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Incentive Travel Paper Reveal: Current State and Trends

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IRF

Incentive Research
Foundation

WHO IS THE IRF?

8/5/2016

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Incentive Travel on the Rise

A White Paper for the Incentive Travel Council by the Incentive Research Foundation



Research shows the business case for and use of incentive travel is strong. Trends point toward strong growth ahead.

Individual Travel and Group Travel - Striking the Balance

When designing a non-cash incentive travel program, program designers have two choices: individual or group travel. Data shows U.S. firms' use of each tool varies based on program goal and business size.

A study of 234 U.S. firms using non-cash awards showed that where sales associates were concerned, program owners more often used individual travel to reward discretionary accomplishments, but used group travel to reward team-based success. Where all other employees were concerned, program owners preferred individual travel for goal-based or team-based awards.⁶

U.S. firms balanced use of both individual and group travel is most evident in how they split their incentive travel budget. The budget for individual travel tends to be higher for smaller businesses. For example, \$1 Million - \$10 Million sized businesses reported their travel budgets for employee, sales, or channel programs were roughly split 2/3 to individual travel and 1/3 to group travel. The converse was true for large businesses (over \$1 Billion) with 50-65% of their incentive travel budgets going to group travel the rest to individual travel depending on the audience. In addition 29-41% of firms who use award points include individual travel as part of their portfolio, which means firms are using individual travel in multiple ways.⁵

According to U.S. planners, there is a very moderate move to individual travel from group travel anticipated in the coming years.⁷



Sales and Employee Programs Lead the Way for Incentive Travel

A 2015 study of over 1000 U.S. firms revealed organizations currently spend over \$90 Billion annually on non-cash awards and recognition to motivate their sales people, customer, employees and channel partners. Not surprisingly \$14.43 Billion of this spend is concentrated on incentive travel with U.S. firms spending \$3.96 Billion annually to motivate their sales people with incentive travel and \$3.91 Billion annually to motivate employees with travel. A full 60% of U.S. firms now have non-cash sales programs of some manner and 34% of these firms use incentive travel as a motivator.⁵

This study revealed the market

for employee incentive travel programs to be strong as well. Almost three quarters of U.S. firms (72%) have non-cash reward and recognition employee programs with a full 30% of these using incentive travel in some manner.

While a relatively smaller portion of U.S. firms were using non-cash awards for channel and dealer programs, of the 41% of who do use them, almost a third use travel as a motivator spending \$3.37 Billion annually. Likewise, while comparatively a slightly higher portion (45%) of U.S. firms use non-cash awards to recognize customers, only 25% of these use travel, spending \$3.19 Billion annually.

The Business Case for Incentive Travel

For decades leading executives have sought to optimize the performance of their people. Tools have changed. The economy has changed. But interest in engagement and performance has not. Today, with strong job growth, the entrance of more generations in the workplace than ever before, and the extreme specialization required within virtually every job, this executive interest has heightened in recent years. Consultants now focus on helping executives calibrate the cash-based and non-cash motivators available to maximize performance.

Not surprisingly, a 2015 market research study by the Incentive

Federation found that 84% of all U.S. Firms now use non-cash awards in some manner to motivate and engage their workforce.¹ According to this same study, 45% of all businesses using non-cash awards use incentive travel awards in some manner. What do these businesses see to make their investment worthwhile?

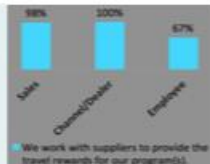
First, travel has emerged as a top motivator for the modern workforce. In 2015 a study of a national cross-section of 452 working adults used experimental design to more deeply understand the motivational preferences of U.S. employees. The study clearly

showed that when being rewarded for 'above and beyond' performance lasting over a year, on average U.S. employees preferred most often to be rewarded with travel or experiential awards - beating out cash significantly.²

Successful businesses already know this. According to Aberdeen Group in 2013, 100% of "Best in Class" companies (meaning those with the highest year over year sales increases and highest customer retention) use group travel to reward and recognize year-end sales success.³ A strong testament to travel as a motivational tool.

Fast Facts

Travel reward suppliers are an important part of the delivery architecture for incentive travel programs. In fact, a Program Design and Support Study of 234 U.S. firms in late 2014 showed 98% of sales reward programs, 100% of dealer/channel reward programs, and 67% of employee reward programs work with travel suppliers to provide travel awards for their program or programs.⁴



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1. Business Case
2. A View into Program Types
3. Employee Preferences
4. Trends

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1. People Want It
2. Lots of Businesses Use It
3. All Top Performing Use it
4. Significant Part of our Economy

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For large awards in the U.S. TRAVEL is the most preferred award average.

- For large rewards, travel is the most-preferred reward, followed by an experiential reward.
- Professional development opportunities become more important for large rewards, with networking and conferences of particular interest.
- Public recognition is more compelling than private recognition when considering a large reward.
- Being recognized by executives is more meaningful than by a direct manager or peers/team members



Roughly HALF of all business using non-cash awards use Incentive Travel Awards in Some Manner

	Number of Companies	Net Use NonCash	% of Firms Using Non Cash Who Use This Type of Award				
			Award Points	Gift Cards	Travel Awards	Merchandise	Merchandise or Logo'd Merch
\$1 to \$10 million	1,244,164	83%	55%	87%	43%	69%	71%
\$11 to \$100 million	176,850	86%	53%	89%	56%	72%	74%
\$100 to \$1B	17,974	90%	62%	95%	54%	77%	80%
\$1B plus	2,631	83%	57%	92%	53%	77%	80%
Total	1,441,619						



ALL “Best in Class” companies use incentive group travel

Aberdeen Group findings showed that the top 20% of companies (aka the "Best in Class") had the following profile:

- 8% increase in average deal size year-over-year
- 16% higher average sales quota than all other firms
- 88% customer retention rate versus
- 100% offered Group Travel to reward year end sales success.

U.S. Businesses spend over \$14.4 Billion on Incentive Travel Annually

- Total Market Spend on *Sponsor-Arranged* Travel = \$14.43B
 - \$3.96 B Sales
 - \$3.91 B Employees
 - \$3.37 B Channel Partners
 - \$3.19 B Customer



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Review of Incentive Travel by
Audience: Sales, Employees,
Channel, Customer

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1. Incidence
2. Spend
3. Differences by Business Size
4. Individual/Group Split

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The State of Sales Programs and Incentive Travel

60% of firms have non-cash Sales Programs. 34% of these use Incentive Travel

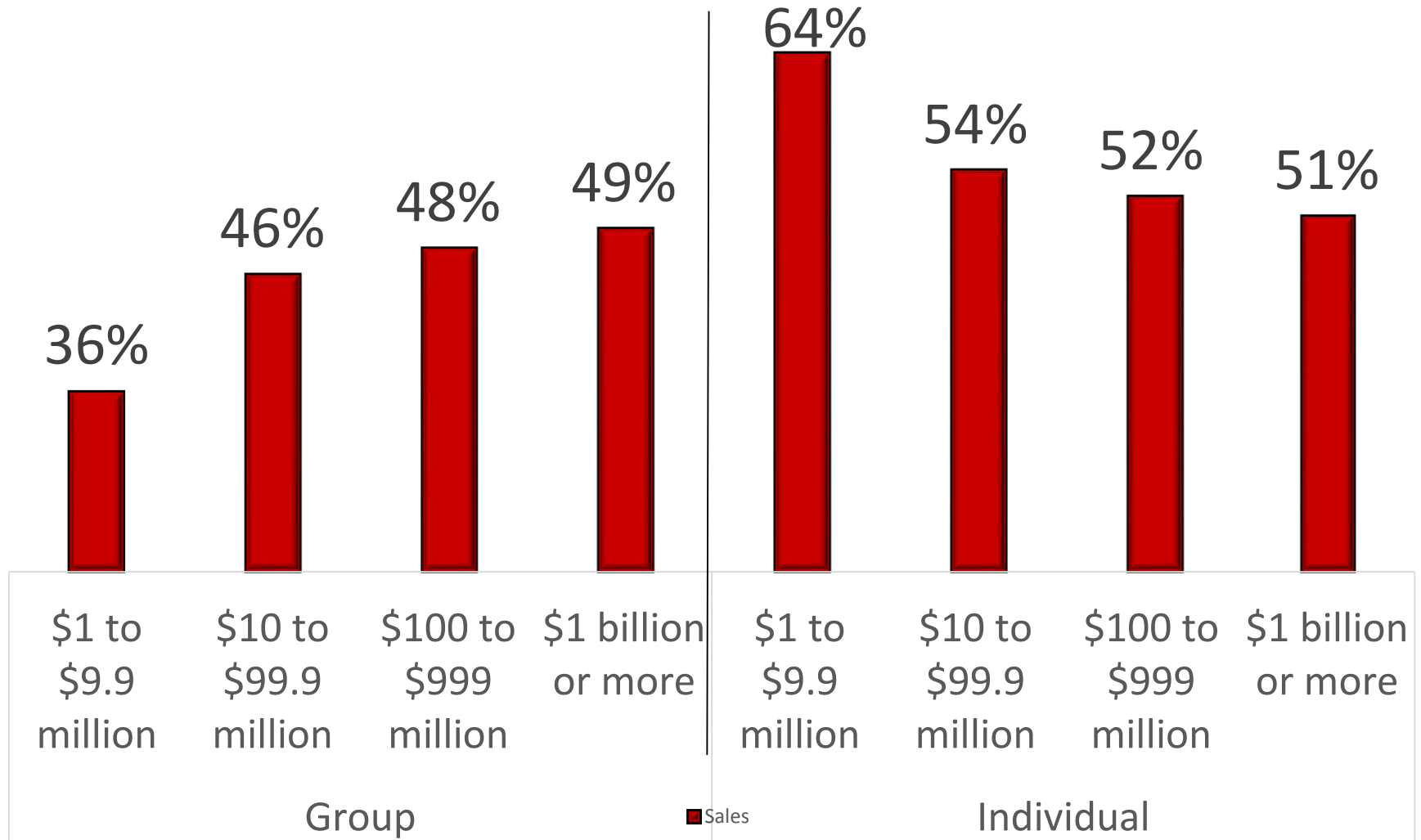
2015 Sales Rewards Market Summary (60% Incidence)		
	Percent of Sales Programs Using	Total Spend (Billions)
Award Points	44%	\$8.3
Gift Cards	72%	\$6.9
Trips & Travel	34%	\$3.9
Merchandise	44%	\$3.7
Total		\$23.0

U.S. Businesses Spend \$3.9 Billion on Incentive Travel for Sales Programs.

	Number of Companies	Sales Program Incidence	Trips & Travel Incidence	Trips & Travel Spend	Total Market Spend
\$1 to \$4.9 Million	1,069,866	59%	33%	\$2,000	\$414,051,571
\$5 to \$9.9 Million	174,298	59%	33%	\$23,714	\$799,829,664
\$10 to \$99.9 Million	176,850	64%	40%	\$40,570	\$1,827,002,364
\$100 to \$999 Million	17,974	73%	53%	\$103,676	\$725,970,949
\$1B plus	2,631	66%	48%	\$238,818	\$197,945,900

\$3,964,800,449

Sales Programs: Split of Budget between Group and Individual Travel is Significant



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The State of Employee Programs and Incentive Travel

72% of Firms have Employee Programs. 30% of these Use Incentive Travel.

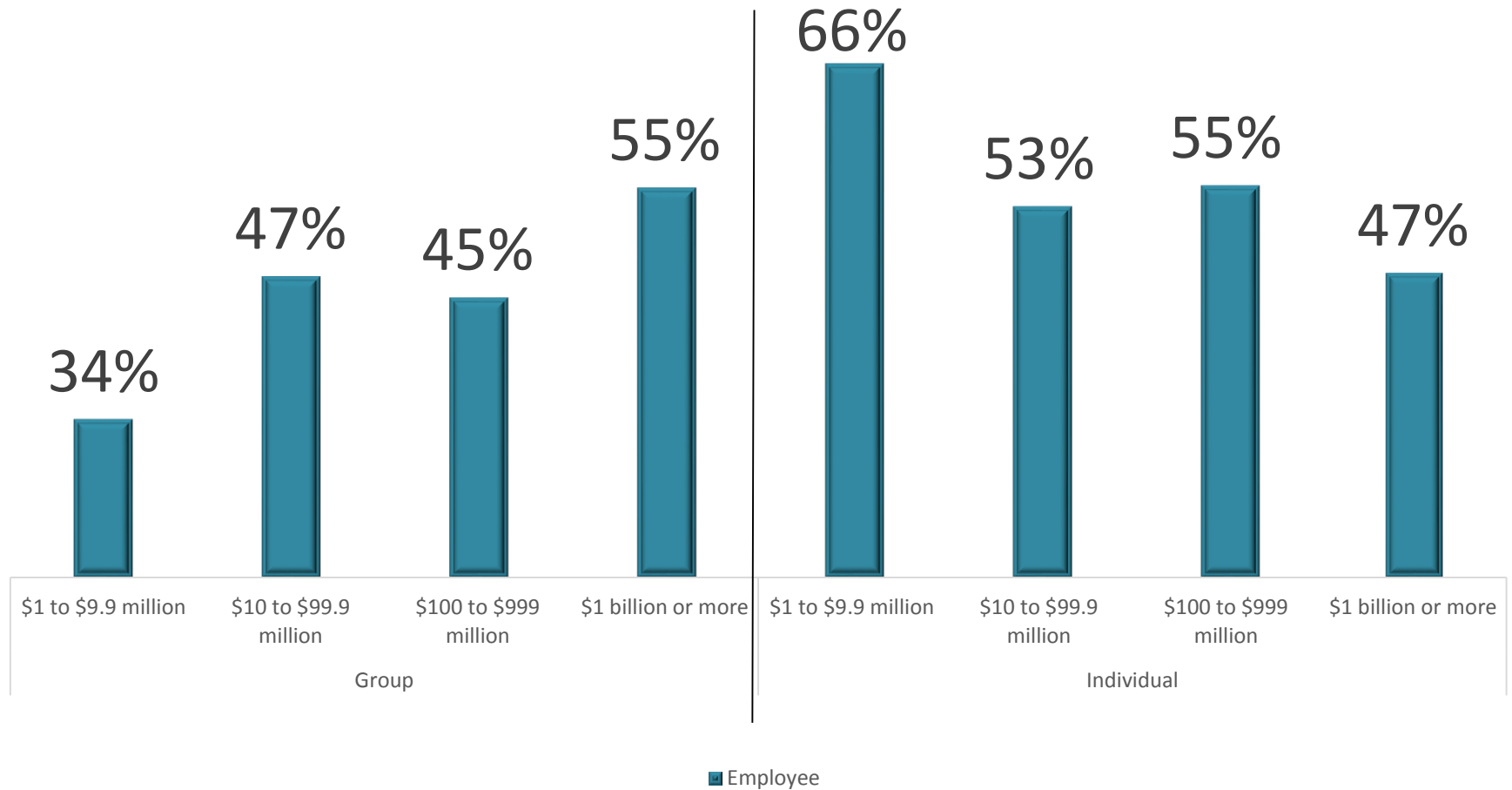
2015 Employee Rewards Market Summary (72% Incidence)		
	Percent of Employee Programs Using	Total Spend (Billions)
Award Points	36%	\$8.1
Gift Cards	71%	\$7.5
Trips & Travel	30%	\$3.9
Merchandise	38%	\$3.2
Total		\$22.9

