



PULSE SURVEY

The Incentive Industry Trends 2014

August 2014

Background and Survey Purpose

2

Beginning in August 2008 it was decided that an appropriate topic for the 2008 Pulse Survey would be an incentive industry trends outlook for the upcoming years and with the continued economic conditions, also an appropriate topic for the trends outlook for 2013.

Given that the Incentive Research Foundation (IRF) is charged with advancing the science of incentives, it surveyed industry professionals to obtain their opinions about the more salient trends affecting the industry during 2014.

To this end, the IRF asked these professionals questions on trends with regard to incentive travel programs, merchandise non-cash programs, and budget changes forecast for 2014.

In addition to the current topic on industry trends, the IRF tracks core issues of continuing interest to the industry:

- The extent to which company financial forecasts influence incentive programs;
- The effect of competitor reactions on company incentive programs; and
- Sensitivity to others' perceptions of company incentive programs.

Research Methods

3

Invitations to participate in this online survey were sent to 2687 incentive providers, suppliers to the industry and corporate incentive travel buyers.

The 284 survey participants can be categorized¹ as follows...

- Corporate (i.e./ Buyer, Planner, Sales, HR) (20.4%)
- Supplier (i.e./ Hotel, Airline, DMC, Merchandise) (23.6%)
- Third Party (i.e./ Incentive Company, Travel Agency, Consultant) (49.3%)
- I am not involved in incentive programs (6.7%)

Data collection was conducted July 21st through August 6th, 2014.

¹ This question, and survey, was significantly modified to present the respondents with specific/logical questions based upon their selection.

Highlights: Core Issues

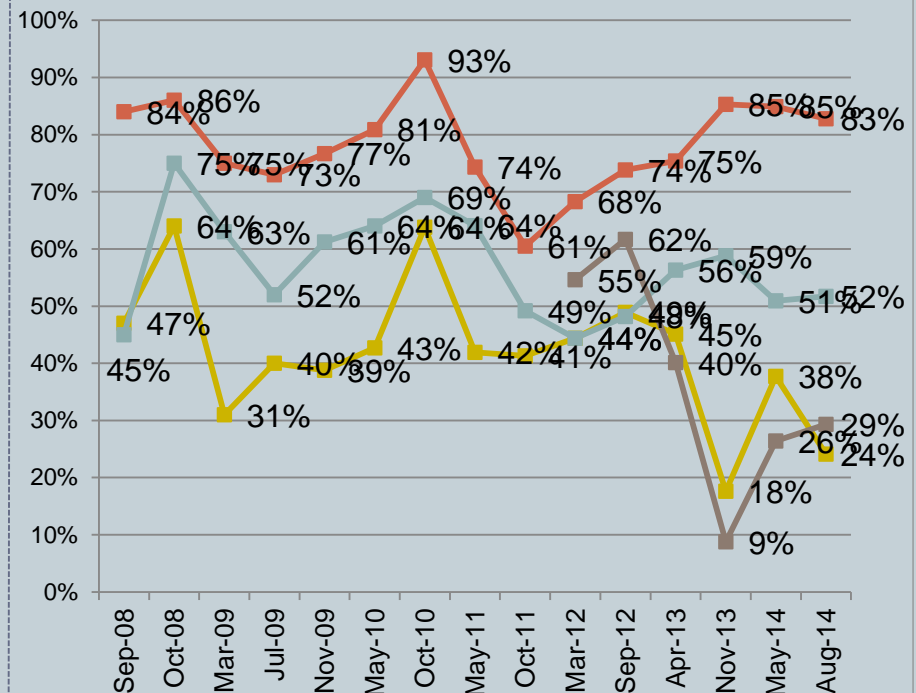
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Findings indicate that the trends continue to stabilize this period compared to the previous survey periods which indicated a strong positive upward trend for each of the core issues beginning in July 2009 – May 2014. The overall trends are nearing those reported in 2008.

The positive trend continues with respect to the perceptions of the company's financial forecast influences the design and implementation of our incentive program(s) compared and the previous three survey periods.

The perception of internal (non-incentive) stakeholders influence on the design of incentive programs increased significantly compared with May 2014.

These questions were asked only of Corporate participants.



- The company financial forecast influences the design and implementation of incentive programs
- Competitors' reactions to programs impact the products and services included in company incentive programs
- Perception of the Public significantly influences the design of our incentive program(s). *
- Perception of internal (non-incentive) stakeholders significantly influences the design of our incentive program(s).

(n=58)

*Previously question was asked as; "Sensitive to perceptions of program extravagance to the extent that it would impact the type of company program awards and inclusions"

Current Topic

Industry Trends for 2014/2015

5

Incentive Travel Programs
Merchandise Non-Cash Programs
ROI – Budget Considerations

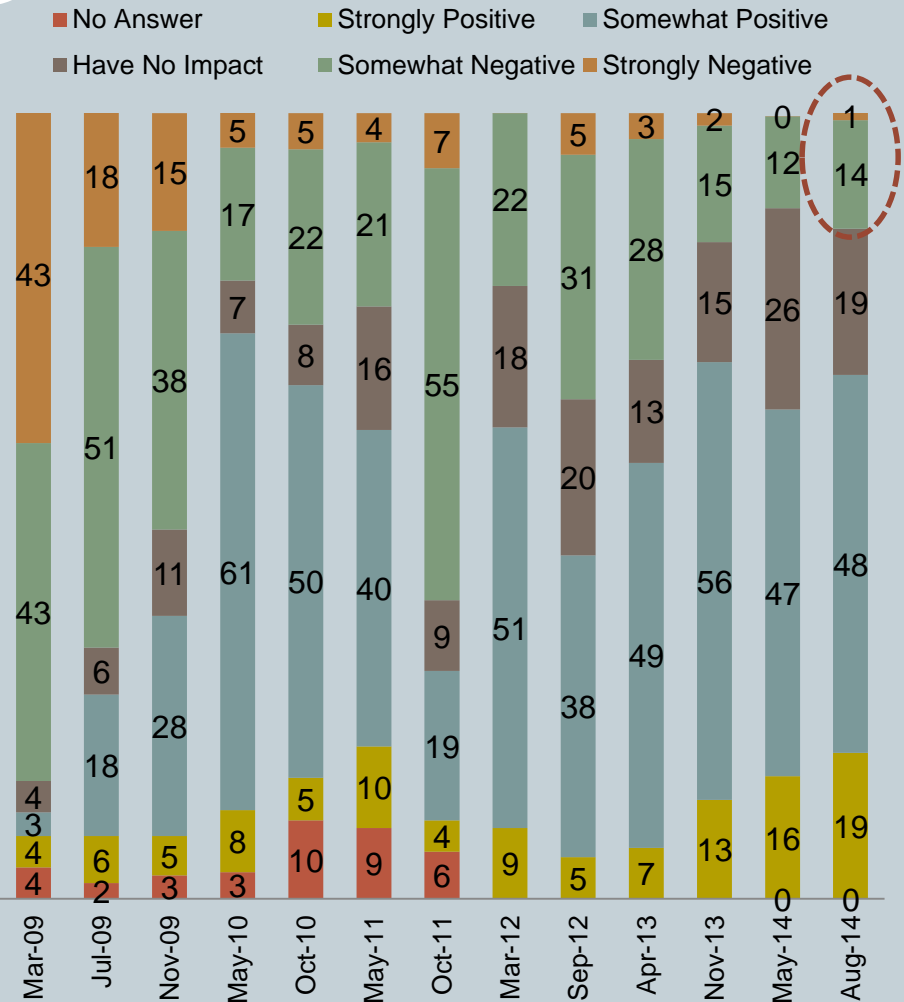
Perceived Impact of the Economy on Ability to Plan and Implement Incentive Travel Programs

6

Respondents in the current survey (Fall 2014) indicate they continue to be optimistic and consider the economy as having a more of a positive impact on their ability to plan and implement incentive travel programs. (All positive 66.7% August 2014 vs. 62% May 2014)

- Strongly negative 1% August 2014 vs. 0% May 2014.
- All negative impacts 15% November 2013 vs. 12% May 2014.

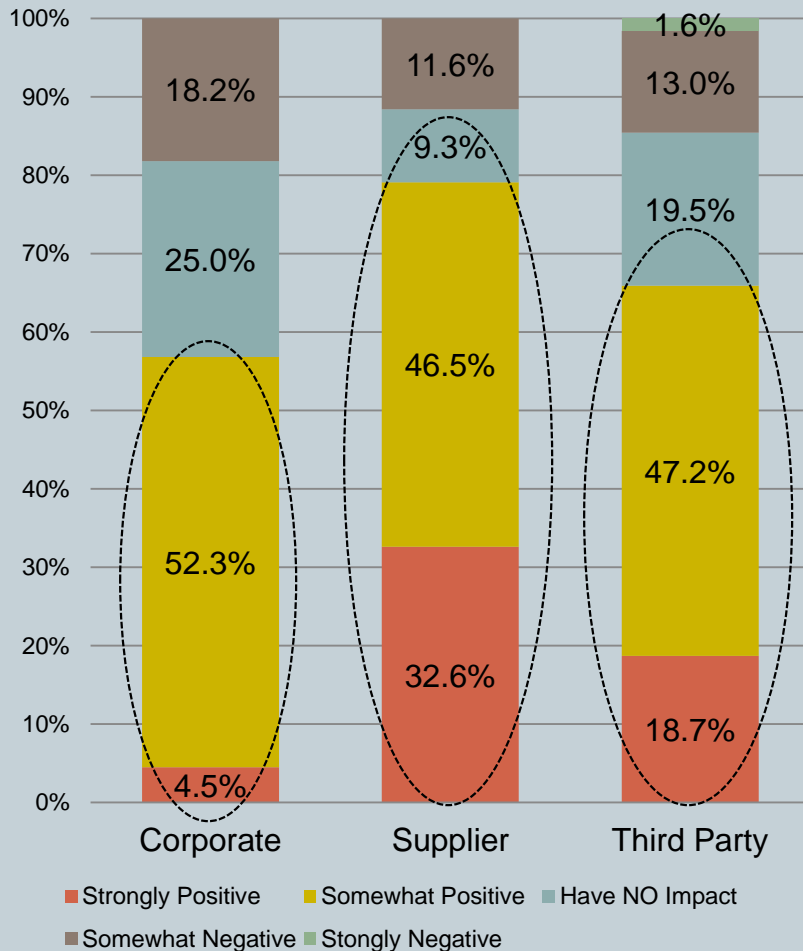
In the coming year what impact will the economy have on your ability to plan and implement travel incentive programs?
(N=210)



Note: The response categories were modified in the May 2011 and the historical data was adjusted to reflect these changes.

Perceived Impact of the Economy on Ability to Plan and Implement Incentive Travel Programs By Category

7



- Comparing the perceived impact of the economy on the ability to plan and implement incentive programs by respondent category, we find:
 - The Supplier and Third Party segments are significantly more likely to perceive the impact of the economy to have a more “positive” impact than the Corporate segment.
 - ✦ Supplier 79.1% total positive
 - ✦ Third Party 65.9% total positive.

Perceived Impact of the Current Air Transportation Environment of Incentive Travel Programs

8

Most respondents (51%) have a **negative** perception of the current Air Transportation Environment and its impact on incentive travel plans. The percent of “negative” responses has remained increased 7% compared to May 2014.

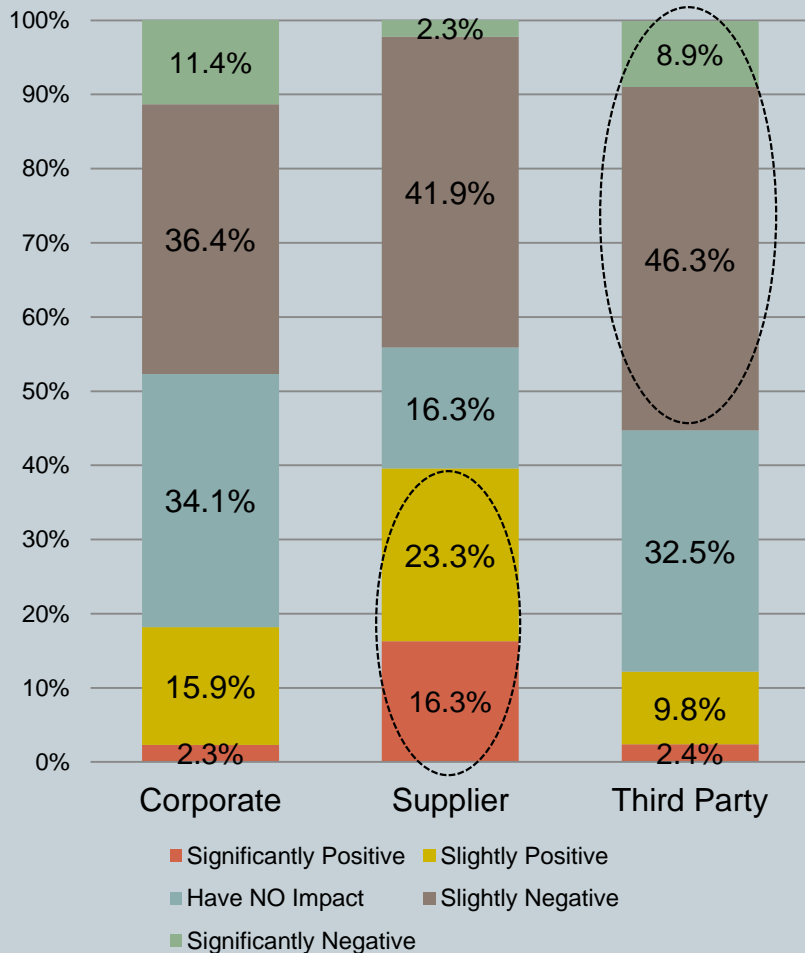
- Significantly negative- 5% May 2014 vs. 5% August 2014.
- All negative perception- 44% May 2014 vs. 51% August 2014.

What impact does the current air transportation environment have on your incentive travel program planning?(n=210)



Perceived Impact of the Current Air Transportation Environment of Incentive Travel Programs By Category

9



- Comparing the perceived impact of the current air transportation environment on travel programs by respondent category, we find:
 - The Supplier segment is significantly more likely to perceive the impact of the air transportation environment as more “positive” (39.6%) than the Corporate and Third Party segments.
 - The Third Party segment is significantly more likely to perceive the impact as “negative” (55.2%) than the Corporate and Supplier segments.

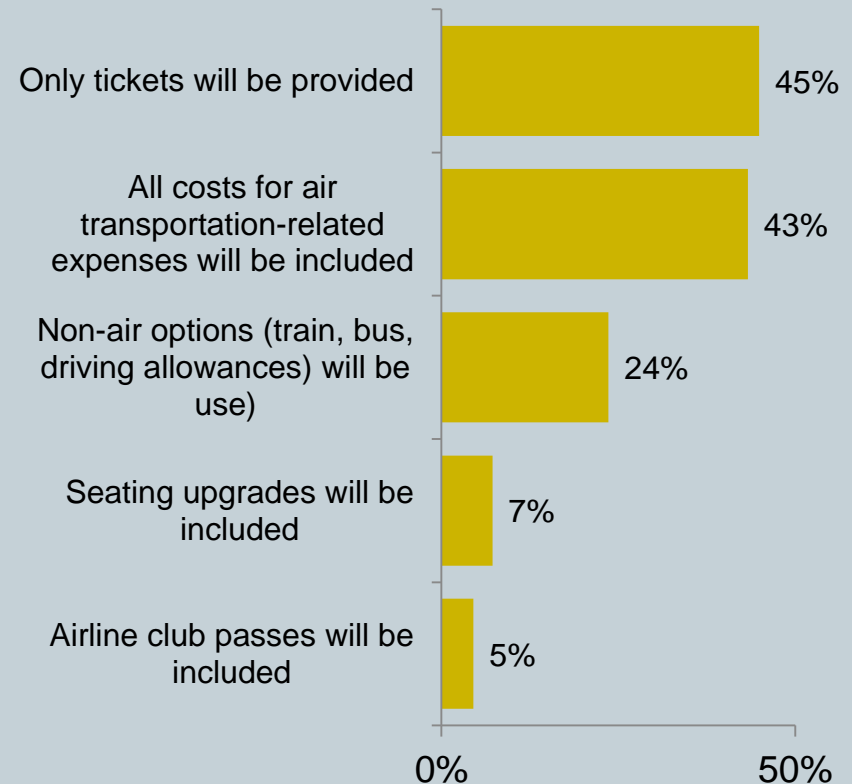
Techniques Used In Coming Year To The Air Transportation Portion Of Incentive Travel Programs, What Component?

