Sales Channel and Customer Incentives are Not Enough
PAVE a New Path to Sustainable Growth
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Executive Summary

The world of incentives and rewards – motivation programs for sales reps, dealers/distributors, and/or customers who achieve revenue, purchase, and other goals – is in the midst of dynamic change. The “do-this-get-that” methods of the past are no longer sufficient to deliver the sustained ROI businesses require to be successful. Engagement with and advocacy for brands cannot be obtained through rewards alone. In fact, poorly designed programs that attempt to “drive” behavior may actually be driving the people that matter most to your business right out of the door.

Deep market shifts are occurring that require a fundamental re-thinking of how firms impact the selling and purchasing behaviors of their stakeholders. New research findings about what motivates people suggest that motivation needs to account for the importance of emotional connections to a brand and the need for a higher sense of purpose associated with brands. If the overarching mission of a program is to “drive performance” for the singular, brand-centric goal of revenue growth (market share, profitability, etc.), “incentives” as we know them will only have a short-term impact on results, and a potentially negative impact on actual relationships.

Success in today’s market environment requires a complete shift in perspective. Your role as a brand is no longer to extract your company’s growth from an audience, but instead is to empower their success (whereby your success is a byproduct). Engaging an audience of people to perform at higher levels has transitioned from a push strategy to a pull strategy; from a purely company-centric activity to one that includes mutual and equitable benefits for the people in the program. It is a shift that requires a focus on relationships and behaviors, not just transactions and outcomes. This is no subtle adjustment. Adopting a pull strategy requires brands to rethink the very purpose of their incentive or loyalty programs. It requires an experienced and well-researched designer to form a new plan, and to walk a totally new path.

“Human beings have an innate inner drive to be autonomous, self-determined, and connected to one another. And when that drive is liberated, people achieve more and live richer lives.”
— Daniel H. Pink, Drive: The Surprising Truth About What Motivates Us
Performance improvement or loyalty programs have tended to be rooted in transactions, where rewards and recognition are calculated based on a pure economic exchange: revenue generated or units sold. Not every brand needs to be like Apple or Southwest Airlines; transactional relationships are okay for some brands. Yet, there is growing research indicating that positive overall relationships, not rewards for transactions alone, earn sustainable loyalty. Now more than ever before, it is important that B2B brands connect with the people in their audience – both customers and selling channels – at a deeper level.

“Inspired people have a deeper purpose greater than themselves. We’ve been spending too much time engaging workers with carrots and sticks, and not nearly enough time inspiring them with values and missions worthy of their commitment.” – Dov Seidman

The most successful companies in the world engender a “love” for their brands, not because of carrots and sticks, but because of the way they care for the people who can deliver their success. Of course, these brands still employ rewards for performance as symbols of meaningful appreciation. What is it that they appreciate? The answer to that question is unique to every brand in the world, and it depends wholly on what the brand stands for. The role of design is to align those values to the programs that engage their stakeholders.

This white paper is intended to help all incentive program owners/managers design more effective programs. It will provide the background for this major shift in strategy, and will introduce new tools – including the PAVE Engagement Model™, a proprietary design process created by Animate Growth Partners – to aid in the design of performance programs of the future. Your job still requires program investments to deliver a financial return to the company. By applying these tools, and working with a holistic engagement designer, you will not only increase short-term ROI, but actually sustain growth by building stronger, foundational relationships with sellers and purchasers of your brand.

The key questions we’ll address in this white paper:

1. Why are incentive programs of the past no longer sufficient for the workforce of the future?
2. What is holistic engagement, and how can it supplement incentives for performance?
3. How can we simply and inexpensively step into better strategic design of programs? Can you net out the process for us?
Part 1: At the trailhead – “How did we get here? And where does this path lead?”

