Marketing:

The guide to using incentives for new business

Secret Sauce

If you're a digitally savvy marketing manager, you've got your funnels and your attribution all set up. You're a dashboard away from the metrics on your latest campaign. Where marketers often get stuck is not in the 'meat' of running a campaign, the concepts or the overall strategy, but in the 'secret sauce' that tips a consumer from mildly interested to 'take my money' – an incentive.

Sweetening the deal is part of life, and sometimes sales as a department is more attuned to this than marketing. But when marketing gets behind a sales incentive, it can truly take off. If you think incentives are all about points meaning prizes, things are changing. While brands like Starbucks and Sephora are reaping the rewards of their rewards and points programmes, change is coming. The ultra-competitive eCommerce boom means that point accumulation to earn discounts isn't as tempting as it once was. Customers are tie pressured, fickle, and decreasingly loyal. To stand out and compete with competitors running loss leading campaigns and vying on price, brands need to deliver incentives that spark interest in consumers.

Consumers love to save money. They will clip coupons and hunt for promo codes all day to save a few pennies. As a matter of fact, about 92% of consumers used some type of coupon for shopping. Everyone loves something for 'free'.

But by using incentive marketing, your aim isn't just to reward for nothing. You're looking to reach the most likely candidates who can convert into long term business or repeat customers, powerful advocates or engaged users.

B2B, B2C, H2H – incentives can work for any business as long as you control your budget and set the right strategy.

In a world post 2020/21 there is an appetite for more experiences, more meaning, more connection. Incentives have moved beyond free eBooks for B2B and low value gift cards for B2C.

"Joining our business? Get your free £50 department store gift card / £50 cash / £50 cash back. "

There is a saying that there are only two things that matter in business– marketing and innovation.

It's time to shake things up.

Incentives are big business

Incentives have had a lot of airtimes lately. Whether it's incentives for getting vaccinated, incentives for handing in guns or needles, governments know that incentives work, and companies know it too.

A 2019 estimate claimed that over half of US households were Prime members, while Starbucks in 2020 hit a reported 19.4 million 90-day active Rewards members, with a view to capture 40 million.

Thriving in incentives

So why does it give marketers and CEOs the jitters? Perhaps traditionally, incentives felt like a freebie in a way that opting to 'boost a post' to get seen by eyeballs didn't. If you've been put off because it feels like you're taking a 'chance' of conversion, that's no more true than saying that your targeted Facebook ads are a stab in the dark. As the adage goes, half the money you spend is wasted – it's just knowing which half.

The companies that are thriving in incentives are typically the ones who have 'gone hard or gone home'. It's not a dabbling game. Investments in the right incentive, the marketing promotion, the tech, and the delivery are all considered purchases.

What incentives can market teams offer? What works? What would make a consumer use your services, or do your bidding (whether that's a survey, or a review, or signing a contract or a subscription?)

Let's look.

What may hearten you is the volumes of business that can be won when you get it right.

65% **of consumers say that receiving rewards impacts their frequency of purchase.**

of consumers say that rewards impact how much they spend **64%**

69% **of consumers say that they're more likely to try a brand if it gives rewards.**

Why do we love incentives?

It’s human nature to respond to something that benefits us.

When exposed to a rewarding stimulus, the brain responds by increasing release of the neurotransmitter dopamine and thus the structures associated with the reward system are found along the major dopamine pathways in the brain. We still understand less than we would like to around the reward structures in our brain, but some studies have suggested dopamine is involved in encoding memories about a reward (e.g. how to get it, where it was obtained) and attributing importance to environmental stimuli that are associated with the reward.

Rewards are typically studied for addition, but incentives are part of our DNA.

In “Freakonomics,” authors Levitt and Dubner said “there are three basic flavours of incentive: economic, social, and moral. Very often a single incentive scheme will include all three varieties.”

Social incentives connect us to our tribe and tap into our DNA to survive as part of a group. We want to follow the herd. Moral incentives give us an imperative to act based on our ethos. Consider charitable campaigns, and TOMS shoes, who donated a pair for each pair bought.

