1: "Premium reps poach my end-user clients."

This is one of the biggest myths that must be busted, according to Pete Mitchell, director of b-to-b sales for Mansfield, Massachusetts-based supplier Samsonite Corporation (UPIC: Suitcase). "The typical incentive supplier derives 90 percent or more of its business from resellers," he says.

Gary Slavonic, partner for Carrollton, Texas-based supplier rep Premier Incentives Inc. (UPIC: PremInc), agrees. "The simple fact is that the business model for premium reps has changed during the past 20 years," he explains. "Reps now spend their time working with distributors across the country. With all the responsibilities reps have in managing their territories, poaching distributor clients is simply not in the mix."

But what about that other 10 percent of the business that incentive companies do directly with end buyers? "These are typically the large corporations that refuse to work with distributors anyway," says Mitchell. He cites Mary Kay Cosmetics in Dallas, Texas, as an example. The company has chosen not to work with distributors, so there was no business to poach.

But reps are out looking for business just like you are. So the best way to ensure reps don't inadvertently call on your accounts is to tell them who your clients are. "I built strong relationships with my incentive reps, and they knew CompUSA, for example, was one of my clients," says Bruce W. Jolesch, president of Plano, Texas-based distributor Schroepfer Wessels Jolesch (UPIC: TJG37842). "They didn't call on CompUSA because they knew I had the strong relationship and was going to bring the business to them."

Of course, this scenario implies that you have built a foundation of trust with your reps.

Tina Montgomery, MAS, COO of Denver, Colorado-based distributor L.W. Barrett Company,

Inc. (UPIC: BARRETT), recommends selecting your incentive rep relationships just like you choose suppliers within the promotional products industry. "You wouldn't work with suppliers who aren't reputable," she says. "Evaluate reps to make sure their companies are sound, and learn about their business model and how they go to market so that you have a comfort level in doing business with them."

Myth 2: "I can't make money selling branded products."

It's a fact: Incentive products sell at lower margins than promotional products. But this doesn't mean you can't make money by selling incentives.

"There is no question that the margins are different in the two marketplaces; however, there are other variables to be considered," says Karen Renk, executive director of the Incentive Marketing Association (IMA). "Generally speaking, brand-name products have a more expensive price point than non-branded products. There's also a big difference between a 50-percent margin when selling X number of t-shirts compared to a lower margin when selling the same number of large-screen TVs. The distributor must look at the product price point and total quantity in addition to margin."

Electronics, a popular incentive choice, have notoriously low margins. But this is not necessarily true among all incentive products. And to help increase profitability, Larry Moore, owner/president of Iowa City, Iowa-based distributor Bankers Advertising Company (UPIC: BACADV), recommends bundling products together. "To offset the lower margin, you can bundle the item the client really wants with a headset combo, camera bag or other product with a value that can't easily be found on the internet," he says.

Keep in mind, too, that these brand-name products are typically sold unimprinted, so this often makes the transaction easier than promotional products that may have complicated artwork and customization requirements. "We are not dealing with the artwork, and most merchandise is drop shipped so we don't inventory anything," says Montgomery. "These programs are fairly turnkey for us. For the most part, it's a lot less work than many standard promotional products orders."

The point is that distributors must look at the bottom-line profit—not margins—when selling incentives. Slavonic sums it up by saying, "As business people, distributors take dollars, not margins, to the bank."

Myth 3: "Dealing with brands is impossible."

Branded merchandise manufacturers' business is driven by wholesale distribution to retail outlets, so most don't have the infrastructure to service distributors like they are accustomed to when working with promotional products suppliers. "Thus distributors have a tremendous challenge in navigating the waters of how to deal with all of these brands that do not have a common way of coming to the promotional products business," says Mitchell. "But this is why distributors' best friends are the regional representatives that manufacturers hire to sell into these territories."

Slavonic agrees. "While it's true that brands are certainly geared to deal with retail, they do have departments that specialize in dealing with resellers," he says. "This makes working

with reps even more important because reps are able to work with the brands to get distributors what they need.”