Little has changed in how companies motivate their people and their customers. The foundations of motivation theory are still the behaviorism of Skinner, and Maslow’s “hierarchy of needs,” which suggests that individuals must first meet their basic, life-sustaining needs before addressing desires for social acceptance and self-esteem. Modern research into neuroscience and the reward centers of the human brain continues to find proof for theories Maslow put forth 50 years ago. Yet research is finally pushing motivation theory beyond the work of its founders. In fact, Maslow’s work still contains unrealized opportunities to achieve better business results and higher levels of engagement from performance improvement activities.

As marketing shifts from “one-to-many” to “one-to-one” based on a deeper understanding of the person, it’s tempting to ask what would happen if brands and companies developed programs that intend to help people – customers and sellers alike – achieve higher degrees of personal fulfillment (self-actualization)? – Jerry Klein, Animate Growth Partners

This is no longer just an academic question. In their 2015 e-book, Mary Beth McEuen and Barry Kirk noted the “engagement cliff” that results in rapid disengagement from consumer loyalty programs. Rather that continuing to drive “mercenary loyalty” (I buy or sell your brand because you give me something), McEuen and Kirk suggest that some brands should aspire to a higher level of loyalty based on relationships with the brand, not just transactions with the brand. While this dynamic was observed specifically with consumer (B2C) loyalty, the same dynamics are relevant in B2B.

Additional research and academic thought has shed new light on motivators that can help brands deepen their relationships with buyers and sellers:

1. The works of Daniel Pink suggest that today’s knowledge-based work requires creative, conceptually complex tasks and problem-solving. Brands in this
environment can achieve enduring performance best by infusing work with sense of autonomy, encouraging mastery and having a higher purpose.

2. Current (2017) research from UMSL in the *Journal of Marketing Theory and Practice* demonstrates that intrinsic motivators, brand attitude, and emotional connection are the greatest predictors of discretionary selling efforts on behalf of a brand.

3. In their 2003 work, Lawrence and Nohria of the Harvard Business School suggest that all people are powered by four biological drives. The drives to Acquire and to Defend have been the basis of “do this get that” performance improvement initiatives for decades. However, people are also motivated powerfully by the Drive to Bond (think of Maslow’s social needs”) and the Drive to Create: to contribute to something larger than oneself and to make the world a better place (think “self-actualization”).

4. Buttressed by new technology (see fMRI) in the field of neuroscience, scientific research by Paul Zak and others has advanced our understanding of how people make decisions. In fact, behavioral economics suggests that most decision-making is not a product of rational choice but is strongly influenced by personal biases, emotions, and social influences.

Clearly, the trend suggests that a focus on transaction-based, “do this, get that” exchanges, while perhaps appropriate for certain business needs, does not create a sustainable long-term competitive advantage. The implications of this research suggest that maximizing motivation requires engaging the whole person, not just the acquisitive individual trying to reinforce their need for basic comforts and safety.

Can your brand differentiate from competition based on deepening relationships with sales reps and/or customers? Do you want to create meaningful experiences and a strong emotional association with your brand? If so, it is time for you to choose a new path to building engagement. The well-travelled road of transaction-based incentives and rewards alone are not enough to deliver sustainable ROI. It may, in fact, lead your sellers and purchasers to feel manipulated and hence to disengage.

*With the right program design, incentive program owners can generate dramatic (20%+) improvements in the performance of their programs.* The ensuing sections of this paper will help you carve that path for your brand and create a competitive advantage.
Part 2: Mapping your new route – “How do we know we are on the right track?”

No matter the audience, the goal of traditional performance-based programs is the same – target a specific group of people and extract improved financial results by offering rewards and recognition. However, as we discussed in Part 1, it is clear that working one transaction at a time is not a sustainable path to deeper levels of engagement and loyalty. Designing programs with a people-centric approach will help facilitate an evolution – from “do-this-get-that” incentives (or “schemes” as they say in Europe, which is pretty telling, actually) to a more comprehensive engagement that broadly impacts how people choose to work for, sell and buy brands.

