

# HANDS UP INCENTIVES

*Travel with a transforming touch*



“the customer’s experience with the agent is more important than the customer’s experience with the brand in driving performance” – Rosenzweig

## Employee engagement underpins customer satisfaction

Companies spend fortunes on branding, marketing and advertising, but in many cases the “deal is done” at the employee - customer level. Yet, not all companies appear to appreciate just how important employee engagement can be.

A recent study by “The Forum for People Performance Management and Measurement”, examined the relationship between employee engagement and customer relationship, in a large insurance firm. The impact on the financial performance of the company was used as a measure.

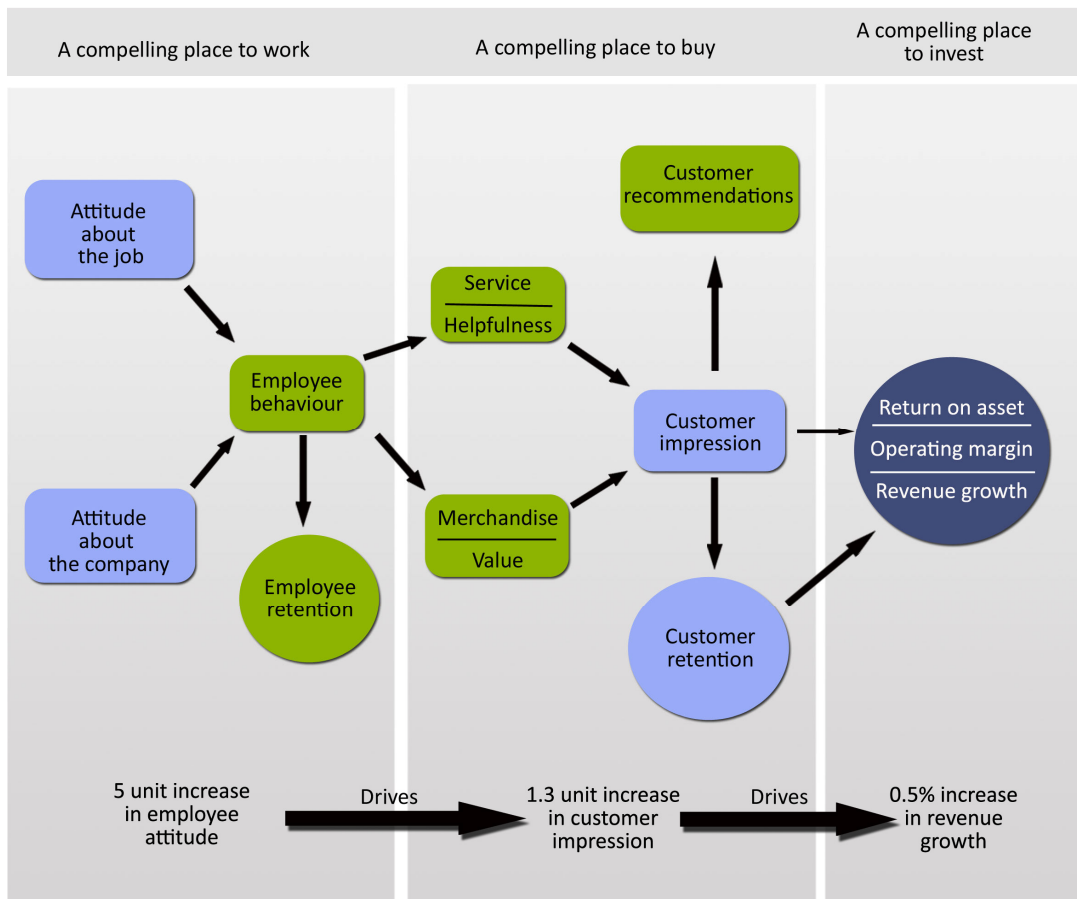
The author Rosenzweig concluded that, “the customer’s experience with the agent is more important than the customer’s experience with the brand in driving performance or stated differently, the person is more important than the brand.”

Also, a happy customer and an engaged employee are twice as likely to reach a positive outcome as opposed to when the employee is not engaged but customer brand satisfaction is high.

Now clearly this is no reason to burn the branding handbook and reevaluate all your business practices. It does however offer food for thought. Employee engagement and branding should not be viewed as independent. Each on its own is not enough. They need to be integrated to ensure a good customer experience, which is also essential.