Developing relationships with incentive reps is similar to forging relationships with promotional products suppliers—and it is just as important. “It’s like working with any other supplier in our industry,” says Montgomery. “You must develop the relationship first and become important to them. If you come into the relationship only to buy product, you’ll be swimming upstream a bit. But if you get to know the reps first and let them know you’re serious about the business, they work well with you.”

Myth 4: “There’s no way to keep up with all the changes in products.”

No doubt about it—there are many changes with brand-name products. Mitchell says that if you included 20 Samsonite items in a program today, within six months there could be as many as seven products that have either changed in price or have been discontinued and replaced with something else. “This is the nature of how our product cycles work,” he says. “Distributors must be careful with the products they select, knowing where each is in its lifecycle. This is where reps are extremely helpful because they are accustomed to the supplier changes and they can keep distributors in the loop.”

Ken Wittenberg, chief sales officer of Silver Spring, Maryland-based distributor Summit Marketing (UPIC: summit) also relies on his reps to stay informed. “In addition to spending time with my reps, I keep up with changes by attending The Motivation Show and some of the specialty tradeshows in the housewares, hardware, electronics and sporting goods markets,” he says. “These four shows help me get acclimated to the available brands.”

Moore also looks to tradeshows—and industry publications—to stay current. “I attend The Premium Incentive Show and read trade publications to keep up with changes,” he says. “I also walk through the local big-box stores to see the latest retail items.”

Myth 5: “Brands don’t want to deal with small programs like mine.”

Slavonic says that some brands have minimum order requirements, but this is really more the exception than the rule. The reps know which companies have requirements and can guide distributors accordingly.

And most reps don’t mind working on smaller projects. “We all want to sell the big programs, but sometimes you have to begin with the small ones,” says Moore. “And you never know, sometimes small programs turn into big ones. The reps understand this and are willing to work with distributors.”

Additionally, since most branded products come to market through manufacturer representatives, the reps function as territory managers and their clients get the economies of scale when purchasing through them. “The rep will be able to put in orders for the product by bundling, so the size of the program is not a deterrent,” says Renk.

Myth 6: “Incentive programs require lots of information processing.”

Just like orders for promotional products, incentive programs come in all shapes and sizes. Distributors don’t start out in the industry by selling 250,000 custom injection-molded

pieces that must be imported to meet the end-user's budget. Rather, they begin selling standard products, such as 144 coffee mugs for a small staffing service or 24 polo shirts for a corporate outing. As their experience and confidence grow, so does the complexity of orders.

It's the same with incentives. Sure, there are very complicated programs that require sophisticated software that manages how participants gain points toward merchandise redemption. But there are many opportunities to sell incentive programs for small- to medium-sized companies that require no more information processing than a typical promotional products order.

For distributors who are expanding into the incentives marketplace, offering the merchandise is a good place to start. As experience builds and they become more comfortable with how the incentive business works, then adding larger scale, more turnkey programs would be appropriate.

And for those times when an incentive program is larger than the distributor is comfortable handling, distributors can partner with a full-service incentives solution provider. "There are companies that are in the business of developing and executing incentive programs," says Mitchell. "All distributors have to do is bring them clients; they take care of the program turnkey and distributors earn commissions or percentages of the profits."

While distributors do not have to be responsible for program administration, it is another profit center to consider. "If distributors want to sell turnkey programs, they will need access to technology that will help the program be administered," says Renk. "The reps can introduce distributors to whatever resources they need to make sure programs are implemented successfully for end users."

Myth 7: "Incentive programs require lots of infrastructure."

This myth is similar to No. 6 in that incentive sales range from the simple order needing little infrastructure to the complex programs requiring significant investment. Slavonic recommends getting incentive reps involved early in the process. "With their expertise, they can help channel distributors' efforts to the most profitable path," he says.

Renk agrees that infrastructure is dependent on the project's complexity and isn't required on all programs. "The incentive marketplace has quite a few resources distributors can tap into," she says. "Reps take much of the infrastructure worry out of distributors' hands."

