



PULSE SURVEY

The Incentive Industry Trends 2014

May 2014

Background and Survey Purpose

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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 2013.

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 2013.

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

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Invitations to participate in this online survey were sent to 2550 incentive providers, suppliers to the industry and corporate incentive travel buyers.

The 247 survey participants can be categorized¹ as follows...

- Corporate (i.e./ Buyer, Planner, Sales, HR) (21.5%)
- Supplier (i.e./ Hotel, Airline, DMC, Merchandise) (13.8%)
- Third Party (i.e./ Incentive Company, Travel Agency, Consultant) (59.1%)
- I am not involved in incentive programs (5.7%)

Data collection was conducted April 15th through May 2nd, 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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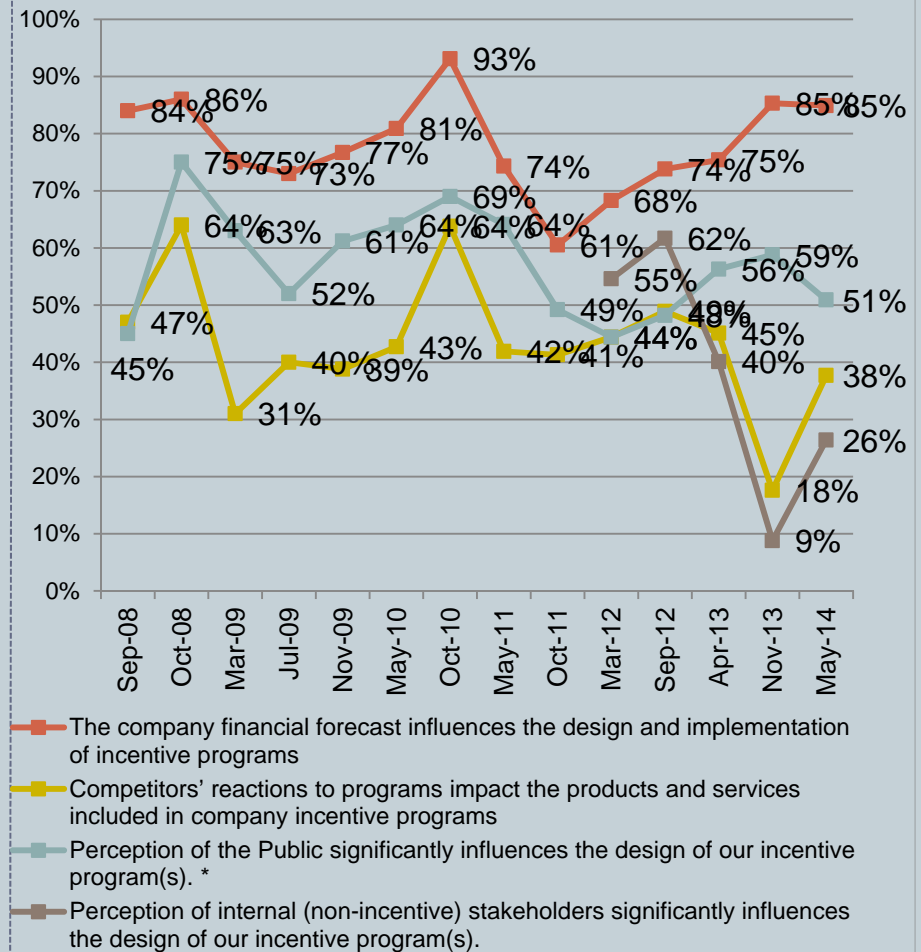
Findings indicate that the trends continue to stabilize this period compared to the previous survey periods which indicated a strong positive upward trend for each of the core issues beginning in July 2009 – April 2013. The overall trends are nearing those reported in 2008.

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 November 2013.

These questions were asked only of Corporate participants.

(n=53)



*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 2011/2012

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

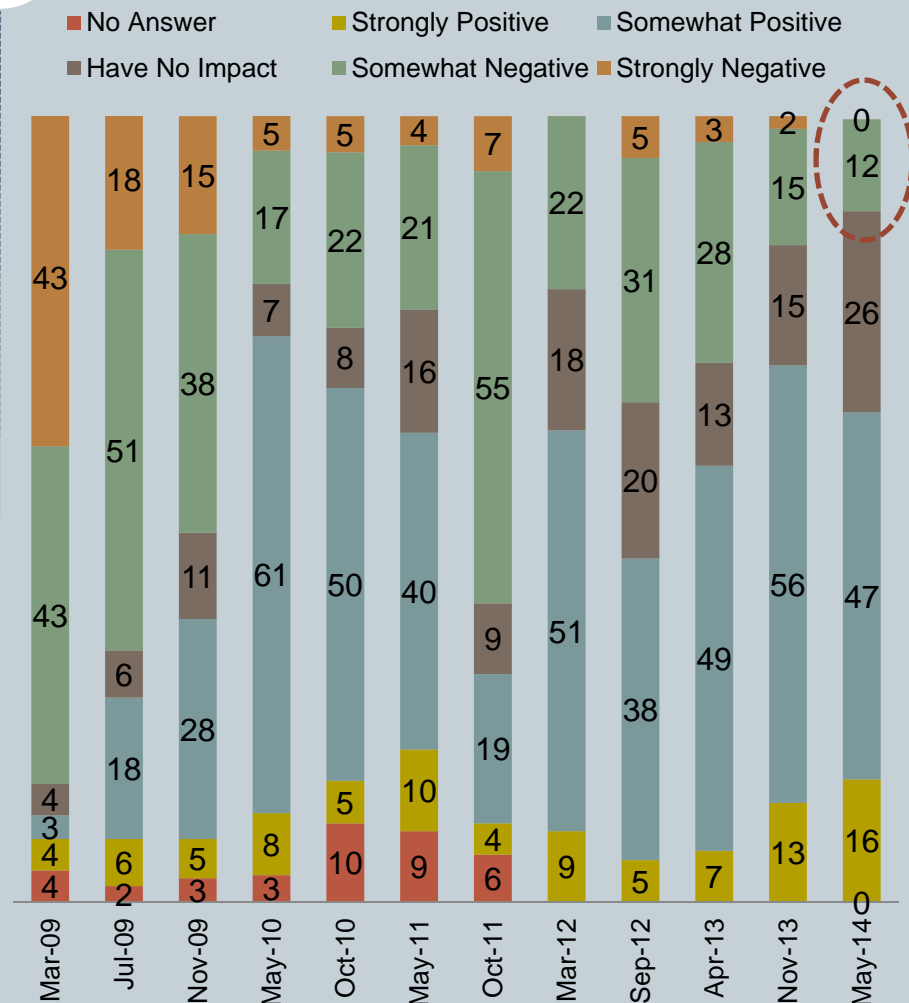
Perceived Impact of the Economy on Ability to Plan and Implement Incentive Travel Programs

6

Respondents in the current survey (Spring 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 62% May 2014 vs. 69% November 2013)

- Strongly negative 2% November 2013 vs. 0% May 2014.
- All negative impacts 17% November 2013 vs. 12% May 2014.

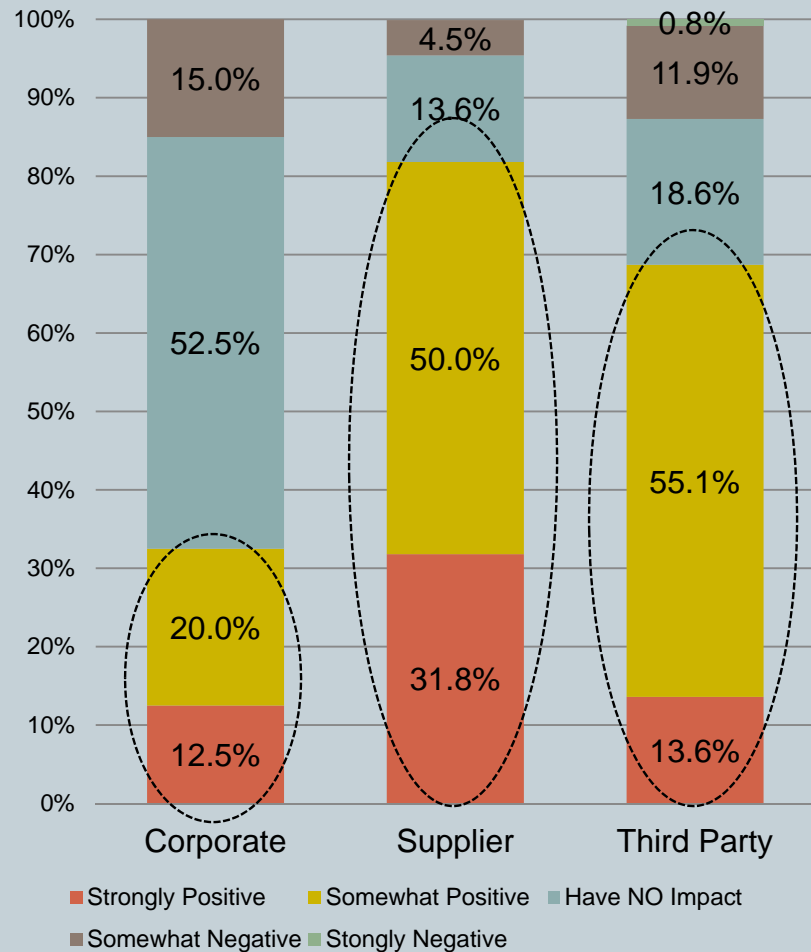
In the coming year what impact will the economy have on your ability to plan and implement travel incentive programs?
(N=180)



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

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- 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 81.8% total positive
 - ✦ Third Party 68.7% total positive.

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

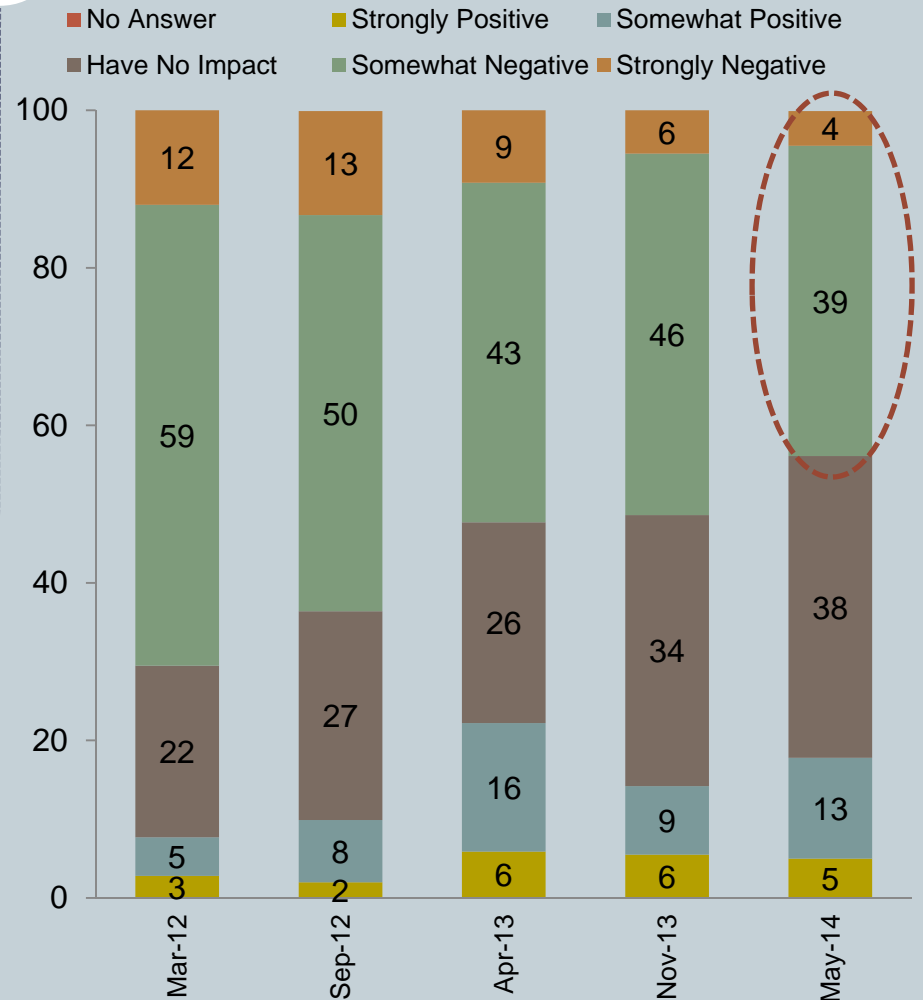
8

Most respondents (44%) have a **negative** perception of the current Air Transportation Environment and its impact on incentive travel plans.

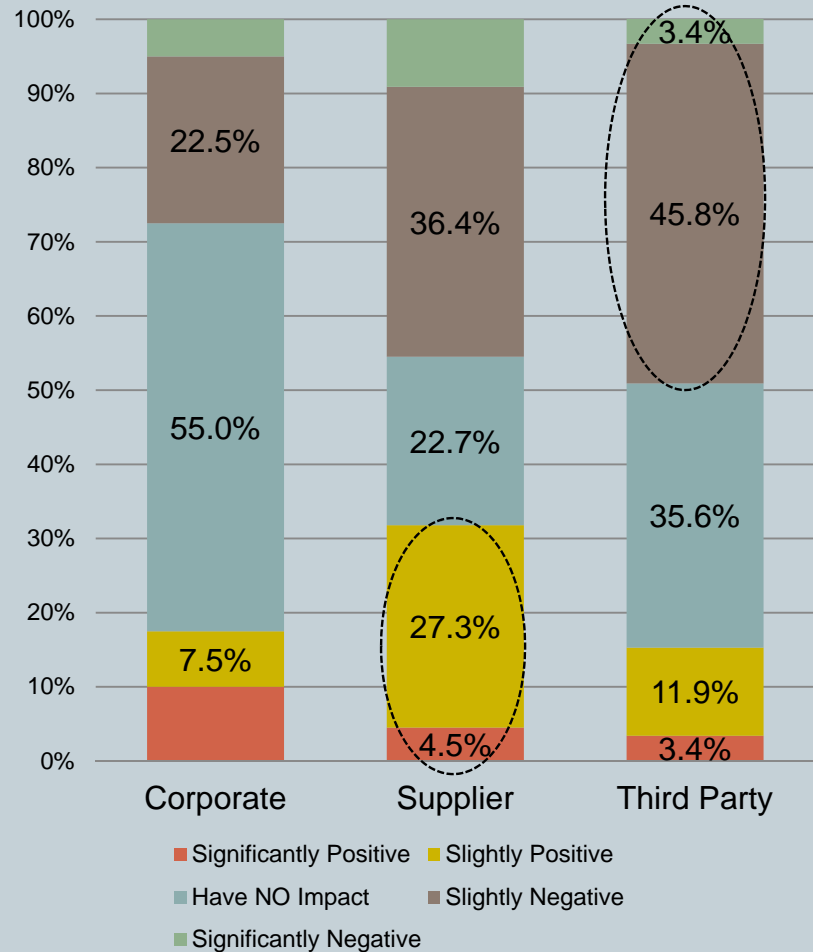
The percent of “negative” responses has remained decreased 7% compared to November 2013.