The Forum’s researchers are still analyzing the findings, but one thing that is clear according to Rosenzweig is that “if you build a strong relationship with customers as well as employees, you’ll see a big lift in the bottom line.”

## The Employee-Customer Profit Chain



## Engagement has been shown to impact perception and brand:

- An Enterprise IG 2004 and MCA Brand Ambassador study found that 41% of customers are loyal due to good employee attitude
- An Enterprise IG 2004 and Parkington and Buston study of the US Banking Sector (*Journal of Applied Psychology*) found that, 68% of customers leave because of poor employee attitude
- An Enterprise IG 2004 and Ken Irons, Market Leader study found that 70% of customers' brand perception is determined by personal interaction.

However, employee engagement goes further than just customer satisfaction and brand. It can also impact the bottom line.

### Impact on the bottom line

- Disengaged workers cost the economy over \$300B<sup>1</sup>
- In companies where employees are more engaged profitability can jump by 16% and general productivity is on average 18% higher than other companies. At the same time customer loyalty is 12% higher and quality can increase an astonishing 60%<sup>2</sup>
- Up to 85% of many companies' market value is now calculated on intangible assets, which include IP and talent<sup>3</sup>
- In 1998-2005 S&P 500 averaged 45.6% cumulative stock return but Fortune's "Best 100 Companies to Work for" realized a 200.6% return<sup>4</sup>
- The organizations that invest more in talent management significantly outperform their competition across every measure of business - including earnings per share, gross profit margin and market capitalization per employee<sup>5</sup>
- A 5% increase in employee retention can increase profitability by 25% to 85%<sup>6</sup>
- Engaged employees take on average 3.5 fewer sick days<sup>7</sup>

### The CSR effect

- 63% of employees stated that paid time off during working hours to commit to charitable initiatives would significantly improve their engagement with the company<sup>7</sup>
- More than half of employees surveyed believed their company has a duty to commit to charitable acts and CSR<sup>7</sup>

### HR considerations

- 56% of HR Managers surveyed fear that their top talent will leave for another job as the economy improves<sup>8</sup>
- 47% of top performers are currently looking for a job<sup>9</sup>
- 66% of employees decision to stay is influenced by incentive programs<sup>10</sup>
- 74% of 18 – 34 year old employees link their future with a company to incentives<sup>10</sup>
- As few as 48% of employees trust their organization's senior leaders<sup>11</sup>

From this it is clear that employees need to be happy in their jobs and engaged with the customers, but what is the best way to achieve this?

- Non-cash rewards are two to three times more effective than cash rewards<sup>12</sup>
- According to executives polled, an employee's total base compensation would need to be increased by 8.5% in order to achieve the same effect as an incentive travel program<sup>13</sup>
- The ROI on incentive travel investments is on average \$4:\$1<sup>14</sup>

### If done correctly

- "Properly structured incentive programs can increase performance by as much as 44%, but only a small number of incentive programs contain all of the elements necessary for success."<sup>15</sup>
- Incentive programs reported an 80% success rate in achieving their established goals when the correct reward was offered<sup>16</sup>

<sup>1</sup> Gallup

<sup>2</sup> Gallup research quoted in HBR blog, [http://blogs.hbr.org/cs/2011/06/people\\_are\\_not\\_cogs.html](http://blogs.hbr.org/cs/2011/06/people_are_not_cogs.html), 2011

<sup>3</sup> Brookings Institution

<sup>4</sup> Russell Investment Group analysis, 2006

<sup>5</sup> Harvard Business Review, 2007

<sup>6</sup> "Putting the Service-Profit Chain to Work," Heskett, et al, Harvard Business Review, March/April 1994.

<sup>7</sup> LeapCR study, 2011

<sup>8</sup> CareerBuilder and USA Today's most recent Job Forecast nationwide survey of employers 2010

<sup>9</sup> Leadership IQ

<sup>10</sup> Maritz 2005 poll

<sup>11</sup> BlessingWhite - The state of employee engagement 2008

<sup>12</sup> Study by Scott Jeffrey, Ph.D., described in "Right Answer, Wrong Questions" Sept 2004 Issue of SalesForceXP

<sup>13</sup> The Return on Investment of U.S. Business Travel - Oxford Economics USA - Sept 2009

<sup>14</sup> The Return on Investment of U.S. Business Travel - Oxford Economics USA - Sept 2009

<sup>15</sup> Incentives, Motivation & Workplace Performance, International Society of Performance Improvement, 2002.

<sup>16</sup> Incentive Federation Study