Let’s begin with end in mind. As you would expect, your destination remains the same – improved financial (and non-financial) results for your company that are greater than the investments required to generate them. Programs of the past assumed that a person’s desire to achieve a goal and to earn a reward would be enough to get those results. It was a cause-effect relationship, and it worked to some degree for quite a number of years. This formula has tended to benefit the firm but has looked at the individual in strict behaviorist terms that overlook powerful new insights into what motivates people.

In fact, the Sales Executive Council and countless other research studies have proven that the most direct influence on business results is ... wait for it ... EFFORT! Ok, that was not a huge leap. People who put more effort into selling, recommending, or purchasing a particular brand outperform those who put in less effort. Our aim, then, is to determine: What leads to the highest degree of effort from your audience?

A 2017 UMSL study (referenced in Part 1), authored by Frank Fu, Michael Elliott, Haim Mano, and Chris Galloway, asked just that question. It found that the new waypoints of our route to sales effort were proven to be complex and intermingled. However, there are very certain points of clarity available to marketers.
First, the research demonstrates that the leading indicator of brand-specific effort is a person’s emotional commitment to the brand. As our brains process more and more data every day, we rely on shortcuts in decision-making that are largely driven by our own emotion-based filters. While other inputs had indirect impacts on sales effort, emotional commitment – or what we call “Brand Connection” – had the highest correlation to effort. The research showed that this personal, emotional filter has an impact on other key drivers as well.

Three other important inputs to brand-specific effort are intrinsic motivation, brand attitude, and self-efficacy (or confidence in one’s own skills). Each of these categories had a highly correlated impact on a person’s Brand Connection, and an indirect impact on effort. However, when a person’s overall Brand Connection was low, it had a negative impact on all other categories. The impact on sales effort was highest in this study when high degrees of Brand Connection were paired with high levels of intrinsic motivation and self-efficacy.

“Meaning reinforces employee’s passion for work because it ties what they do to a greater good that also pays off in the marketplace. Passion for work is an intangible asset that has a direct impact on a firm’s market value.” – Dave and Wendy Ulrich

Extrinsic motivation was measured in the study and it does impact effort, but it is not as strong as the others. This observation confirms what many practitioners have stated privately for a long time, and is the biggest reason to change the “do this, get that” approach to motivation: extrinsic motivation alone does not sustain long-term performance or loyalty to a brand.

We see the precursors to Effort as waypoints on our new path to engagement. Effort, Connection, Intrinsic Motivation, Self-Efficacy, and Brand Attitude all play important roles in maximizing business results; however, the degree of impact from each point may vary by audience and by brand. In order to be truly diagnostic in our approach to design, we need to be able to measure the importance of each of these waypoints.

But how can you measure and prioritize these precursors to results? Engagement designers definitely need some new tools to uncover pitfalls and discover hidden gold lying in your path. We need a framework from which we design more effective strategies and programs.
The transition from incentives to “Engagement,” is not just a label change. The very purpose of performance programs needs to change: from a company-centric financial exchange, to a values-based exchange in which both the company and its stakeholders realize more equitable, mutual benefits.

“In the past, the vast majority of benefits to participants in performance improvement programs came from the monetary value of the reward itself, but that is changing. People today are placing more value on individual growth opportunities, “selfie” moment experiences, and alignment with purpose and greater meaning.” – Chris Galloway, Animate Growth Partners

In order to help businesses navigate the shift from transaction-based programs to values-based programs, the change begins at the designer’s table. Program design services specific to reward programs have traditionally been “given away” by the suppliers who sell technology and rewards. The resulting design, therefore, is far from agnostic. Engagement design, however, is more holistic and not bound by any reward type or technology; it opens the door to solution elements never before contemplated in traditional incentive programs.

At the intersection of science and marketing today, designers have the obligation to help companies accomplish two monumental tasks that can improve the ROI of engagement initiatives: 1) diagnose brand-specific drivers of emotional connection, and 2) design segmented strategies that leverage those key drivers.
From multiple human drives and behavioral economics, to neuroscience and empirical research, we’ve thus far illustrated the complexities in motivating performance. It is clear that designers need a new model to follow when designing people-centric performance improvement strategies.