Finally – financial incentives, what we are covering here

The formula for an effective incentive is always Ability + Motivation = Performance.

Whether your incentive is to encourage your child to pick up their toys by offering a sweet treat, or coaxing someone to register their feedback online, an incentive will often work in place of reasoning, explaining, begging, reminding, or badgering. Incentives only become powerful if the individual places **importance on the reward**. Rewards must be obtainable to be motivating.

You probably know as a consumer that incentives work. Get your 5th coffee free. A free haircut when you recommend a friend. Review us and get 20% off. This inspires a chain of thought to drive an action that you otherwise may not have been motivated to do.

The key is in the delivery and the reward.

"Customers don't need more points. They are drowning in them; what they need are rewards and offerings relevant to their actual wants and needs in terms of service and relevance to their daily spending patterns."

Visa's Senior Vice President of Merchant Sales

Let's switch things up

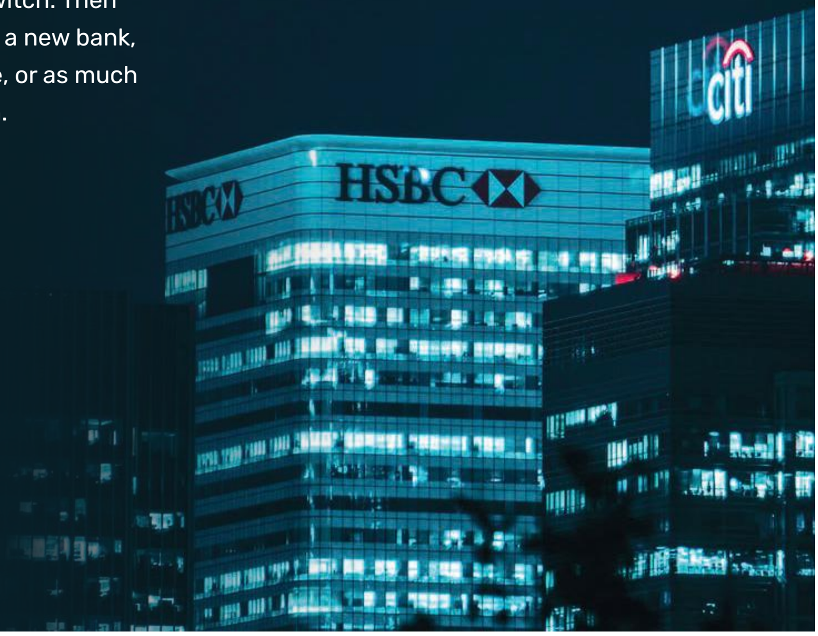
What if your hairdresser offered you not a haircut at a 'cut price' (pun intended) to recommend a friend, but a £10 gift card for a store that's a 20-minute drive away. The hair cut discount might be the same value, but when you calculate your time to get there, your interest in the store, your likelihood of going – you might decline to take any action at all. What seemed on paper like a great deal is not the best option.

Now the hairdresser is potentially down on an outlay of incentives they may have pre purchased, and down on their end goal – to acquire new customers.

Not all the time. Switching banks might be as interesting to you as eating a whole car tyre, and a £50 credit, cash value or other perk might not cut it in driving that behaviour on any normal Tuesday.

But let's say your current bank had let you down. You have already been eyeing up a switch. Then your friend tells you they switched to a new bank, and they are having a whale of a time, or as much as you can with a financial institution.

Now you are primed. This is when an incentive should work its magic. If you think that's a random and unlikely occurrence, you'd be surprised at how many people are interested in leaving the companies they do business with. It's a fickle world out there!



How can you use marketing incentives?

Marketing incentives are rewards given by a business to current and potential customers to promote conversions.