U.S. Firms Spend \$3.9 B on Incentive Travel for Employees Annually

	Number of Companies	Employee Program Incidence	Trips & Travel Incidence	Trips & Travel Spend	Total Market Spend
\$1 to \$4.9 Million	1,069,866	71%	30%	\$2,000	\$449,039,287
\$5 to \$9.9 Million	174,298	71%	30%	\$15,143	\$553,892,120
\$10 to \$99.9 Million	176,850	74%	30%	\$55,154	\$2,151,230,540
\$100 to \$999 Million	17,974	78%	30%	\$139,333	\$588,345,426
\$1B plus	2,631	78%	29%	\$275,696	\$163,296,917

\$3,905,804,290

For Employee Programs, the Budget Split between Individual and Group Travel is Significant



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The State of Channel/Dealer Programs and Incentive Travel

41% of Firms have Non-Cash Channel Programs. 30% of these use Incentive Travel

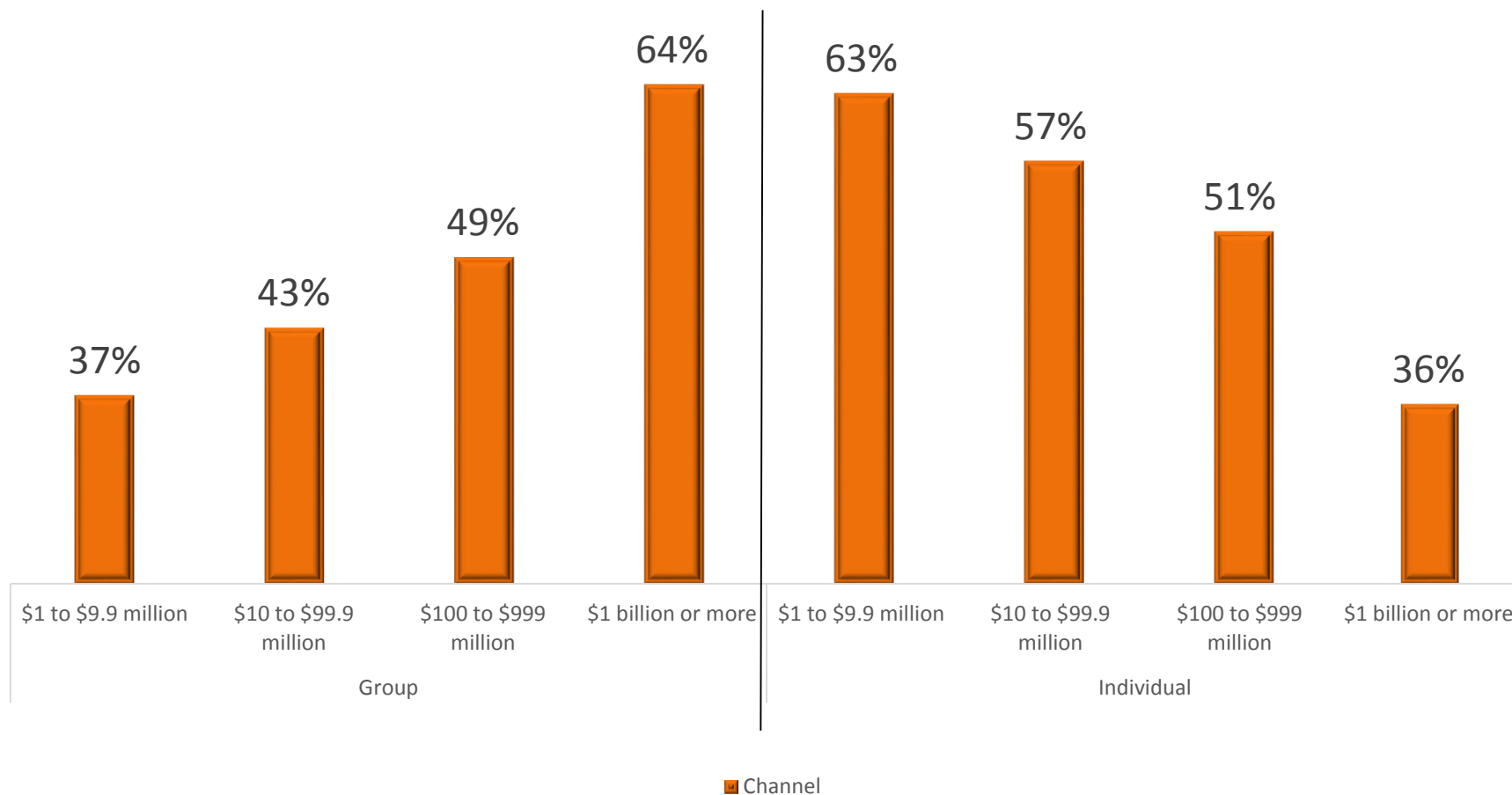
2015 Channel Rewards Market Summary (41% Incidence)		
	Percent of Channel Programs Using	Total Spend (Billions)
Award Points	43%	\$6.3
Gift Cards	63%	\$4.9
Trips & Travel	30%	\$3.3
Merchandise	51%	\$2.8
Total		\$17.4

U.S. Firms spend \$3.37 B Annually on Incentive Travel for Channel Partners

	Number of Companies	Channel Program Incidence	Trips & Travel Incidence	Trips & Travel Spend	Total Market Spend
\$1 to \$4.9 Million	1,069,866	41%	28%	\$4,000	\$493,507,788
\$5 to \$9.9 Million	174,298	41%	28%	\$32,909	\$661,474,220
\$10 to \$99.9 Million	176,850	39%	42%	\$58,526	\$1,696,030,712
\$100 to \$999 Million	17,974	55%	44%	\$97,500	\$420,591,600
\$1B plus	2,631	45%	41%	\$210,000	\$100,600,928

\$3,372,205,248

The Budget Split between Group and Incentive Travel for Channel Programs is Significant



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The State of Customer Programs and Incentive Travel

45% of firms have non-cash Customer Programs. 25% of these Use Incentive Travel.

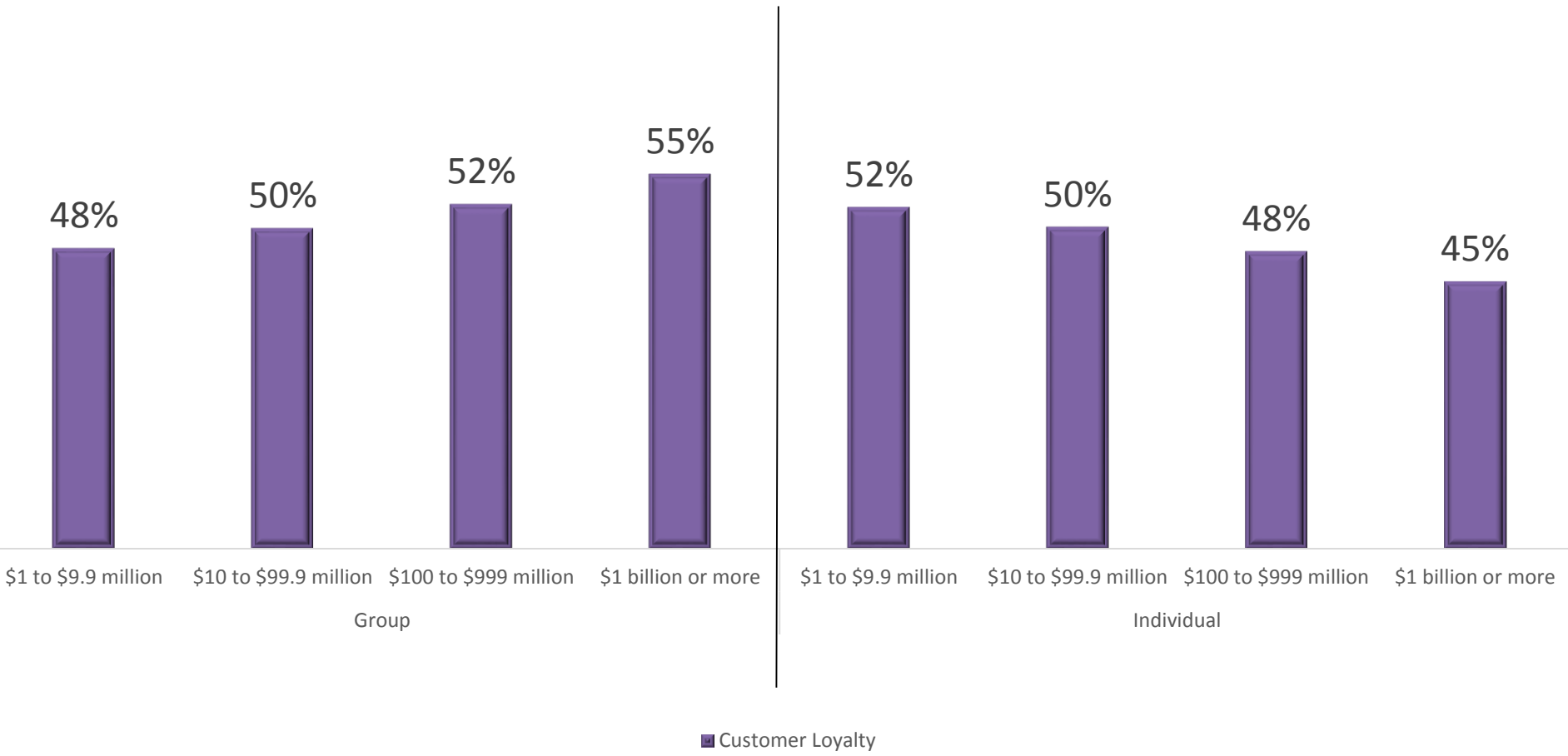
2015 Customer Loyalty Market Summary (45% Incidence)		
	Percent of Customer Programs Using	Total Spend (Billions)
Award Points	55%	\$5.6
Gift Cards	51%	\$4.7
Trips & Travel	25%	\$3.1
Merchandise	32%	\$2.5
Total		\$16.1