- Significantly negative- 6% November 2013 vs. 5% May 2014.
- All negative perception- 52% November 2013 vs. 44% November 2013.

What impact does the current air transportation environment have on your incentive travel program planning? (n=180)



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



- 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” (31.8%) than the Corporate and Third Party segments.
 - The Third Party segment is significantly more likely to perceive the impact as “negative” (49.2%) than the Corporate and Supplier segments.

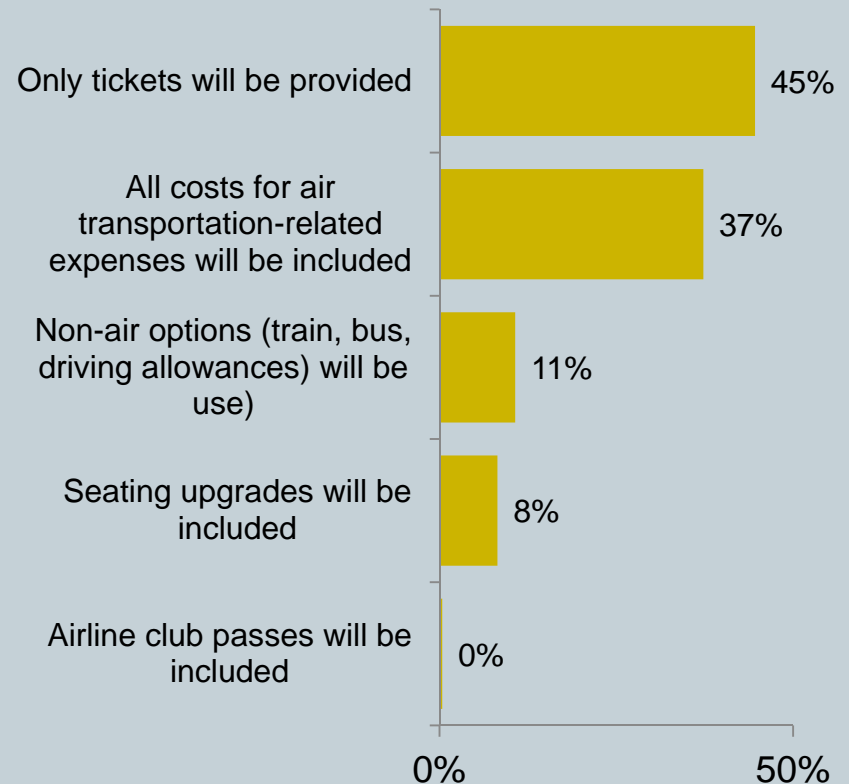
Techniques Used In Coming Year To The Air Transportation Portion Of Incentive Travel Programs, What Component?

10

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

- 37% indicate that “All costs for air transportation” will be provided.
- 11% indicate that “Non-air options” will be included.
- 8% indicate that seating upgrades will be included.
- >1% indicate that “Airline club passes” will be included

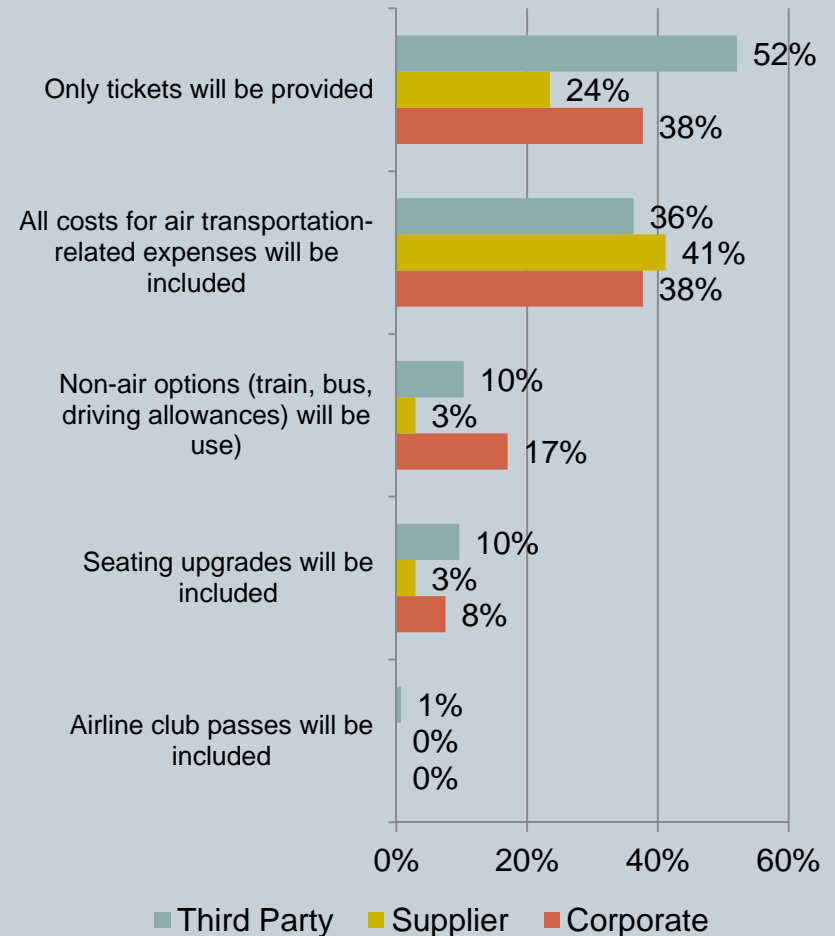
In the coming year, do you anticipate any of the following changes will be made with regard to choices of incentive travel programs? Check all that apply. (n=233, multiple choice)



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

11

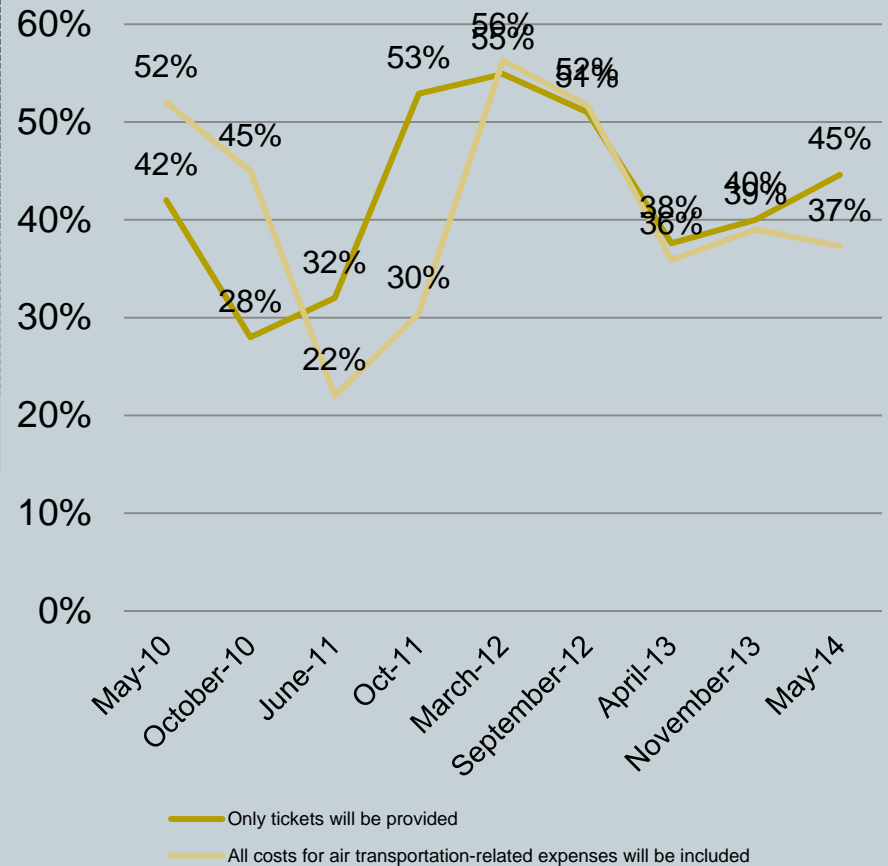
- Third Party respondents are more likely to use the following techniques than Corporate and Supplier segments:
 - Only tickets will be provided.
 - Seating Upgrades.
- Corporate respondents are more likely to use “Non-air options” techniques than Supplier or Third Party segments.



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 decreased slightly by 2% compared to November 2013.



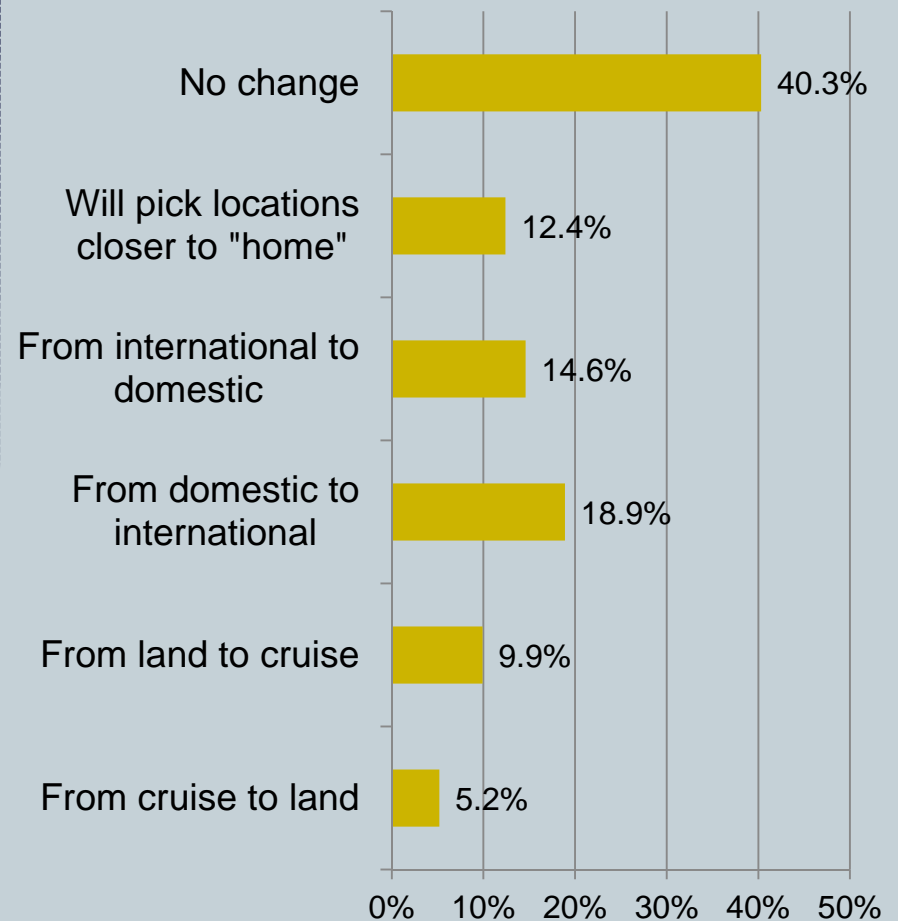
Anticipated Changes In Coming Year With Regards To Incentive Travel Program Destinations

13

Most of the respondents (40%) anticipate **no change** with respect to the program destinations for Incentive Travel Programs in the coming year.

- 12% “Will pick locations closer to “home” with regards to the travel program destinations.
- 15% indicate that they anticipate a change from “International to Domestic” , and, 19% anticipate a change from “Domestic to International” with regards to the travel program destinations

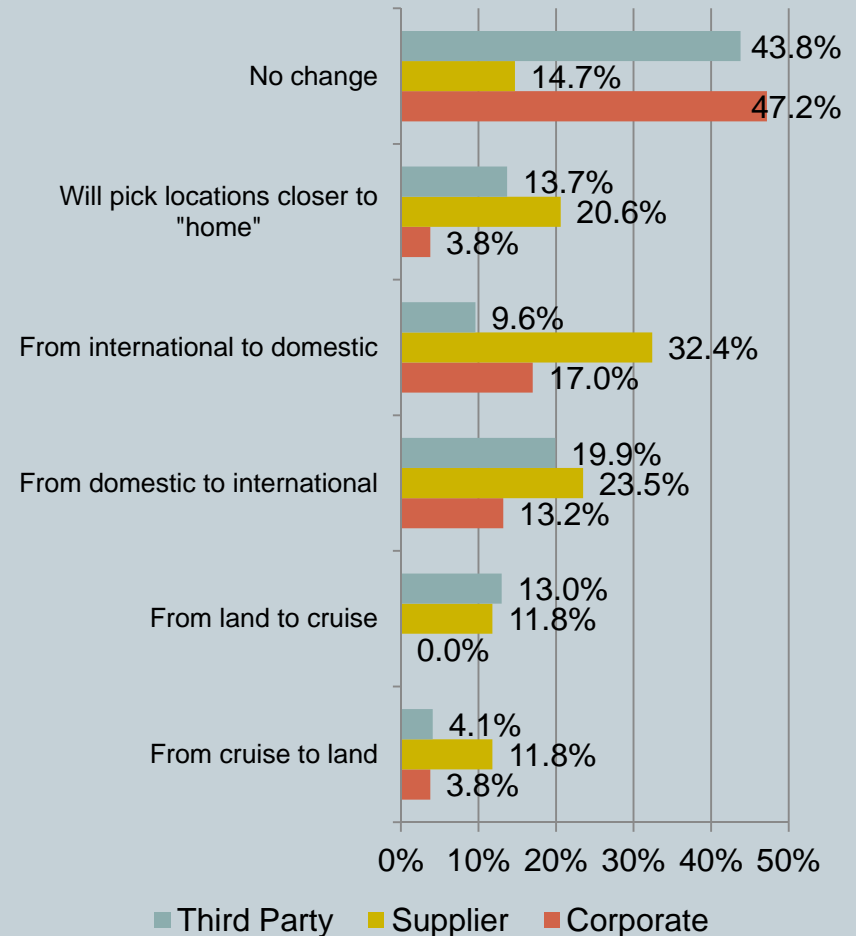
In the coming year, do you anticipate any of the following changes will be made with regard to incentive travel program destinations? Check all that apply. (n=233, multiple locations)



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:
 - From international to domestic
 - From domestic to international
 - From land to cruise