These conversions could include

- Initial purchasing
- Repeat purchasing
- Website visits
- Social media follows
- Email signups
- Referrals
- Reduced fall out in the sales cycle

Incentive ideas

- Incentivized pricing for buying a particular volume or using your service a specific amount – A method of offering a discount for what is in effect, bulk purchasing or consistent spending. The simple coffee house '10th cup on us' is an example of this.
- Referral bonuses for signing up others – also known as recommend a friend.
- Premium memberships – Amazon Prime is the most famous example of premium membership. Incentivised by an offer for free delivery, millions of customers now use Prime.
- Discount codes – discount codes are trackable and everywhere. In terms of an incentive, these are low risk but usually low appeal to the consumer, offering little in the way of exclusivity and favouring the 'digitally savvy'.
- Competitions – Competitions or sweepstakes intend to encourage action by offering a chance of winning. The prize must be high value and desirable. Dabbling in low volumes can result in poor results and an increased ad spend. We'll cover this later.
- Early access to new items – Early access is given as an incentive, but if the offering is not premium or highly exclusive, this can be a marketing trick in a disguise, with no real value for the customer. Cost effective to run, creating a wait list incentive is a great way to ascertain potential sales volumes and reward loyal customers.
- Gift Cards - Gift cards are tied heavily to the incentive marketing world, and for good reason. £2.2bn is spent in exceeding the value of a gift card. The gift card market for business purchases and rewards stands at £5.6bn, and an astounding £2.2bn is spent on 'overspending' the cards value – topping up at the till or checkout with their own value. It appears that gift card recipients feel more inclined to use gift card shopping as a 'treat' or experience in itself.
- Physical items – iPads, experiences, flowers, chocolates, luxe items – either from your own brand or another with an affinity to yours.
- Branded merchandise – Working in minor situations and those with consumer appeal, a branded hoodie or sweatshirt could be an incentive if you have the 'cool factor'.
- Digital rewards - online codes for gaming, merchandise and products, eating out and shopping all delivered to a mobile are likely to only continue to rise in interest for Gen Z and subsequent demographics.

Suggested spend

Every incentive has a different score on the effort/ risk scale and each takes time, resource, and space, technical know how and management, and has a corresponding return.

How to use incentives

Using incentives to shorten a sales cycle
If you work in high end or considered purchases, either B2C or B2B, you may have a long sales cycle with plenty of opportunity for fall out. The sales metric Average Sales Cycle Length is the amount of time from your first touch with a prospect to closing the deal, averaged across all won deals.

This is where incentives can come in, and they can plug the gaps at any point in that journey. Consider also taking a check of the percentage of deals lost at each stage of the sales cycle. Measuring this metric helps you see weak spots in your sales cycle. As you tally deals lost per stage, you can quickly identify bottleneck areas.