U.S. Firms Spend \$3.19 B on Customer Incentive Travel Programs Annually

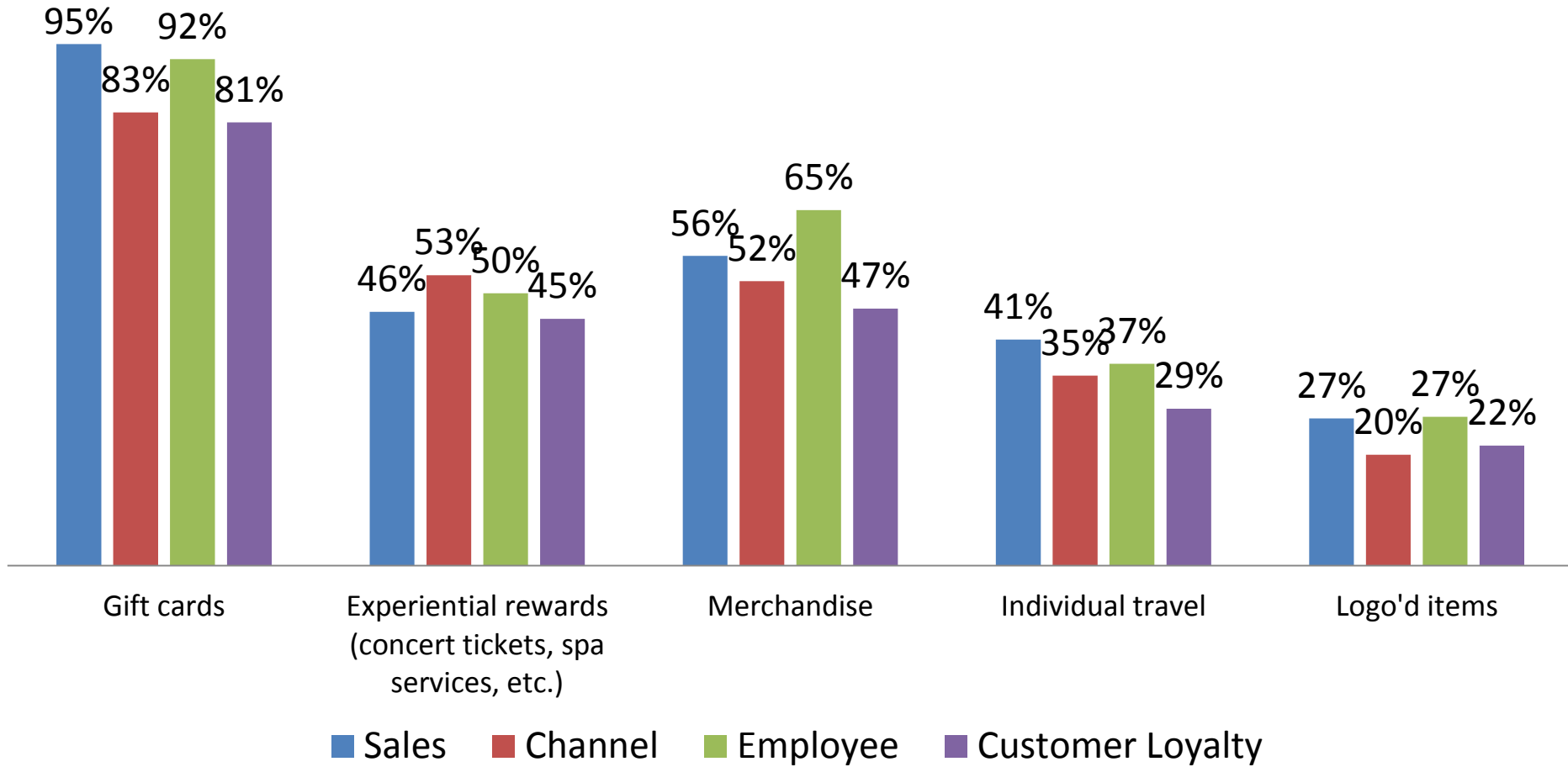
	Number of Companies	Customer Loyalty Program Incidence	Trips & Travel Incidence	Trips & Travel Spend	Total Market Spend
\$1 to \$4.9 Million	1,069,866	45%	25%	\$5,500	\$658,594,290
\$5 to \$9.9 Million	174,298	45%	25%	\$31,750	\$619,386,904
\$10 to \$99.9 Million	176,850	47%	28%	\$63,132	\$1,468,741,366
\$100 to \$999 Million	17,974	59%	28%	\$133,438	\$388,394,870
\$1B plus	2,631	56%	14%	\$266,375	\$54,594,043

\$3,189,711,473

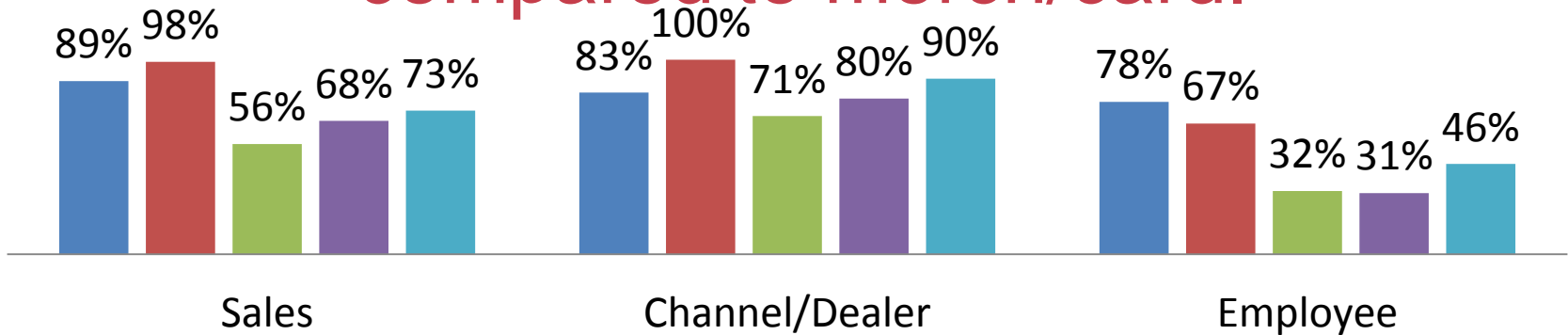
Customer Loyalty: Budget Split of Group vs. Individual Travel is Significant



29-41% of firms who use Award Points include Individual Travel

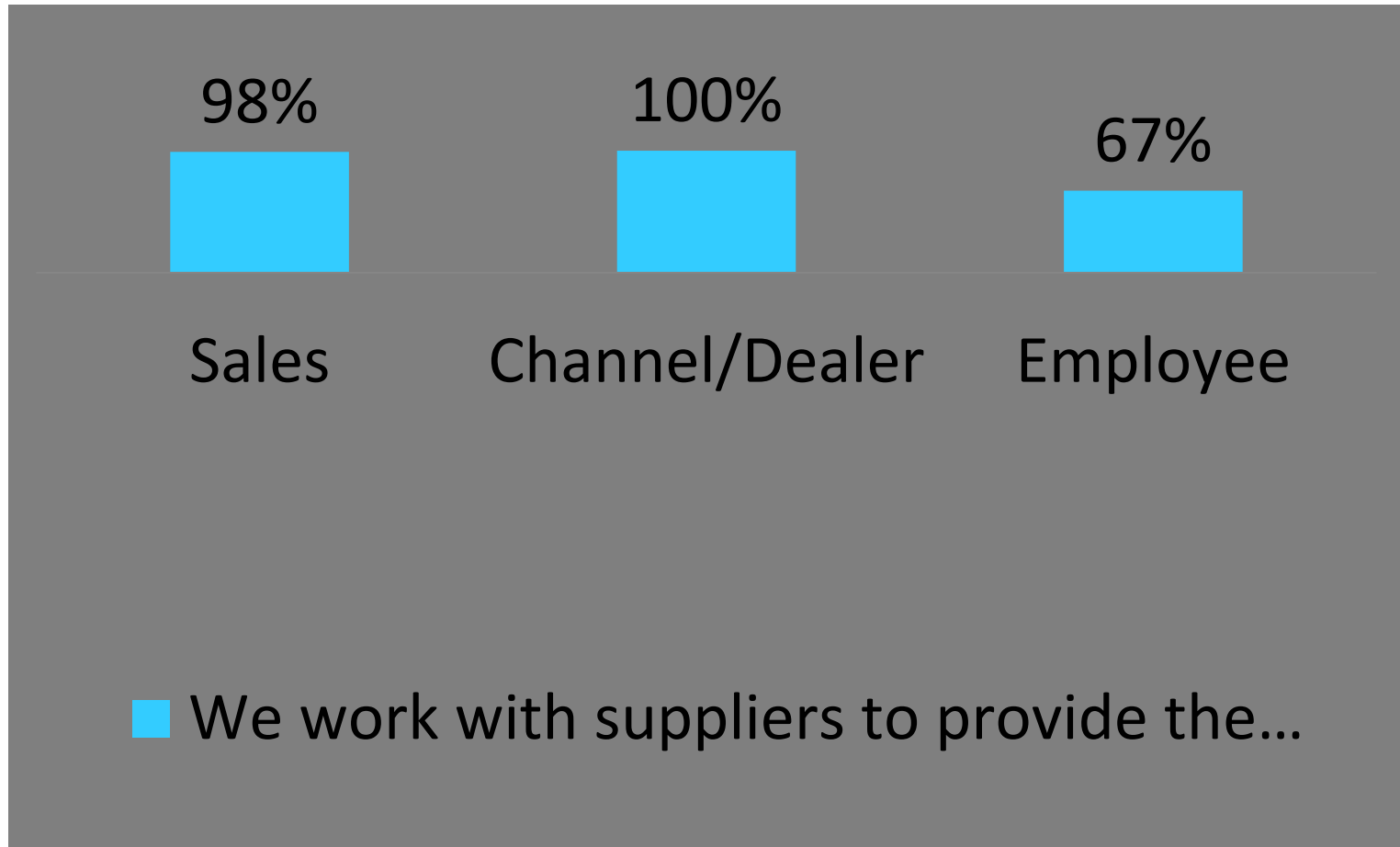


Travel Rewards have higher supplier usage compared to merch/card.



- We work with suppliers (including local retailers) to provide the merchandise and/or gift card rewards for our program(s).
- We work with suppliers to provide the travel rewards for our program(s).
- We work with suppliers to design our program(s).
- We work with suppliers to track and communicate our program(s).
- We look to suppliers for expertise relative to the best ways to recognize and incent our participants.

Travel Rewards have higher supplier usage compared to merch/card.



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U.S. Employee Preferences

Large Reward Scenario Trade-Offs

- The tables below show the “preference share” for each of four reward experiences. Given the four options shown, the preference share is the percent of people who would prefer that particular option. The preference share will sum to 100%.
- The first table demonstrates the specific impact of changing only the reward component while the remaining reward/recognition experience remains the same.
- Although travel is the most-preferred reward, the magnitude of preference between a travel reward and an experiential reward is relatively low – only 3%

Only the reward changes



	Option 1	Option 2	Option 3	Option 4
Recognizer	Company executive(s)	Company executive(s)	Company executive(s)	Company executive(s)
Reward	Travel (piped)	Experience (Piped)	Cash	Gift Card (Piped)
Professional Impact	Networking	Networking	Networking	Networking
Communication	Posted to Public Site	Posted to Public Site	Posted to Public Site	Posted to Public Site
Preference Share	35%	32%	14%	19%

The least-preferred of the four options still captures 19% of the population.



- The second table demonstrates the impact of changing various aspects of the reward experience.
- The first two experiences are as above – the most-preferred experience with only the reward changing.
- Option 3 is the preference for the reward experience created by combining the mid-point of each of the four components.
- Option 4 is the preference for the least-preferred experience components.

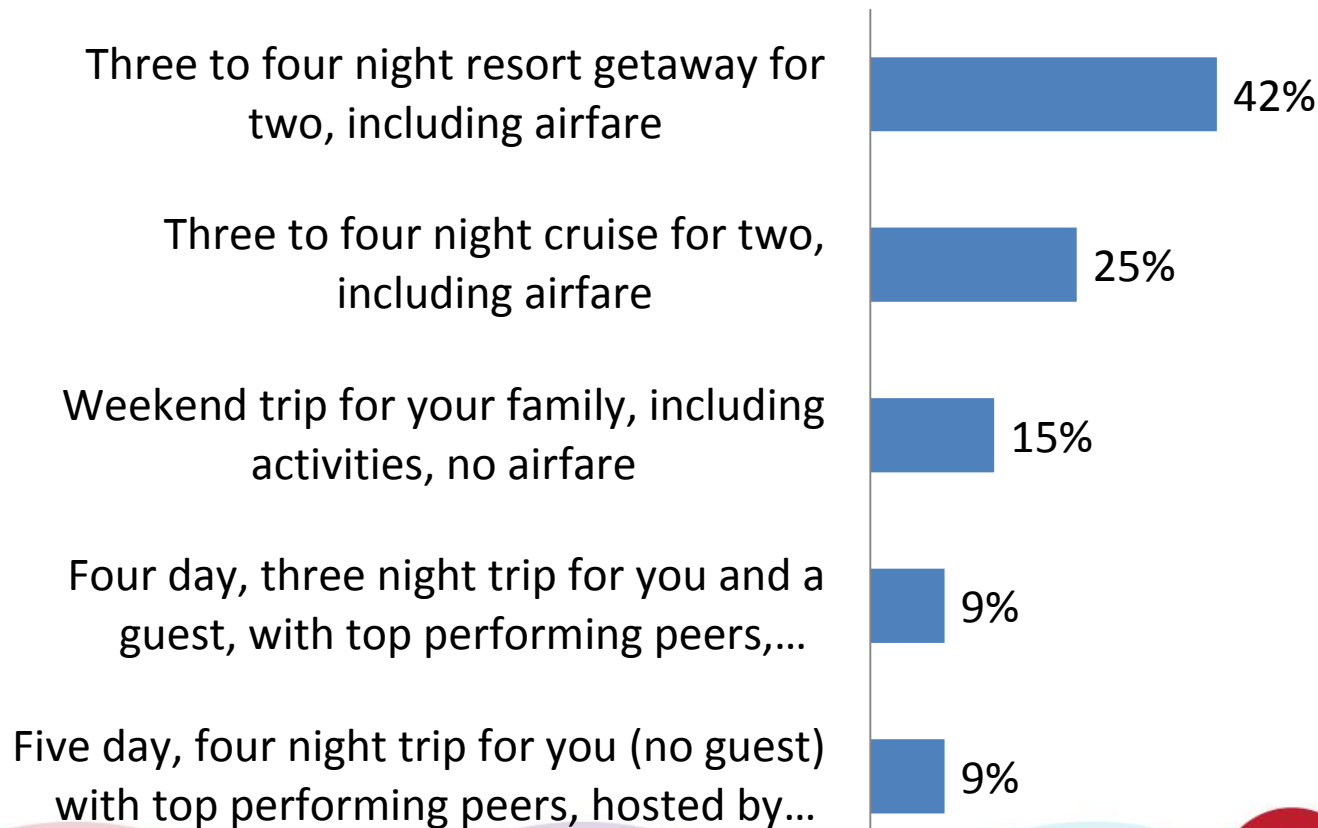
	Option 1	Option 2	Option 3	Option 4
Recognizer	Company executive(s)	Company executive(s)	Direct Manager	Peers/Team
Reward	Travel (piped)	Perk (Piped)	Gift Card (anywhere)	Points
Professional Impact	Networking	Networking	None	Personal Mentor
Communication	Posted to Public Site	Posted to Public Site	In Front of Audience	Email
Preference Share	42%	32%	16%	10%

The drop-off in preference is more marked, but some still prefer the least-favored option.



