Loyalty Programs- Sales Growth and Customer Retention

Title of Article: Customer Retention: Keeping your Customers for the Long Term

Year: N.D.

Source: Customer Retention PDF.

Summary/Highlights:

- According to Frederick Reichheld of Bain & Company, and author of *The Loyalty Effect*: customer spending tends to accelerate over time; longer-term customers are more efficient users of the products and services they buy and have lower operational costs; long-term satisfied customers provide more referrals; and longer-term customers are less price-sensitive than newer customers. The end result is that the overall value of a customer increases the longer that customer remains a customer. They also found that a mere 5% increase in a company’s customer retention rates through a loyalty program will increase the average lifetime profits per customer.

- Deloitte Research found that manufacturing companies who tracked customer retention, set loyalty goals, and made efforts to exceed their loyalty goals, were 60% more profitable than those manufacturers who made no efforts to track customer loyalty. In addition, the study found that these loyalty-conscious manufacturers were also more likely to exceed their goals for growth and shareholder value.

- In a comprehensive survey of selling costs, *Sales & Marketing Magazine* reported that it costs 133% more to sell new accounts than existing ones.

- Many consumer incentive and promotion programs can increase sales, but when the goal is customer retention, it is best to start by learning more about your customer base. Specifically, you will want to identify the specific customers that you want to retain, understand what types of services they value, and determine what incentive motivational programs will work best with those customers.
Incentive Programs - Sales Growth and Customer Retention

Title of Article: Non-Cash Incentives: Best Practices to Optimize Sales Effectiveness
Year: 2013
Source: http://theirf.org/research/content/6096238/noncash-incentives-best-practices-to-optimize-sales-effectiveness/

Summary/Highlights:
In September and November 2013 the Aberdeen Group surveyed 312 organizations about their sales effectiveness practices and accomplishments, specifically to understand how sales performance management is effectively deployed. Their findings showed that the top 20% of companies (aka the "best in class") had the following profile:

- 16% higher average sales quota than all other firms
- 12% average year-over-year increase in team attainment of sales quota versus a 6% decline for laggard organizations
- 8% increase in average deal size year-over-year versus a 1.5% decline for laggard organizations
- 88% customer retention rate versus 14% for laggard organizations

Key Findings:

- Best in Class companies were 12% more likely than other organizations to list internal recognition for positive performance as a vital motivator to sales success.
- 100% of Best in Class companies offered group travel and 100% offered company sponsored events to recognize year-end sales success.
- Best in Class companies were 25% more likely than all others to offer group travel for yearend sales success and 75% more likely to offer company sponsored events to recognize year-end sales success.
- Organizations with formal internal sales employee recognition programs had 15% higher team quota attainment and 16% higher customer renewal rate.
- Over half of respondents listed non cash rewards and recognition as an important part of sales performance management
- A wide variety of efficiency-oriented metrics favor the outsourcing of incentive management, with those organizations who outsourced showing higher lead conversation rates and lower average sales cycles.
- Over half of respondents listed non cash rewards and recognition as an important part of sales performance management
- Best in Class companies were 12% more likely than other organizations to list internal recognition for positive performance as a vital motivator to sales success.
Incentive Programs- Sales Growth and Customer Retention

**Title of Article:** Non-Cash Incentives: Best Practices to Optimize Sales Effectiveness

**Year:** 2013

**Source:** [http://www.enterpriseengagement.org/articles/content/8288883/an-exploratory-study-of-sales-incentive-programs/](http://www.enterpriseengagement.org/articles/content/8288883/an-exploratory-study-of-sales-incentive-programs/)

**Summary/Highlights:**

The research described in this report is based on a collaborative relationship with a Midwestern financial services company with operations in 13 states, involving over 1300 sales agents, covering 78 districts. This company sells three primary product lines to end consumers through a network of agents specializing in financial services.

Key findings from the study include the following:

- For the specific incentive program evaluated, sales of the focal product nearly doubled during the program resulting in a 10% return on investment when the dynamic effects of the program are taken into account.
- Incentives seem to generate a delayed sales effect - prior to the incentive period, sales show a declining trend possibly indicative of a “holding back” of sales till the incentive period.
- There is a positive impact on sales of the focal product but there are no adverse effects on sales of other products in the portfolio.
- Individuals in high performing districts are more likely to have greater experience, more satisfaction with the incentive program, and allocate more effort to the focal product.
- Managers in high and low performing districts differ in their beliefs about the importance of cash versus non-cash incentives.
Incentive Programs- Sales Growth and Customer Retention

Title of Article: Channel Partner Engagement

Year: 2012

Source: http://www.enterpriseengagement.org/articles/content/8311349/channel-partner-engagement/

Summary/Highlights:

Channel Partner Engagement:
In short, most businesses succeed only to the degree that symbiotic relationships exist between employees, customers, channel partners and vendors. This is the basis upon which “Enterprise Engagement” is built.

One of the segments of Enterprise Engagement is REWARD.

- Margins and commissions or “spiffs” are not enough. Companies that implement non-cash reward and recognition programs for their channel partners report annual revenue increases averaging 9.6%, compared to an average of only 3.0% for all other companies, according to research from Aberdeen Group and the Incentive Research Foundation (IRF) in 2011.

- The Aberdeen/IRF study suggests that organizations that implement non-cash reward and recognition programs tend to outperform other organizations across several major business indicators, and not just in terms of revenue growth.

- According to IRF Chief Research Officer, Rodger Stotz, "Perhaps the greatest lesson to be learned from this study is that professional sales staff tend to respond to measurable rewards and recognition much like other employees, so it's not surprising to find that companies using such programs post better sales results."

- The International Society of Performance Improvement: Properly structured incentive programs can increase performance by up to 45% in teams and 26% in individuals.

- The American Compensation Association: “At median, organizations earned $1.34 for every dollar they spent on incentive awards.”