10

45% anticipate that “Only tickets will be provided”, are to be included components of Incentive Travel Programs in the coming year.

- 43% indicate that “All costs for air transportation” will be provided.
- 24% indicate that “Non-air options” will be included.
- 7% indicate that seating upgrades will be included.
- 5% indicate that “Airline club passes” will be included

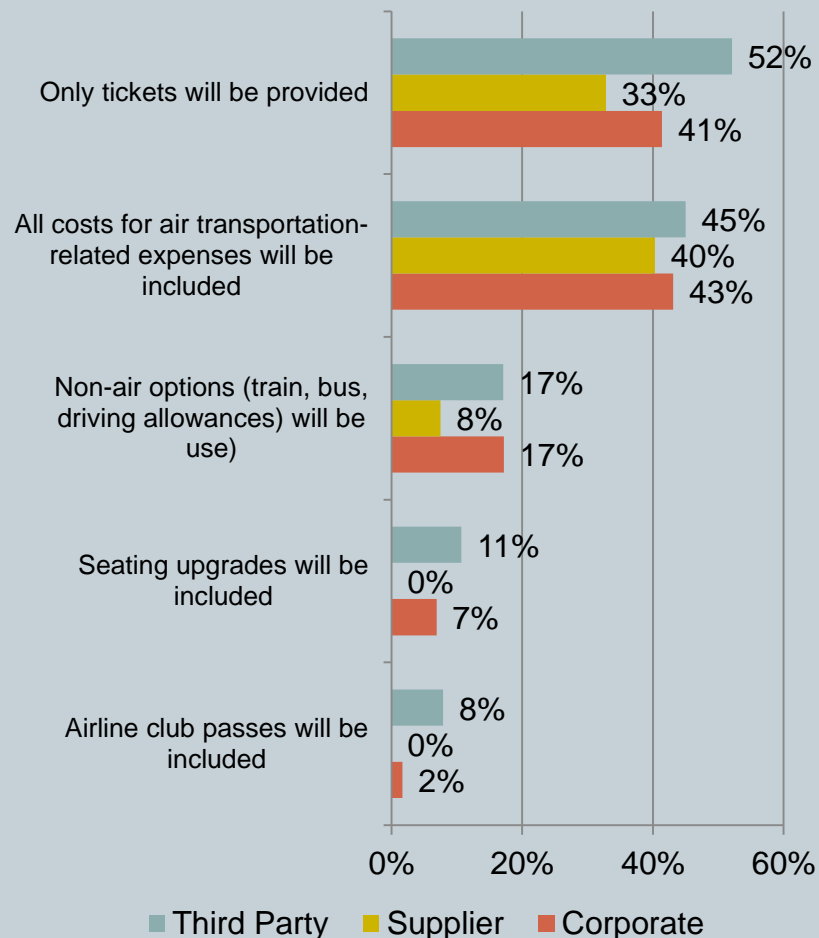
In the coming year, do you anticipate any of the following changes will be made with regard to choices of incentive travel programs? Check all that apply. (n=265, multiple choice)



Techniques Used In Coming Year To The Air Transportation Portion Of Incentive Travel Programs, What Component? By Category

11

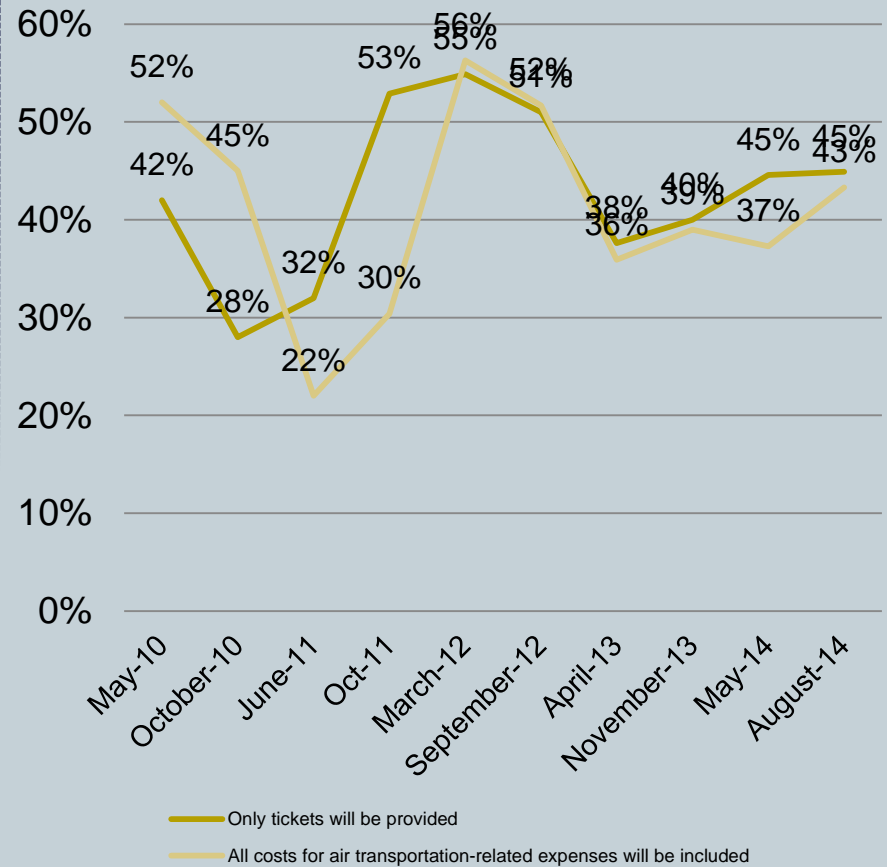
- Third Party respondents are more likely to use the following techniques than Corporate and Supplier segments:
 - Only tickets will be provided.
 - Airline club passes will be included.
- Corporate and Third Party segment respondents are more likely to use “Non-air options” techniques than Suppliers.



Trending of Techniques Used To The Air Transportation Portion Of Incentive Travel Programs

12

The inclusion of “Only tickets will be provided” has increased significantly since 2013 and the inclusion of “All costs for air transportation related expenses” has increased slightly by 6% compared to May 2014.



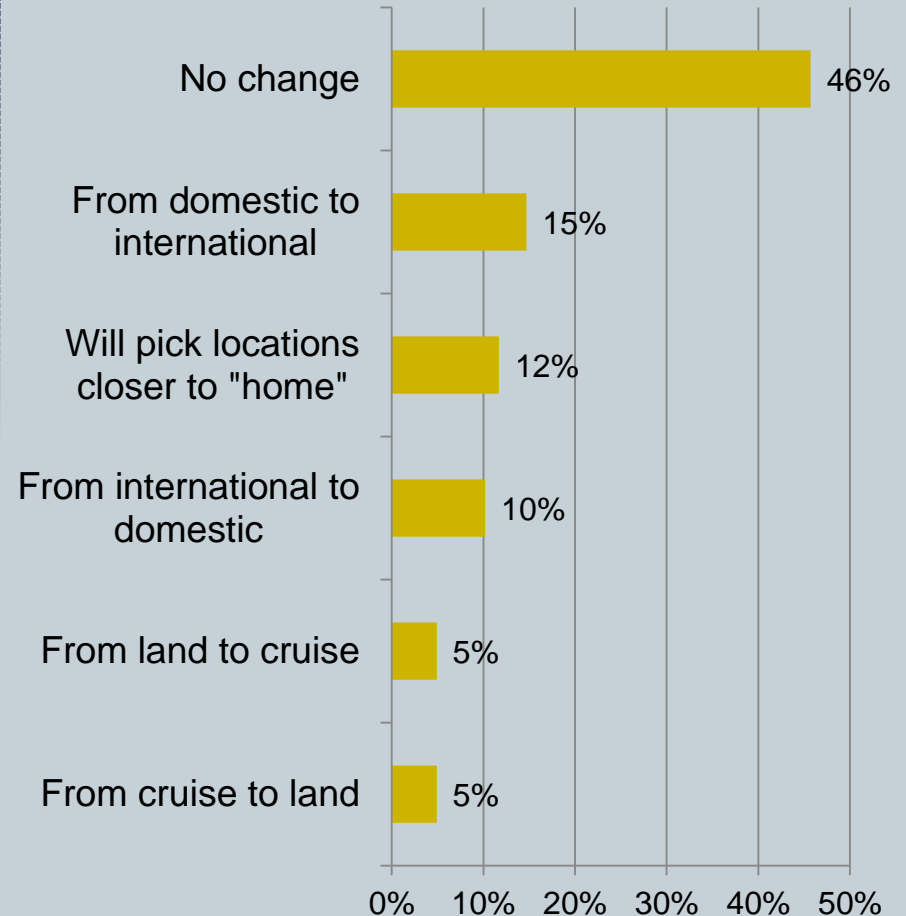
Anticipated Changes In Coming Year With Regards To Incentive Travel Program Destinations

13

Most of the respondents (46%) anticipate **no change** with respect to the program destinations for Incentive Travel Programs in the coming year.

- 15% anticipate a change from “Domestic to International”, and, 10% indicate that they anticipate a change from “International to Domestic” with regards to the travel program destinations
- 12% “Will pick locations closer to “home” with regards to the travel program destinations.

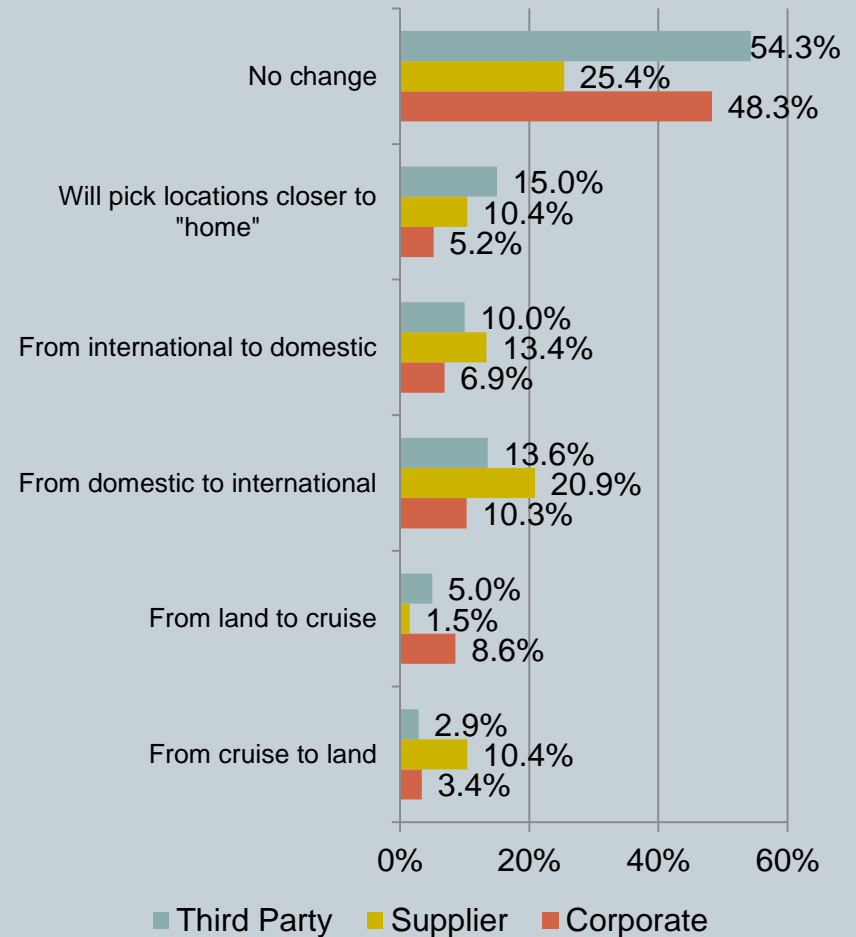
In the coming year, do you anticipate any of the following changes will be made with regard to incentive travel program destinations? Check all that apply. (n=265 multiple selections)



Anticipated Changes In Coming Year With Regards To Incentive Travel Program Destinations By Category

14

- Most of the Corporate and Third Party segments anticipate no changes to program destinations.
- Third Party and Supplier segments anticipate more changes than the Corporate segment in the following:
 - Locations closer to home
 - From international to domestic
 - From domestic to international

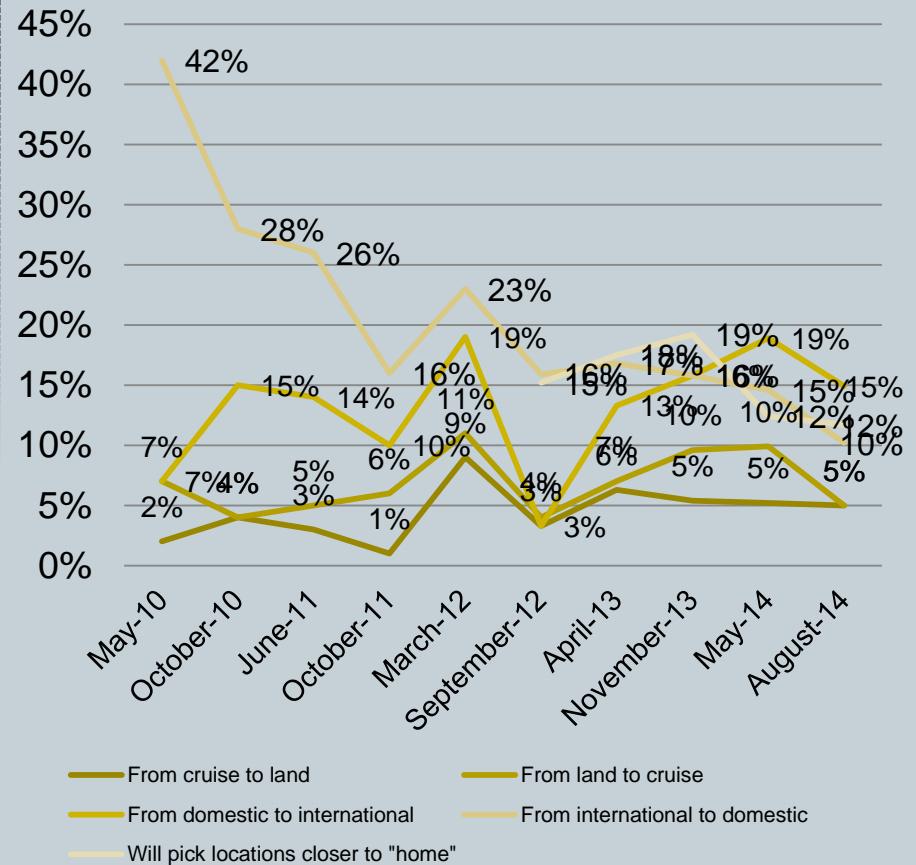


Trending Anticipated Changes With Regards To Incentive Travel Program Destinations

15

There has been a significant decrease in program destinations from “International to Domestic” since 2010.

Compared with May 2014, all components are reporting similar results.