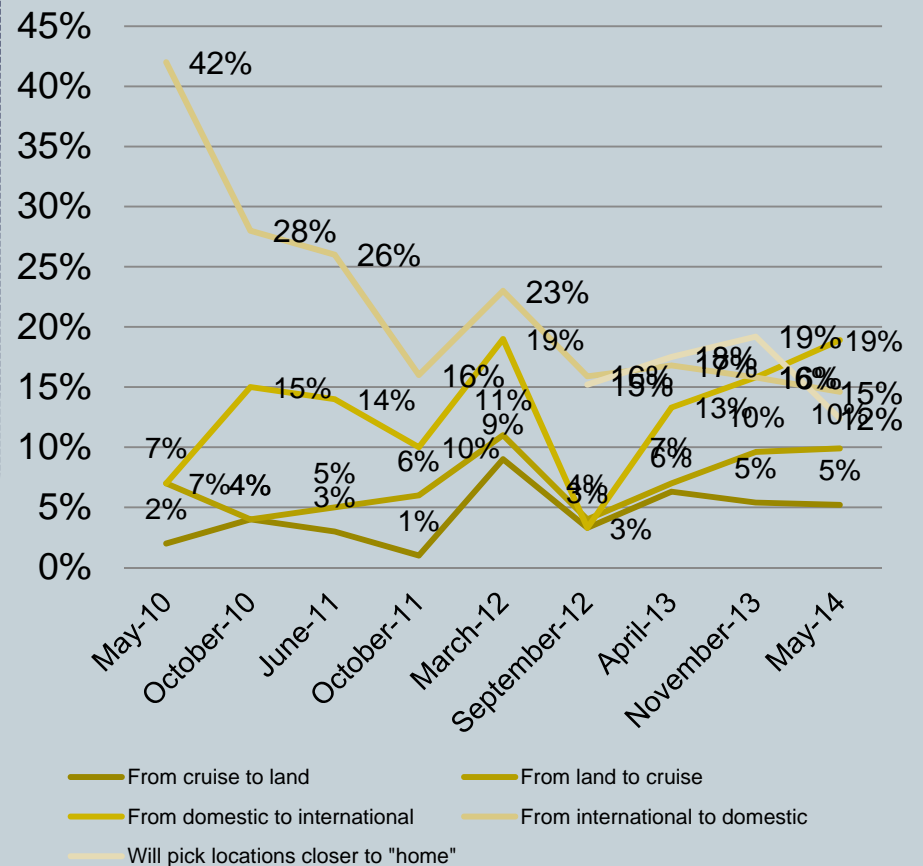


Trending Anticipated Changes With Regards To Incentive Travel Program Destinations

15

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

Compared with November 2013, all components are reporting similar results.



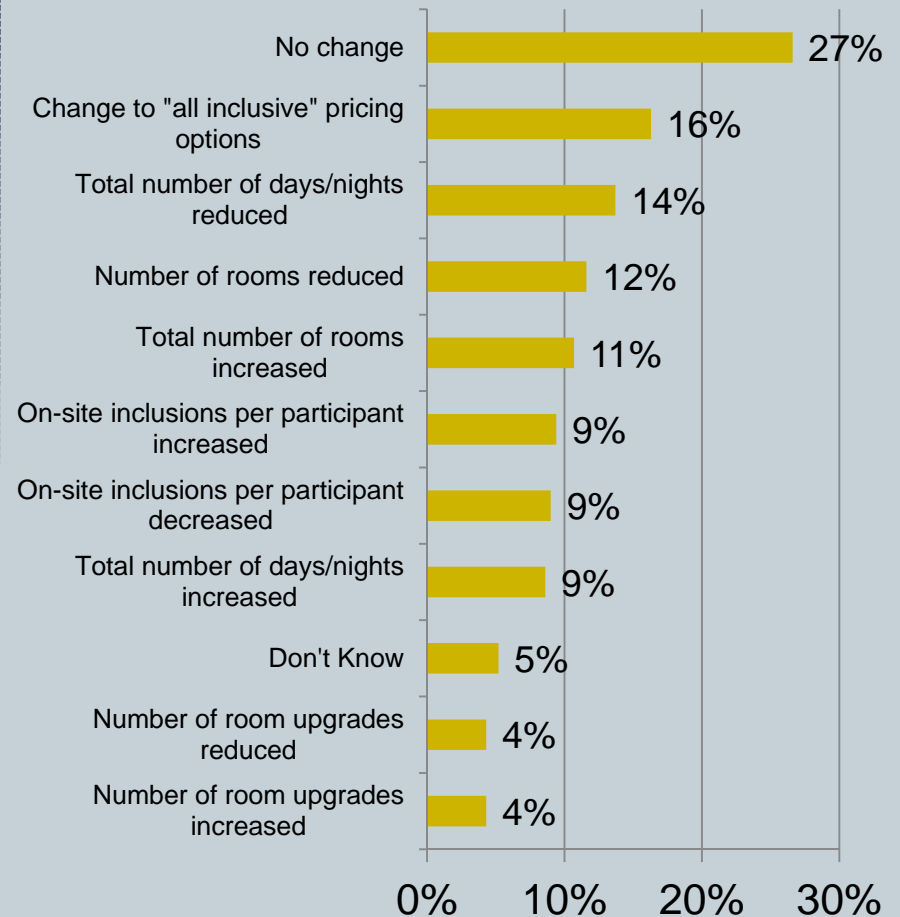
Anticipated Changes In Coming Year With Regards To Incentive Travel Accommodations

16

16% percent of respondents anticipate a change to “all inclusive” pricing options for the accommodations portion of Incentive Travel Programs in the coming year.

- 27% indicate “No Change”
- 14% indicate the “Total number of days/nights will be reduced”.
- 12% indicate that the “Number of rooms” will be reduced and on-site inclusions per participant be decreased.

In the coming year, what changes, if any, will be made with regard to accommodations for incentive travel programs?
Check all that apply. (n=233, multiple response)

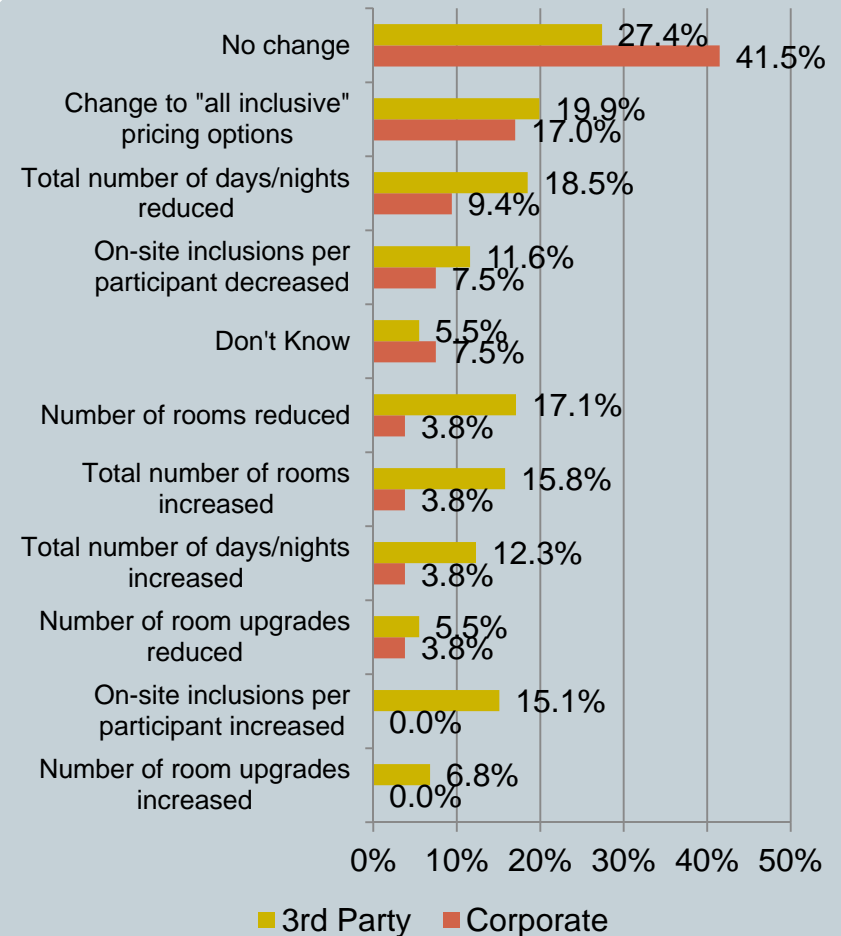


Anticipated Changes In Coming Year With Regards To Incentive Travel Accommodations

By Category

17

- Most of the Corporate and Third Party segments anticipate no changes to program destinations.
- Third Party respondents anticipate more changes with travel accommodations than the Corporate segment within all areas.

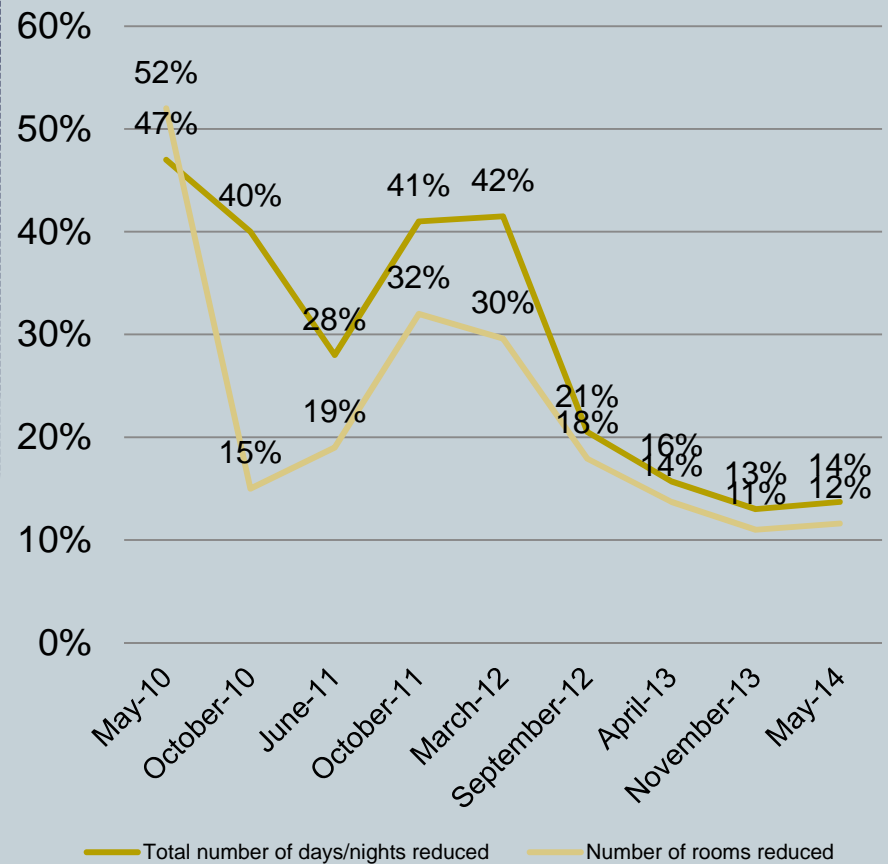


Suppliers were not asked this question.

Trending Anticipated Changes With Regards To Incentive Travel Accommodations

18

The “anticipated reduction” of both components with regards to hotel accommodations has stabilized compared to the past four survey periods.



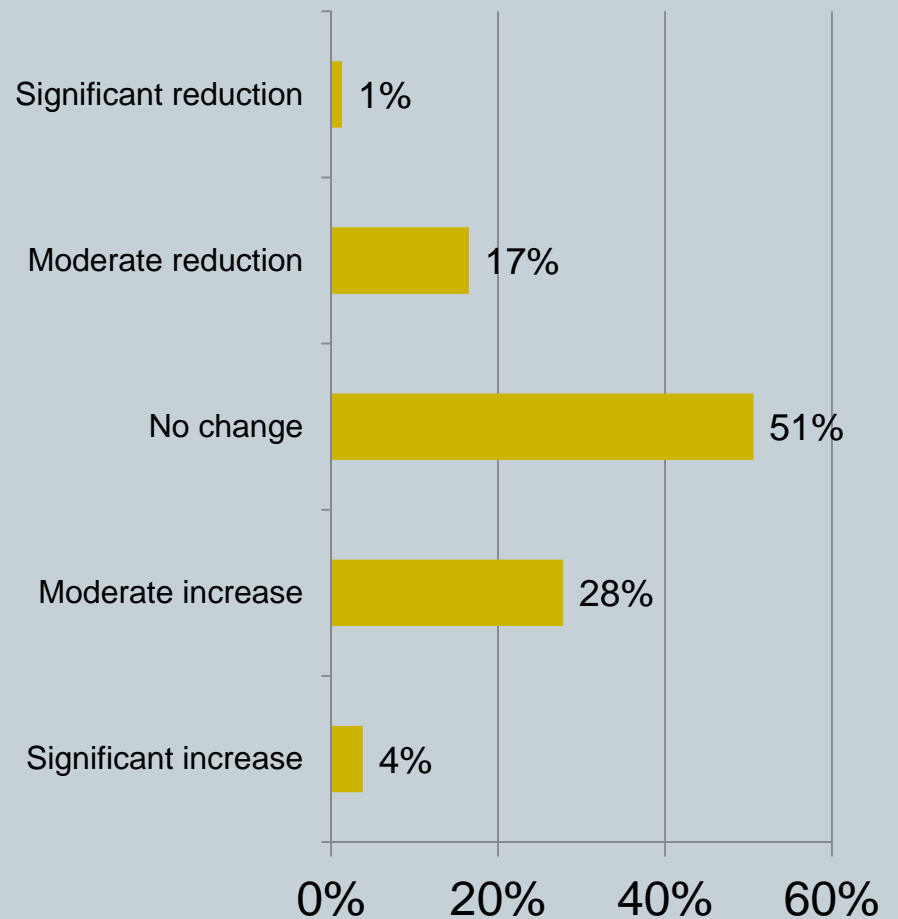
Anticipated Changes In Coming Year With Regards To Sponsored Non-Meal Related Components

19

Fifty-nine percent (51%) of respondents anticipate No Change with regards to Sponsored Non-Meal Related Components for Incentive Travel Programs in the coming year.