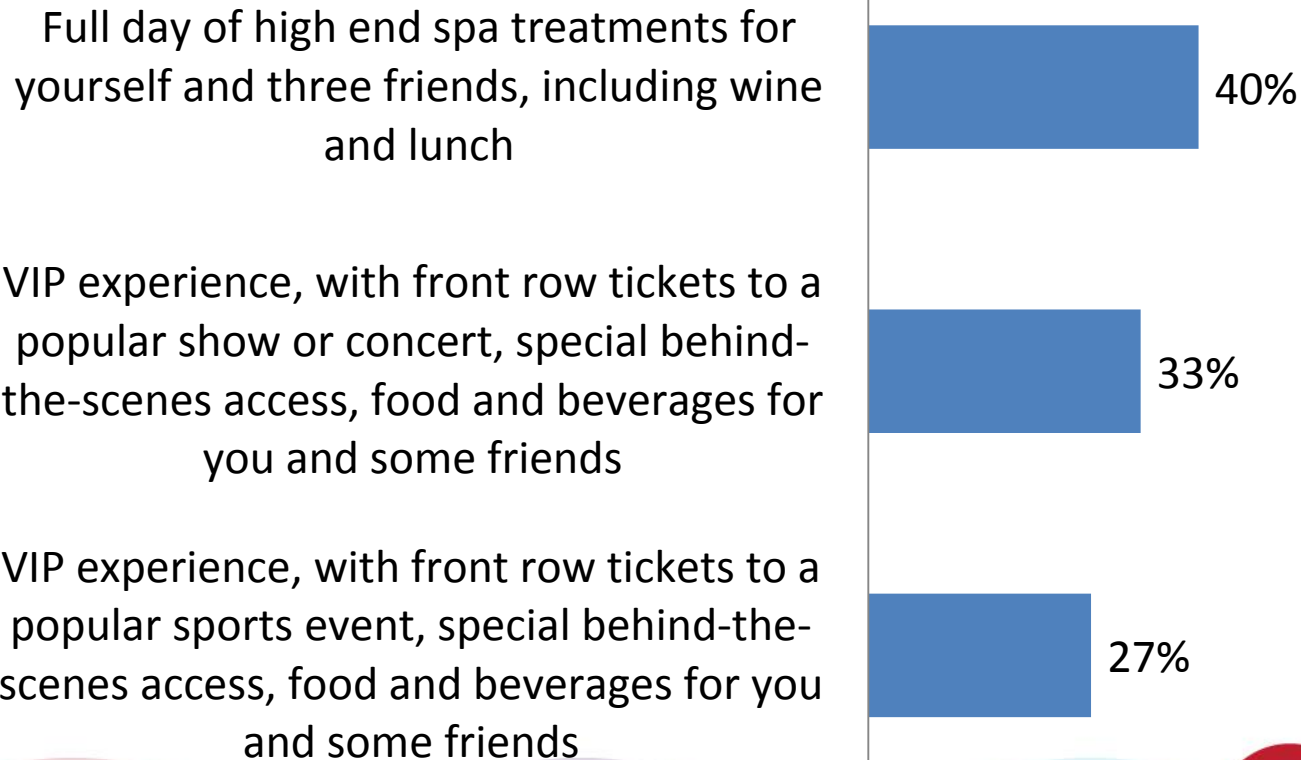
Most U.S. respondents wanted a resort or cruise getaway with airfare included. Fewer wanted executives there to host.

From the large travel rewards presented to respondents, most would prefer a resort getaway for two that includes airfare.



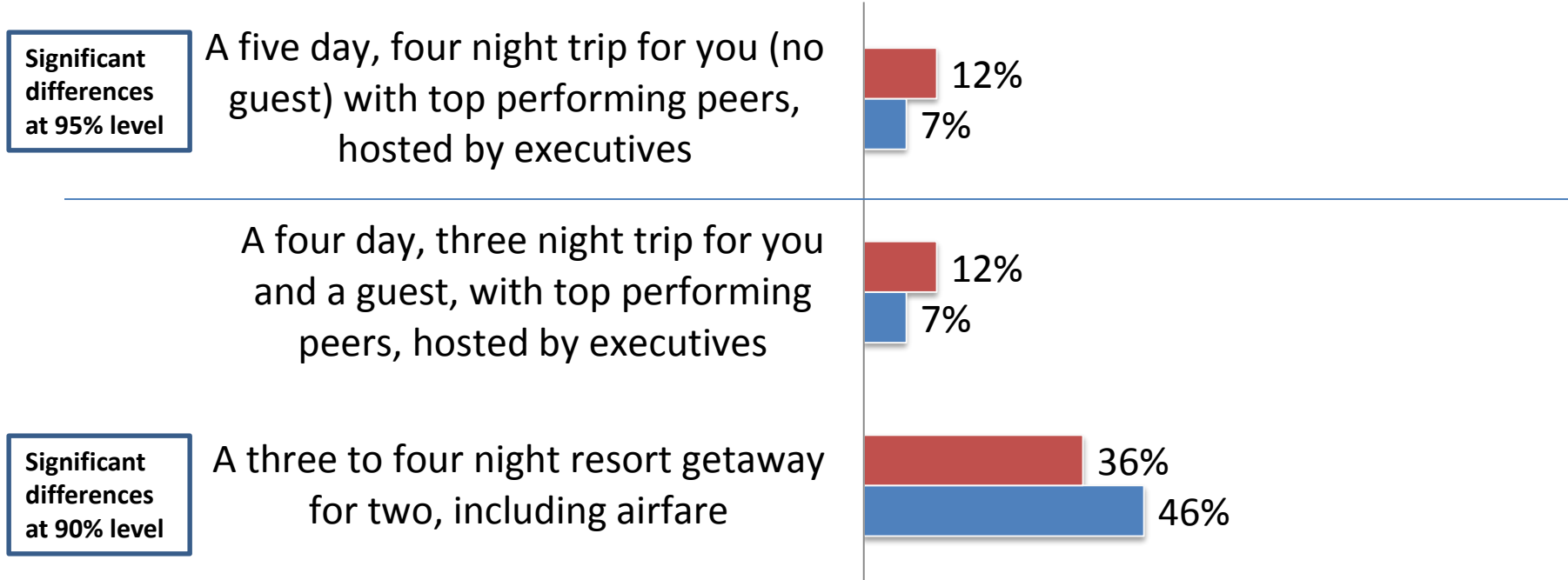
Spa and VIP Experiences Were All Highly Selected

From the large experiential reward packages presented to respondents, most would prefer a full day of high end spa treatments, but many also select a VIP short/concert experience and a VIP sports event.



Men more likely to want executives at event than women.

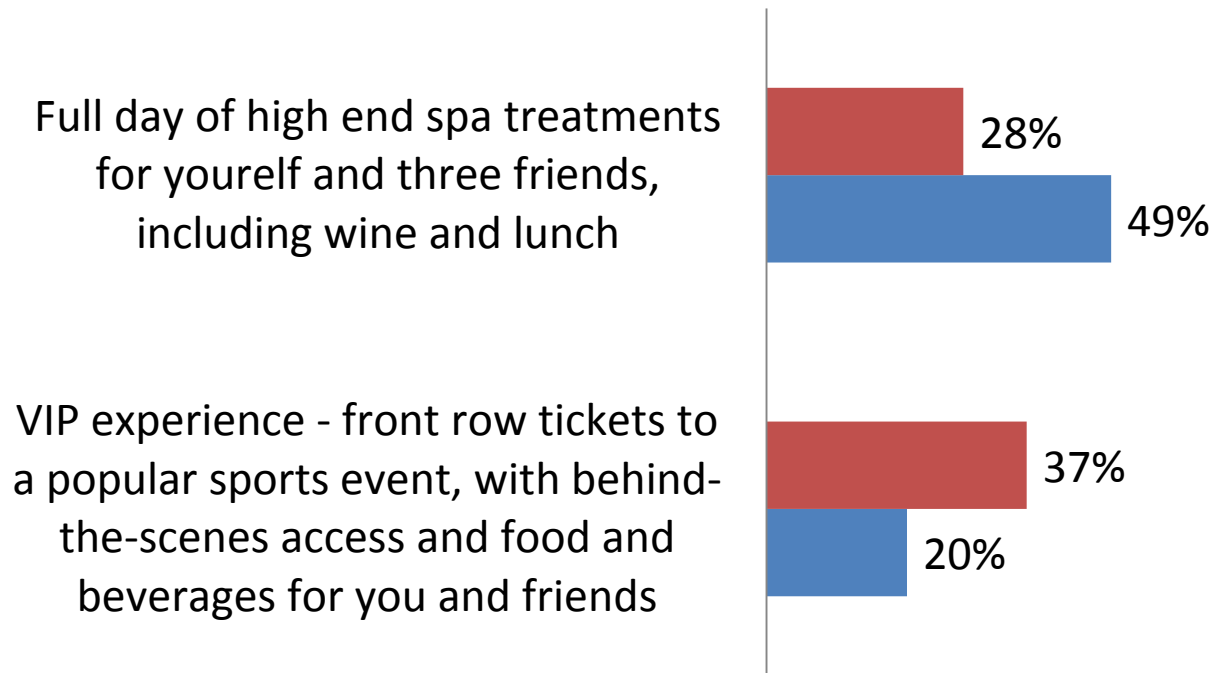
From the large travel rewards, men prefer trips hosted by executives with other top performing peers more than women do. Women prefer a resort getaway for two more than men.



Women prefer spa and wine events; Men prefer VIP sport events.

From the experiential large rewards, men prefer a VIP sports experience more than women do. For the same, women prefer high end spa treatments more than men.

Significant differences at 95% level



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Trends in Incentive Travel

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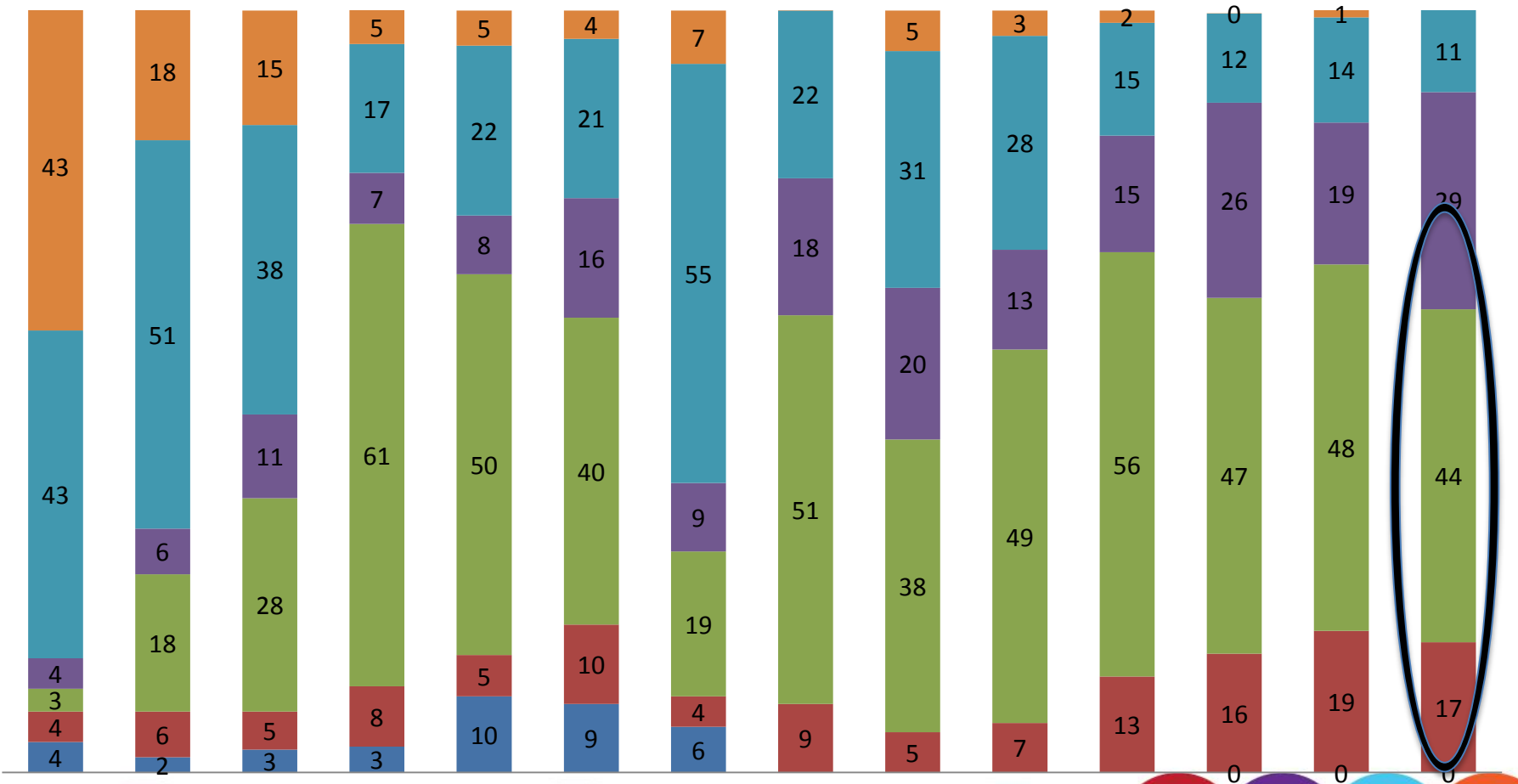
1. Spend is Up
2. Where Spend is Going
3. Where Programs Are Going
4. Lead/Qual Times
5. Measurement

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For Travel: Economy Important and Positive.

61% see positive outlook.