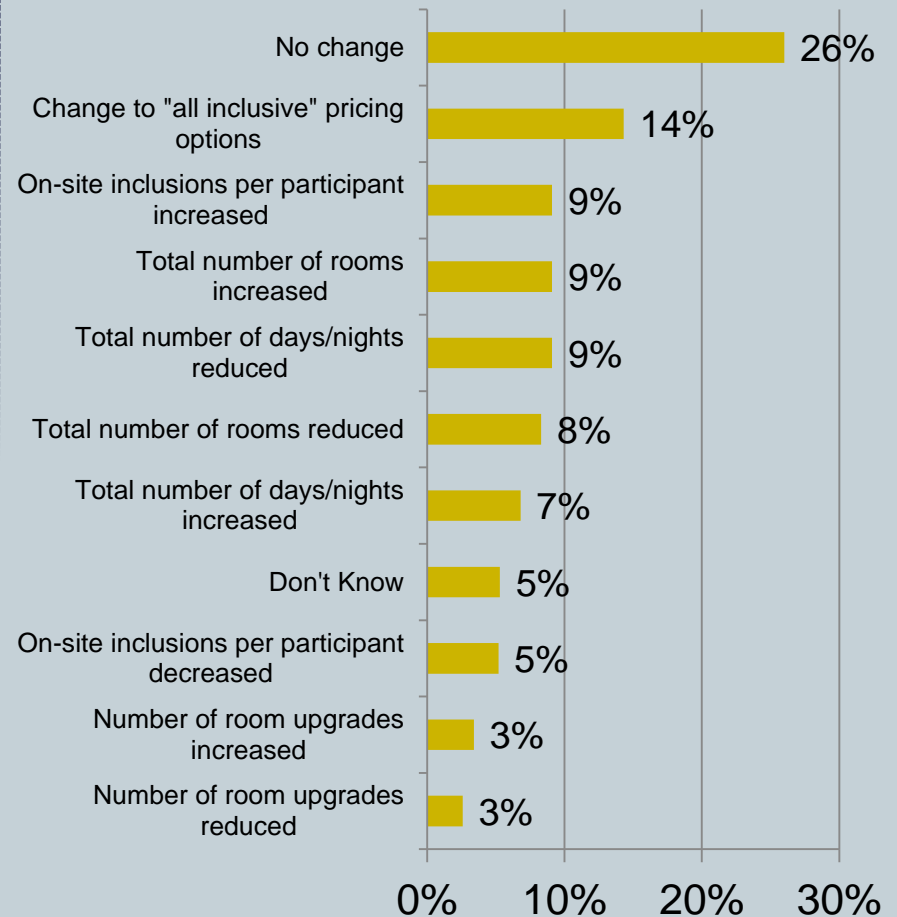
Anticipated Changes In Coming Year With Regards To Incentive Travel Accommodations

16

14% percent of respondents anticipate a change to “all inclusive” pricing options for the accommodations portion of Incentive Travel Programs in the coming year.

- 26% indicate “No Change”
- 9% indicate:
 - Total number of days/nights will be reduced
 - Total number of rooms increased
 - On-site inclusions per participant increased
- 8% indicate that the “Total number of rooms” will be reduced.

In the coming year, what changes, if any, will be made with regard to accommodations for incentive travel programs?
Check all that apply. (n=265, multiple response)

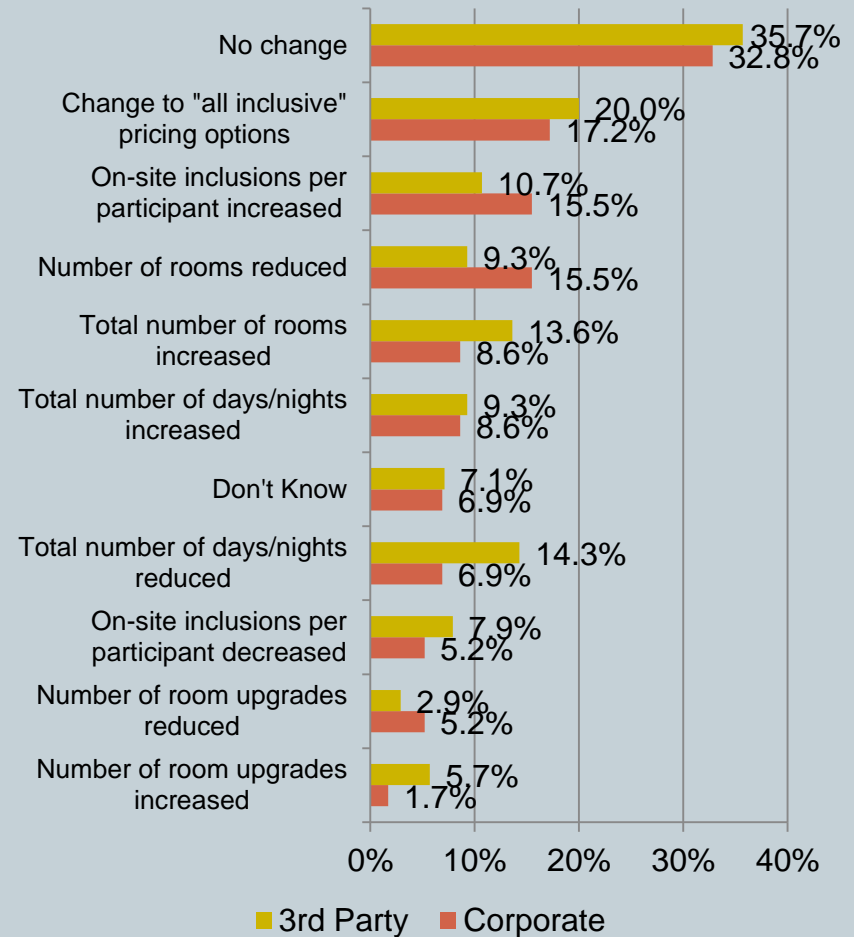


Anticipated Changes In Coming Year With Regards To Incentive Travel Accommodations

By Category

17

- Most of the Corporate and Third Party segments anticipate no changes to program destinations.
- There is very little difference amongst the Corporate and 3rd Party segments with regards to changes on the upcoming year to incentive travel accommodations.

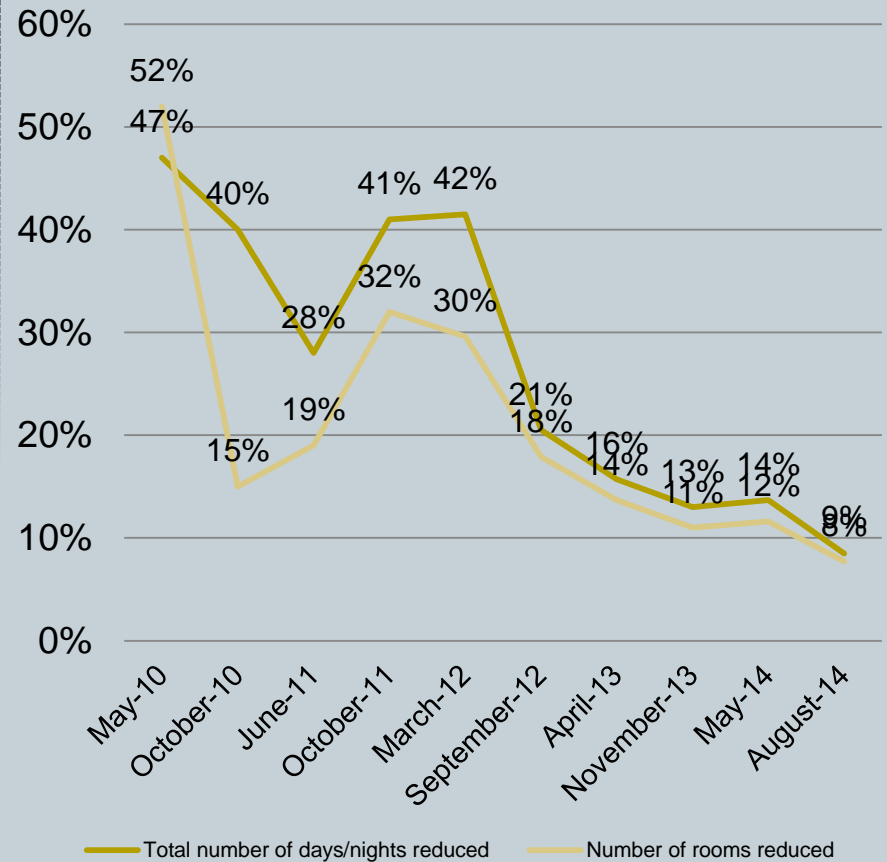


Suppliers were not asked this question.

Trending Anticipated Changes With Regards To Incentive Travel Accommodations

18

The “anticipated reduction” of both components with regards to hotel accommodations has declined compared to the previous survey periods.



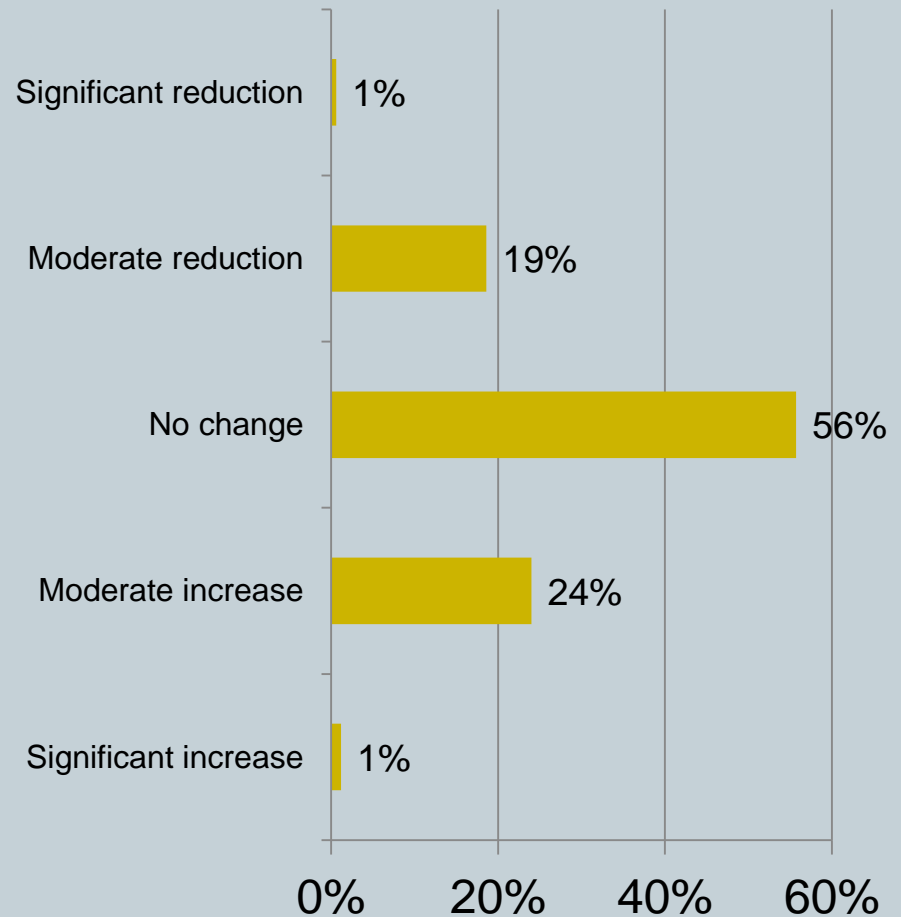
Anticipated Changes In Coming Year With Regards To Sponsored Non-Meal Related Components

19

Fifty-six percent (56%) of respondents anticipate No Change with regards to Sponsored Non-Meal Related Components for Incentive Travel Programs in the coming year.

- 19% indicate that Sponsored Non-Meal related components will be **Moderately Reduced**, and
- 24% indicated that Sponsored Non-Meal related components will be **Moderately Increased**.

With regard to the sponsored (paid by your company) non-meal related components such as airline tickets, transfers, gifts, etc for incentive travel programs, what changes will be made in the coming year? (n=167)

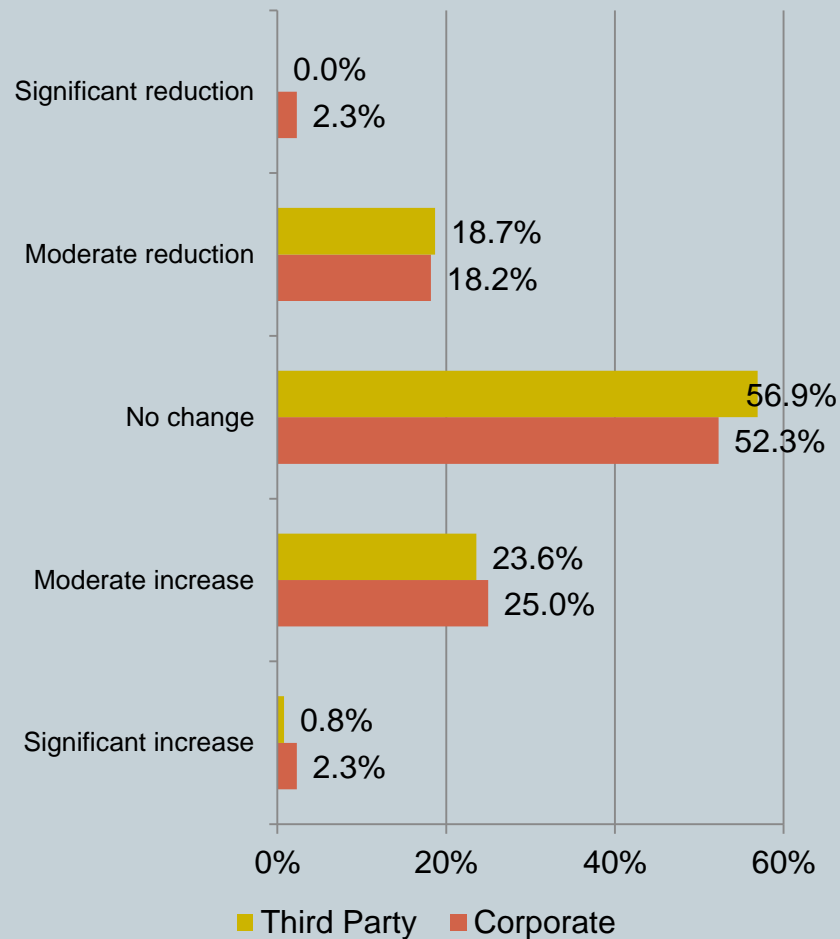


Anticipated Changes In Coming Year With Regards To Sponsored Non-Meal Related Components

By Category

20

Both Corporate and Third Party respondents anticipate a “moderate increase” for Sponsored Non-Meal related components.



Suppliers were not asked this question.

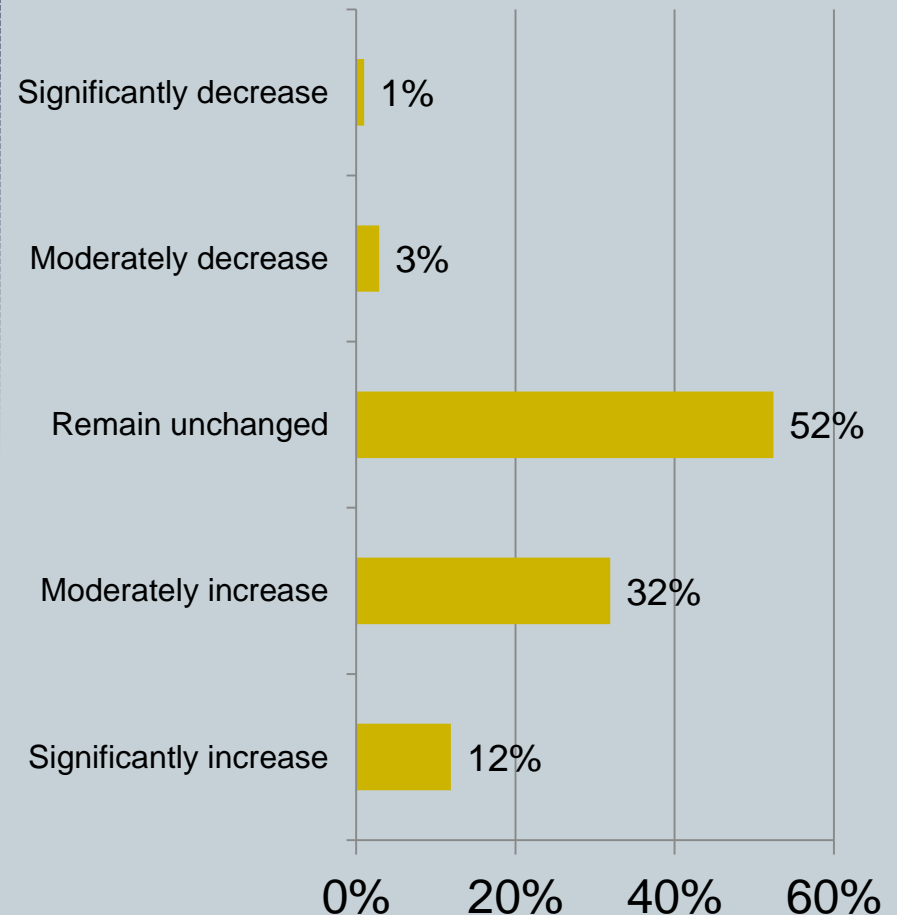
Anticipated Changes With The Involvement Of Procurement And Purchasing In Travel Incentive Programs

21

Most of the respondents (52%) anticipate No Change with regards to involvement of procurement and purchasing for Incentive Travel Programs in the coming year, 44% **agree that procurement involvement will increase** by some degree in the coming year.

- 32% indicate that procurement and purchasing involvement will “Moderately Increase” in the coming year.
- 12% indicate that procurement and purchasing involvement will “Significantly Increase” in the coming year.