Introducing the PAVE Engagement Model™

Animate Growth Partners has developed a proprietary analytical and design tool that is aimed specifically at helping brands create deeper levels of engagement and loyalty among the people who either sell or buy their products. The PAVE Engagement Model™ is designed to answer the following questions:

1. What are the key drivers of brand-specific sales or purchase effort?
2. How is a brand performing in those key driver categories?
3. How can a brand improve performance in those key driver categories?

Effort, in this model, is defined as a sales person’s genuine recommendation of the brand to clients, or as a customer’s stated preference for purchasing the brand over competition.

The PAVE Engagement Model™ is a diagnostic tool that can help firms assess and strengthen the emotional connection to their brand with both buyers and sellers. It is also a process which helps companies lay the right foundations for strong relationships with their brand. So, what does PAVE stand for? Simply put, each letter in PAVE represents an emotional state that a brand can contribute to (or take away from), and they consolidate the critical aspects of research and science related to motivation. Each PAVE category is a waypoint on our new path to connection, effort, and results.

A Case Example:

A technology organization employed a diagnostic survey with hopes of understanding why their decades-old top performer reward program was losing impact across their U.S. customer-facing employee base. Performance in the program was measured predominantly by sales volume, even for their service engineers. Two obvious findings occurred before the diagnostic:

1. 80% or more of the organization disengaged immediately from the program
2. Often, winners did not know how they won

In this company, the largest contingent of employees are the technical service engineers, and the diagnostic found this group to be the least engaged overall. While they enjoy the job itself and generally feel satisfied working for their company, the research demonstrated that these employees were not bringing their “whole selves” to work each day. In fact, the highest predictor of effort in this group was tied to their emotional connection to the company. Contributing to their deficiencies were the following:

- A significant lack of communication and connection to purpose
- A sense of not being appreciated, and lack of fairness in qualifying rules
- A feeling that “management” didn’t care about them individually

Armed with specific data and deeper analytics, the organization implemented new initiatives and improved existing ones. While we can’t reveal their strategies and results, it is easy to see how information like this can improve the long-term effectiveness of their top performer reward spend.
When a person is emotionally tied to your brand, they feel **Passionate, Authentic, Valued, and Empowered**.

**Passionate**: The brand’s values are in line with the person’s beliefs. They maintain close personal relationships with representatives of the brand. They trust the brand implicitly and advocate passionately for the brand.

**Authentic**: The person’s preference for the brand is not forced or fake. The job of selling or buying the brand’s products complements their career goals. There is a sense of meaning or purpose with which they personally identify that forms a connection to and affinity for the brand.

**Valued**: Current and future financial arrangements (commissions, pricing, rebates) are satisfactory and have potential for growth. The person feels appreciated for their work, and that their input and personal goals matter to the company.

**Empowered**: The brand’s offerings are relevant to the person’s work, and readily available. The brand provides the tools and training to make the person successful. They feel confident in their ability to achieve success with the brand.

**Figure 1: The PAVE Engagement Model™**

In the graphic above, the darker colors on the PAVE building represent higher degrees of impact on Brand Connection; for example, having passion is more impactful than feeling authentic, which is greater than feeling valued, etc. However, focusing on the higher-level categories without first putting in place the basics of making people feel valued and empowered can undermine a company’s investment. Therefore, the priority for fixing any shortcomings begins with first empowering and valuing people. After all, how passionate about a brand can a person feel when they know nothing about their products, or do not believe these products solve their customers’ needs?
The relationship between PAVE and Maslow’s hierarchy is not one-for-one, but we see an interesting correlation. A person’s intrinsic desires to grow, belong, live lives of meaning, etc., somewhat aligns with how a brand can build preference and advocacy among its sellers or buyers. This relationship is not accidental, and it is why we need to elevate the discussion concerning incentives. Creating the right foundation (environment) for performance programs, and differentiating programs based on higher-order emotional connections is critical in delivering sustainable ROI.