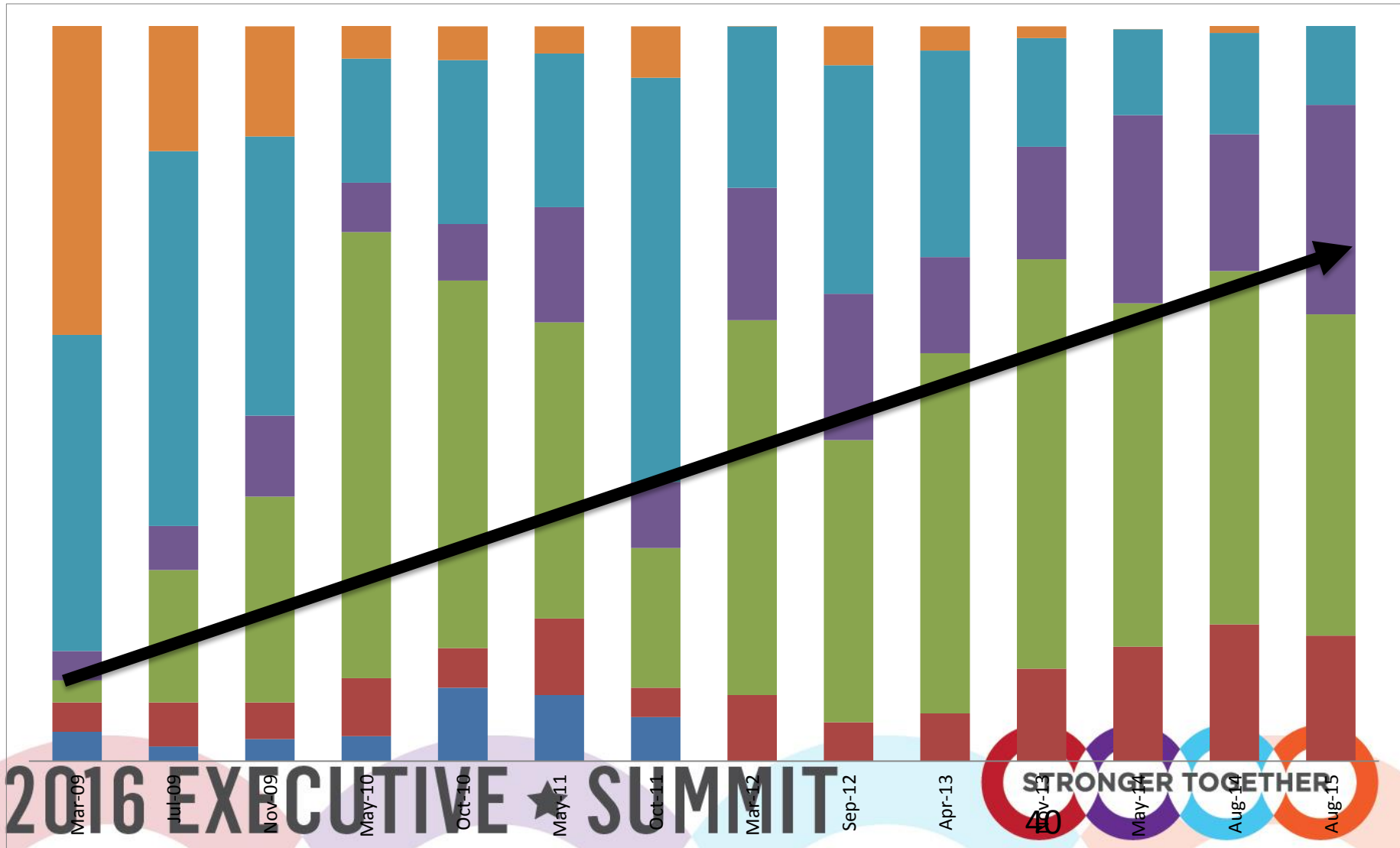
■ No Answer
 ■ Strongly Positive
 ■ Somewhat Positive
 ■ Have No Impact
 ■ Somewhat Negative
 ■ Strongly Negative



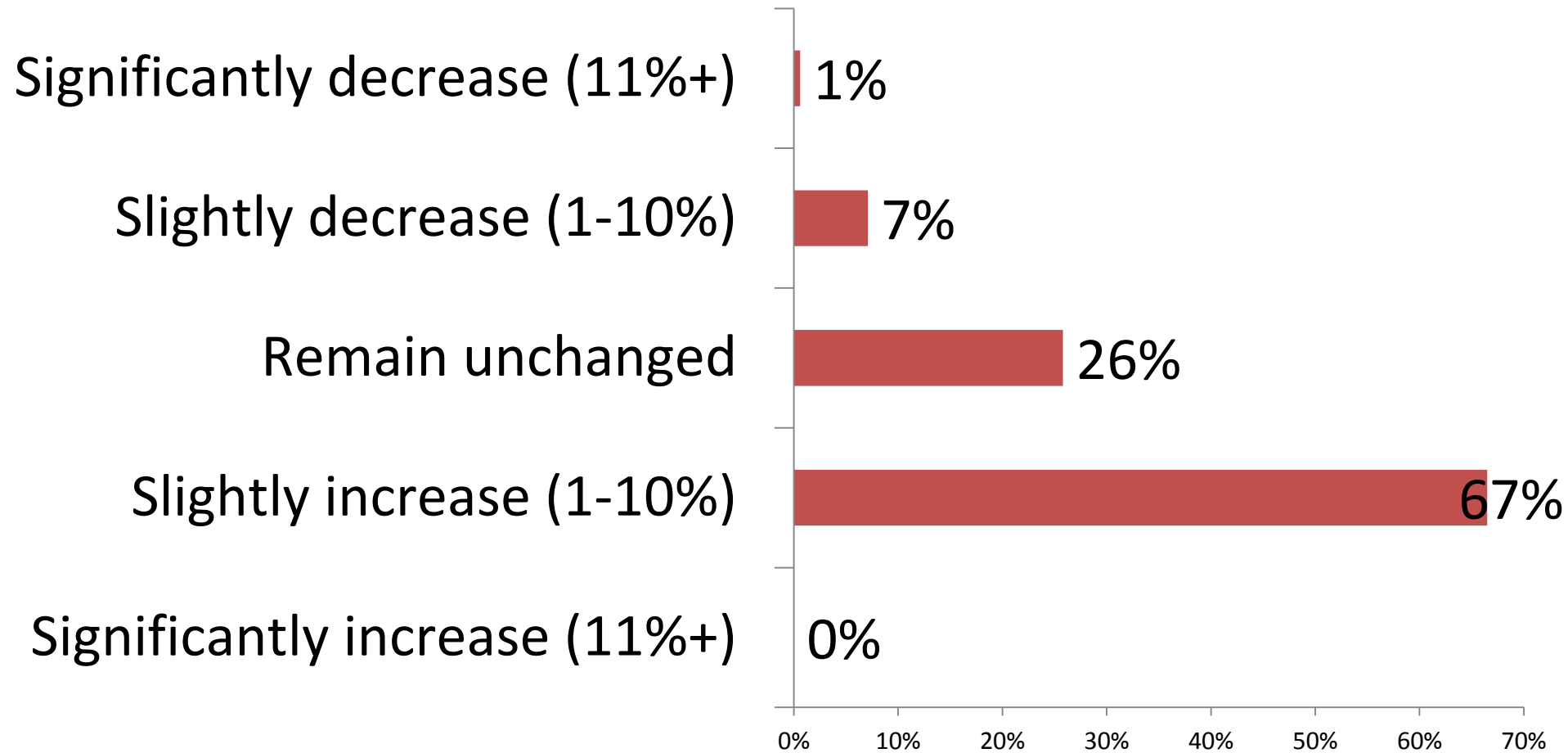
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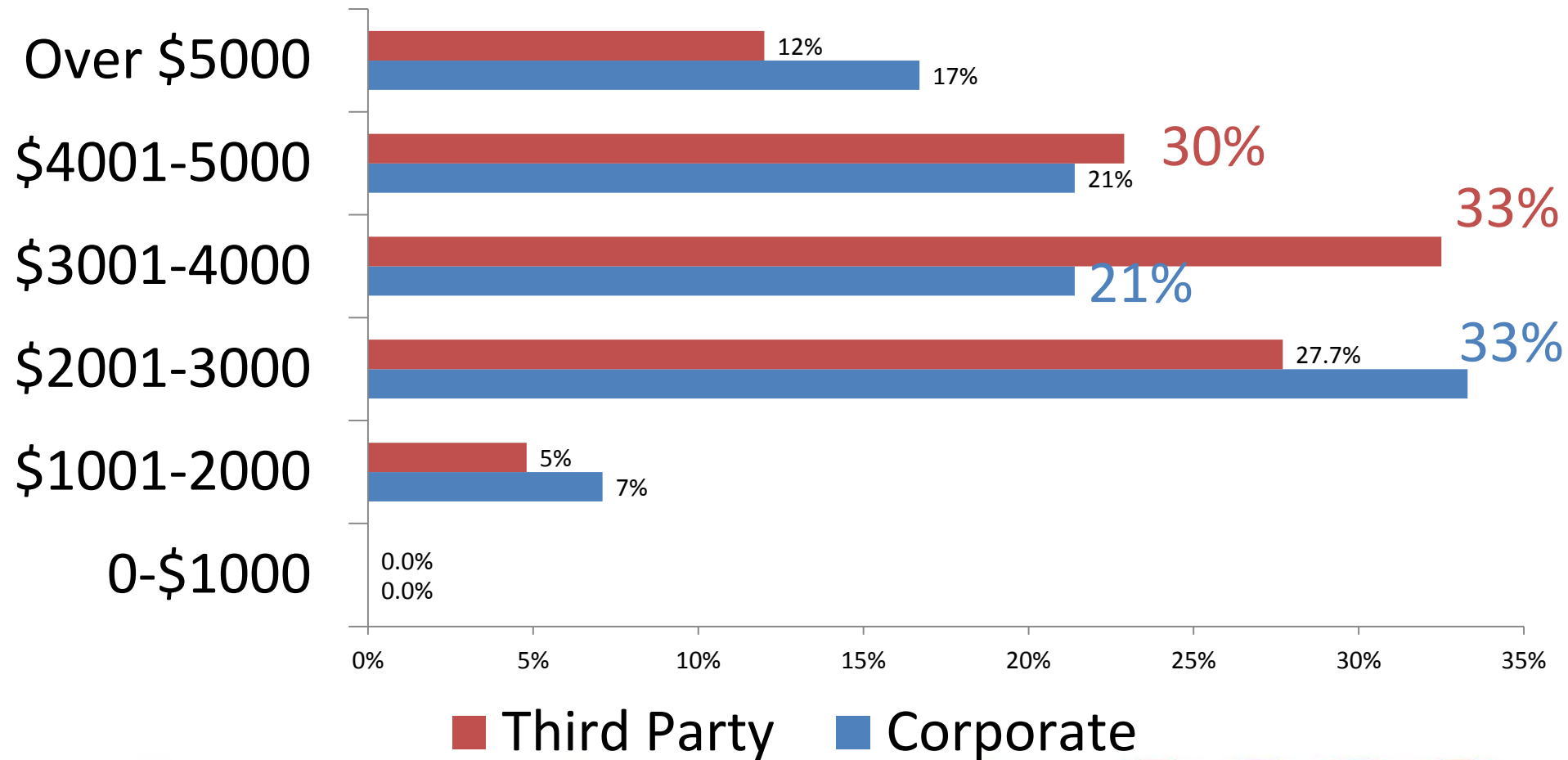
Rise in Perceived Positive Impact of Economy on Incentive Travel Programs



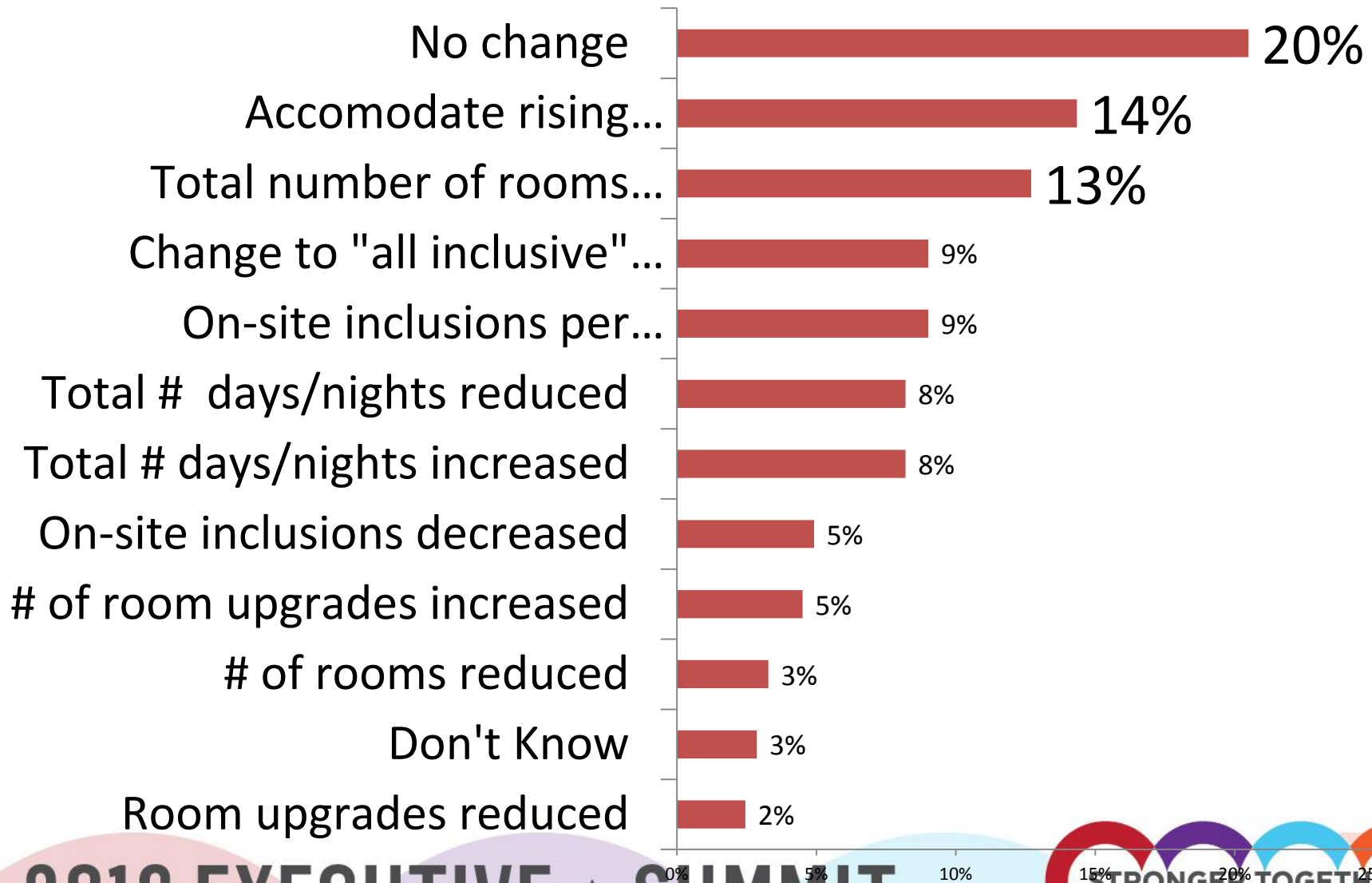
Travel is very responsive to economy. 67% were increasing budgets.