- 17% indicate that Sponsored Non-Meal related components will be **Moderately Reduced**, and
- 28% 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=158)

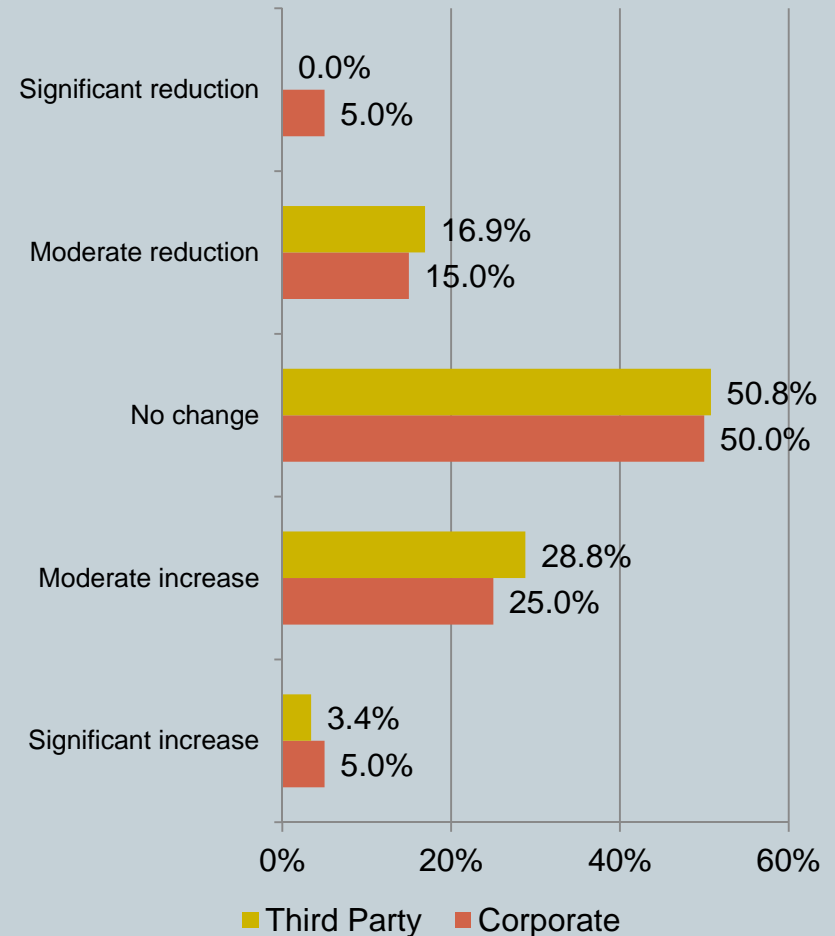


Anticipated Changes In Coming Year With Regards To Sponsored Non-Meal Related Components

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.

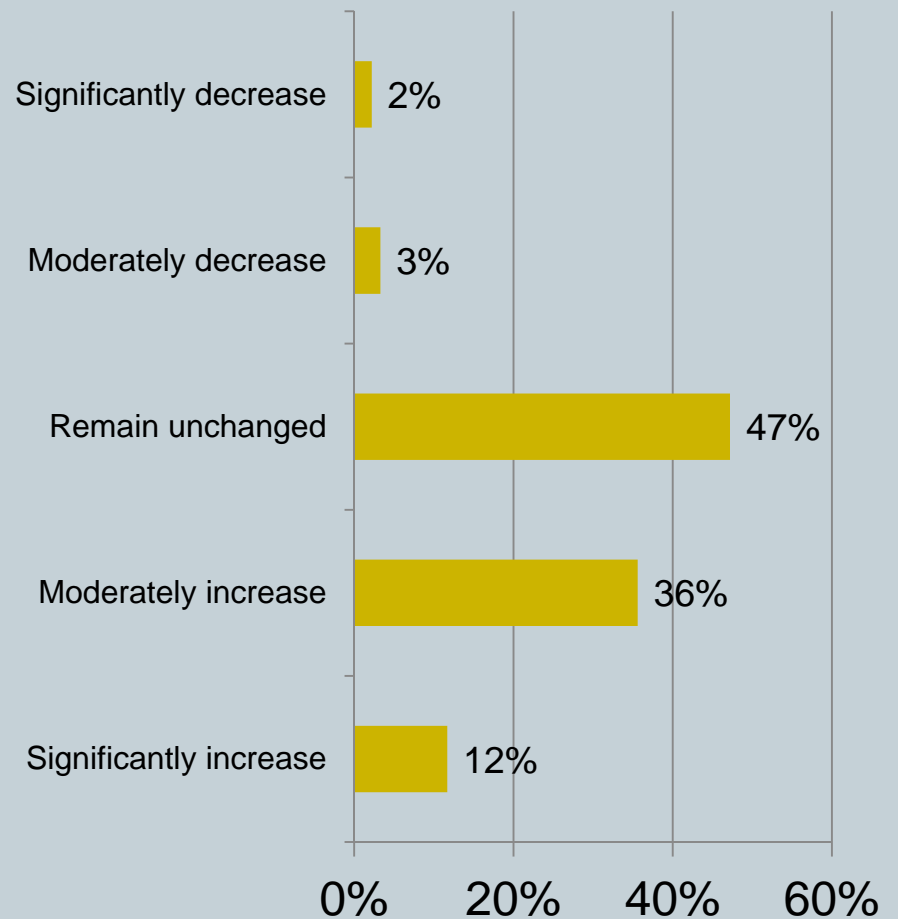
Anticipated Changes With The Involvement Of Procurement And Purchasing In Travel Incentive Programs

21

Most of the respondents (47%) anticipate No Change with regards to involvement of procurement and purchasing for Incentive Travel Programs in the coming year, 48% **agree that procurement involvement will increase** by some degree in the coming year.

- 36% 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.

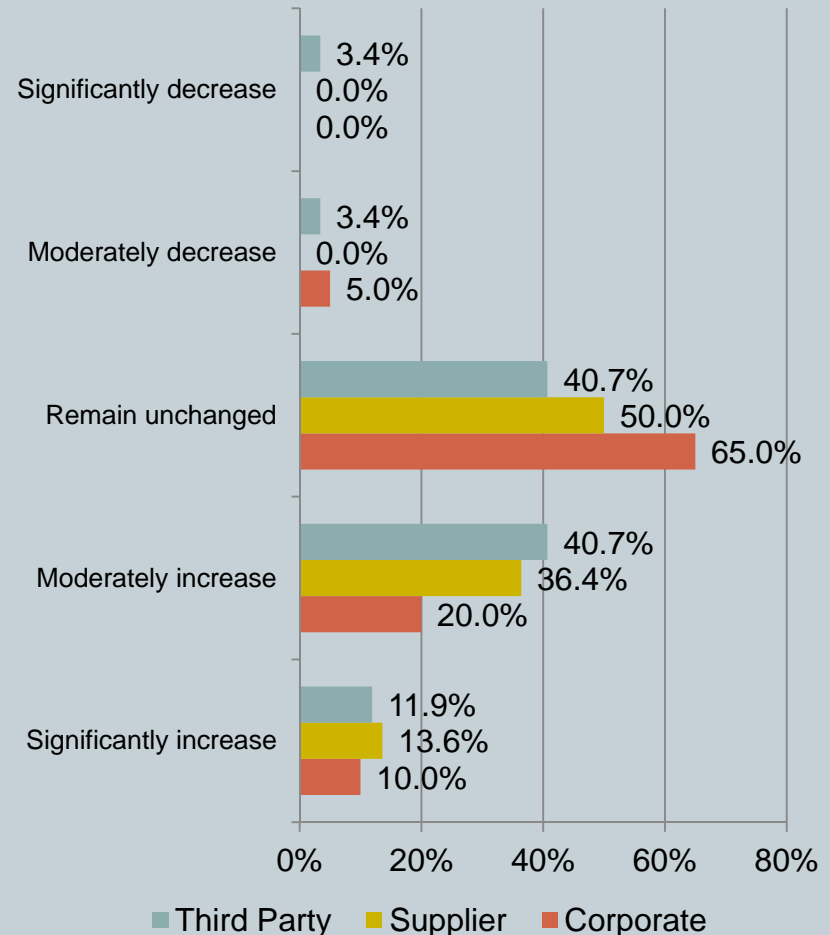
In the coming year, do you anticipate the involvement of procurement and purchasing with regard to your incentive programs to...(n=180)



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 “**significantly decrease/moderately decrease**” when compared with the Corporate and segment.



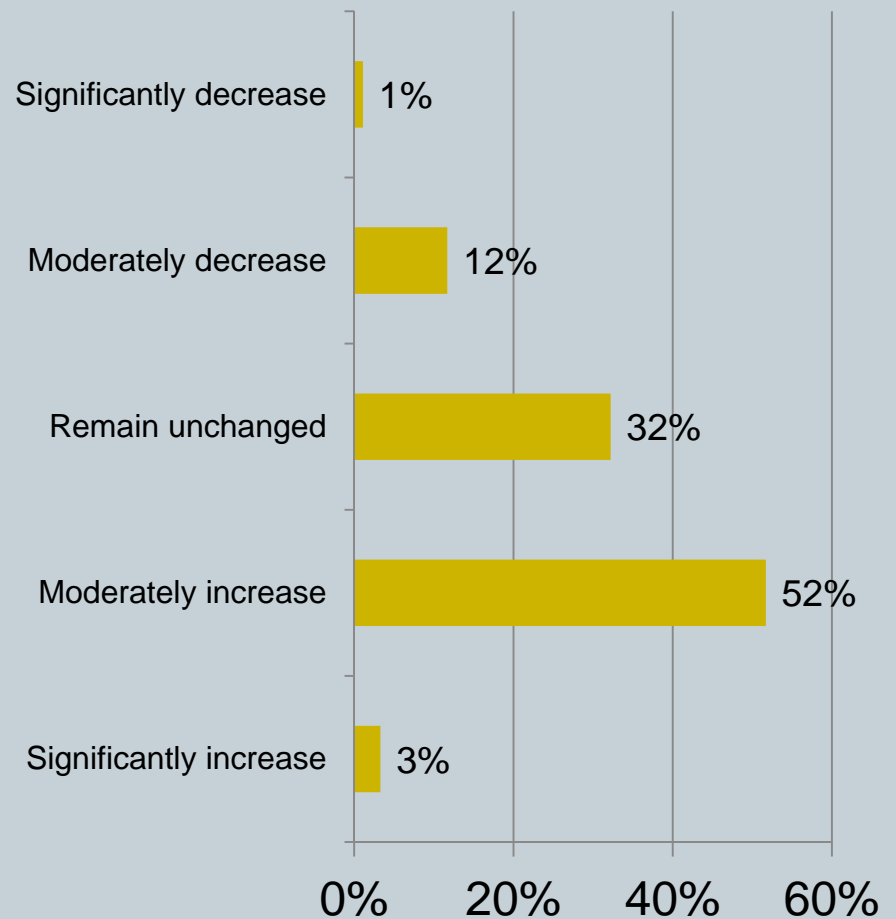
Anticipated Changes In Incentive Travel Program Budgets for This Year

23

Forty-nine percent (52%) of the respondents anticipate budgets for Incentive Travel Programs to “**Moderately Increase**” this coming year.

- 13% indicate that budgets for Incentive Travel Programs will **decrease** by some degree in the coming year.
- 32% indicate that budgets for Incentive Travel Programs will **remain unchanged** this coming year.

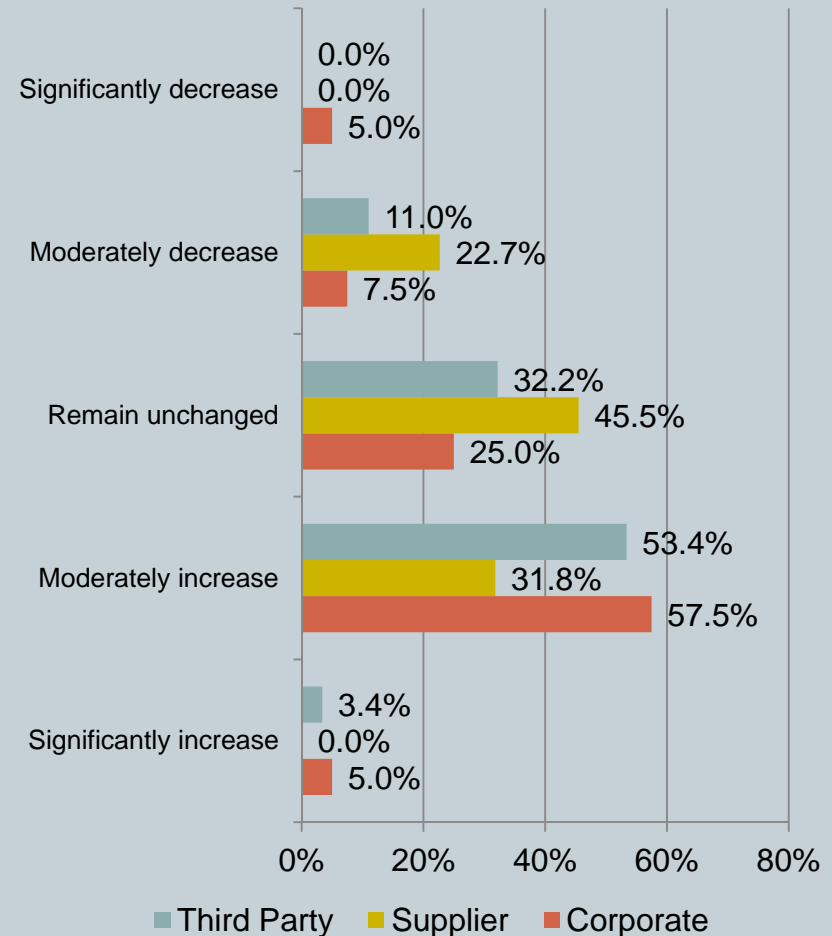
In the coming year, do you anticipate budgets for incentive travel programs in general to... (n=180)



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 “**moderately increase**” when compared with Third Party respondents.