How Does PAVE Work? The Diagnostic Survey

To help understand the drivers of PAVE for a specific brand, we have collaborated with academic research advisors and leaders in behavioral economics to create a diagnostic survey. It asks a subset of research-validated questions for each behavioral driver and correlates those findings with both sales effort and sales results. The result is a whole-person view of that brand’s most important drivers of connection and results. Even better, the research shows how the company is performing in these areas, and prioritizes issues that need to be addressed. Brands can use the diagnostic results as their “roadmap” to engagement and loyalty. AGP then applies the model to recommend a set of best-practice solutions for each key driver as a starting place for solution design discussions.

In simpler terms, by participating in a PAVE Engagement research project, a company can expect keen new insights into their audience coupled with a prioritized plan of action. Aggregate PAVE survey scores are rolled up into a Brand Connection Index (BCI) which can be benchmarked and monitored over time for improvement. Brands can implement their new engagement plan on their own, or they can enlist the assistance of partners like AGP as an extension of their marketing and strategy team.
The BCI Segmentation Framework

When paired with actual sales or purchase information, your Brand Connection Index data (by customer or seller) becomes an extremely valuable marketing segmentation tool. As you’ll see in the illustration below, by putting revenue or volume data on one axis and connection data (BCI) on the other, you will begin to look at your audience in a new light. The resulting insights are a far more robust framework for communicating, engaging, and relating with sellers and buyers than strictly volume-based segmentation.

Figure 3: BCI Segmentation Framework

What do the segments mean, and how do I treat them differently?

“Brand Ambassadors” - the sellers or customers who rank high in revenue, and high in connection to the brand. They advocate for your products over competition at every turn, and are clearly influential in your business. As these are your largest and most vocal representatives to the market and social networks, investments for this group should focus on brand alignment (ensuring they are conveying the brand you intend), and on motivating brand building behaviors in top performer programs.

“Friends and Family” - they sell or buy your brand because they know someone else who does, or somehow, they are connected to people on your team. Being part of the community is more important to them than competing for top performer status. In channel or customer environments, it is this category that represents the single largest growth opportunity. Invest in motivating activities that build their base of business (which engenders even stronger connections), and watch your volume increase as a direct result.
“Jerry McGuire” – show them the money. They are high volume and they know it. These people expect favorable pricing, and generally don’t care as much about relationships. That isn’t to say that you can’t improve connection here, but that isn’t the best route to take for growth. Invest in incentive programs that accelerate payouts for overachievement – based on experience, you can expect that every incentive dollar they earn will be attached to 3x in ROI.

“WE; TB” – whatever, too busy. Every brand has this category of seller or buyer. They don’t think much about brand, and they buy so infrequently that it’s hard for them (or you for that matter) to pay very much attention. There will be the occasional shooting star out of this group, however, so don’t totally ignore them. Invest in the basics here and ensure that when they need you or your product materials they know exactly where to go. Incentives for this group can key on product and/or skills training.

What if you take segmentation one step further …

Imagine the power in knowing BCI data at the individual level, without having to perform a full survey on everyone. The PAVE diagnostic survey will indicate the top 5-8 questions that predict brand connection. Upon enrolment in your program, if every person had to answer those questions as part of their registration, you could use the same segmentation model to focus your marketing on the individual. This is happening in B2C marketing today (in the most sophisticated companies only), but not at all in B2B. Just think about the ROI you could generate by exactly targeting individual members of your audience according to where they fall in your brand’s BCI Framework!

It takes the performance bell curve of today and makes it three dimensional.

Armed with both volume and connection data for everyone takes the generalized strategies from the segmentation model above and drives it down to the individual level. Just imagine the kinds of A/B testing your marketing organization can run using tightly-defined segments and highly targeted messaging.

The PAVE Diagnostic survey and segmentation model is delivered by AGP, and can be implemented as a stand-alone offering for any incentive program owner.
Part 4: Walking your new path – “Do we need a Sherpa?”