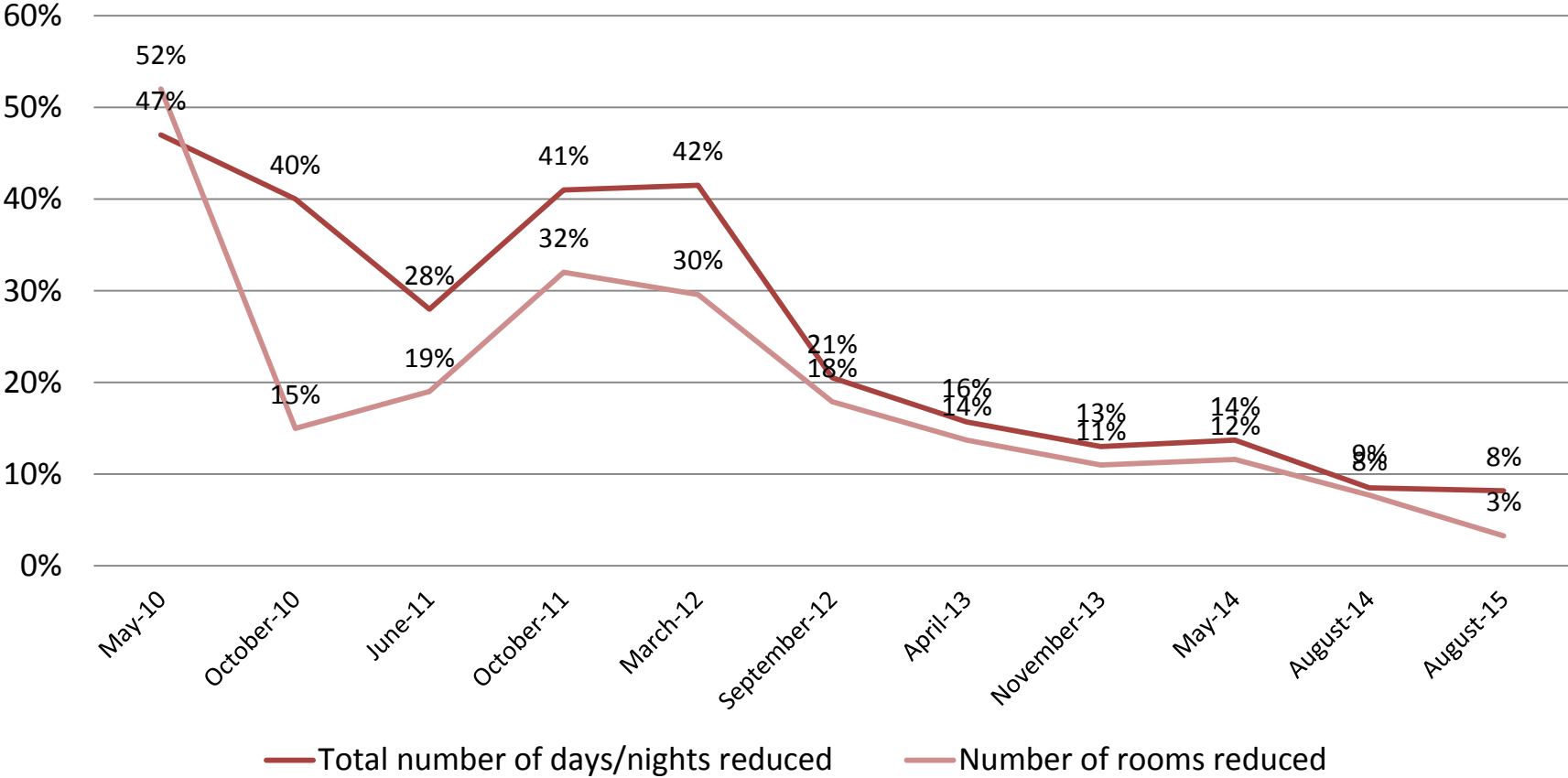
Average 3rd party Per Person Travel Budget is over \$4000. Average Corporate End User Per Person Travel Budget is over \$3000.



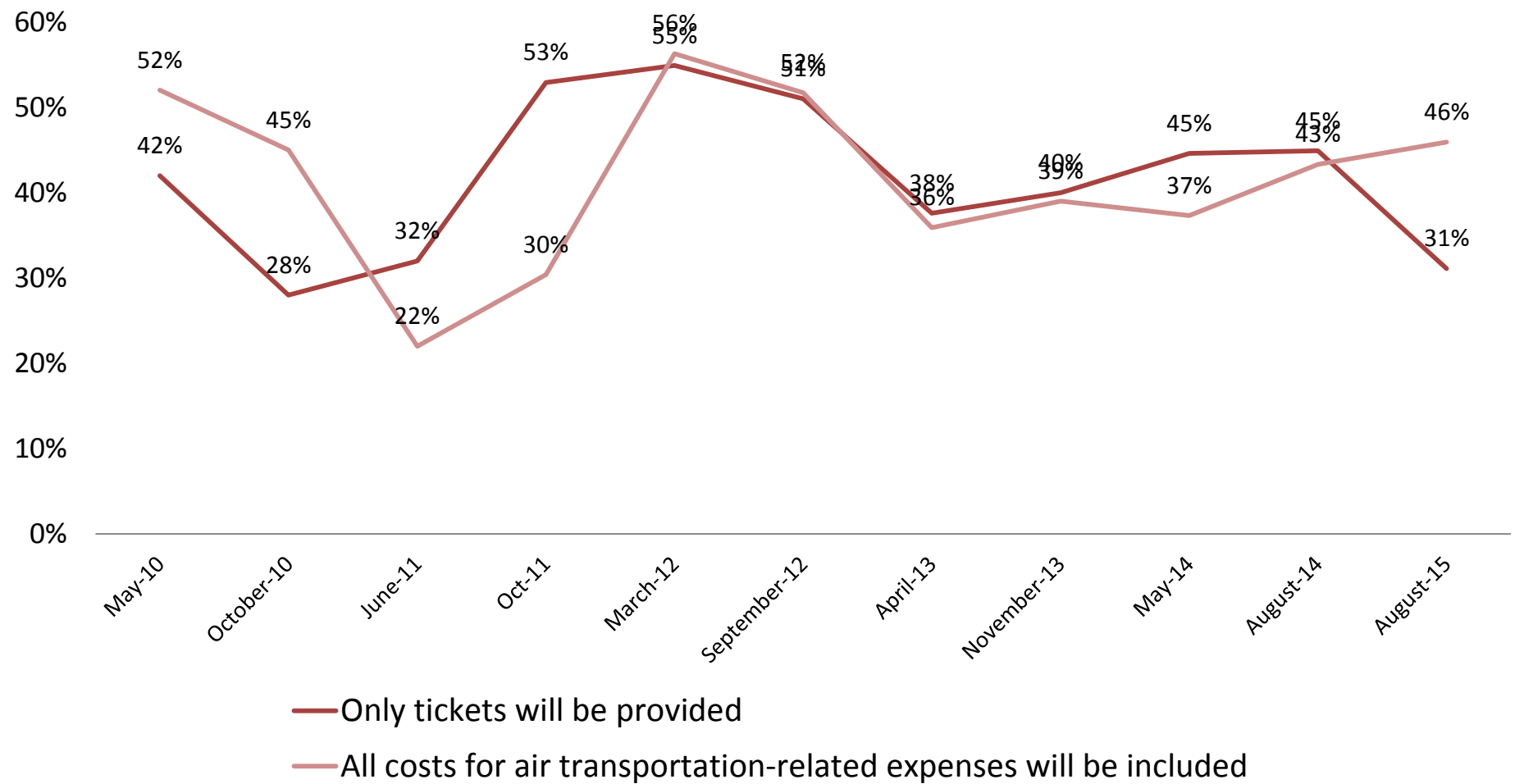
Accommodating Rising Costs and More Rooms are Biggest Changes



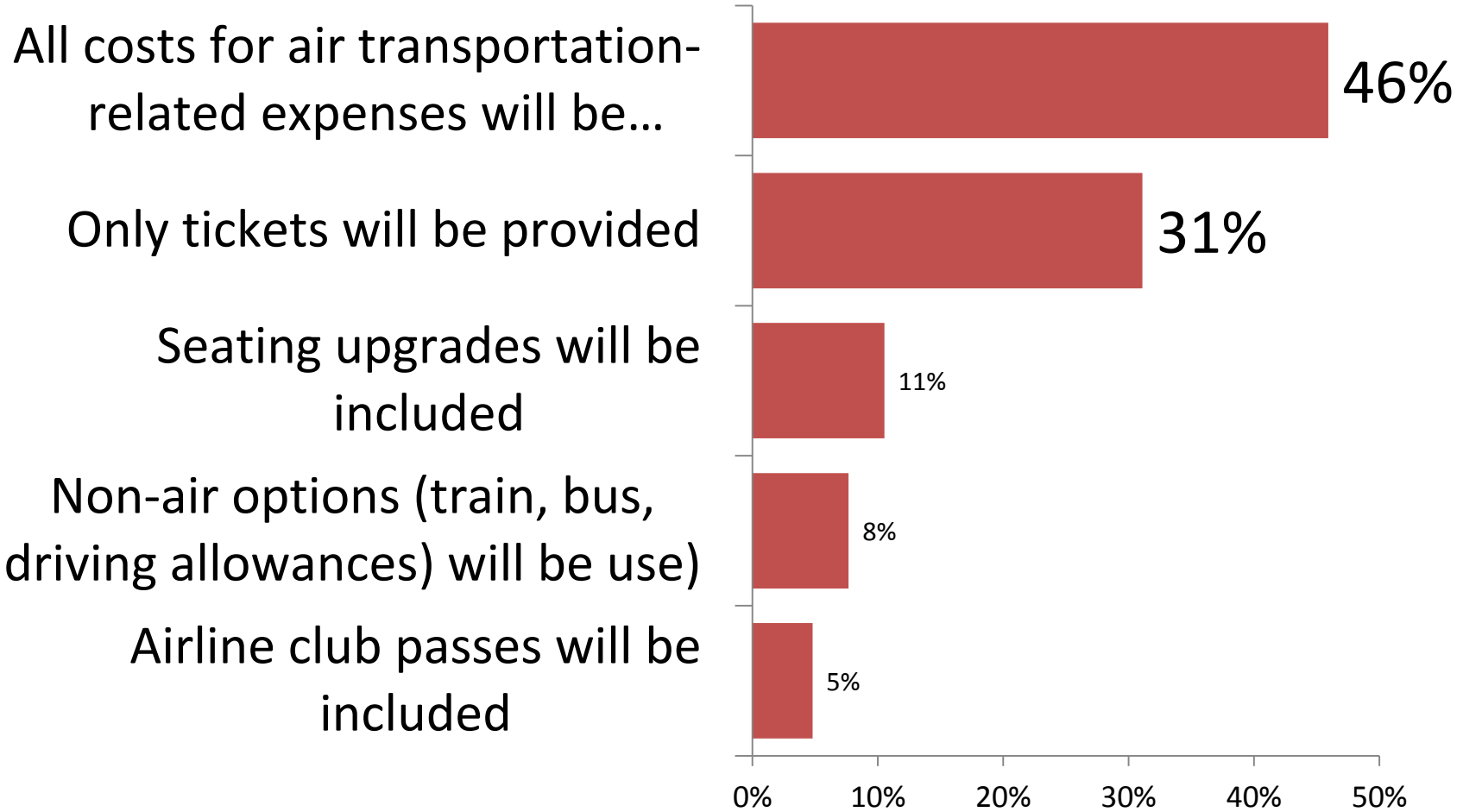
Strong Negative Trend in Reduction of Rooms and Program Length