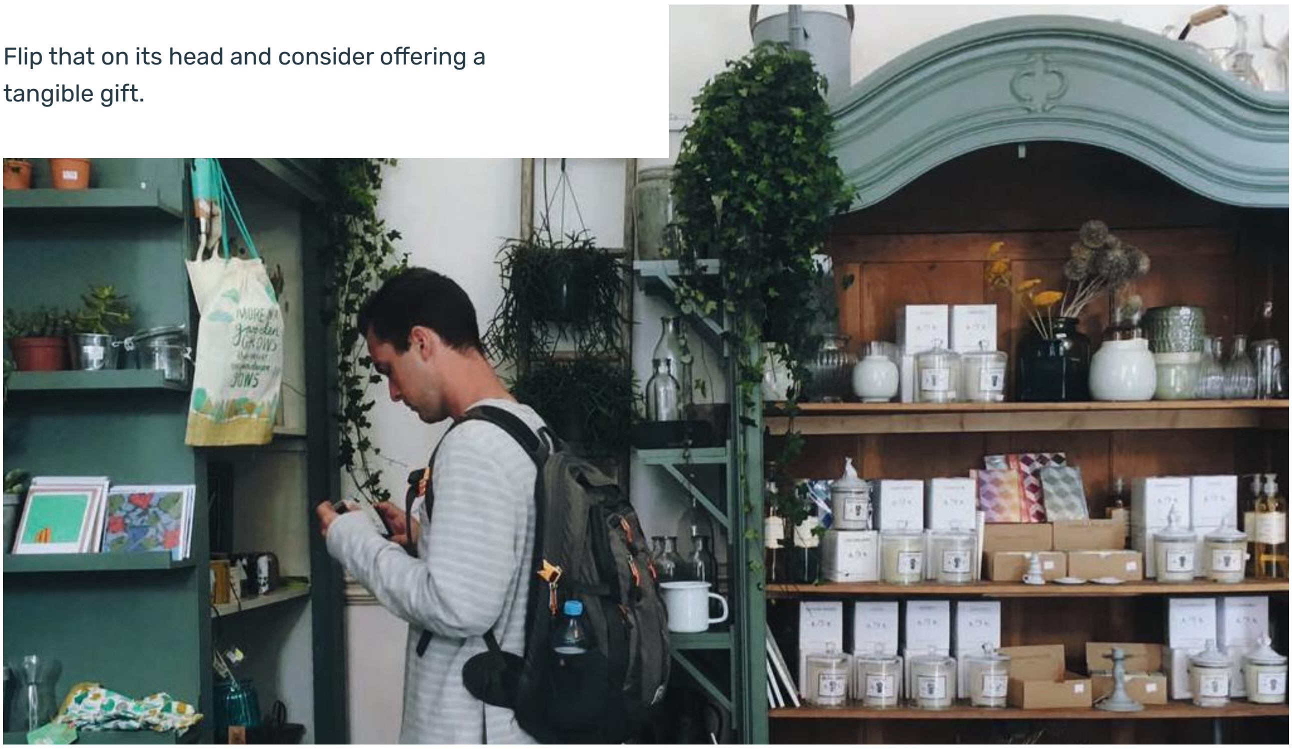
It’s typical for B2B companies to give away an eBook or a guide, but content is saturated. Thousands of ‘offers’ and ‘freebies’ are given away like this every day.

Flip that on its head and consider offering a tangible gift.

Using incentives to attract customer feedback
93% of customers read online reviews before buying a product, and 91% of 18-34 year olds trust online reviews as much as personal recommendations. If you have an interest u growing this side of your business, incentives are a great way to do it.

As well as being great for online search and buyer trust, it’s also another way to connect with customers. Hearing feedback from customers will give you insights to help you improve the customer experience and see gaps in innovation at a product, technical or team level that you could address.

Incentives in this area of your business will impact teams across the business, not just marketing and sales.



Using incentives to attract customers and repeat business
An Implisit study reveals that 13 percent of leads are converted to opportunities on average in B2B. The figure tells us that lead to opportunity ratio is a numbers game. The more leads you generate, or customers you get to your website, the more opportunities you have.

Setting a budget for your marketing incentives

The aim of incentive marketing is to ensure that any spend is recouped in the LTV-Lifetime Value. This is the total amount of money that you'll receive from a customer throughout their entire lifetime as a customer.

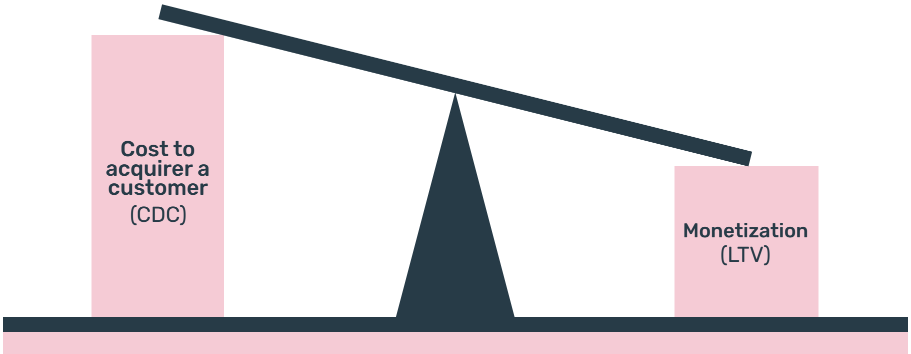
You probably already understand your current cost of acquisition, and it's all about balancing this. (This can be calculated by simply dividing all the costs spent on acquiring more customers - your marketing expenses - by the number of customers acquired in the period the money was spent. For example, if a company spent £100 on marketing in a year and acquired 100 customers, they have a CAC of £1.