Shifting a company’s incentive and marketing efforts begins with strategy, and having a fresh, yet experienced perspective is helpful. It can start as simply as a review of current program qualification rules and comparing them to the concepts and research we’ve discussed in this paper. At a deeper level, working with Animate Growth Partners (AGP) to implement the PAVE Engagement Model™ will give businesses insight into a range of activities that will create higher levels of connection to the brand, and a platform for sustainable growth.

“Even a single customer interaction can provide clues about an otherwise unarticulated sacrifice dimension across which all customers settle for less than what they want.” – Joseph Pine and Jim Gilmore

These design services will help companies identify multiple touch points along the seller’s or buyer’s journey where brand connection can be enhanced. The solution for strengthening connections at each of those touch points may not be a reward; it might be an opportunity to communicate, to join a community or an innovation team, to attend professional conferences, or even simply to earn the latest company-logoed jacket...the possibilities are not limited by traditional, transaction-based incentives and rewards. Therefore, it’s important to engage experienced designers before you decide on a reward solution.

Design is fundamentally about shifting one’s perspective to walk in the shoes of the target audience, and then to imagine a journey that is as enriching as the outcomes and the rewards. An independent and outside agency is often able to uncover insights that simply are impossible to attain from “the inside.” Animate Growth Partners (AGP) is a design-led agency staffed with experts in motivation. We believe it is important to clients to have an independent design partner who will help their brand focus not on rewards as the starting point, but on desired outcomes for both the business and its constituents. It is a more holistic approach to creating deeper levels of engagement, loyalty, and growth.
Many companies have legacy programs in place (either purchased from an incentive provider, or self-managed) and want to avoid the pain of wholesale change. We agree wholeheartedly, which is why accessing our thought leadership is not contingent upon buying a full-service program. At AGP, we believe deeply in the following two points:

1. **Engagement program design is an independent professional service.** Designers, like architects, need to understand the surrounding environment for engagement, and should not skew a solution toward a predetermined set of products or services. Ultimately, design is a way to ground performance improvement initiatives not only in business needs, but also in the needs and aspirations of key stakeholders.

2. **Changes in program design are best made incrementally and transparently.** Your constituent audience will see wholesale change as extremely disruptive. Disruptive change can open the door for currently-satisfied participants to check out your competition. We help clients over-communicate about what is changing and why. AGP helps ensure that your reason for change aligns with reasons they care about.

“The deep understanding of needs – often ones that aren’t even articulated – is the starting point for profitable growth.” – Jeanne Liedtka and Tim Ogilvie
Summary

As you contemplate this white paper in the context of your business, we hope you take away the following three points:

1. The PAVE Engagement Model™ is a revolutionary yet necessary path to higher levels of engagement and loyalty. By working with a validated diagnostic model, clients do not bear the financial burden of custom research, and will benefit from benchmarks created by other companies. Implementation is fast, and the results are easy to understand.

2. You don’t need a huge budget. Starting down the path to more holistic engagement can begin with simple recommendations on improving a rules structure. But if your needs are large, our team of strategists, and our breadth of connections and partnerships in the Engagement Industry afford our clients best-in-class, full-service solutions at any scale.

3. Your program doesn’t need to be scrapped. In fact, many current programs may actually grow as a result of better engagement. Meaningful appreciation is a critical reinforcement in the relationship-building process. By developing a relationship-based engagement strategy, clients can ensure that their environment will maximize impact from an investment in rewards.

This shift in the overall purpose of engagement initiatives will not be right for every company; but for those progressive companies that embrace the goal of better/stronger B2B relationships, this shift can provide a competitive advantage that will be real and sustained. It’s clear the time is right to think about incentives as more than just a series of transactions that lead to rewards. By creating a focus on all of the behaviors and activities that create deeper connections to your brand, incentives can become a sustainable part of the company’s holistic engagement strategies that lead to long-term financial (and mutual) success.
REFERENCES:


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Email: info@animategp.com

Website: animategp.com