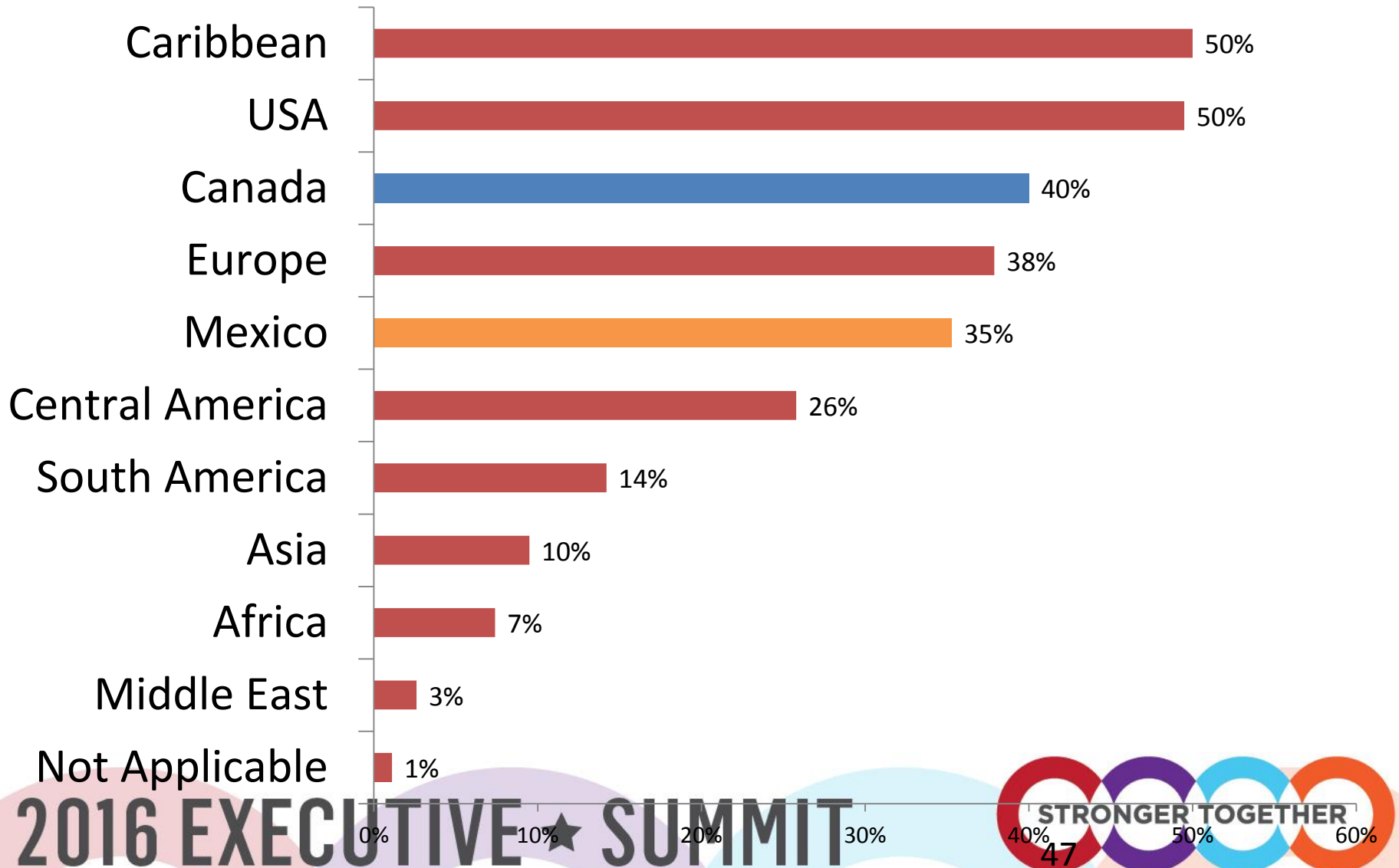
Starting in 2013, The Trend Has Been In Favor of Covering All Air Costs.



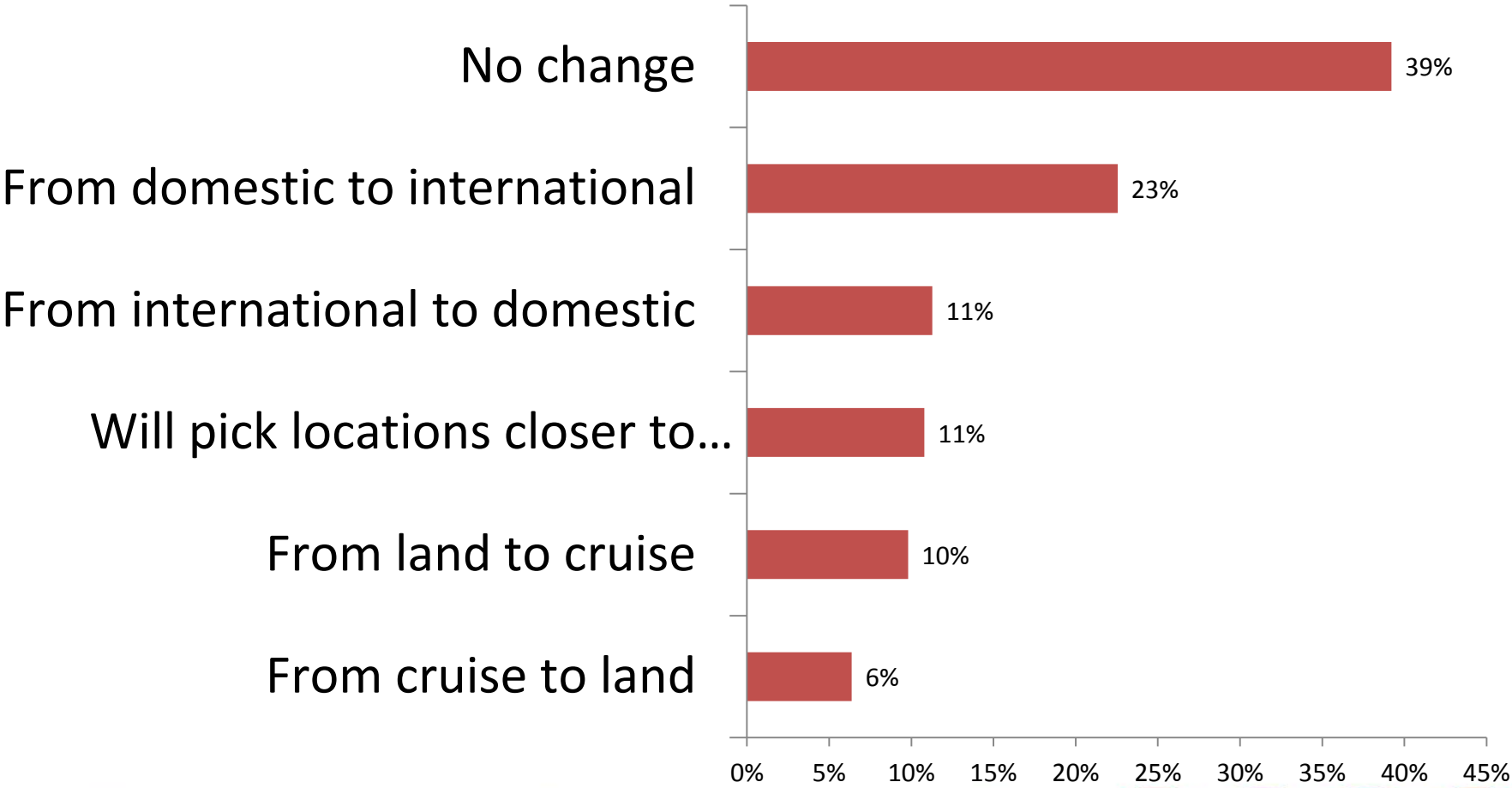
Air Costs Are Now Often Covered – Driven by Corporate Planners



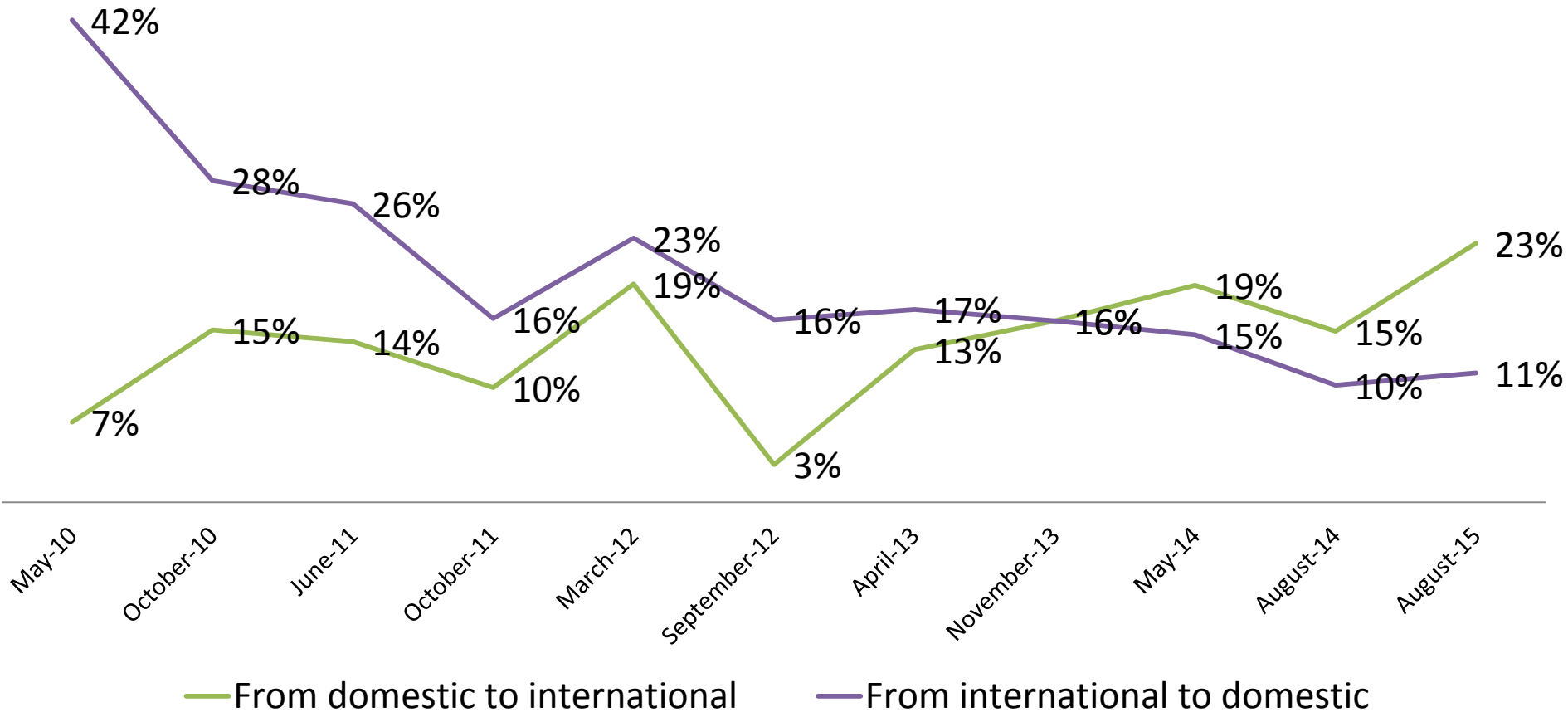
USA and Caribbean are Top Destinations. Europe Now Rivals Canada as next tier option.



The Above Supports the 23% Moving their Programs from Domestic to International.

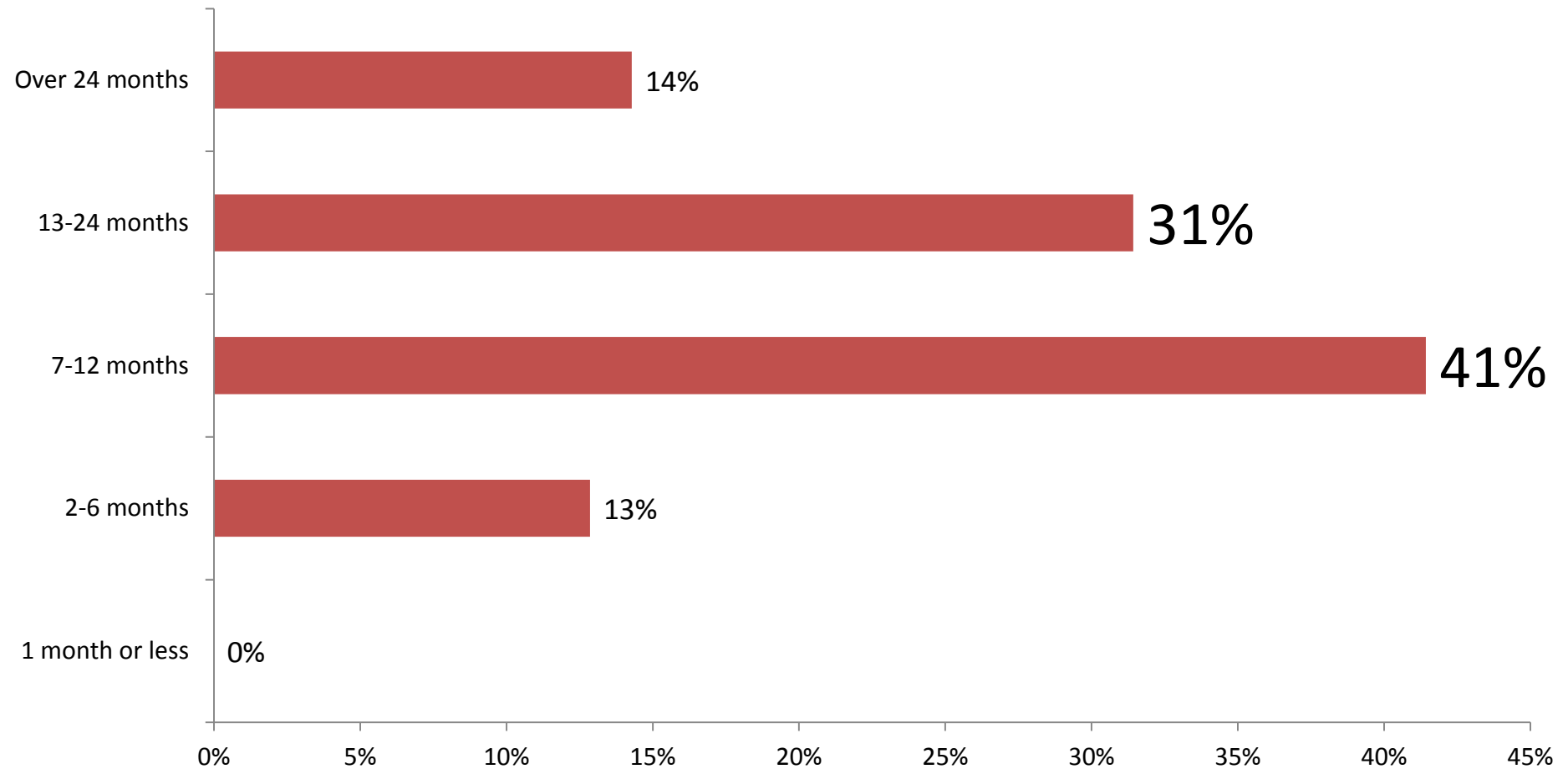


Since 2013 the trend has been for more planners to move from domestic to international than vice versa.