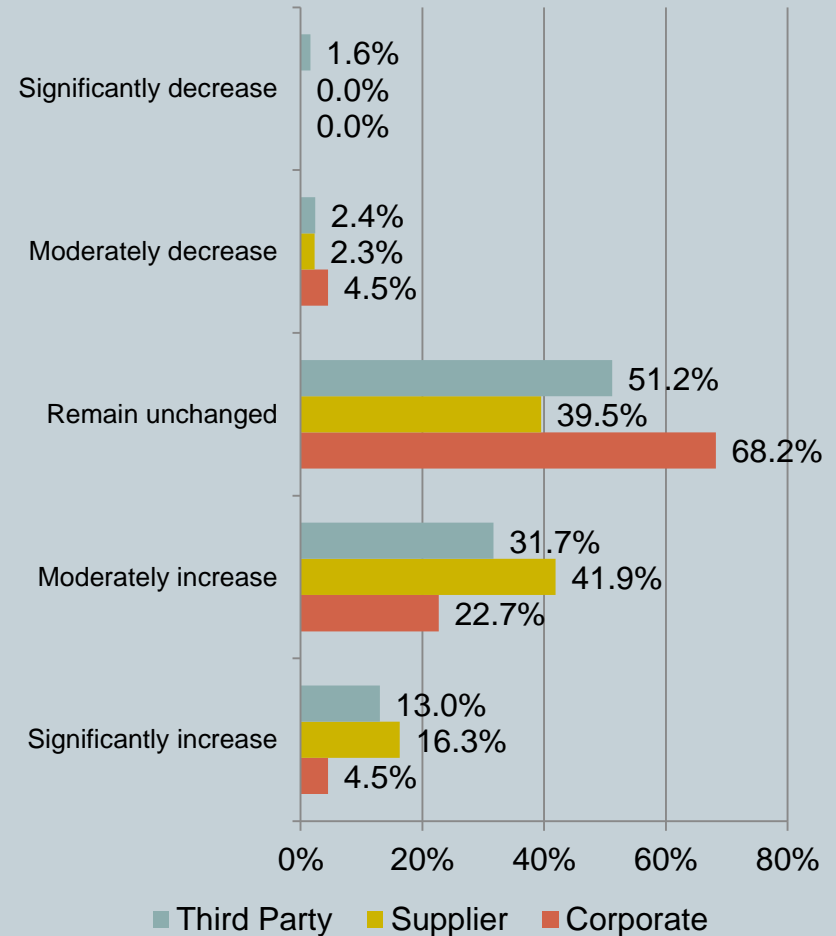
In the coming year, do you anticipate the involvement of procurement and purchasing with regard to your incentive programs to...(n=210)



Anticipated Changes With The Involvement Of Procurement And Purchasing In Travel Incentive Programs By Category

22

- Corporate respondents are more likely to anticipate the involvement of procurement and purchasing in travel incentive programs to “**remain unchanged**” when compared with Supplier and Third Party Respondents
- Supplier respondents are more likely to anticipate the involvement of procurement and purchasing in travel incentive programs to “**significantly increase**” when compared with the Corporate and Third Party segments.
- Third Party respondents are more likely to anticipate the involvement of procurement and purchasing in travel incentive programs to “**moderately decrease**” when compared with the Corporate and segment.



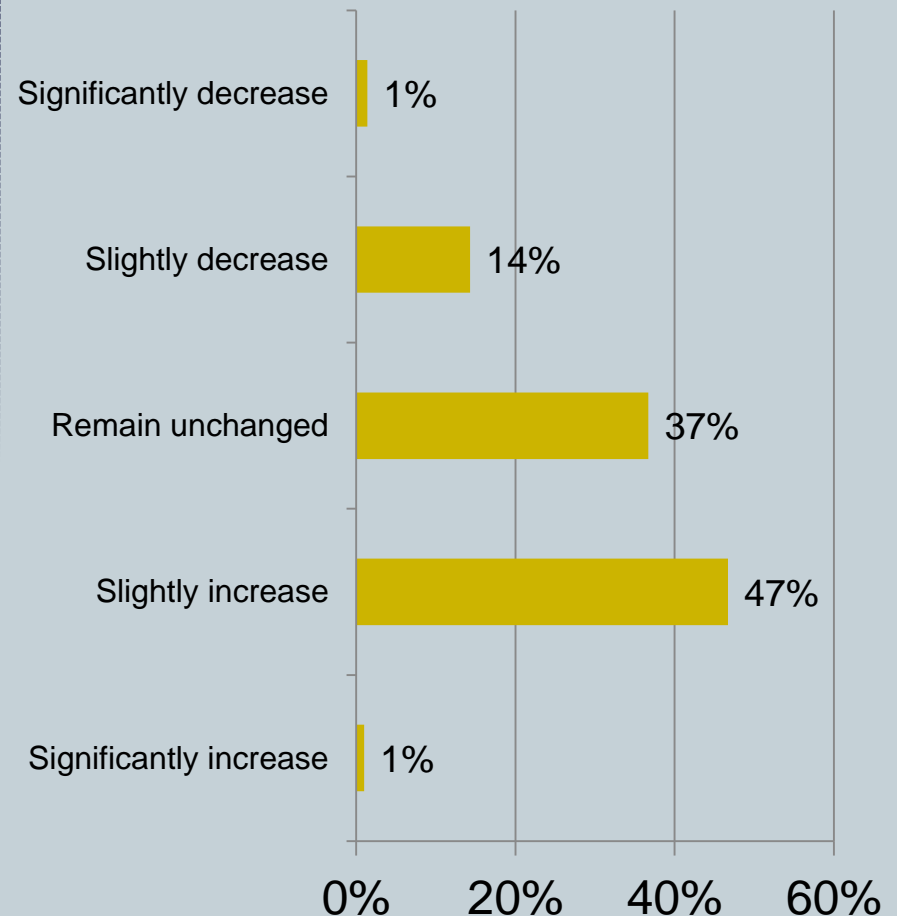
Anticipated Changes In Incentive Travel Program Budgets for This Year

23

Forty-seven percent (47%) of the respondents anticipate budgets for Incentive Travel Programs to “**Moderately Increase**” this coming year.

- 15% indicate that budgets for Incentive Travel Programs will **decrease** by some degree in the coming year.
- 37% indicate that budgets for Incentive Travel Programs will **remain unchanged** this coming year.

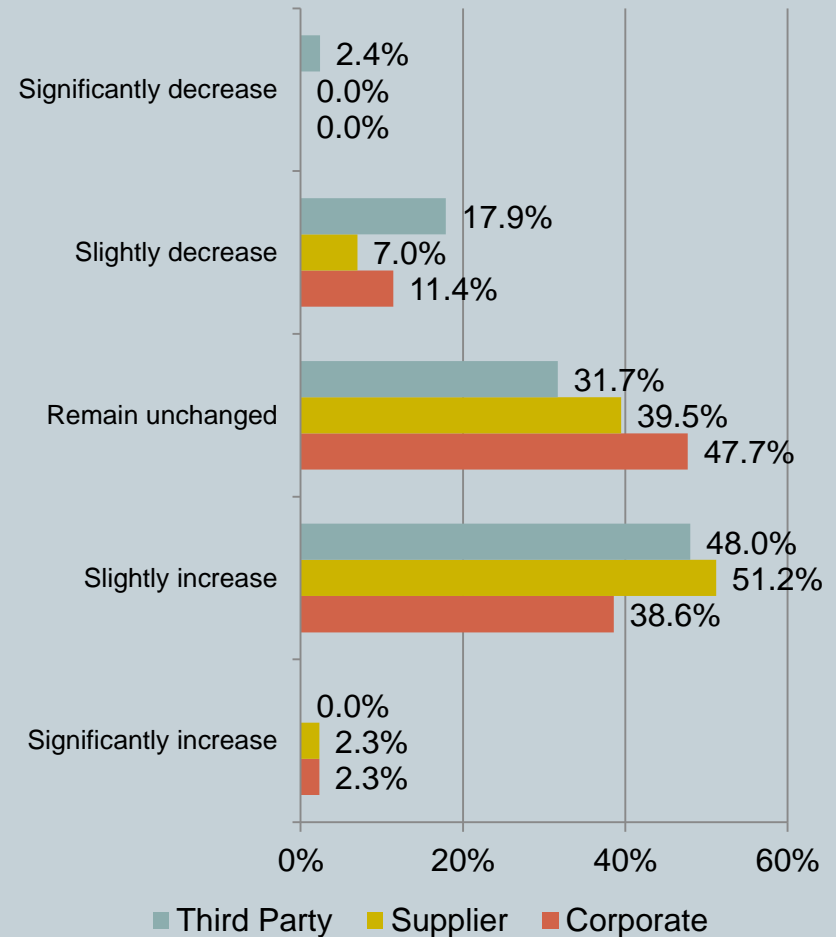
In the coming year, do you anticipate budgets for incentive travel programs in general to... (n=210)



Anticipated Changes In Incentive Travel Program Budgets for This Year By Category

24

- Third Party and Supplier respondents anticipate travel incentive program budgets to “remain unchanged”, when compared with the Corporate segment.
- Corporate respondents anticipate that travel incentive program budgets will “slightly increase” when compared with Third Party respondents.



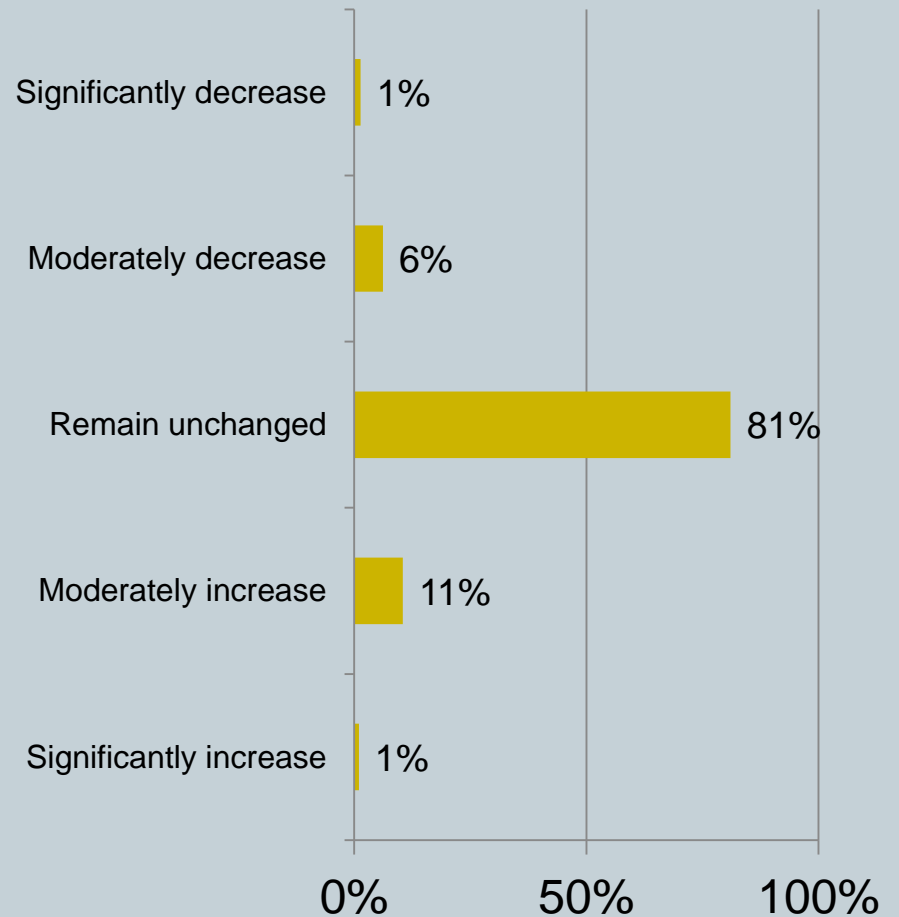
Trend Strategy For The Consideration Of Award Strategy Moving (Either Temporarily Or Permanently) From "Group Trips" To "Individual Travel Packages"

25

The majority (81%) of the respondents anticipate no changes (either temporarily or permanently) from "group trips" to "individual travel packages" in the coming year.

- A combined 7% indicate that the consideration of award strategy moving (either temporarily or permanently) from "group trips" to "individual travel packages" in coming year to **decrease**.
- 12% indicate that the consideration of award strategy moving (either temporarily or permanently) from "group trips" to "individual travel packages" to **increase** in the coming year.

With regard to planning and implementing incentive travel award programs, do you anticipate the consideration of award strategy moving (either temporarily or permanently) from "group trips" to "individual travel packages" to...n=210)

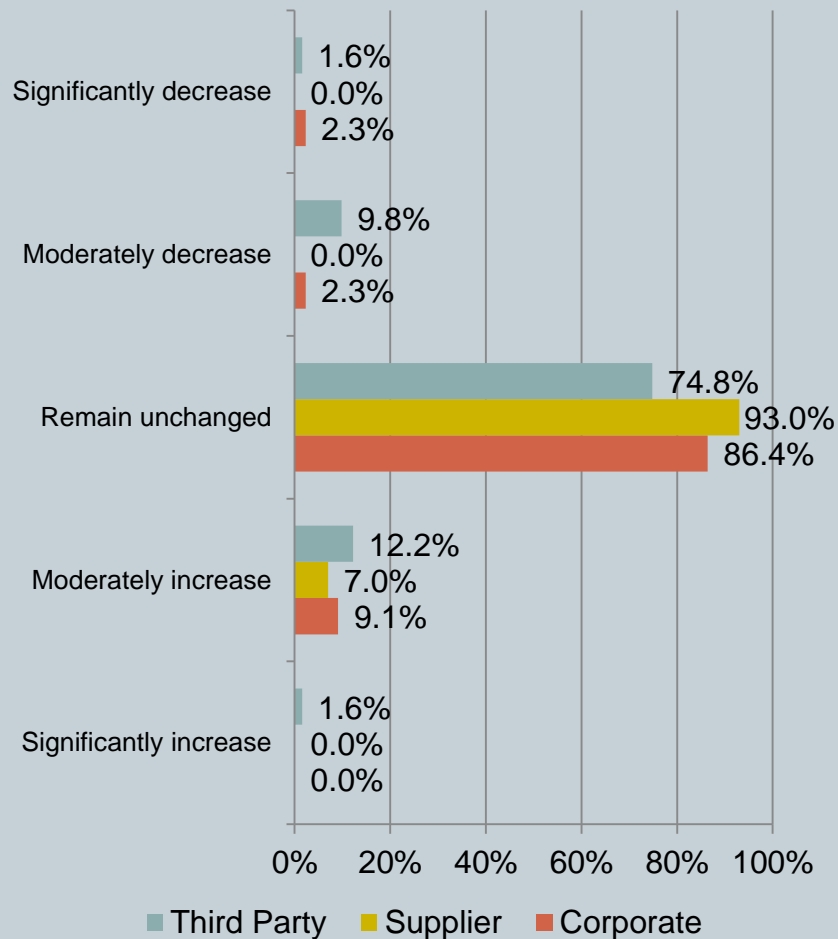


Trend Strategy For The Consideration Of Award Strategy Moving From "Group Trips" To "Individual Travel Packages"

By Category

26

- Supplier respondents indicate that the consideration of award strategy moving (either temporarily or permanently) from "group trips" to "individual travel packages" to **slightly decrease** in the coming year when compared with the Corporate and Third Party segments.