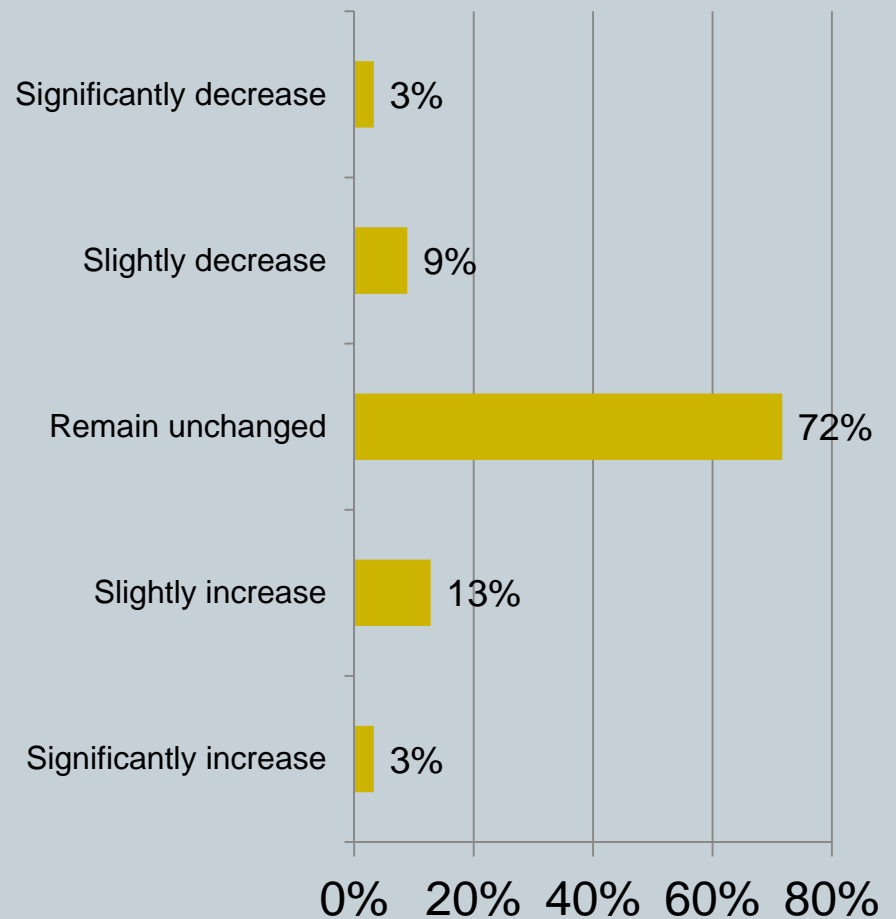
Trend Strategy For The Consideration Of Award Strategy Moving (Either Temporarily Or Permanently) From "Group Trips" To "Individual Travel Packages"

25

The majority (72%) of the respondents anticipate no changes (either temporarily or permanently) from "group trips" to "individual travel packages" in the coming year.

- A combined 12% indicate that the consideration of award strategy moving (either temporarily or permanently) from "group trips" to "individual travel packages" in coming year to **decrease**.
- 16% 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=180)

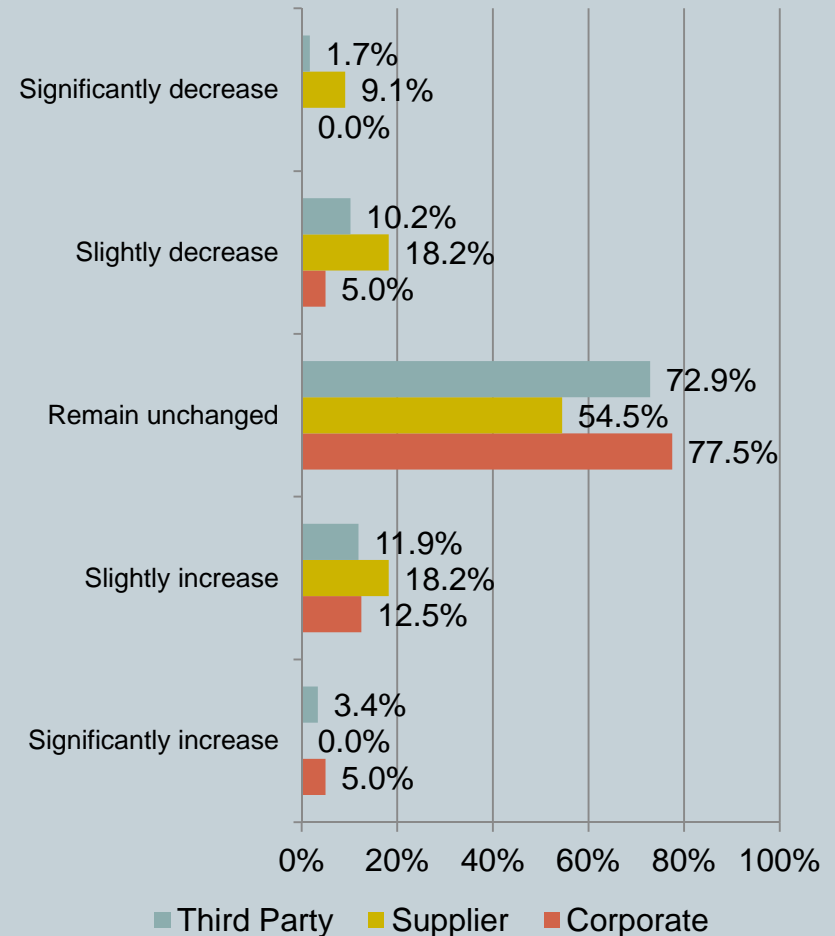


Trend Strategy For The Consideration Of Award Strategy Moving From "Group Trips" To "Individual Travel Packages"

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.



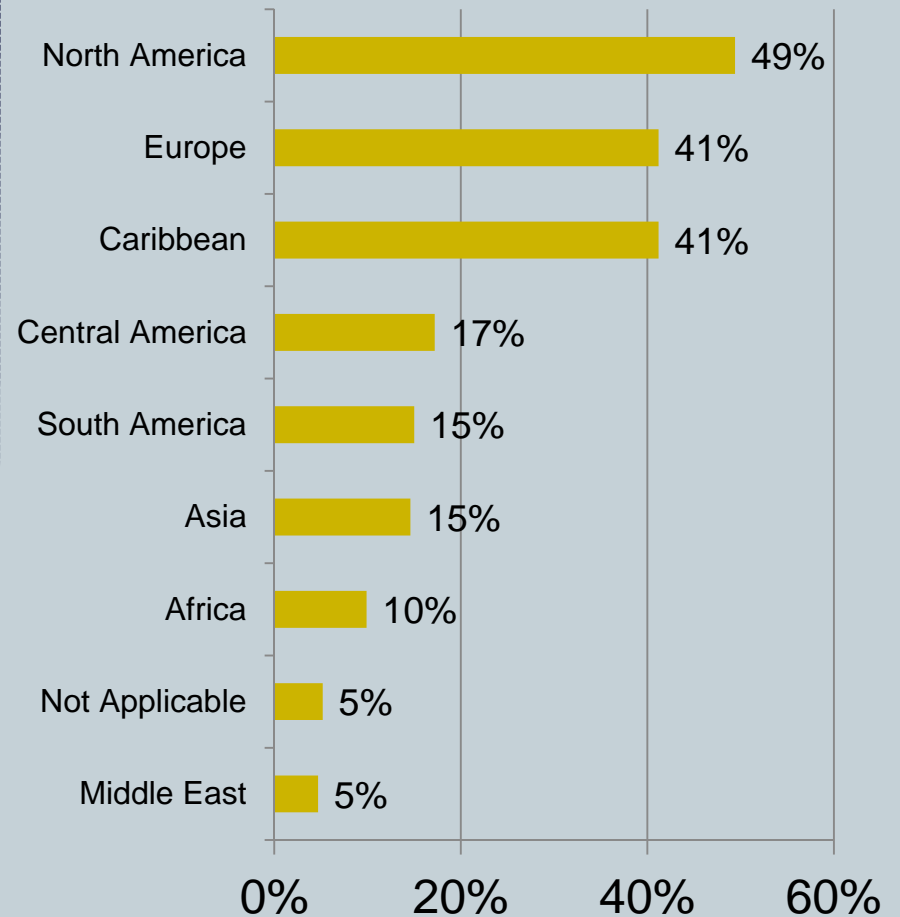
Geographic Region Chosen as “Destinations” for Incentive Travel Program(s).

27

49% of the respondents indicated that North America was their chosen region for Incentive Travel Destination programs.

- Top regional destinations include:
 - The Caribbean (41%)
 - Europe (41%)
 - Central America (17%)
 - South America (15%)
 - ASIA (15%)

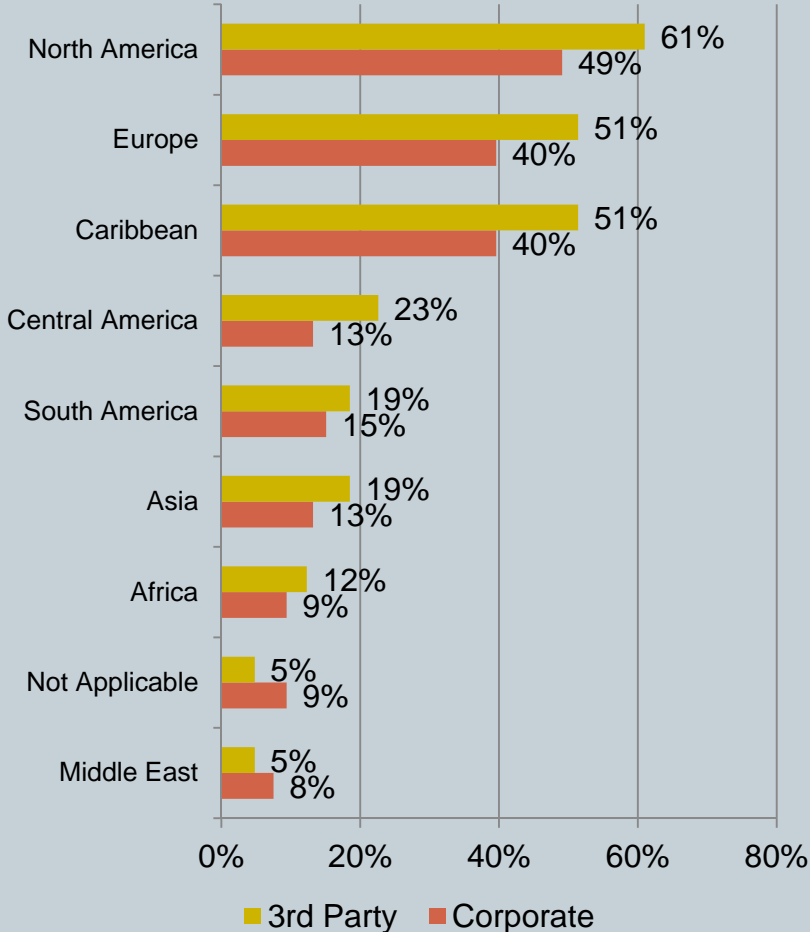
In the coming year, please indicate which geographic region you will choose as your "destinations" for your incentive travel program(s). (n=233)



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

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

- North America
- Europe
- Caribbean
- Central & South America
- ASIA



Suppliers were not asked this question.

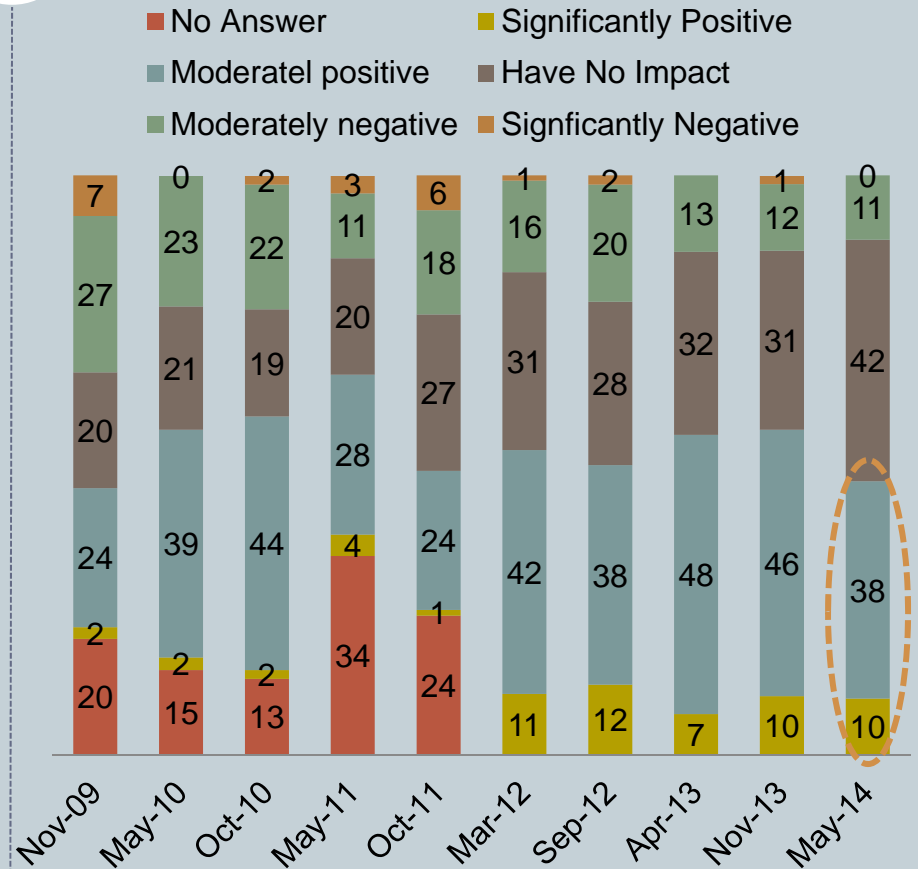
Perceived Impact of the Economy on Ability to Plan and Implement Merchandise Non-Cash Incentive Programs

29

In May 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 11% in May 2014 vs. 13% in November 2013.
- No impact 42% in May 2014 vs. 31% in November 2013.
- **Positive impact 48% in May 2014 vs. 56% in November 2013.**

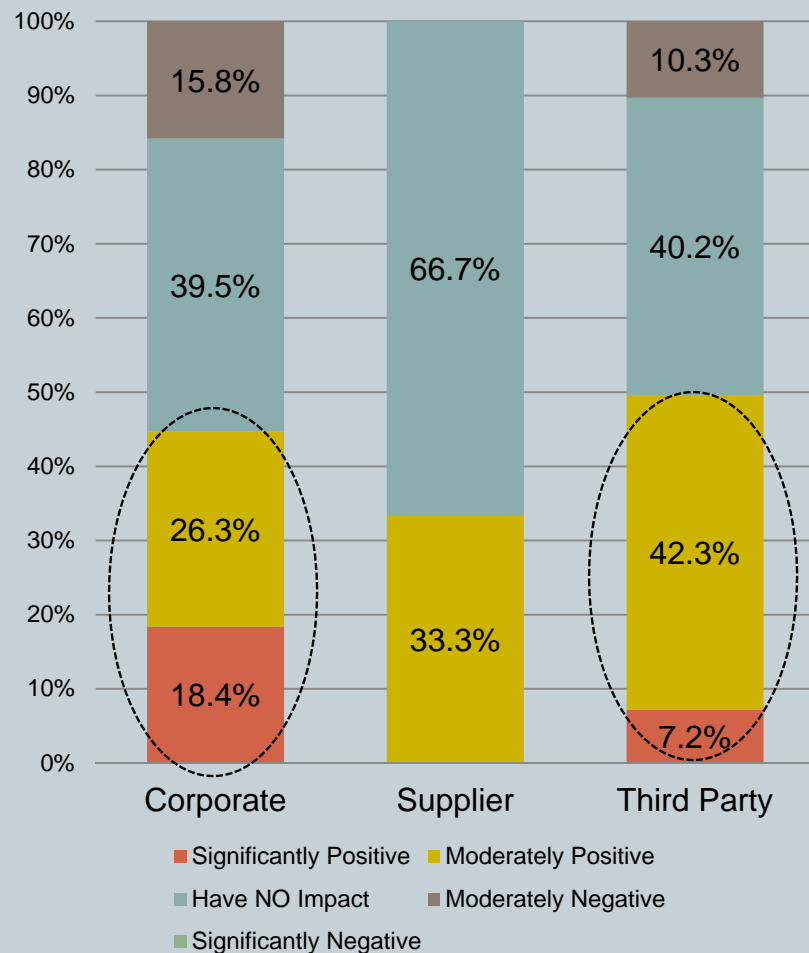
Do you anticipate budgets for merchandise non-cash incentive programs in the coming year to...(n=144)



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

30



- 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 44.7% total positive
 - ✦ Supplier 49.5% total positive.