In eCommerce, that means looking at things such as:

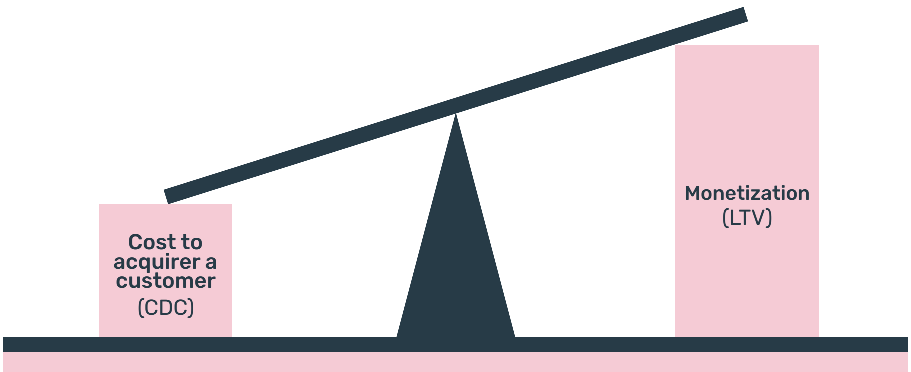
- Average Order Value = Total Sales / Order Count
- Purchase Frequency = Total Orders / Total Customers
- Customer Value = Average Order Value x Purchase Frequency

Marketing failure

Marketing failure comes when CAC (the cost to acquire customers) exceeds LTV (the ability to monetize those customers over the long term.)



Unprofitable business model



Profitable business model

How much to spend on incentives

It's true to say that every company will be different with what is an acceptable spend on incentives. Your product might cost £50 or £5000. Customer churn might be incredibly high, or hearteningly low.

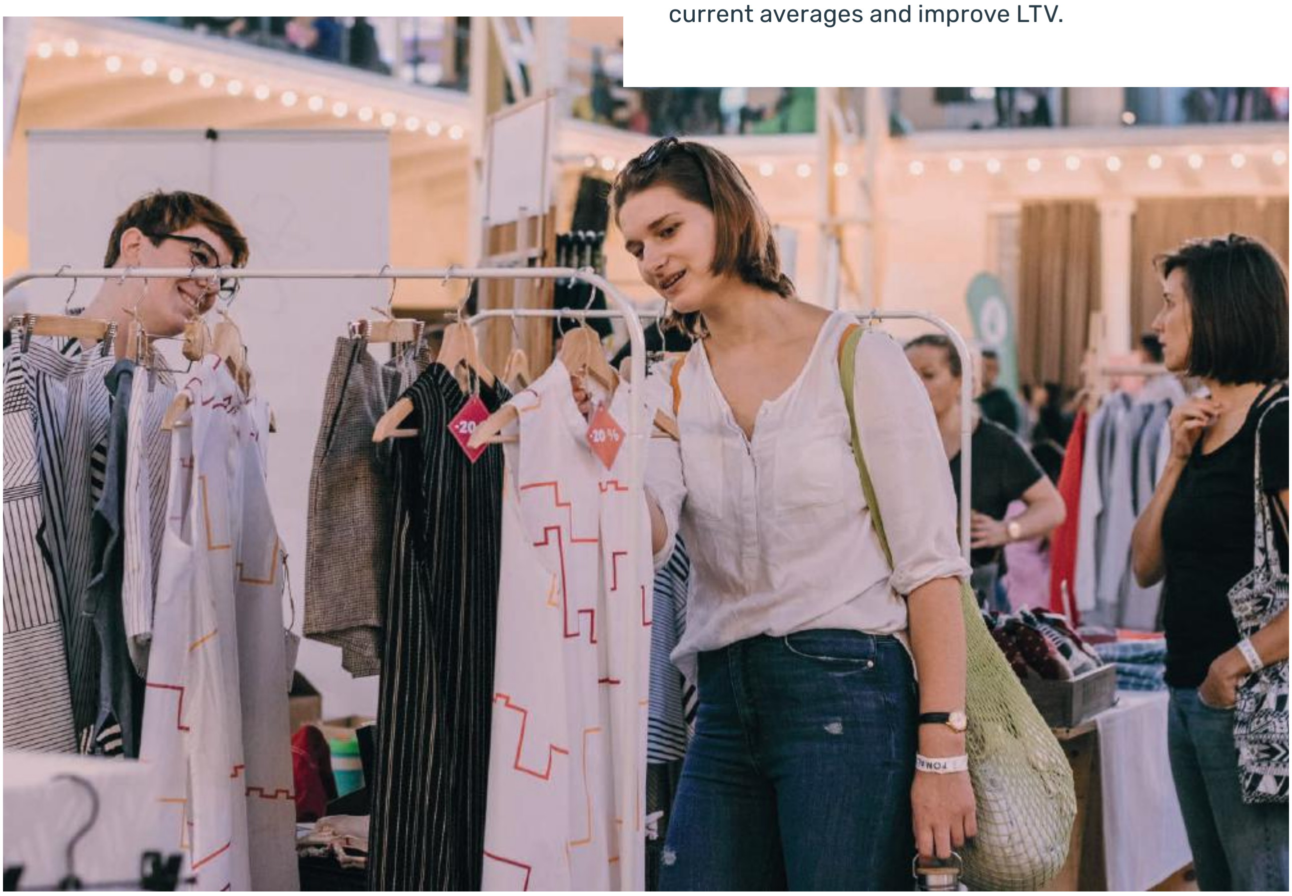
Your budget cannot be guided by anyone else, but here are some points to consider:

- Have you calculated the ROI on all marketing and sales activities?
- Have you got a baseline for the average cost per acquisition using current methods?
- Do you have a calculation to account for your churn or customer loss?
- Have you got a benchmark for current stats that you wish to incentivise – for example, % that recommend a friend, leave a review, average drop offs within the sales cycle?

Most budgets include elements of promotional marketing, database costs, logistics costs and technical spend, as well as fees to any agencies. Always ensure these are considered in year budget.

Now, define your budget. There are incentive marketing ideas we have included above that do not require you to put out cash since you just must reduce the price of your product or the cost of your service, but no matter what type of incentive marketing you will be using, it is equally important to make sure that you know how much you can afford. In the end, if you were able to define your budget and get the starting numbers right, you know how much you have gained and can prove ROI.

When you run an incentive, you are hoping for a long-term result. Your business is investing in making a customer, and even a temporary loss on a balance sheet justifies getting 100 new customers if those 100 customers remain with the company beyond the current averages and improve LTV.



Beware of dabbling

Some choose to dabble and keep costs low, but this may be the wrong strategy.

If we had a pound for every tine a competition offered us a 'chance' or a 'shot' at winning a perk, we would be very rich indeed. You might be too. For newcomers to incentive marketing, this seems like the best solution. You dip your toe in and get a taste of if the incentive space is right for you. But is this really a fair comparison?

Running a competition for a chance to win 10 gift cards at £50 each will cost £500, and as this is a small value, let's say you are seeking email sign ups. Because the offer is not competitive or guaranteed, it won't attract as much interest as a sure bet. You could double your typical social media ad spend from what might usually be to promote it. You must then add on admin time in reviewing entries, a web page or facility to handle entrants, safe data storage or removal of data, and allocating the prizes (calls, emails and packaging and postage.)

The value of the customers will be skewed towards those interested in competitions and something for free. Discounting even these results in fewer genuine email subscribers.