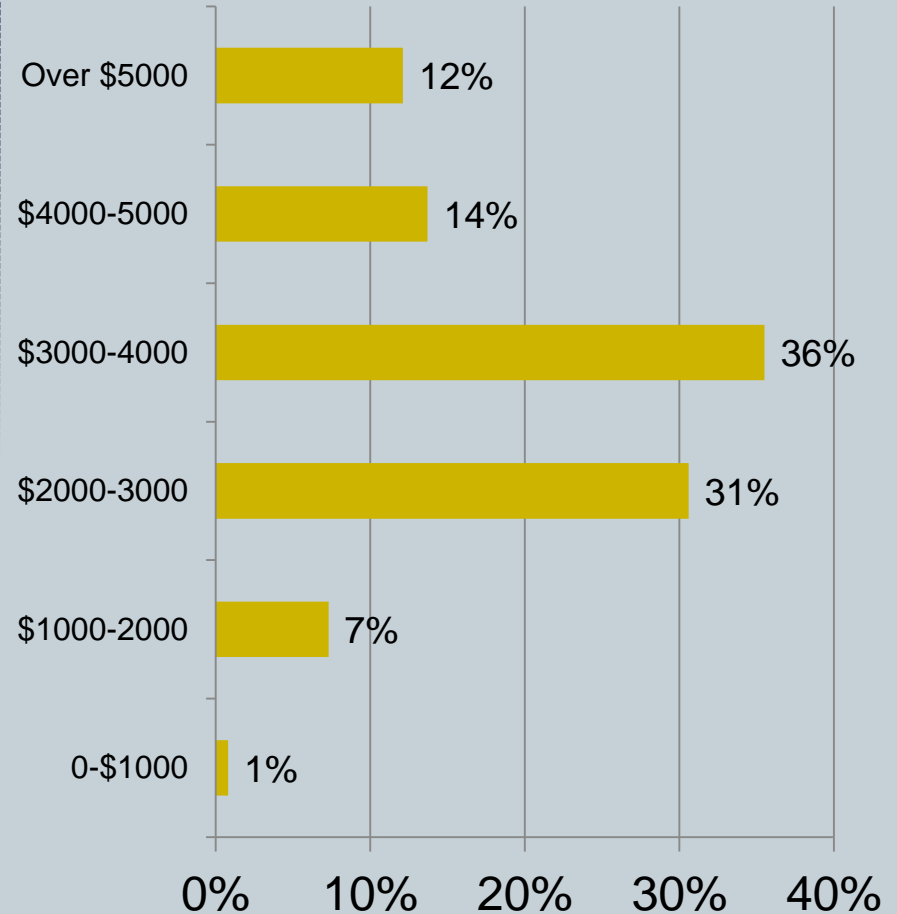
Average Per Person Spend on Incentive Travel Programs

27

Most (36%) of the respondents indicate the average spend per person is \$3000 - \$4000.

- A combined 62% indicate that the average spend per person is at least \$3000.
- >1% indicate that the average spend per person is 0 - \$1000.

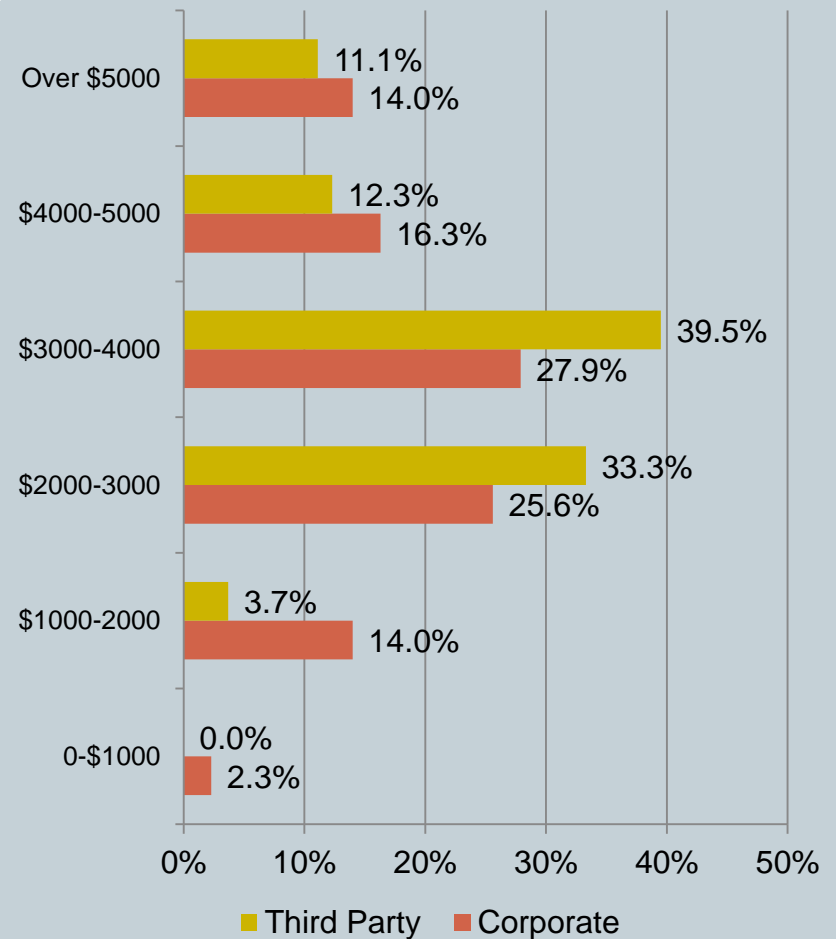
What is the average per-person spend on incentive travel programs (n=124)



Average Per Person Spend on Incentive Travel Programs By Category

28

- 3rd Party respondents are more likely to indicate the average spend per-person on Incentive travel programs to be between \$2000 - \$4000. A combined 72.8% report average spending at these levels.



Suppliers were not asked this question.

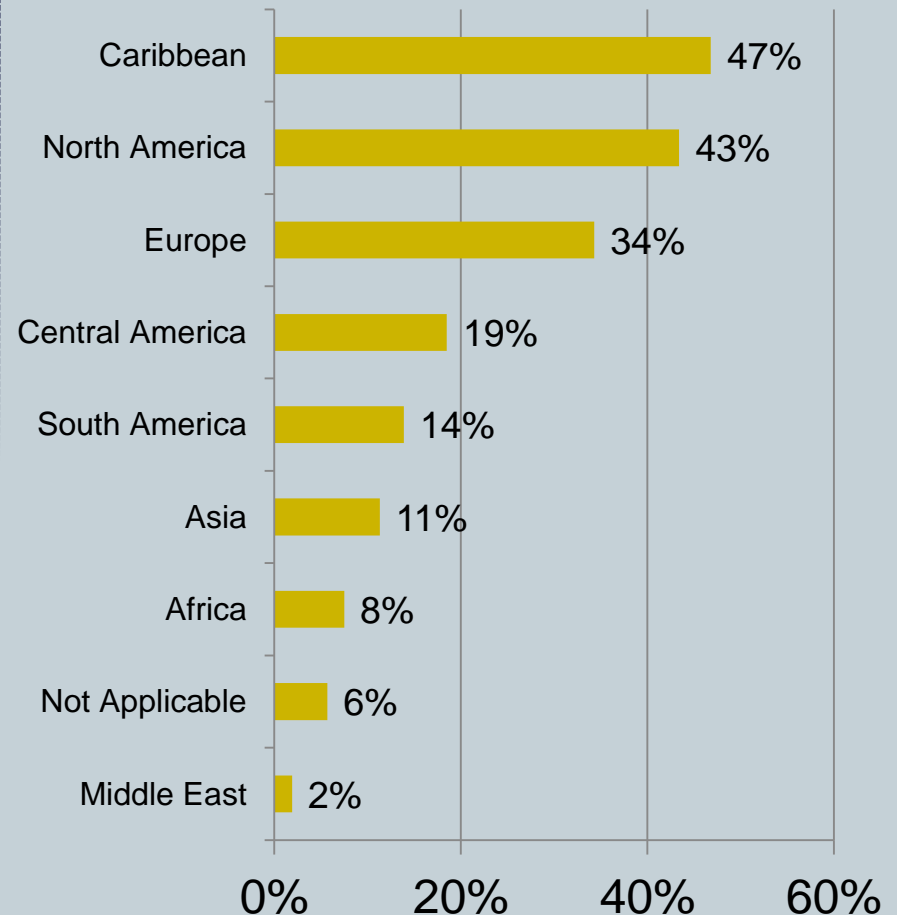
Geographic Region Chosen as “Destinations” for Incentive Travel Program(s).

29

47% of the respondents indicated that the Caribbean was their chosen region for Incentive Travel Destination programs.

- Top regional destinations include:
 - North America (43%)
 - Europe (34%)
 - Central America (19%)
 - South America (14%)
 - ASIA (11%)

In the coming year, please indicate which geographic region you will choose as your "destinations" for your incentive travel program(s). (n=265)

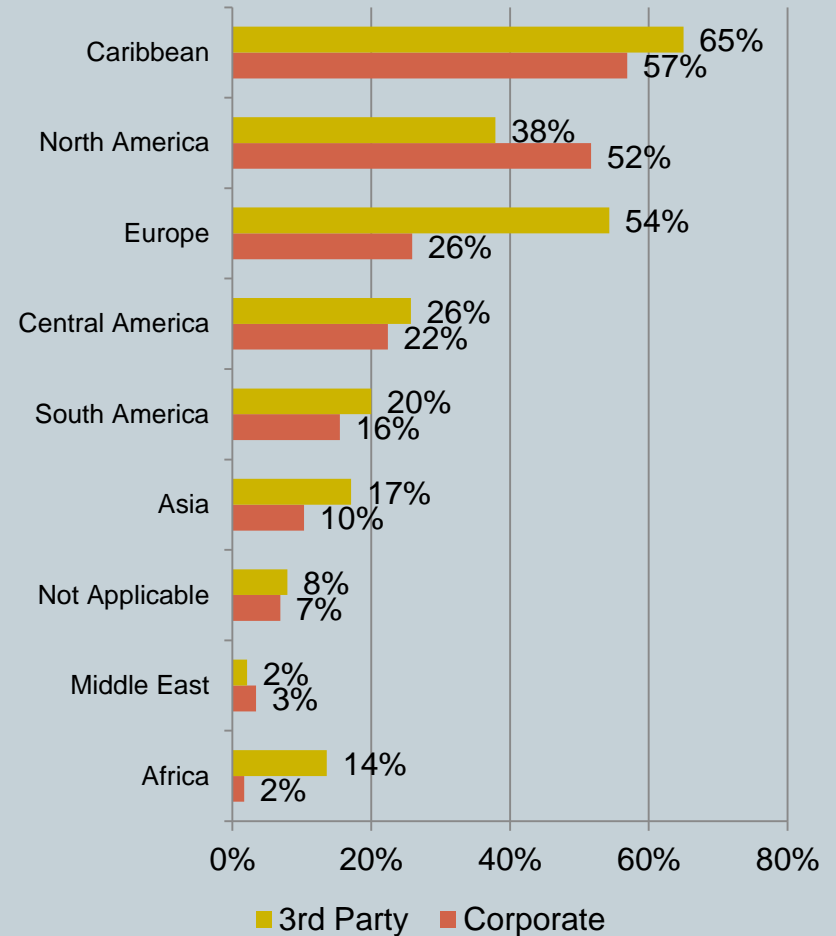


Geographic Region Chosen as "Destinations" for Incentive Travel Program(s). By Category

30

- Third Party respondents are significantly more likely to choose the following destinations than Corporate respondents:

- Europe
- Caribbean
- ASIA



Suppliers were not asked this question.

Perceived Impact of the Economy on Ability to Plan and Implement Merchandise Non-Cash Incentive Programs

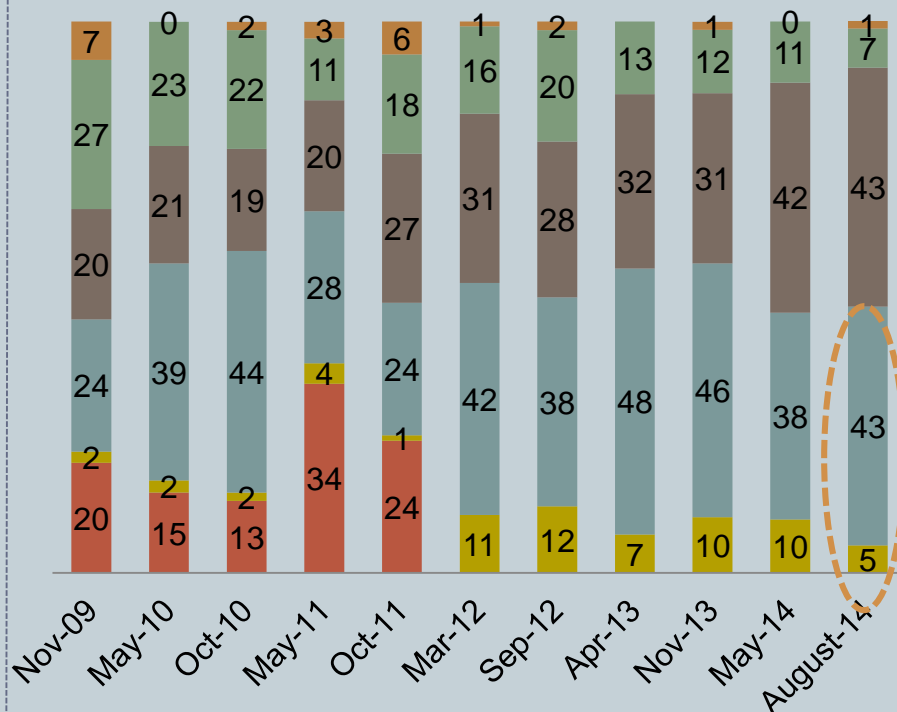
31

In August 2014, respondents continue to anticipate the impact of the economy to have a **“positive”** effect on their ability to plan and implement merchandise non-cash incentive programs potentially indicating a positive trend in the coming year.

- Negative impact 8% in August 2014 vs. 11% in May 2014.
- No impact 43% in August 2014 vs. 42% in May 2014.
- **Positive impact 48% in August 2014 vs. 48% in May 2014.**

Do you anticipate budgets for merchandise non-cash incentive programs in the coming year to...(n=141)

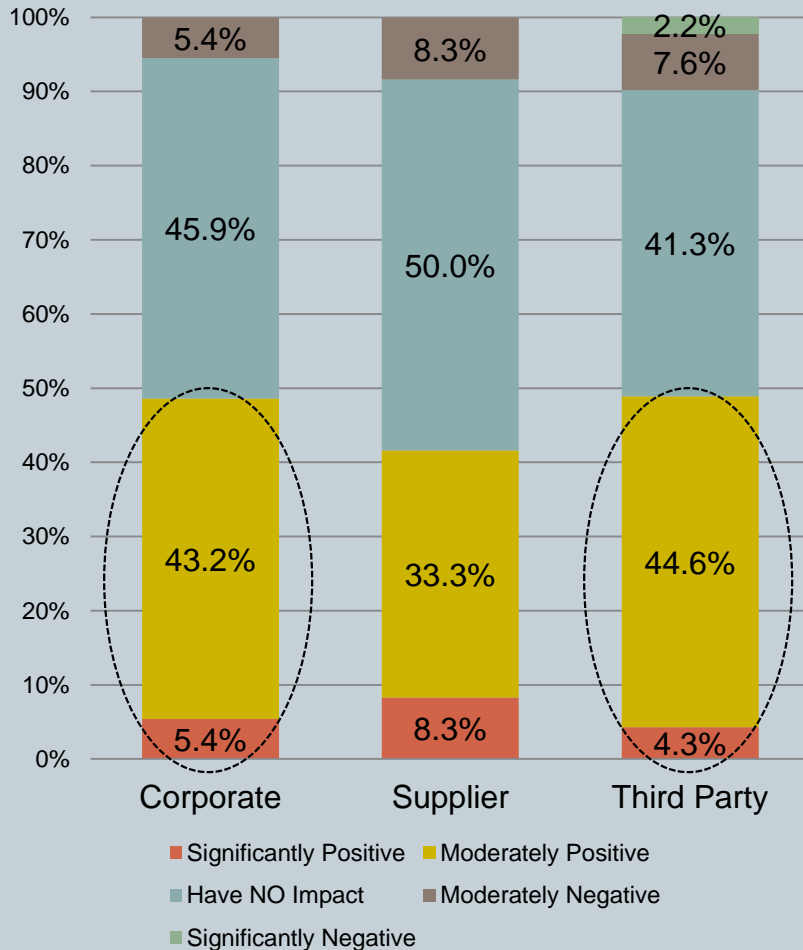
■ No Answer ■ Significantly Positive
■ Moderately positive ■ Have No Impact
■ Moderately negative ■ Significantly Negative



Note: The response categories were modified in the May 2011 and the historical data was adjusted to reflect these changes.

Perceived Impact of the Economy on Ability to Plan and Implement Merchandise Non-Cash Incentive Programs By Category

32



- Comparing the perceived impact of the economy on the ability to plan and implement Merchandise Non-Cash incentive programs by respondent category, we find:
 - The Corporate and Third Party segments are significantly more likely to perceive the impact of the economy to have a more “positive” impact than the Third Party segment.
 - ✦ Corporate 48.6% total positive
 - ✦ Supplier 48.9% total positive.