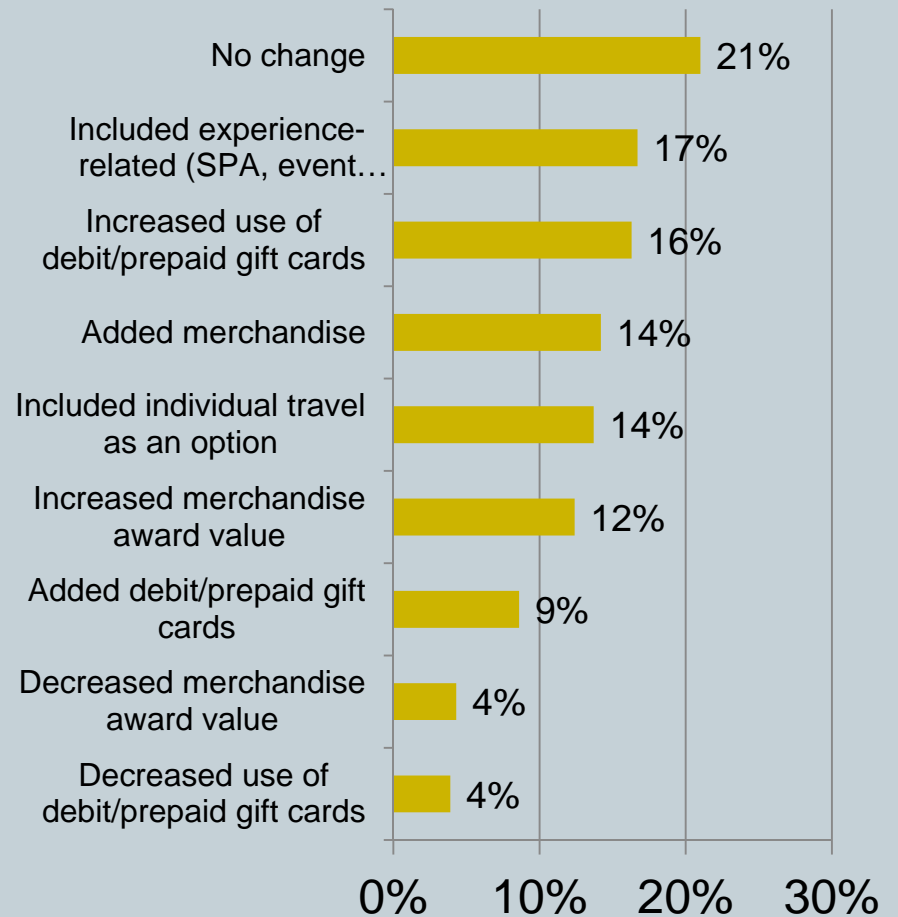
Anticipated Changes This Year With Regards To Merchandise Non-cash Incentive Programs Award Selections

31

17% of the respondents anticipate “Included experience-related (SPA, event tickets, etc.)” in the coming year with regards to Non-Cash Incentive Program Award Selections

- 21% indicate “No change” to the merchandise non-cash incentive program this year.
- 16% indicated “Increased use of debit/prepaid gift cards”.
- 14% indicated “Added merchandise” and “Included individual travel as an option”.
- 12% indicated “increased merchandise award value” and “added debit/prepaid gift cards”.

With regard to merchandise non-cash incentive programs, what changes, will be made this year with award selections? Select all that apply. (n=233)

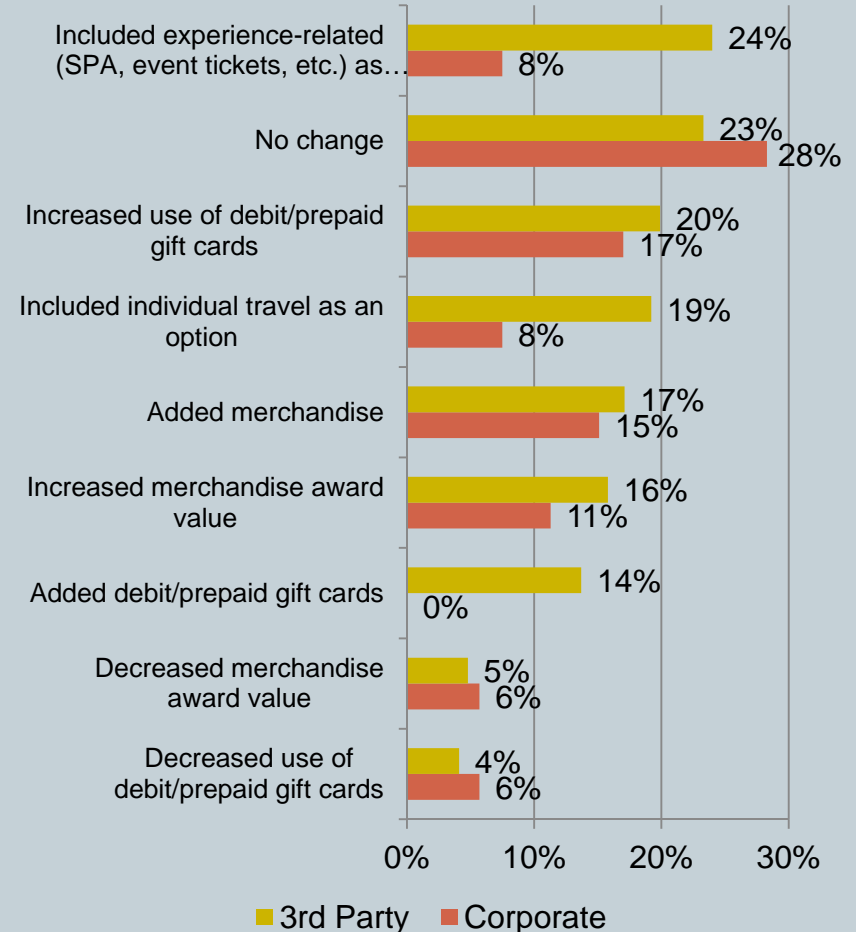


Anticipated Changes This Year With Regards To Merchandise Non-cash Incentive Programs Award Selections

By Category

32

- 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



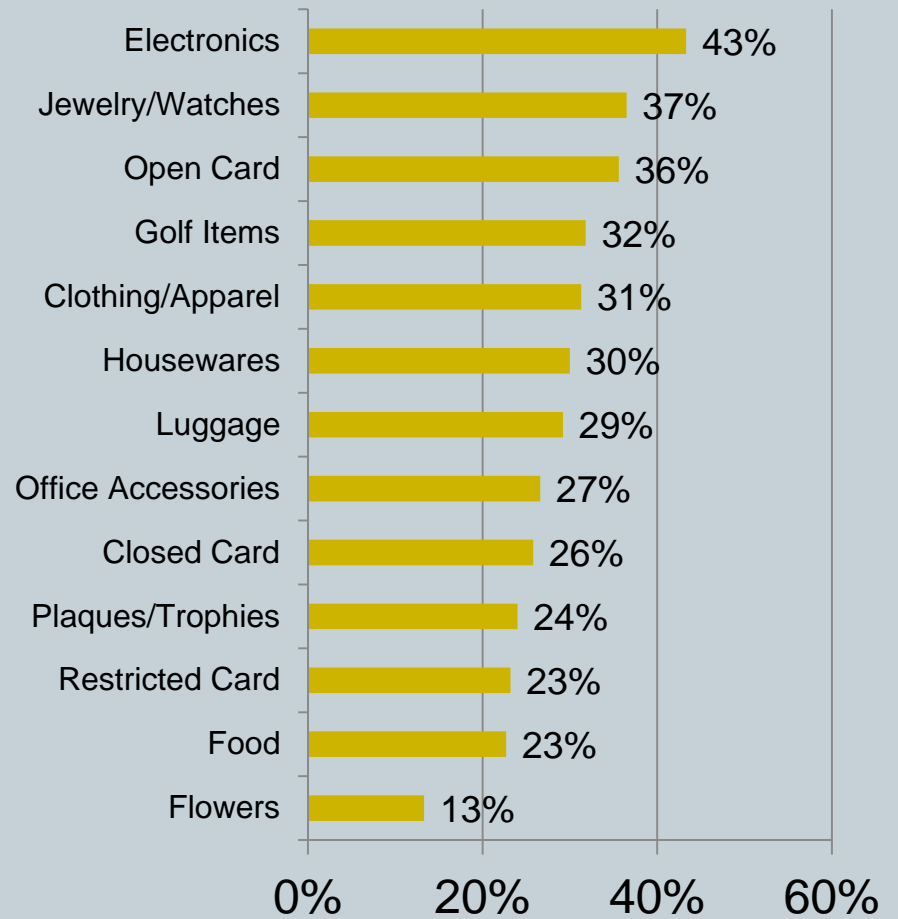
Suppliers were not asked this question.

Merchandise Types Used Within Reward and Recognition Programs

33

Electronics (43%), Jewelry/Watches (33%), and Open Card (36%) are the most common merchandise used in Reward and Recognition Programs.

- Other popular merchandise types identified by the respondents are:
 - Golf Items (32%)
 - Clothing/Apparel (31%)
 - Housewares (30%)
 - Luggage (29%)

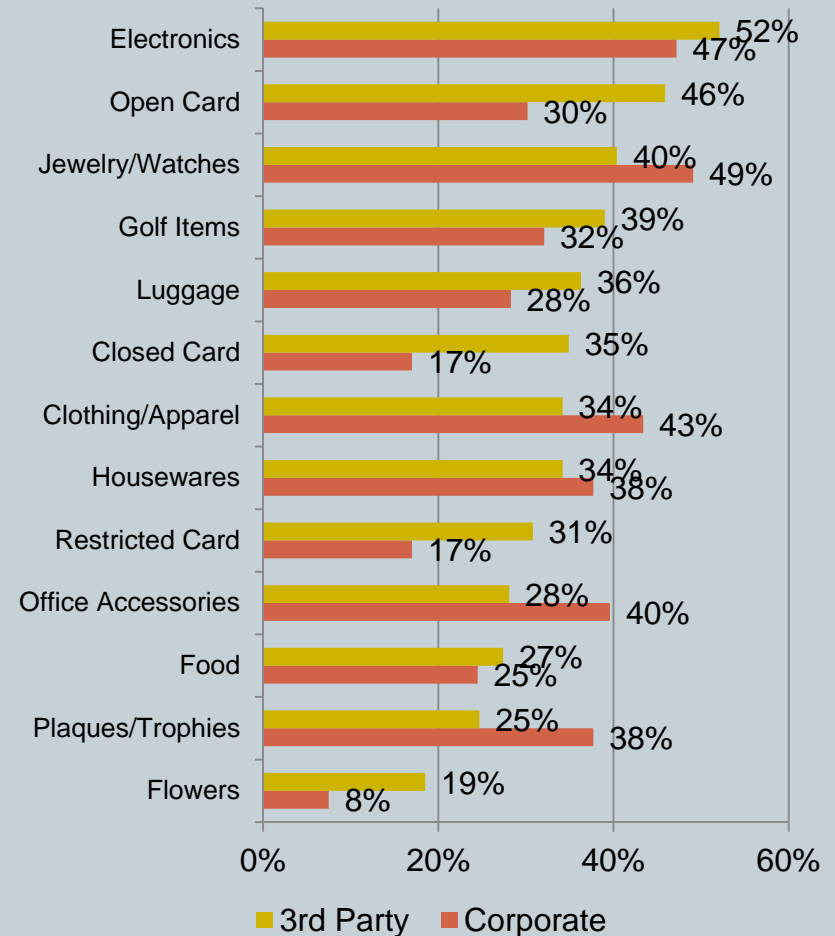


What types of merchandise are you using within your reward and recognition program? Select all that apply (n=233)

Merchandise Types Used Within Reward and Recognition Programs By Category

34

- Third Party respondents are significantly more likely to use all of the listed merchandise awards, except “Jewelry/Watches”, “Clothing/Apparel”, “Housewares”, “Office Accessories” and “Plaques/Trophies” when compared with the Corporate respondents.



Suppliers were not asked this question.

