

BUDGETING FOR INCENTIVES

by Next Level Performance®

Launching a new program begins with establishing a budget. How much should you set aside for promotion, program management, and rewards for the most impactful program possible? Follow along as we deep dive into the different program types, best practices, and tips for managing your budget.



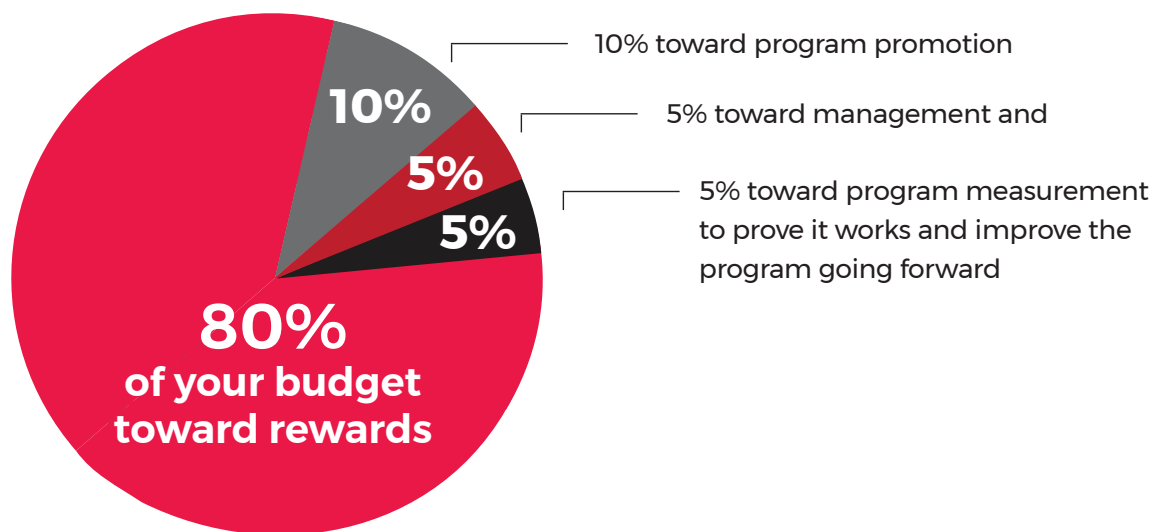
Budgeting Guidelines and Best Practices

Budgets can be heavily dependent on your choice of “closed-end” vs. “open-end” programs.

In “closed-end” incentives, the awards budget is limited to a specific amount (\$100,000 for example). The downside of a closed-end incentive is that your top performers, who already produce for you, will likely reap the bulk of the rewards. Most participants will not be motivated by a program where they perceive they don’t have a chance of earning.

“Open-end” incentives are those in which everyone who achieves their sales or purchase threshold earns an award. While the costs can’t be predicted with high confidence, properly set quotas guarantee that the incremental revenue will more than pay for the awards.

Overall program budgeting guidelines:



Tips for managing budget

There are practical best practices that will allow us to structure a program, work within an approved budget, and maximize your ROI. Potential rules may include:

- Manage the number of eligible participants
 - Eligible distributors or contractors must be invited to participate (good standing)
 - Implement a registration deadline to participate
- Set minimum goals for new distributors or contractors
 - This strategy can be utilized to eliminate non-productive or unengaged reps or customers
- Install a cap on the reward payout
 - Limit the total number points a contractor can earn during the promotion period
- Manage points expiration
 - Points won't expire for a year, but can be capped
 - Points won't expire as long as contractors purchase a minimum dollar amount over a rolling 12-month period

This is an excerpt from our full How-To Guide for Incentives and Promotions. For the full guide, please [contact us](#).