From the distributor point of view, Moore says he hasn't experienced infrastructure issues. "I tell my reps what I need in terms of quantity, when the program begins, when participants will redeem points and the pricing categories we're trying to hit," he explains. "They send back the items listed at my cost, the retail price and the incentive user cost. If there's any infrastructure required, it is more by the reps than distributors."

While Wittenberg's experience has been in the more complex incentive programs that require infrastructure, he says most distributors can address the small program opportunities. "When I say small opportunities, I mean total SKU count where you don't

have to fulfill and distribute products,” he says. “For example, you may have an opportunity where a customer wants to give away golf clubs to the top 500 salespeople. The distributor could easily handle this type of deal. He or she wouldn’t need any other infrastructure behind the program because the manufacturer could drop ship the product.”

Myth 8: “I can’t compete with the larger incentive companies.”

Large firms that specialize in selling the incentive market have the staff, technological capabilities and complex fulfillment systems that average distributors don’t have, so competing with these companies for the million-dollar programs isn’t realistic. “But many of these companies only work with large corporations, which represent only a small percentage of the businesses,” says Slavonic. “There are many small- to medium-size businesses that are not being served by the larger incentive companies.”

These ideal targets are often companies within distributors’ existing customer base. “There are a variety of opportunities, and distributors must leverage their existing client relationships to expand their influence within these organizations,” says Renk. “Then they don’t have to worry what other companies are doing with other clients.”

Myth 9: “I can’t find out who makes decisions about incentive programs.”

Finding the incentive buyer within a company is like locating the promotional products buyer: Distributors must ask the questions. Ask your current contacts if their companies currently do any incentive programs, and if so, get the referral to the decision makers.

“You want to get introduced around the building,” says Mitchell. “It’s like viral marketing. The way distributors become successful is by getting introduced to as many different functions within their clients’ businesses as possible.”

There are a variety of departments that handle incentive programs. Here are some ideas:

- Sales: contests to boost the top line
- Manufacturing: safety programs
- Human Resources: length of service awards and outstanding achiever recognition
- Marketing: product introductions to tradeshow giveaways
- Management: gifts for board of directors meetings and senior management retreats

“Each company has its own structure, so there is not a one-size-fits-all approach,” says Slavonic. “But by asking questions, distributors should be able to narrow down the search as to who makes the decisions about incentive programs.”

Myth 10: “There’s no place to learn about incentive programs—I’m on my own.”

This final myth is completely false. First, check out the Incentive Marketing Association, www.incentivemarketing.org, where you’ll find a wealth of information. For example, click on the Research and Information tab, and you’ll be directed to a library of white papers and PowerPoint presentations on topics such as incentive market basics, people performance management and measurement, award choices, safety programs, customer loyalty and online incentive programs. You can also search through the list of IMA members under the Incentive Suppliers tab. And all of this information is available at no charge.

Incentive reps are also ideal sources for helping distributors learn about incentive programs. Through the Incentive Manufacturers and Representatives Alliance (IMRA), distributors can find reps in their area by going to www.imraorg.net.

Additionally, there are tradeshow focused to the incentive marketplace. The New York Incentives Rewards & Recognition Expo (www.nyirr.com) is scheduled for May 12-13, 2009 in New York City, and The Motivation Show (www.motivationshow.com) is scheduled for September 29 – October 1, 2009, in Chicago.

The PPAI Expo, January 12-16, 2009, also features opportunities to learn more about the incentive marketplace. **brand.** is a new incentives products showcase, which highlights the importance of premiums and incentives within the promotional products industry. This innovative gallery will put you face-to-face with hundreds of the highest quality, name-brand products in the market, as well as the top sales professionals from some of the most sought-after supplier companies in the country.

Additionally, there are six incentive marketing education sessions—from the basic introductory course to the more comprehensive results-based incentive program design seminar.

Get Smart

While there are many opportunities to increase your business by selling incentives, it must be the right decision for your company. Expanding your offerings, whether into incentives or other services, should be done with careful consideration. But for those who have the desire and are willing to invest the time it takes to learn a new marketplace, the payoff is there. And that's a fact.

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