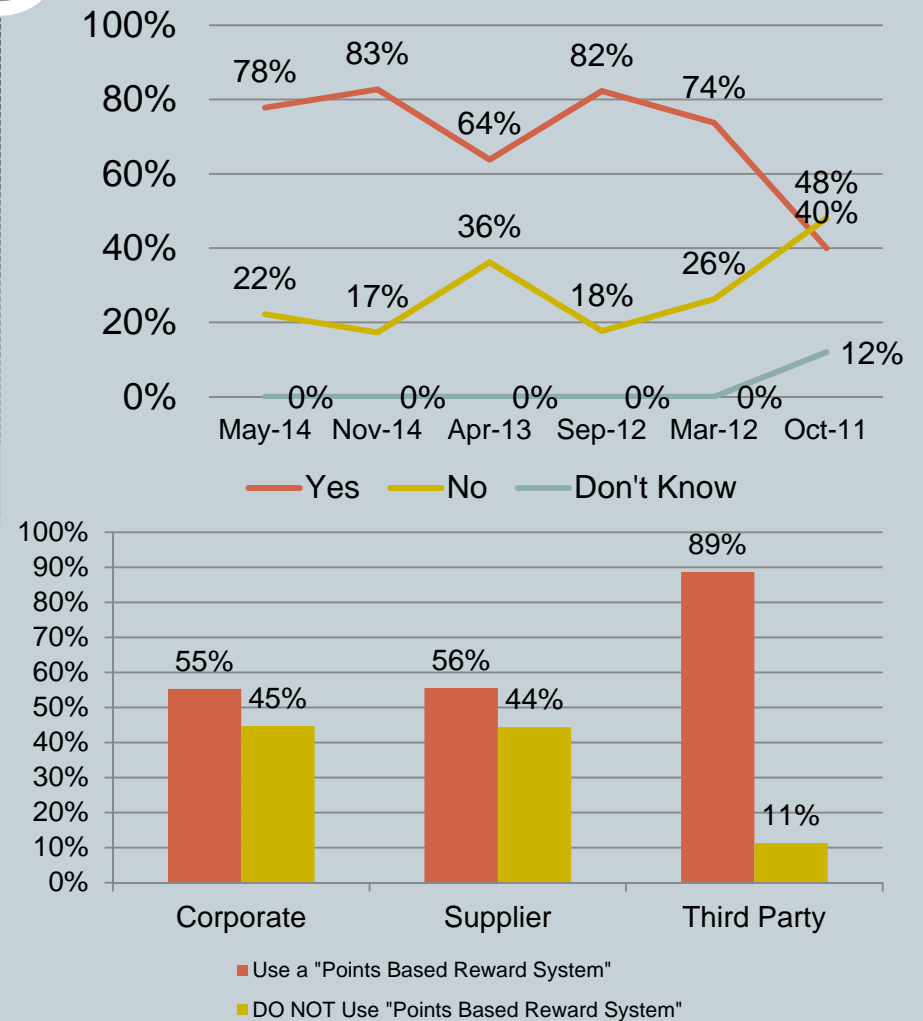
Use of Points Based System for Merchandise Non-Cash Incentive Programs

35

A majority (78%) of the respondents indicate they use a points based system for their Merchandise Non-Cash Incentive program(s).

- 22% indicated they do not use a points based system.
- Compared with November 2013, slightly less respondents (5%) 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=144)



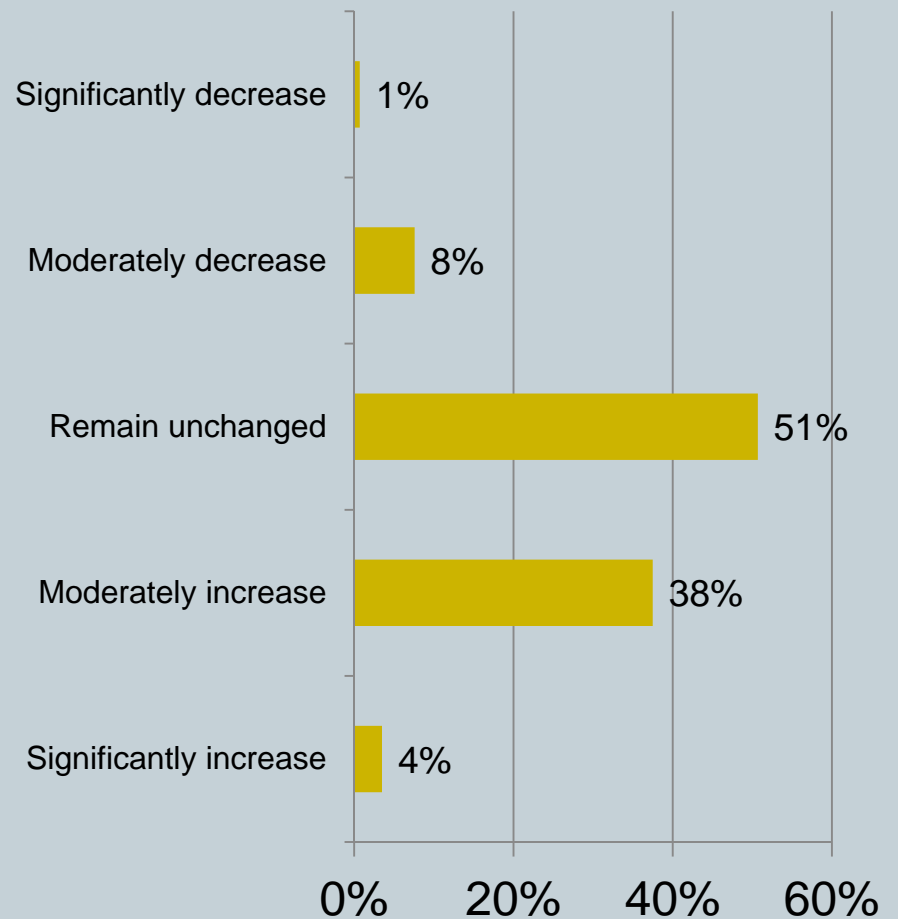
Anticipated Changes In Non-Cash Incentive Program Budgets for This Year

36

Fifty-one percent (51%) of the respondents anticipate budgets for Non-Cash Incentive Programs to “Remain unchanged” this coming year.

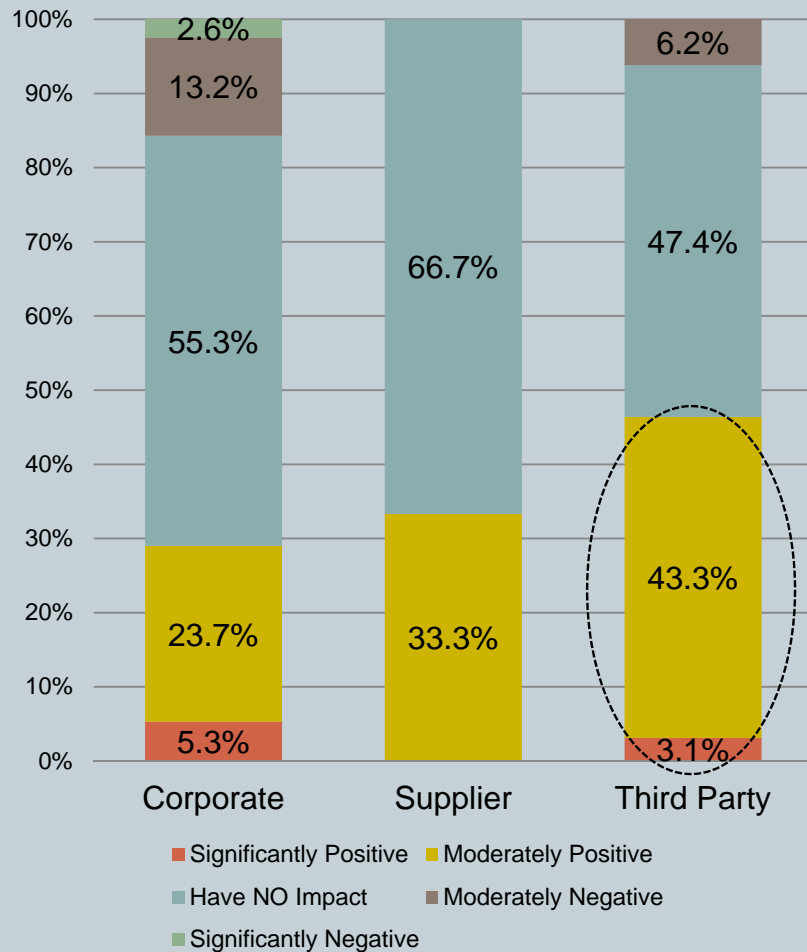
- 9% indicate that budgets for Non-Cash Incentive Programs will **decrease** by some degree in the coming year.
- 42% indicate that budgets for Non-Cash Incentive Programs will **increase** by some degree in the coming year.

Do you anticipate budgets for non-cash incentive programs in the coming year to...(n=144)



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

37



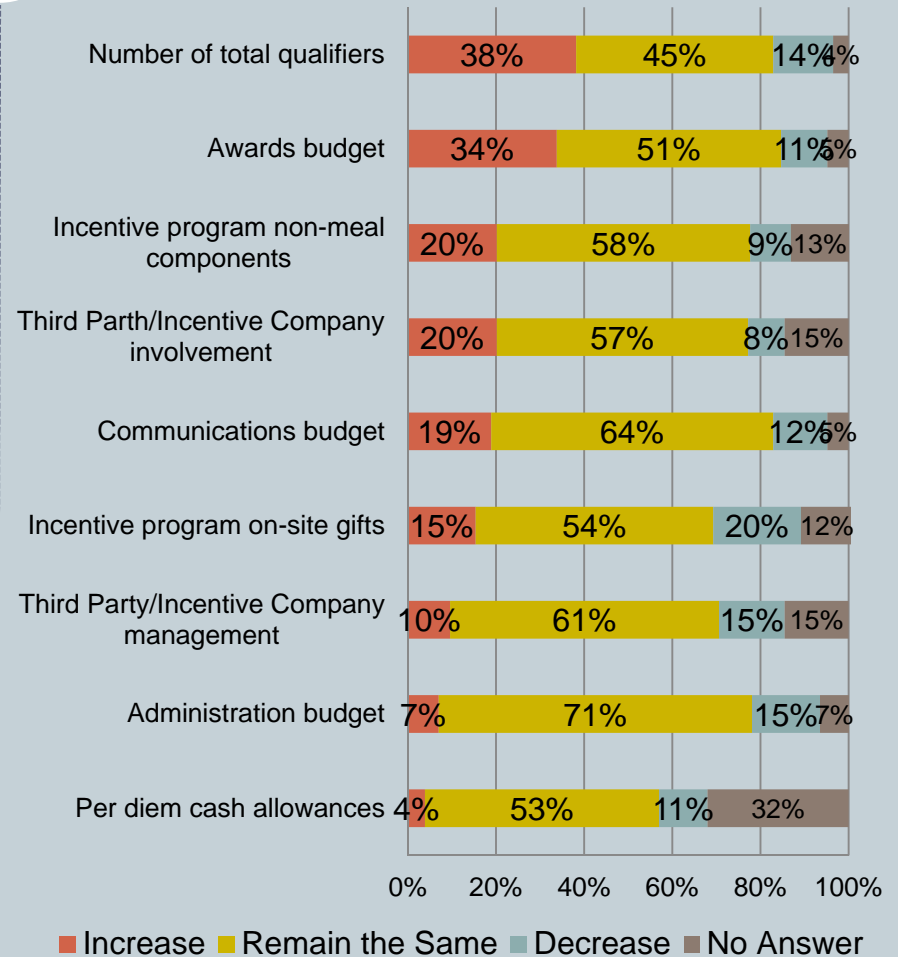
- Comparing the anticipated changes in Non-Cash incentive program budgets by respondent category, we find:
 - The Third Party respondents are significantly more likely to anticipate changes in Non-Cash incentive program budgets to be “positive” compared to Corporate and Supplier segment.
 - ✦ Corporate 29% total positive.
 - ✦ Third Party 46.4% total positive.

Anticipated Changes Incentive Program Elements

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 38%.
- The following elements received “Increased” ratings of greater than 20% for the coming year:
 - Awards budget (34%)
 - Incentive program non-meal components (20%)
 - Third Party/Incentive Company Involvement (20%)

This year, do you anticipate the following incentive program elements will increase, decrease or remain the same? (n=228)



General Issues Of Interest to the Industry

39

Budget Changes for Incentive Program Elements

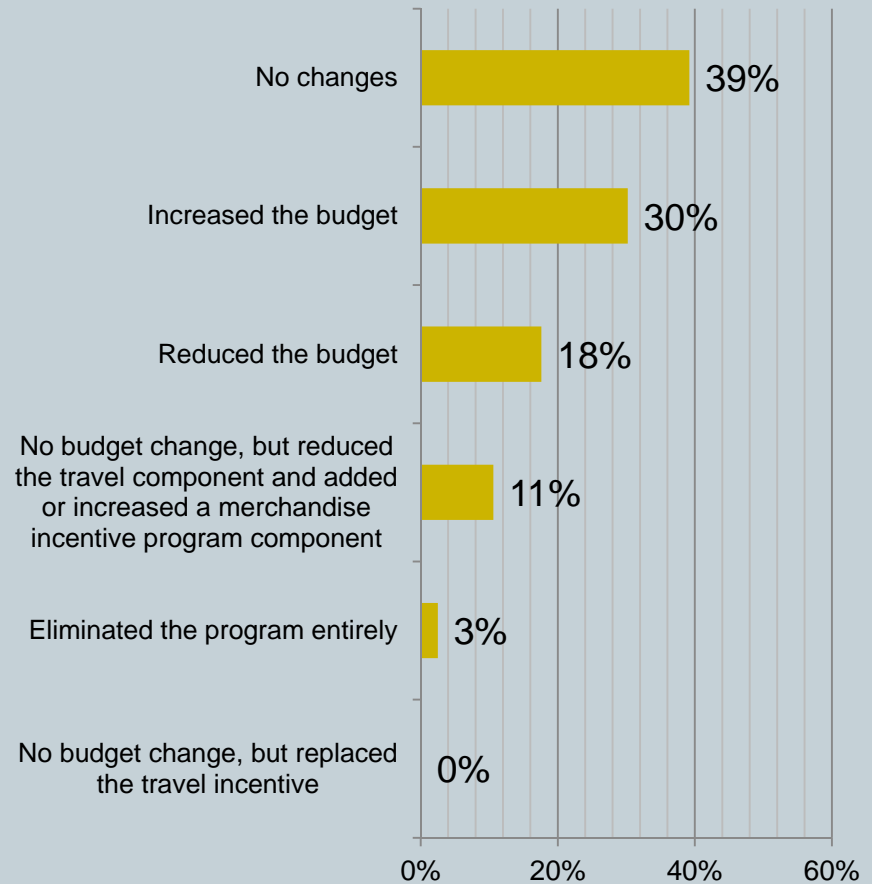
Impact on Incentive Program As A Result Of The Current Economic Conditions

40

39% of the respondents anticipate no changes to the budget for Incentive Programs in the coming year as a result of the recent economic conditions.

- 30% indicate that budgets for Incentive Programs have **increased** as a result of the recent economic conditions.
- 18% 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.
- 3% Eliminated to program entirely.