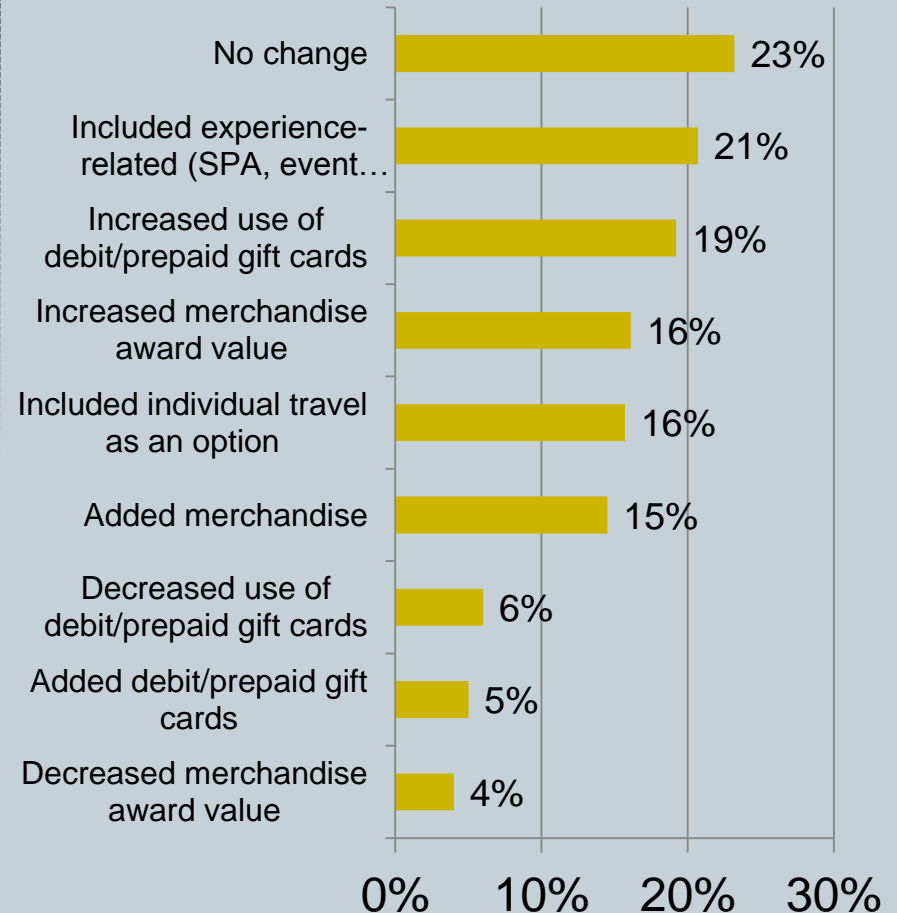
Anticipated Changes This Year With Regards To Merchandise Non-cash Incentive Programs Award Selections

33

21% of the respondents anticipate “Included experience-related (SPA, event tickets, etc.)” in the coming year with regards to Non-Cash Incentive Program Award Selections

- 23% indicate “No change” to the merchandise non-cash incentive program this year.
- 19% indicated “Increased use of debit/prepaid gift cards”.
- 16% indicated “increased merchandise award value” and “Included individual travel as an option”.
- 15% “Added merchandise”.

With regard to merchandise non-cash incentive programs, what changes, will be made this year with award selections? Select all that apply. (n=198)

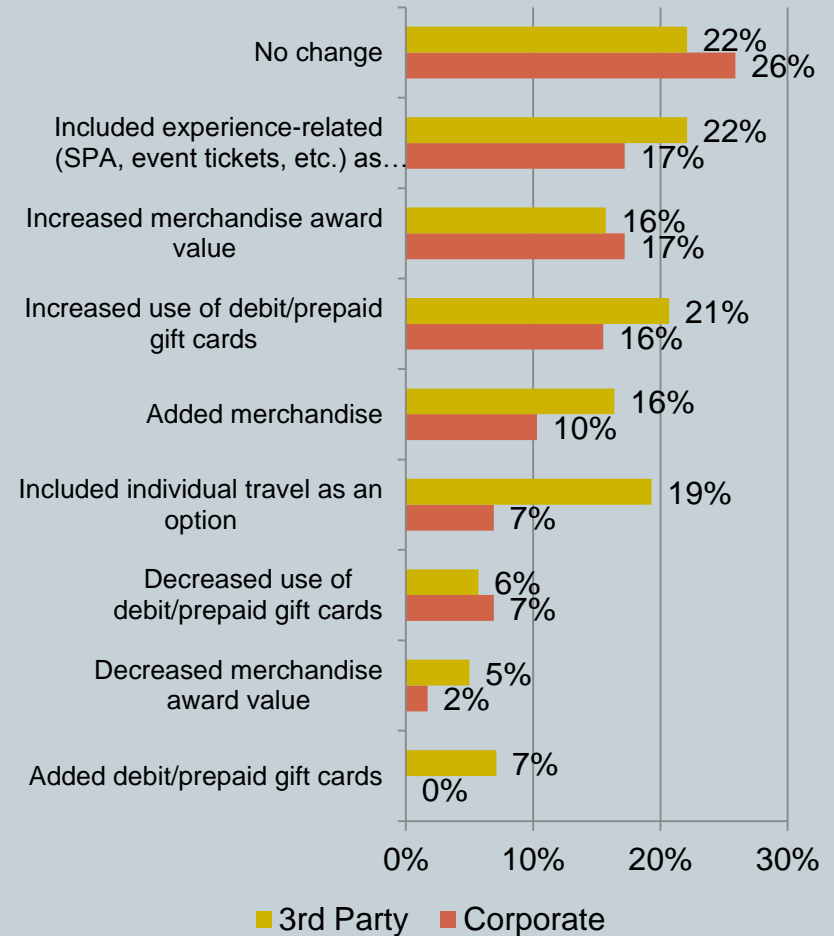


Anticipated Changes This Year With Regards To Merchandise Non-cash Incentive Programs Award Selections

By Category

34

- Third Party respondents are significantly more likely to anticipate the following changes to merchandise non-cash award selection than Corporate respondents:
 - Included experience-related (SPA, event tickets, etc.) as an option
 - Increased use of debit/prepaid gift cards
 - Included individual travel as an option
 - Added debit/prepaid gift cards
 - Increased merchandise award value



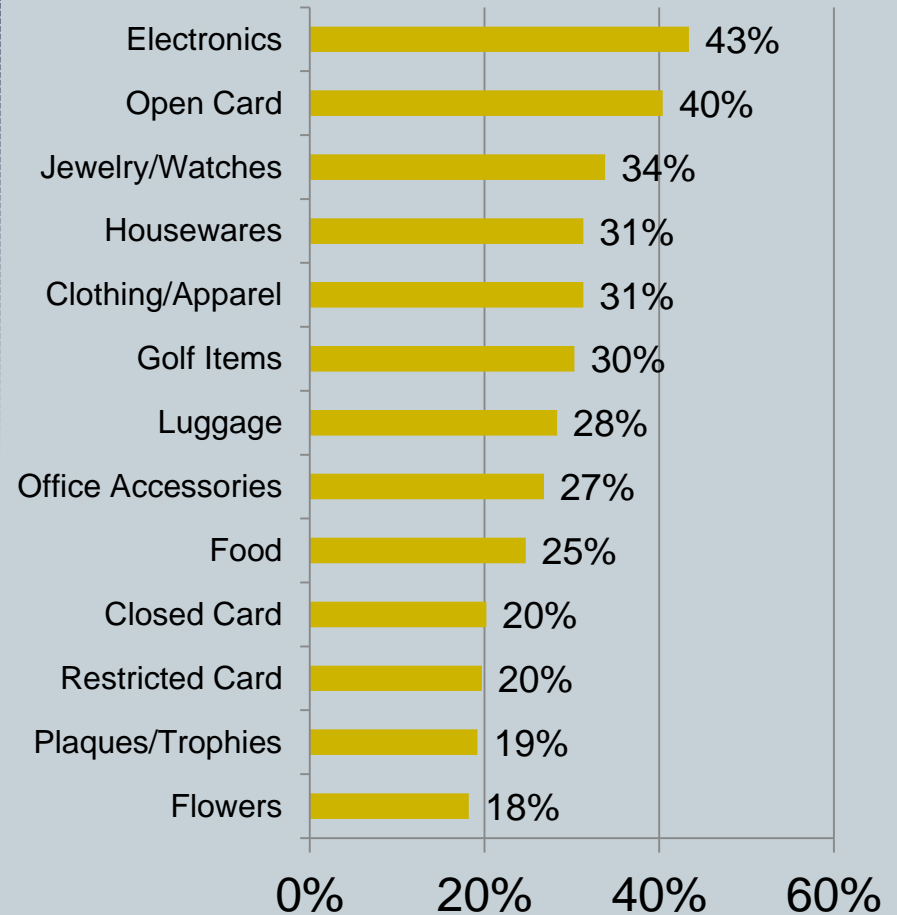
Suppliers were not asked this question.

Merchandise Types Used Within Reward and Recognition Programs

35

Electronics (43%), Open Card (40%) and Jewelry/Watches (34%), are the most common merchandise used in Reward and Recognition Programs.

- Other popular merchandise types identified by the respondents are:
 - Housewares (31%)
 - Clothing/Apparel (31%)
 - Golf Items (30%)
 - Luggage (28%)

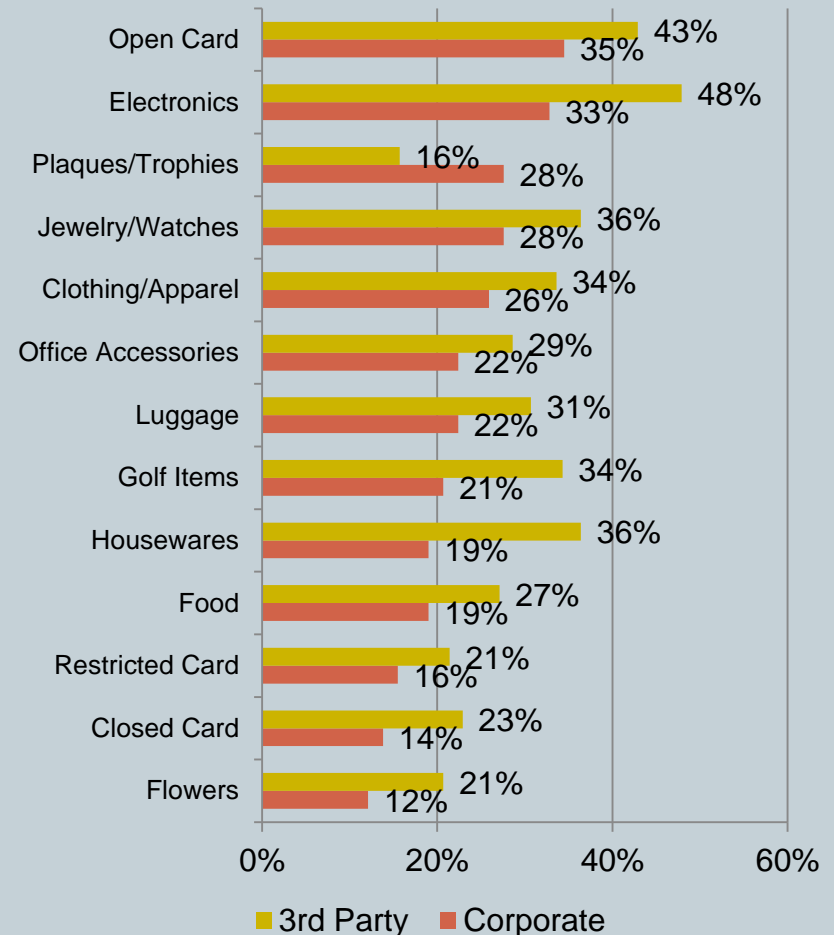


What types of merchandise are you using within your reward and recognition program? Select all that apply (n=198)

Merchandise Types Used Within Reward and Recognition Programs By Category

36

- Third Party respondents are significantly more likely to use all of the listed merchandise awards, except “Plaques/Trophies” when compared with the Corporate respondents.



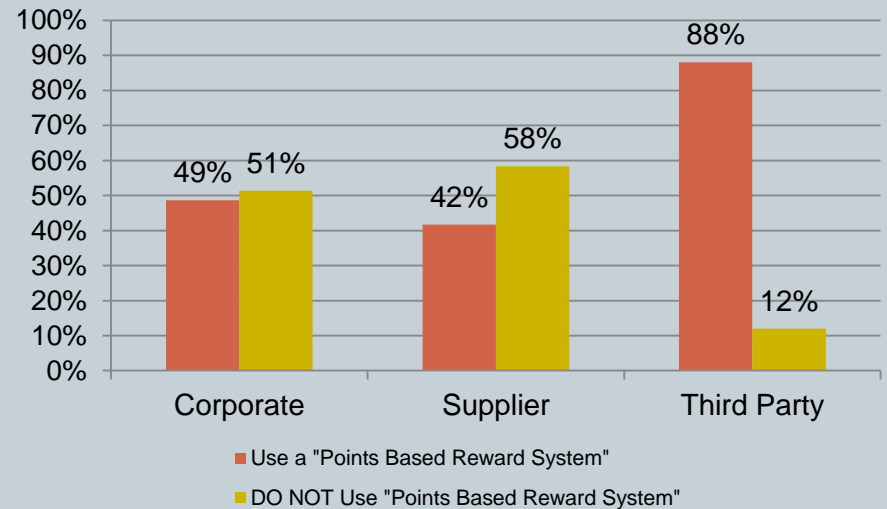
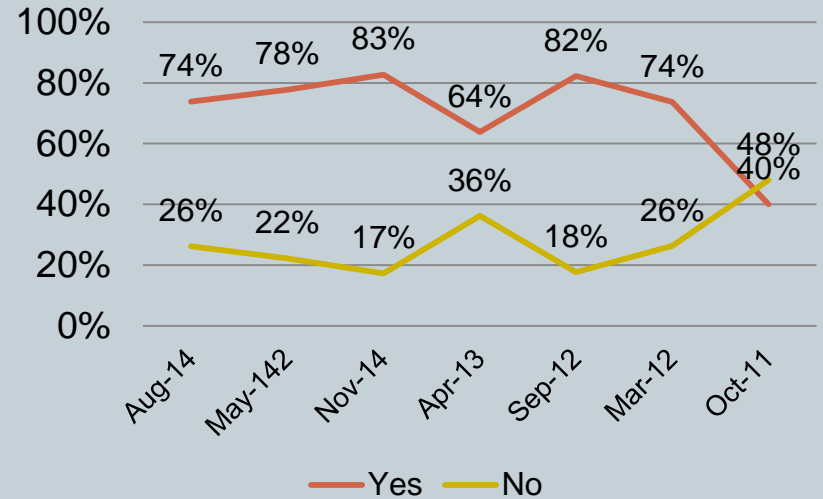
Suppliers were not asked this question.

Use of Points Based System for Merchandise Non-Cash Incentive Programs

A majority (74%) of the respondents indicate they use a points based system for their Merchandise Non-Cash Incentive program(s).

- 26% indicated they do not use a points based system.
- Compared with May 2014, slightly less respondents (4%) indicate the use of a “Points Based System” for Non-Cash incentive programs.
- Third Party respondents are significantly more likely to use a points based system than the Corporate and Supplier respondents.