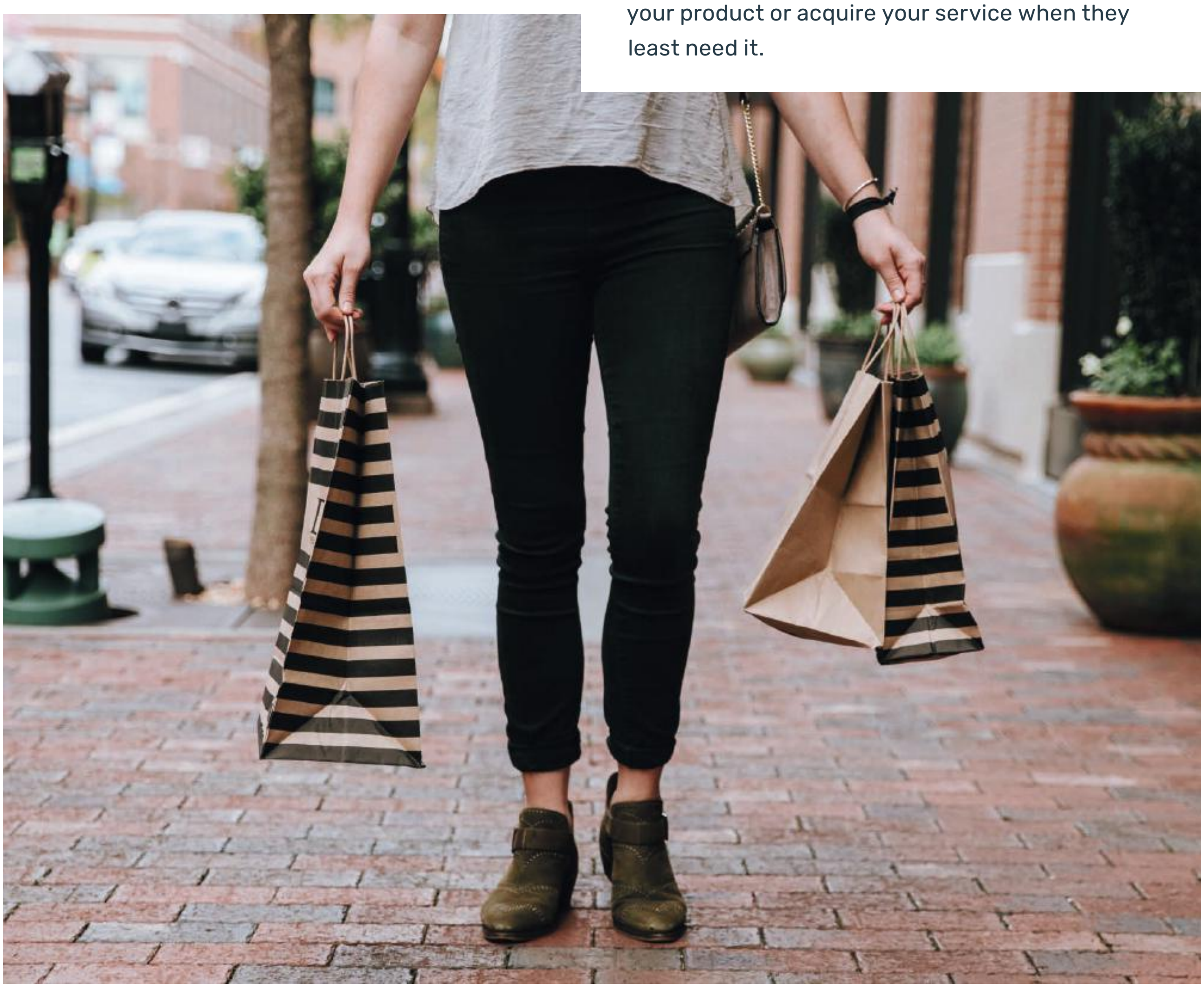
Then you have the task of tracking the average spend of these customers to discover the real value of the campaign. Over the course of a year your actual conversion rate and the LTV of these customers may have made a net loss.

By offering a fixed term incentive for every new customer sign up / purchase for a limited number of customers, you need a heartier budget, but you set out parameters and guarantee that first sale. It's more of a risk, but the return is far greater for your and the new customer. Incentives like this work because each new customer is guaranteeing you some return. Therefore, LTV is such an important factor to consider.