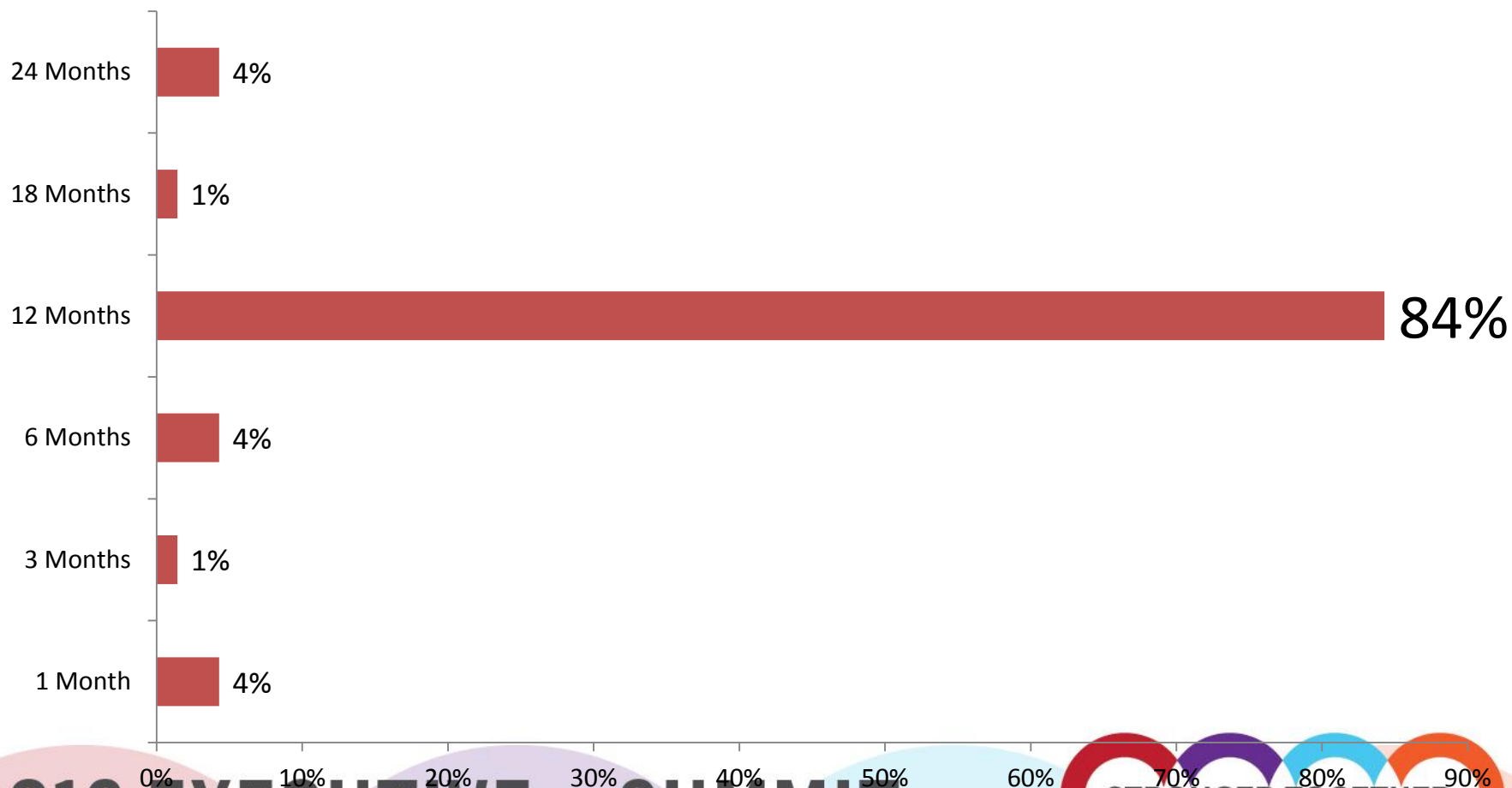
Lead Times Now Average Over a Year

LEAD TIME



Qualifying Times Are Most Often A Year

QUALIFYING PERIOD



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51

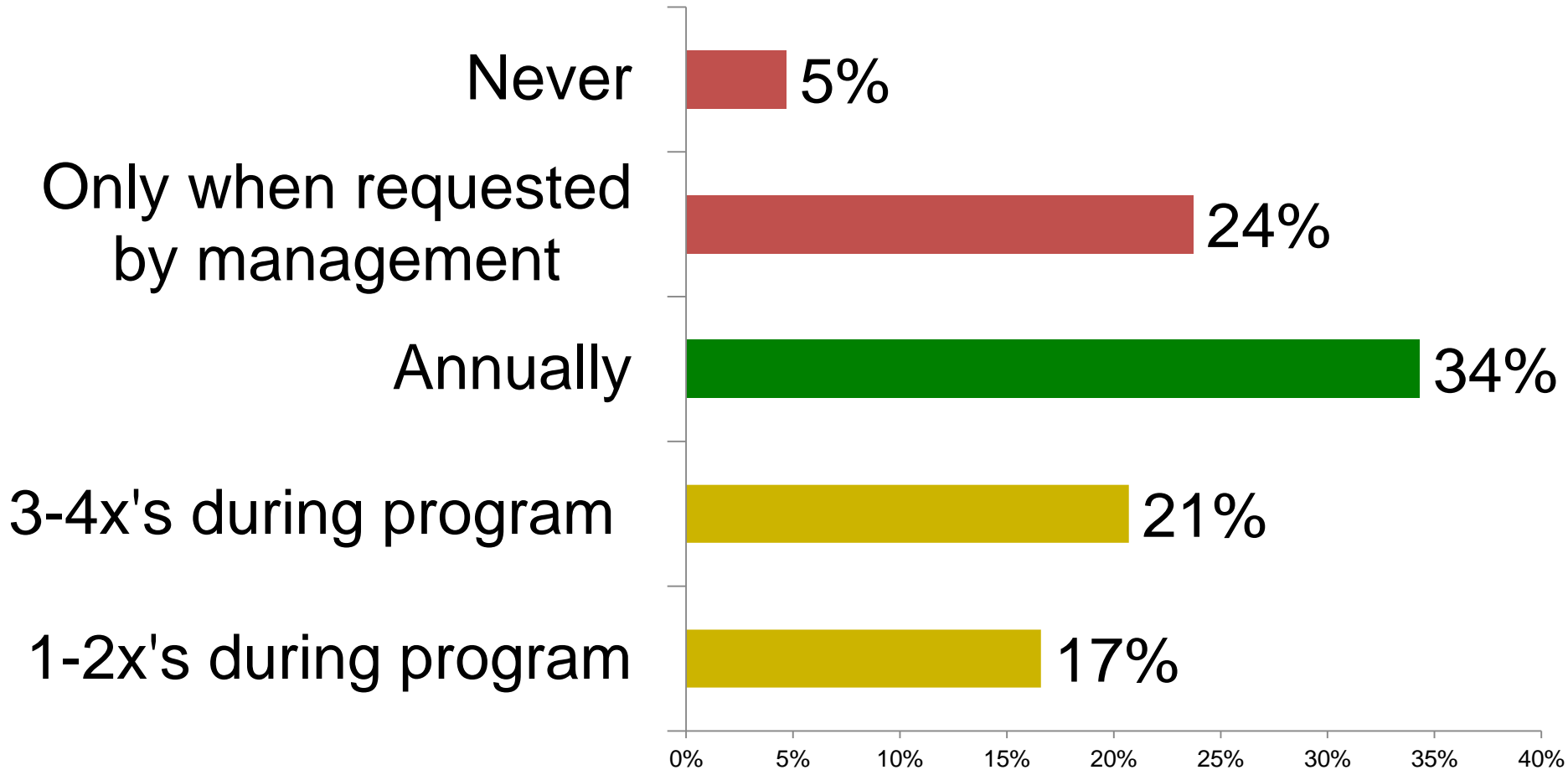
70%

80%

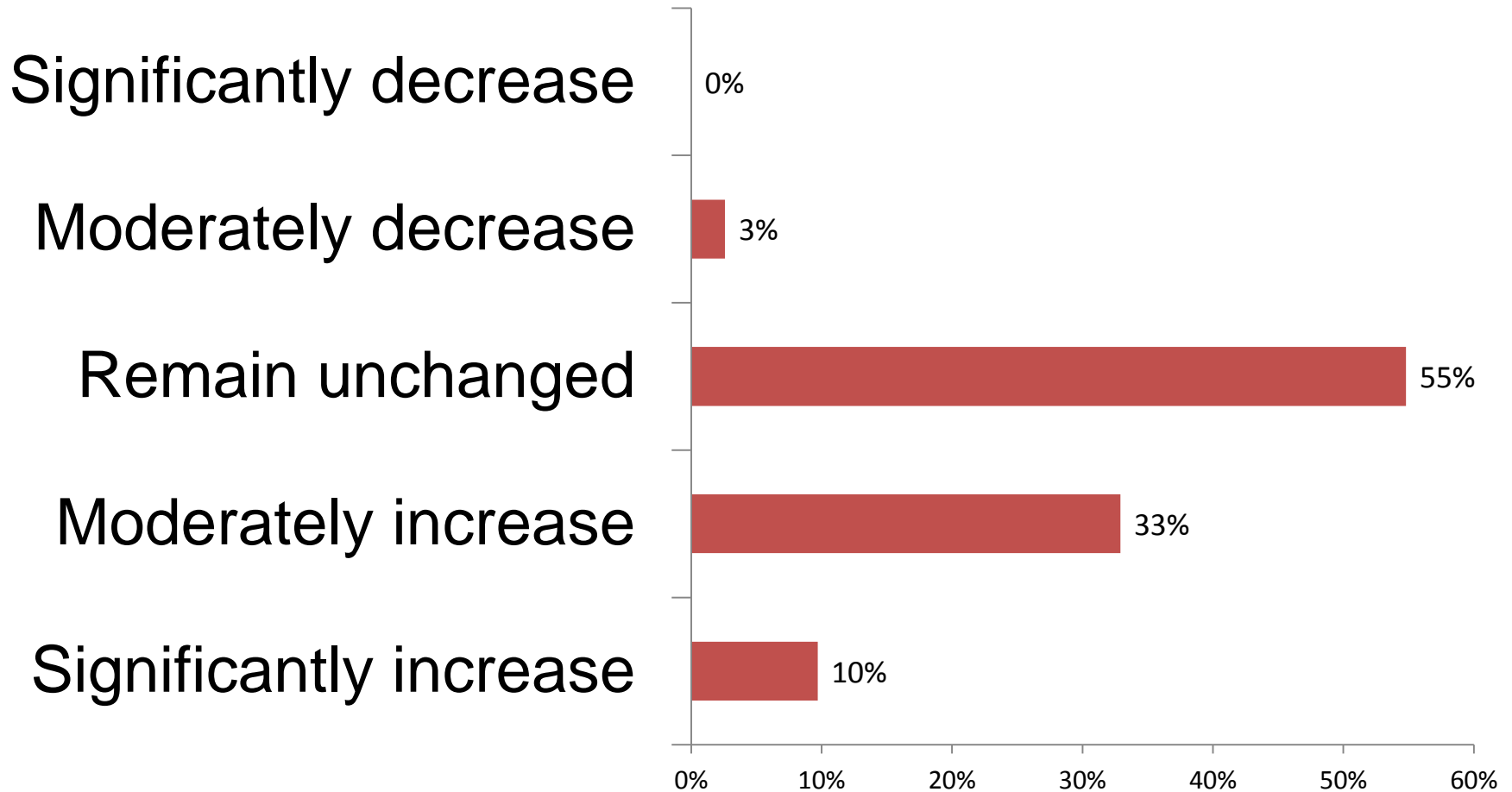
90%

STRONGER TOGETHER

29% of Programs Are Still Only Reviewed When Management Asks or Never.



Procurement Involvement Set to Moderately Increase



Conclusions

- The Market for Incentive Travel is **Strong**. It is used between 36% and 49% of all U.S. Businesses (based on size)
- Top Performing Businesses Use it **Ubiquitously**.
- There is strong representation of **both** Group and Incentive Travel for all program types.
- There is strong **preference** by U.S. Employees for Travel as an award for large efforts.
- Budgets are **Growing** in Response to Economy. Assuming no economic turmoil this should continue.
- Longer **Haul** Flights with Air Costs Covered are increasing.