Do you use a "points-based" system for your merchandise non-cash incentive program? (n=141)



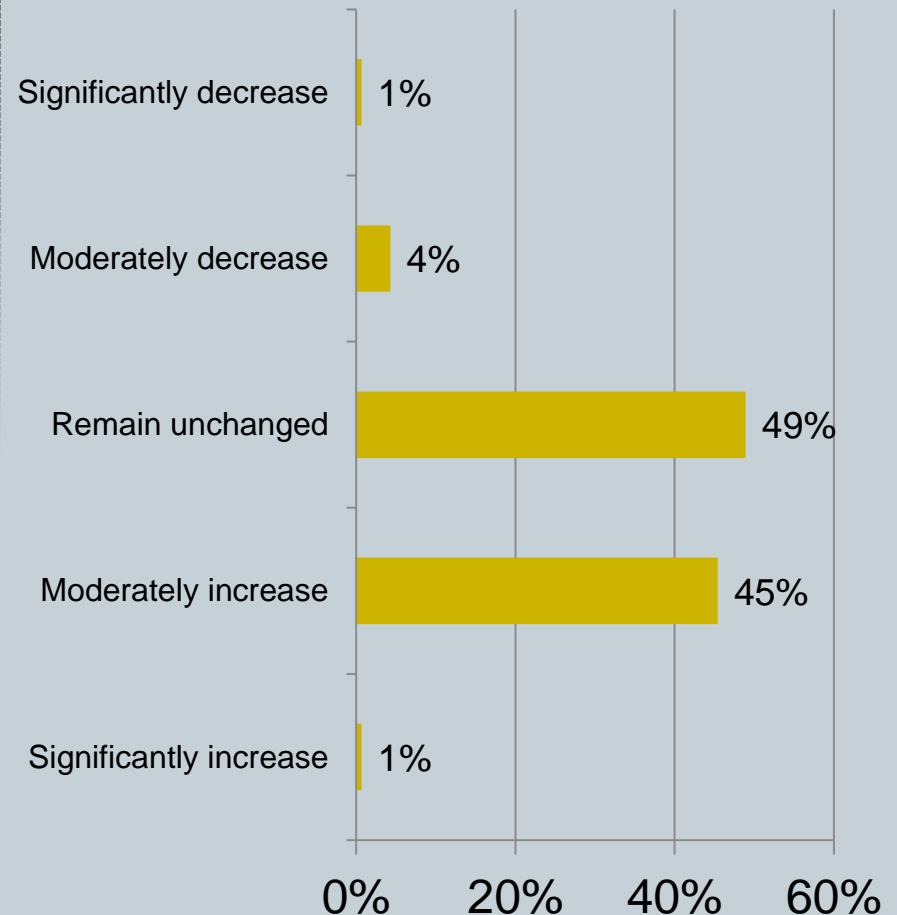
Anticipated Changes In Non-Cash Incentive Program Budgets for This Year

38

Forty-nine percent (49%) of the respondents anticipate budgets for Non-Cash Incentive Programs to “Remain unchanged” this coming year.

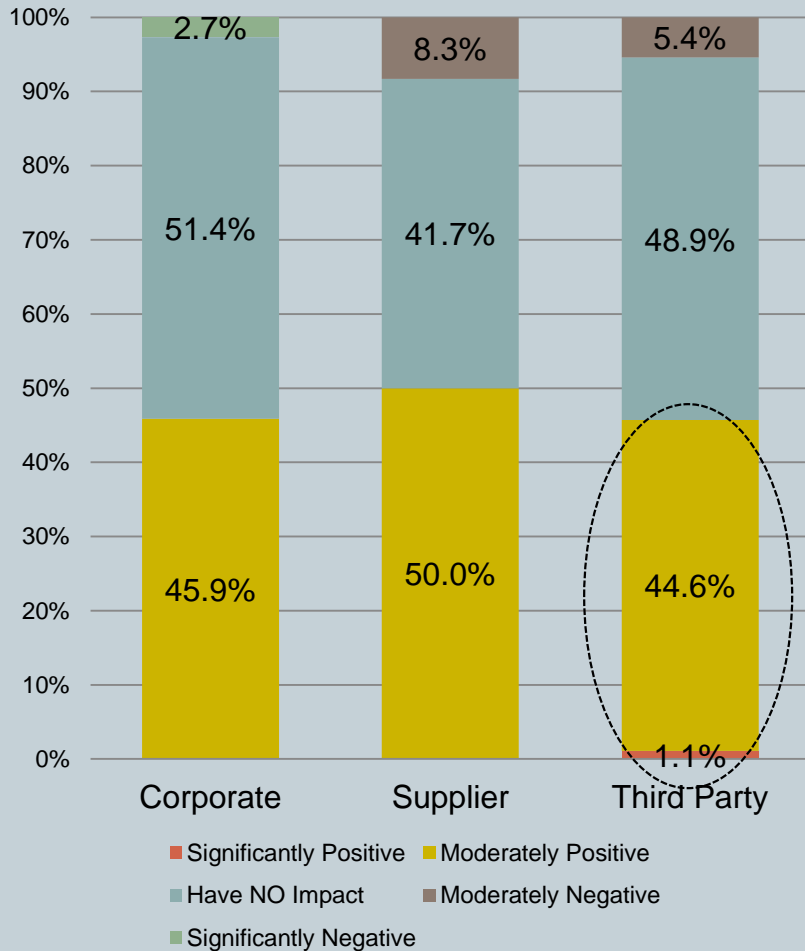
- 5% indicate that budgets for Non-Cash Incentive Programs will **decrease** by some degree in the coming year.
- 46% indicate that budgets for Non-Cash Incentive Programs will **increase** by some degree in the coming year.

Do you anticipate budgets for non-cash incentive programs in the coming year to...(n=141)



Anticipated Changes In Non-Cash Incentive Program Budgets for This Year By Category

39



- Comparing the anticipated changes in Non-Cash incentive program budgets by respondent category, we find no statistically significant differences.

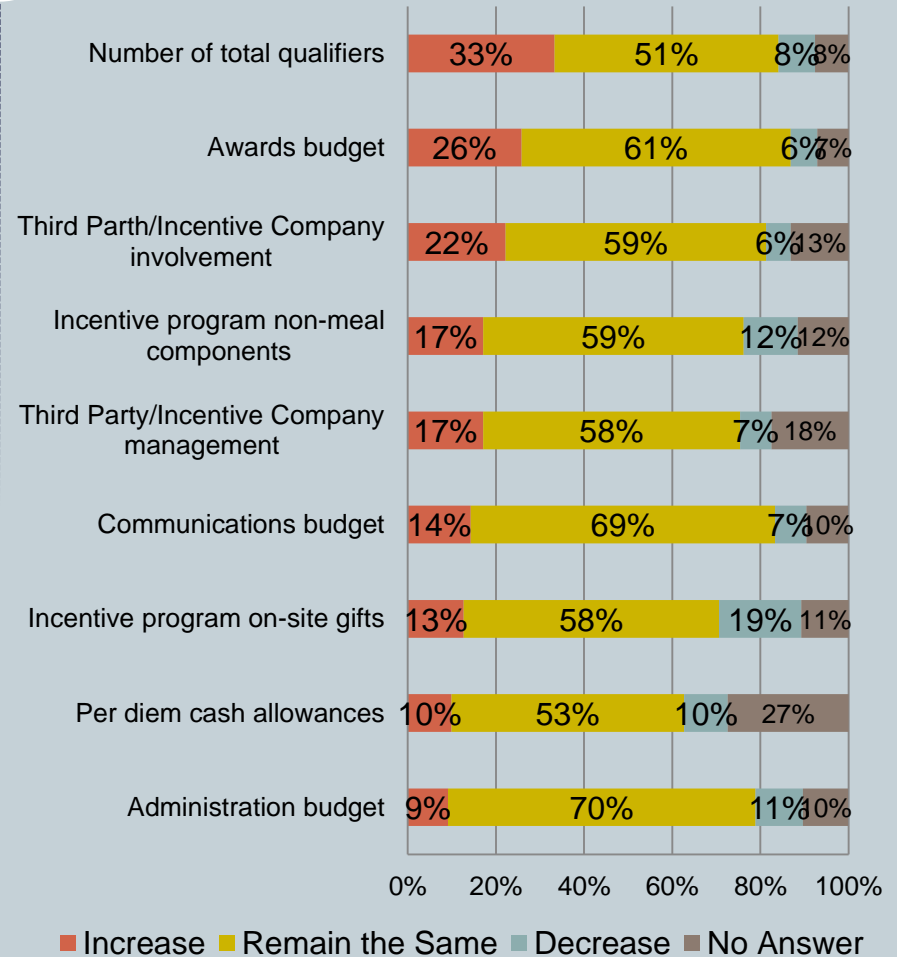
Anticipated Changes Incentive Program Elements

40

In general, respondents indicated that they anticipate most incentive program elements to remain the same in the coming year.

- The “Number of total qualifiers” is the element that has the highest reported increase in the coming year at 33%.
- The following elements received “Increased” ratings of greater than 20% for the coming year:
 - Awards budget (26%)
 - Third Party/Incentive Company Involvement (22%)

This year, do you anticipate the following incentive program elements will increase, decrease or remain the same?
(n=252)



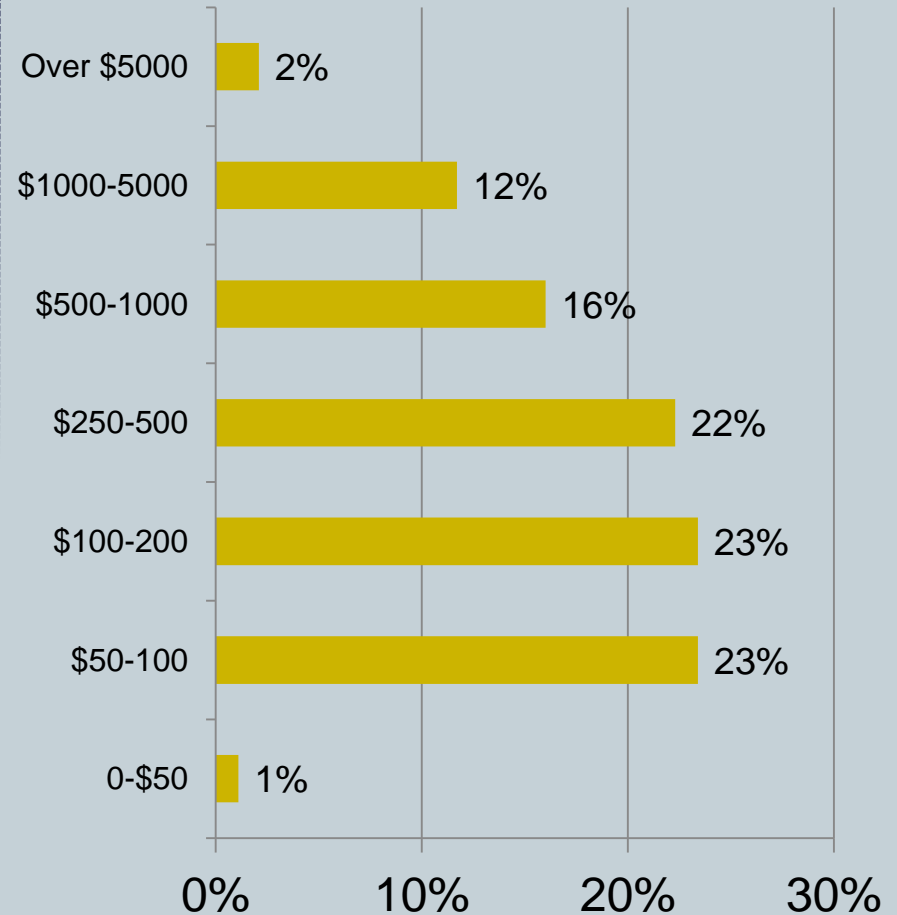
Average Per Person Spend on Merchandise or Gift Card Reward Programs

41

Most (46%) of the respondents indicate the average spend per person is \$50 - \$200.

- 23% indicate that the average spend per person is \$50-100 or \$100-200.
- 22% indicate the average spend is \$250-500.

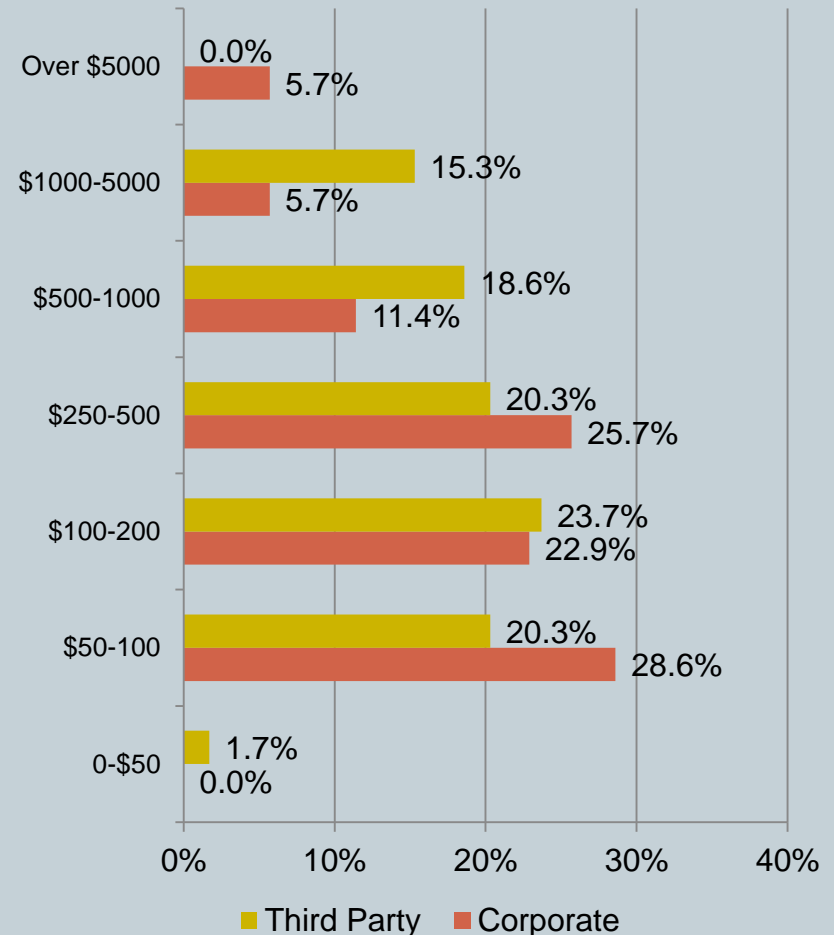
What is the average per-person spend in your merchandise or gift card reward programs (n=94)



Average Per Person Spend on Incentive Travel Programs By Category

42

- 3rd Party respondents are more likely to indicate the average spend per-person on Incentive travel programs to be between \$100 - \$200.
- Corporate respondents are more likely to indicate the average spend per-person to be between \$50 - \$100.



Suppliers were not asked this question.

General Issues Of Interest to the Industry

43

Budget Changes for Incentive Program Elements

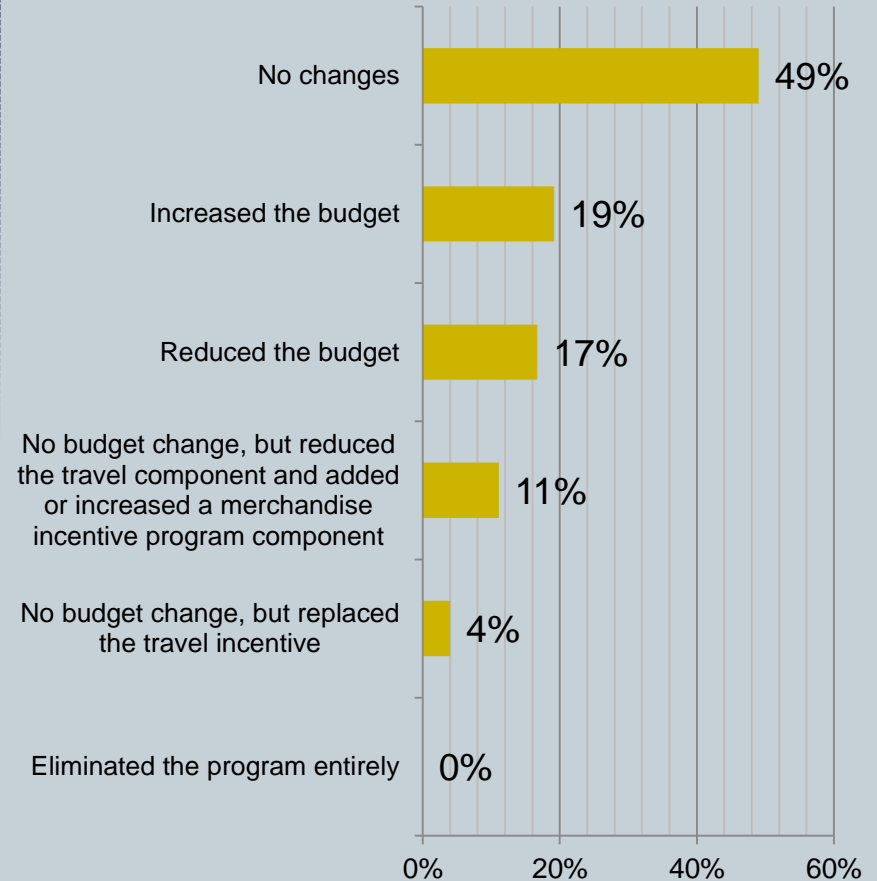
Impact on Incentive Program As A Result Of The Current Economic Conditions

44

49% of the respondents anticipate no changes to the budget for Incentive Programs in the coming year as a result of the recent economic conditions.