A note on cohesion

Incentives work hand in hand with a well-oiled business. Just like the image in sales of the leaky bucket, if you fill the bucket with incentive won leads and new customers, but then fail to deliver on quality, service, innovation, follow up and customer care, you will not see a marked difference in LTV. Just like any marketing activity, incentives only have that impact when they are relevant and working as a 'cherry' on top of a thriving business.

The length of the program must also be well-planned. Timing is also crucial. These 2 must go hand in hand and will define if your incentive marketing will work or not. To know when the right time is to launch this program, study carefully the behaviour of your sales during the year. Take note of the highest point and mark the lowest point. Usually, incentive marketing can be implemented during the months where costumers are less likely to buy your product or take your services. Simply put, give them a reason to buy your product or acquire your service when they least need it.



The problem with incentives: Poor brand alignment

This example with a hairdresser shows one of the key problems with the use of incentives in marketing - brand alignment.

Incentives come in just a few flavours. Unlike the rest of our lives where we are given almost boundless choice, incentives are typically a pre-selected gift, a gift card, or cash.

Cash is king in the financial services, and that’s why you typically get a £50 credit, or a gift card to a retailer. Gift cards for department stores are usually selected as an indicator of quality and universal appeal and that’s because brand alignment is a huge problem in the incentive’s world. Marketing incentives are easy if you are the retailer of physical items, or if you are a retailer, and your incentives can almost be unlimited in what you offer. Gift cards. Your own accessories or stock. Trips to see where your items are made.

Marketing incentives for non-retail businesses are a little harder, and this is where we see the same offerings on rinse and repeat. For example, if you are B2B marketing business, selling a service or SaaS or something else, such as insurance or financial services or something that’s not tangible, the closest you have in product to give away is a brand t-shirt in your marketing cupboard. Spoiler – if you wouldn’t wear one, it’s not a decent incentive. That’s why brands try and turn to cold hard cash, or a gift card.

When it comes to driving other behaviours, for things like encouraging survey responses – the values are also naturally lower, so you don’t spin through your budget for a poor ROI. This is where marketing teams try and pick a ‘do it all’ universal appeal gift card – who hasn’t been offered a £10 Amazon gift card for a review or another activity?

Why another brand's gift cards don't always work

We know gift cards are great, we've built a business selling them. That doesn't mean that a gift card is right for every consumer. You could hedge your bets that most people would like an Amazon gift card. But what about the people that don't? And does sending one send the right message? Do their values align with yours? What about a department store? Again, it may tick all the boxes, but you have no idea whether their store has closed, or if they have had an issue with that retailer.

If you want to market another brands' business, either their products or a gift card, you'll need to speak to them about it. One brand might not want to be associated with yours, and before you send a direct mail to 500,000 people advertising that you are giving away gift cards for their brand, that needs to be approved.

The approvals process can take weeks of form filling. Some companies just ignore this and crack on, and start offering 'iPads' as an incentive, and there was a real rash of these online a few years back. The professional companies always check with the retailer themselves.

Any prescriptive choice you make on what incentive someone wants is a detractor to its potential success.

The idea of any marketing campaign is to make an emotional connection – a moment that stays with them long after they signed up, subscribed, bought your item.

The solution is to offer branded incentives that can be used to tailor your offering to your target audience and your brand.

The checklist

Are your incentives:

- Branded to your business?
- Redeemable almost anywhere?
- Universally appealing
- Easy to claim?
- Delivered instantly/ next day?
- Offering both physical and digital?
- Simple to administer
- Delivered via mobile

Have you:

- Checked LTV
- Checked Avg Spend Per Customer
- Specified your core demographic
- Ascertained what good looks like
- Aligned your wider goals
- Dated your campaign
- Set milestones to review
- Set parameters and a budget
- Agreed an exit plan
- Set terms and conditions
- Created a marketing strategy
- Considered ad spend
- Contacted an agency
- Researched best in class incentives

To discover more about the onecode, and to see it in action with a live demo site, contact us today.

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