As a result of the recent economic conditions, have you made a change to your upcoming incentive program, and if so have you... (n=199)



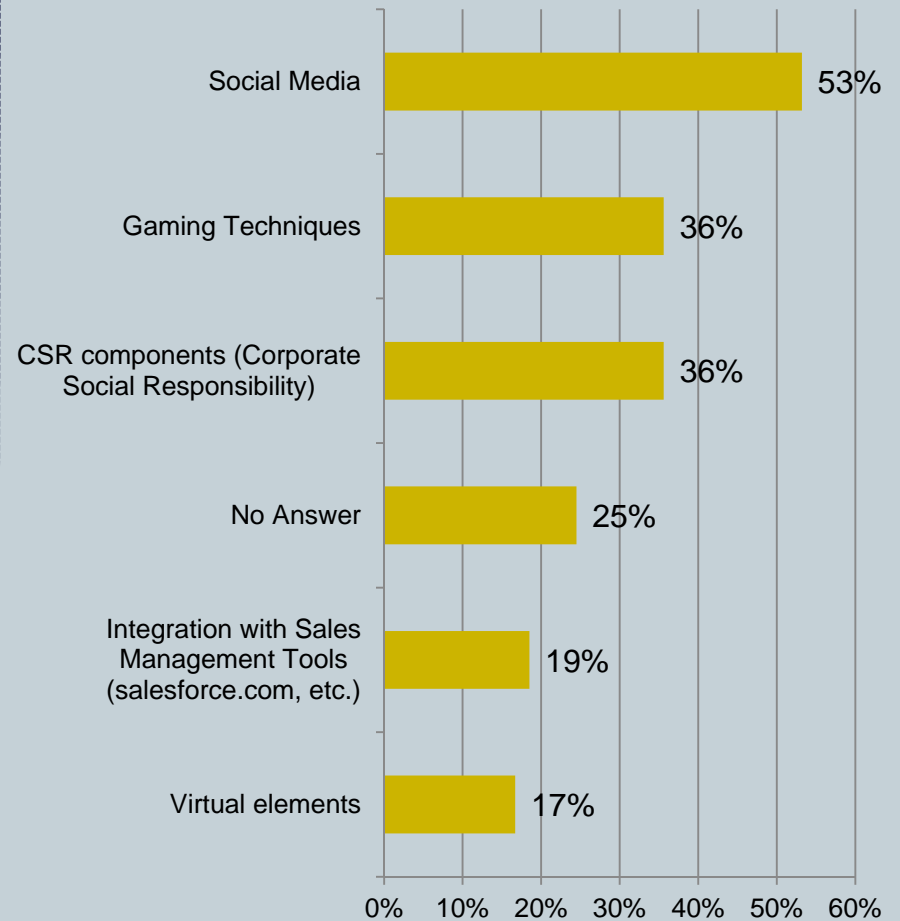
Use of Enhancement Tools/Techniques for Incentive Programs

41

Slightly more than half of the respondents (53%) indicate they use Social Media tool/techniques to enhance their incentive program.

- 36% 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=233)



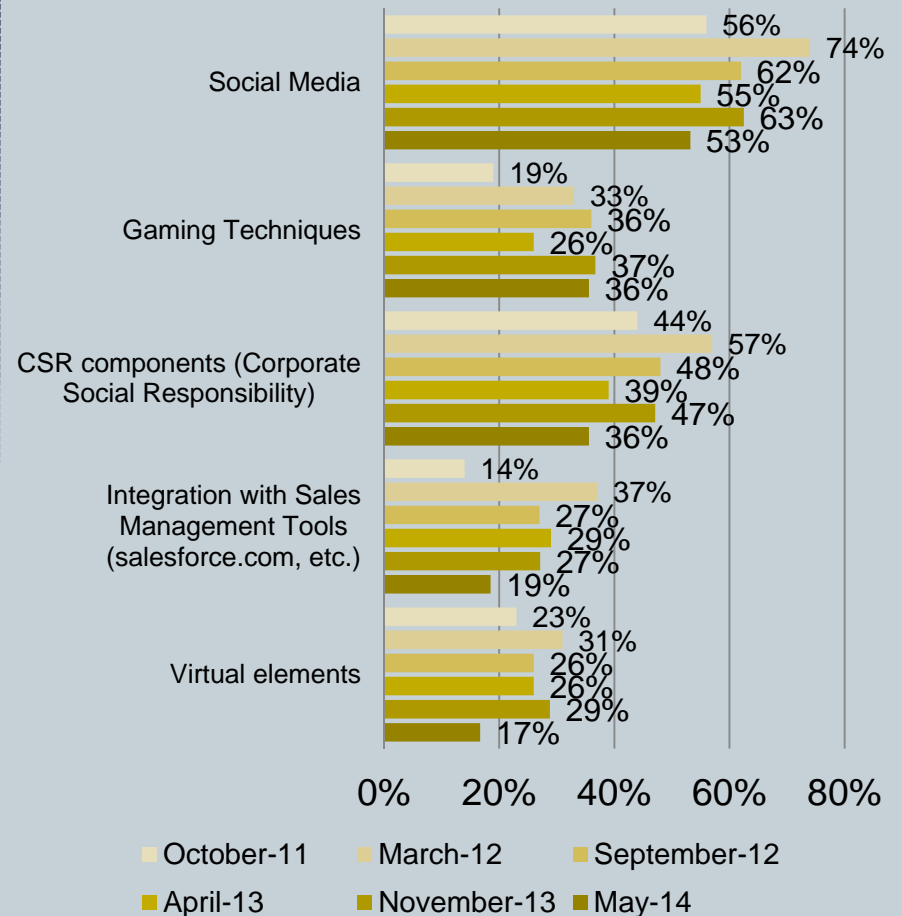
Trending of Enhancement Tools/Techniques for Incentive Programs

42

All components showed decreases in the enhancement of incentive programs compared to November 2014 as an enhancement tool for incentive programs.

- CSR Components, Integration with Sales Management Tools and Virtual Elements each have **significant decreases** as enhancement tools when compared with November 2013.

Are you using any of the following to enhance your programs? (Check all that apply) ... (n=233)



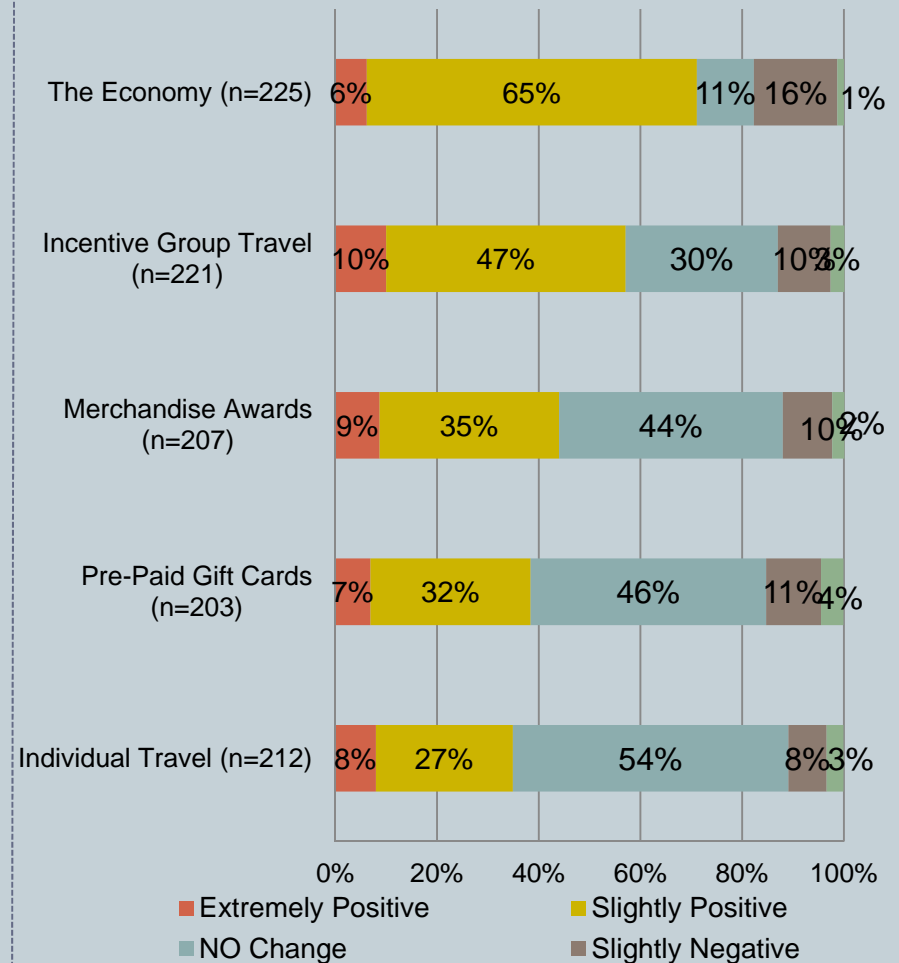
General Perceptions of the Coming Year

43

The majority of respondents (71%) perceive “The Economy” to be either Slightly or Extremely *positive* in the coming year.

- While the outlook on the Economy is generally “positive”, 17% of the respondents also indicate a “negative” perception of the economy in the coming year.
- In general, over 35% 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)



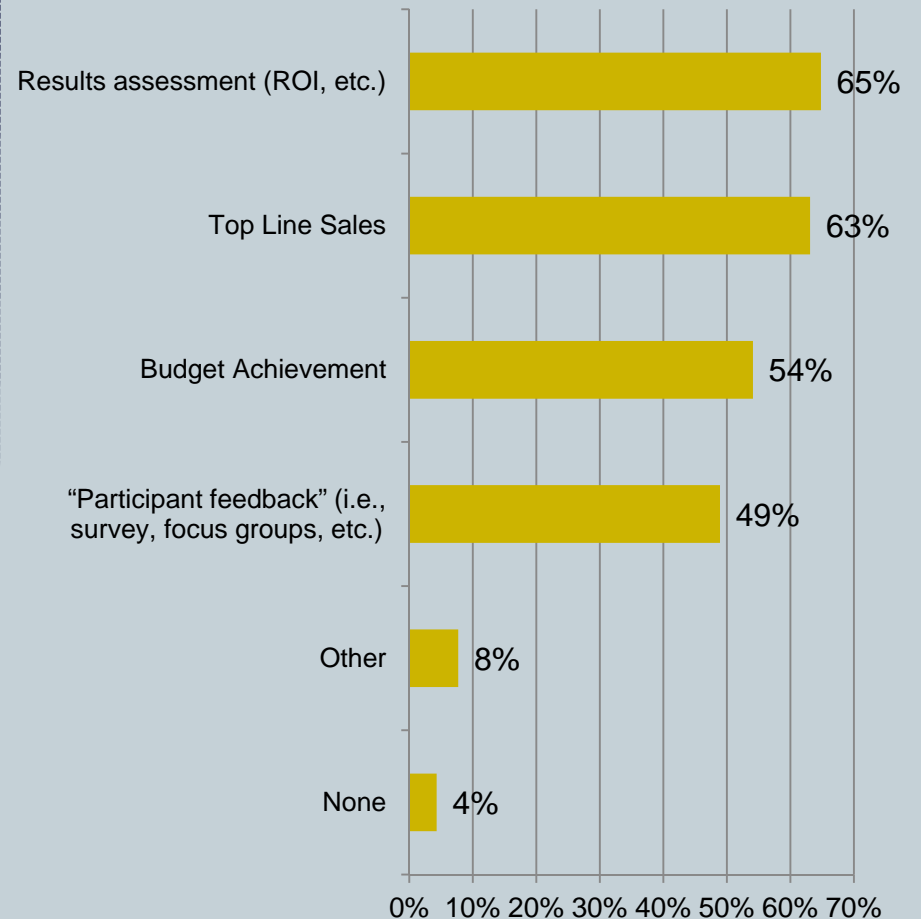
Goals & Objectives used to Determine Incentive Payouts and Measurement of Success

44

The majority (89%) indicated that goals/objectives are used to determine incentive payouts.

- Most respondents (65%) indicate that they use “Results assessment (ROI, etc.)” to determine a programs’ success.
- Only 4% 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=233)



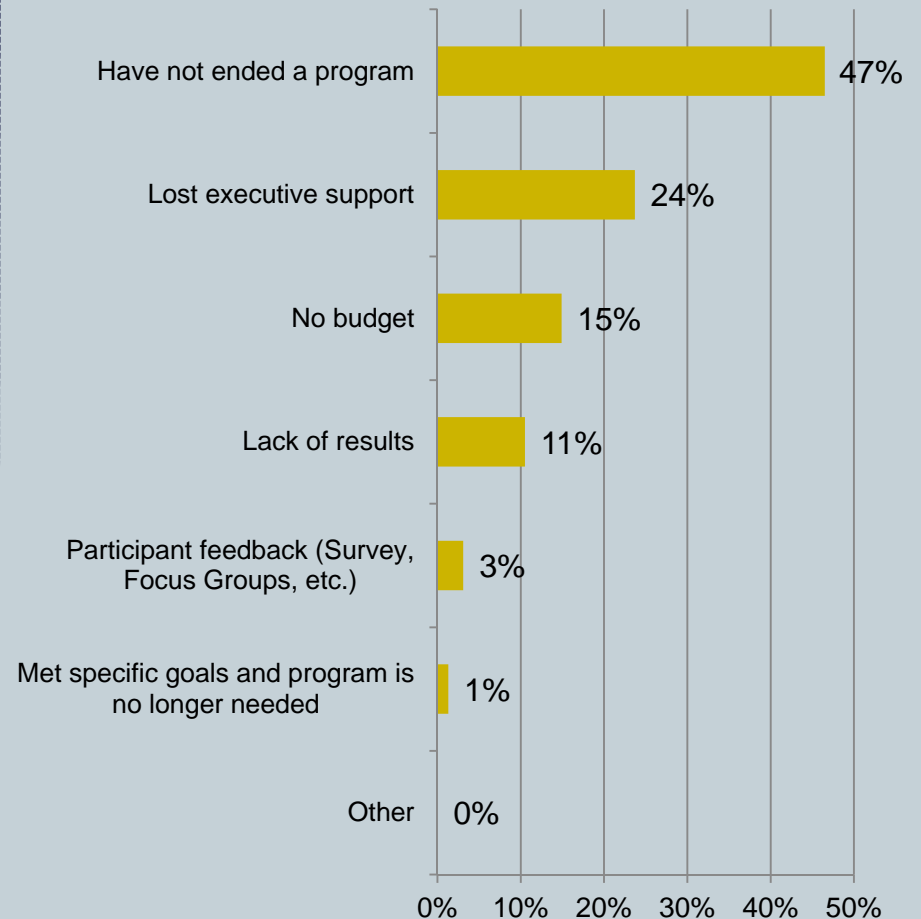
Primary Reason For Ending An Incentive/ Recognition Program

45

Slightly less than half of the respondents (47%) indicated that they have not ended a program.

- 24% indicated they lost executive support.
- 15% indicated there was no budget.
- 11% indicated lack of results.

What is the primary reason for ending an incentive/ recognition program? (n=228)



Frequency of Results Analysis and Program Design Element Changes

Thirty percent (31%) of the respondents indicated that they analyze results and program design elements Annually during a programs duration.

- 5% indicated that they “**never**” analyze results and program design elements during a programs duration.
- 28% 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=228)