- 19% indicate that budgets for Incentive Programs have **increased** as a result of the recent economic conditions.
- 17% indicate that that budgets for Incentive Programs have been **reduced** as a result of the recent economic conditions.
- 11% indicate no budget change, but reduced the component and added or increased a merchandise incentive program component.
- 4% indicated no budget change, but replaced the travel incentive.

As a result of the recent economic conditions, have you made a change to your upcoming incentive program, and if so have you... (n=198)



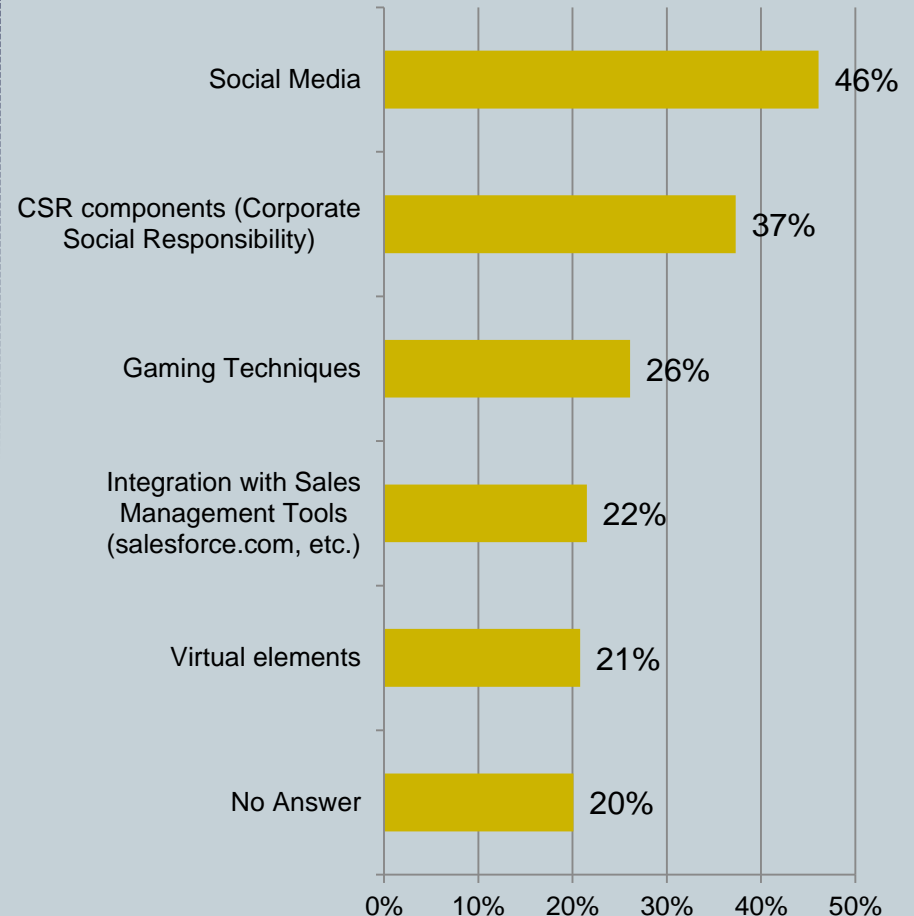
Use of Enhancement Tools/Techniques for Incentive Programs

45

Slightly less than half of the respondents (46%) indicate they use Social Media tool/techniques to enhance their incentive program.

- 37% indicate the use of CSR components and Gaming techniques.

Are you using any of the following to enhance your programs? (Check all that apply) ... (n=284)



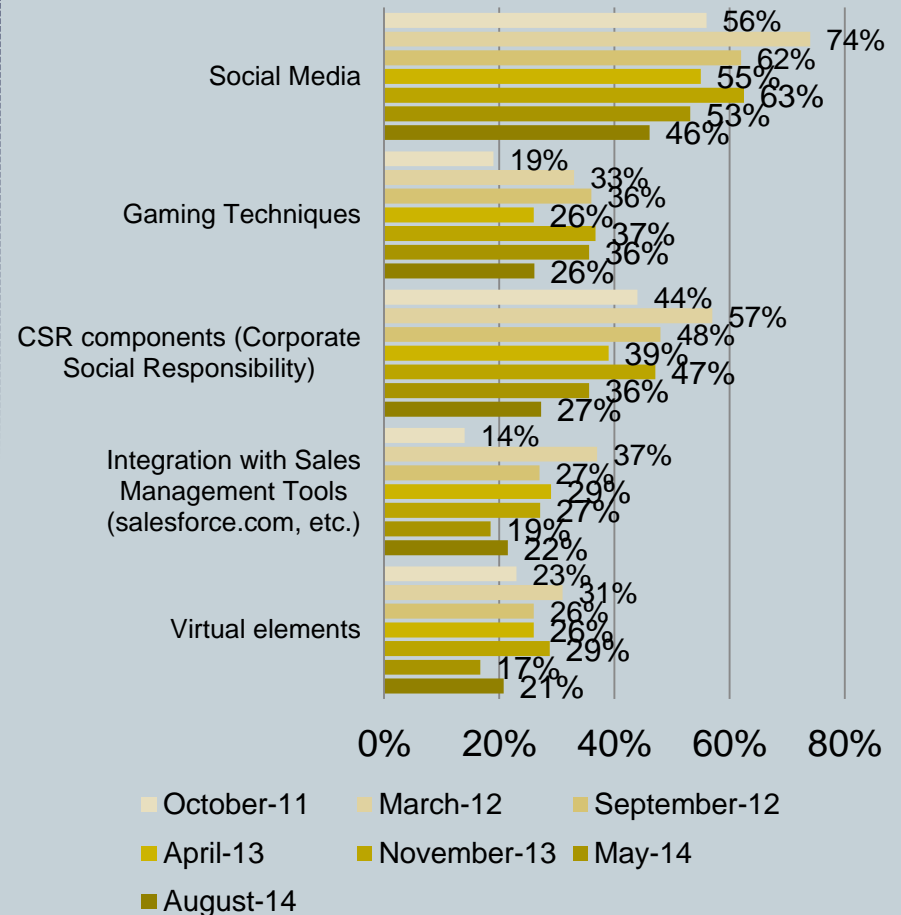
Trending of Enhancement Tools/Techniques for Incentive Programs

46

Most tools/techniques showed decreased use in the enhancement of incentive programs compared to May 2014.

- Integration with Sales Management Tools and Virtual Elements increased as enhancement tools when compared with May 2014.

Are you using any of the following to enhance your programs? (Check all that apply) ... (n=284)



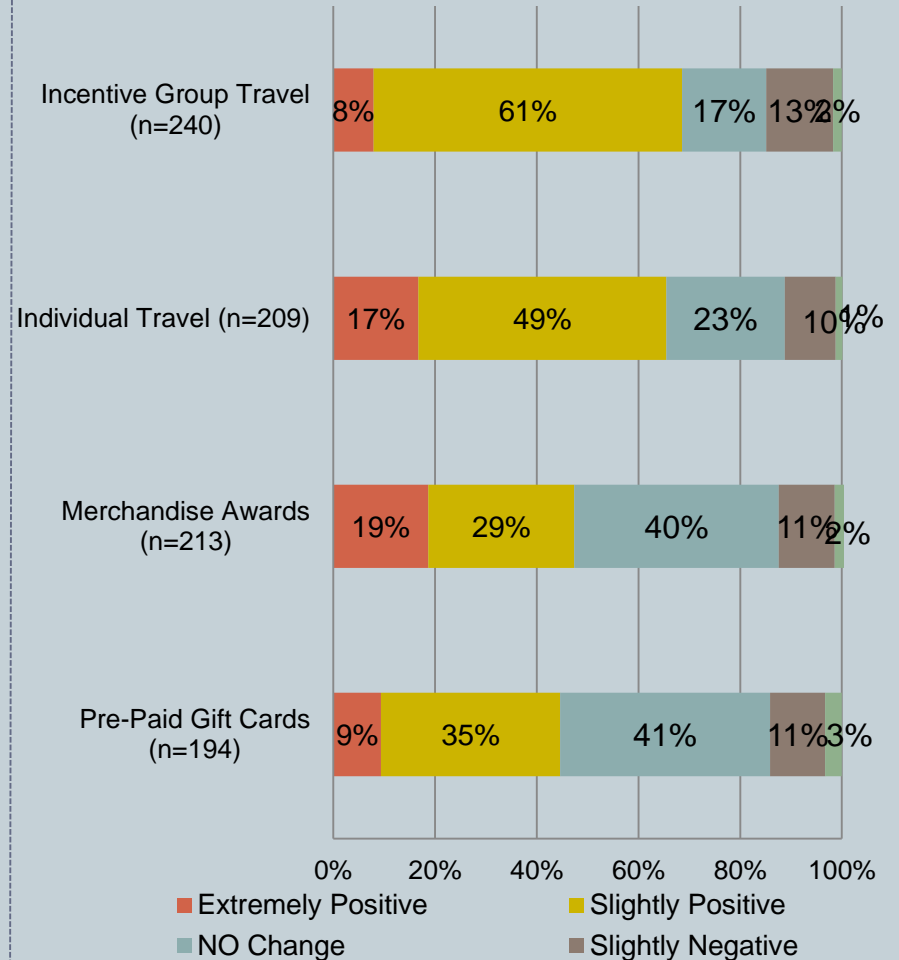
General Perceptions of the Coming Year

47

The majority of respondents (69%) perceive “The Economy” to be either Slightly or Extremely *positive* in the coming year.

- While the outlook on the Economy is generally “positive”, 15% of the respondents also indicate a “negative” perception of the economy in the coming year.
- In general, over 45% of the respondents perceive “Slightly Positive/Extremely Positive” views with respect to each of the areas measured.

As you look ahead to the coming year, what is your view of the following. (n=see chart)



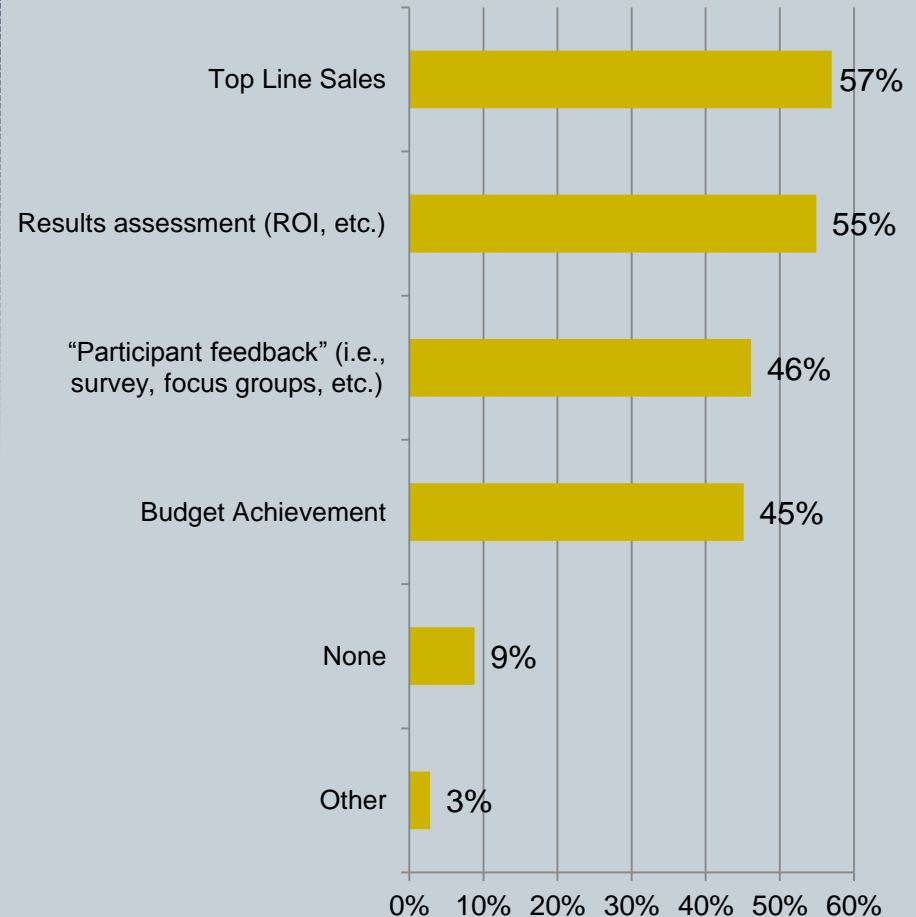
Goals & Objectives used to Determine Incentive Payouts and Measurement of Success

48

The majority (91.5%) indicated that goals/objectives are used to determine incentive payouts.

- Most respondents (57%) indicate that they use “Top Line Sales” to determine a programs’ success.
- Only 9% of the respondents indicated they have no method to determine a programs success.

Which of the following is used to determine a program’s success? : (n=260)



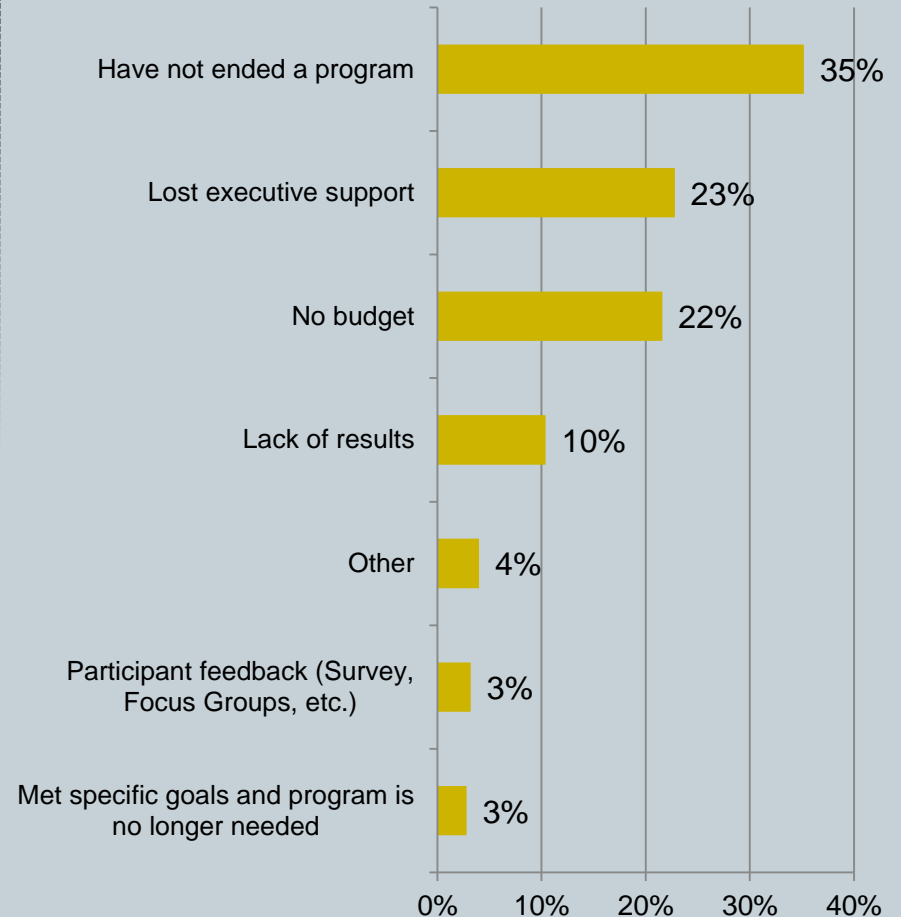
Primary Reason For Ending An Incentive/ Recognition Program

49

Slightly more than a third of the respondents (35%) indicated that they have not ended a program.

- 23% indicated they lost executive support.
- 22% indicated there was no budget.
- 10% indicated lack of results.

What is the primary reason for ending an incentive/ recognition program? (n=250)



Frequency of Results Analysis and Program Design Element Changes

50

Thirty percent (30%) of the respondents indicated that they analyze results and program design elements Annually during a programs duration.

- 4% indicated that they “**never**” analyze results and program design elements during a programs duration.
- 27% analyze results and program design elements “3-4 times” during a programs duration.

When running an incentive program, how often are results analyzed and program design elements are changed?
(n=250)

