



# 10 Trends For 2014

## 1. Results Matter: Engagement Sponsors Search For More Tangible Outcomes

*Focus On Outcome-Driven Engagement Efforts Represents A New Opportunity For Incentive Travel And Recognition Programs*

For a growing number of sponsoring companies, the next step in the employee engagement continuum is to translate the emotional and intellectual connections they have built with employees into more tangible outcomes.

Businesses that have invested in building what some call a “*culture of appreciation*” are now looking for employee engagement to manifest itself into **more immediate, recognizable and revenue-related results**. Topping the list are:

- Brand authenticity
- Effective change management
- Efficient cross-company collaboration
- Front-line innovation within the workspace



## CONTENTS

1. Tangible Outcomes .....	1
2. Talent Poaching .....	2
3. Shrinking Candidate Pipeline .....	3
4. Participant Expectations .....	4
5. Big Data .....	5
6. Quality Over Quantity in Incentive Travel ...	6
7. The Total Incentive Travel Experience .....	6
8. Merchandise/Gift Card Programs .....	7
9. Role of Procurement .....	8
10. Global Sales Compensation Role .....	9
Bibliography .....	11

This focus is understandable: In our knowledge-driven economy, people are the drivers and keepers of the brand’s promise.<sup>i</sup> Satisfied customers are worth more. They purchase more and remain loyal even in the face of modest price increases or the occasional service miscue.<sup>ii</sup>

In our talent-driven economy, employees are *the* critical variable in the customer-equity calculation<sup>iii</sup>. Organizations also wrestle with the impact relentless change has on their operation. Most change initiatives fall short of the mark, with only a small percentage yielding the type of impact sponsors had forecasted.

According to *McKinsey*, most change initiatives fail not due to a lack of thinking through the technical considerations; rather, most failures are the result of targeted employees not receiving enough rationale and personal motivation to **embrace the change**.<sup>iv</sup> As organizations become more virtual in structure, they have become hungrier for new ways to build trust, teamwork and camaraderie.

Engagement as an aspiration measure is shifting focus and becoming a way to **drive better outcomes**. This shift creates the opportunity for providers of non-cash award and incentive travel programs to position their solutions in a more strategic and compelling manner, such as by highlighting the direct outcomes (e.g. sales, retention, productivity, customer satisfaction) they help drive.

## 2. Poaching: The Battle For Talent Takes On A New Dimension

### *New Emphasis On Retention Gives Incentive And Recognition Practitioners A Stronger Business Case*

The realities of labor poaching, skill gaps, and shifting demographics are forcing companies to place a newfound emphasis on the positive retention outcomes associated with incentive travel and recognition programs and give practitioners additional fodder for building their financial business case.

The U.S. Department of Labor estimates that almost 4M<sup>v</sup> job postings continue to go unfilled. And even though the ranks of people out of work remain high, companies have shown unprecedented selectivity by **targeting the best employees of their competitors**.

The same labor data reveals more proof of poaching: The number of “hiring events” per month can be as high as 4M, even as “net-new” jobs added to payrolls stay stuck in the 200K range.<sup>vi</sup> This confirms that **people currently with jobs are actively transitioning from one employer to another**. It also suggests that “A-Players” are being poached in an aggressive manner.

Competitive rivals and newly formed start-ups seek the industry experience and relationships of A-Players who have unique skill sets that the position demands, a pattern expected to continue well into the future. An *American Society for Training and Development* report <sup>vii</sup> predicts that by 2015:

- 76% of U.S. jobs will require highly-skilled workers
- 60% of new jobs will require skills held by only 20% of the population

**Shifting demographics will further dilute the talent pool.** The make-up of the workforce is dramatically changing. An estimated 10,000 employees will turn 65 today and will continue to do so every day for the next 20 years.

How big of a shortfall will retiring employees be leaving employers? All told, some 76 million working Baby Boomers will need to be replaced with Gen X’ers and other younger workers. Certainly new candidates will continue to enter the workforce, but not in the numbers businesses need: There are only 47 million Gen X’ers in the funnel behind them.

In other words, **the talent pool is set to shrink by some 40%**. The next wave of workers is not enough to fill vacancies in a stagnant economy, let alone help companies to grow aggressively when markets start to heat up again.

**This reality should place new emphasis on positive retention outcomes** normally associated with employee recognition and incentive travel programs<sup>viii</sup> and should give providers and planners alike additional rationale for their financial business cases justifying the investment in such initiatives.

### 3. Leadership Squeeze: A Shrinking Pipeline Of Candidates Concerns Executives

#### *Incentive Travel And Recognition Programs Offer Critical Opportunities To Build The Leadership Pool*

Executives are now being advised by major consultancies to leverage all available resources to retain and grow key staff. Even though unemployment remains stubbornly high, businesses still struggle to attract and retain top talent—the people who possess the kind of skills and leadership potential companies will need to grow over time. In fact, a shrinking leadership pipeline (defined as a global shortage of workers with both the abilities and attitudes of a future leader) is already **putting the squeeze on the long-term goals of many enterprises.**

In survey after survey, senior executives express concerns that stiffening competition for exceptional individuals is curtailing plans for progress. The *Corporate Executive Board* reports that 60% of organizations feel constrained by the leadership shortage, while *The Bersin Deloitte Advisory Board* cites developing organizational leadership capacity as one of the three biggest business challenges companies face today.<sup>ix</sup>

*Bloomberg* also rated **leadership development among the top issues** confronting HR professionals, while *Industry Week Magazine* called the lack of potential leaders the most pressing human capital problem of our time.<sup>x</sup> *Aberdeen Group* (March 2013) reported that organizations felt that they will only be capable of developing about two-thirds of the leaders they would actually need to grow the business over the next three to five years.<sup>xi</sup>

Executives with an eye on future expansion have good reason to be worried. A few years ago, *Aon Consulting* predicted that the failure to address the leadership void would:<sup>xii</sup>

- Severely reduce an organization's ability to meet future revenue targets
- Restrict their capacity to innovate
- Limit the pursuit of promising initiatives
- Compromise profitability
- Jeopardize service levels

So what are companies doing about it? *Aberdeen* challenged HR executives to rethink their current leadership development practices and to take “a multifaceted approach” toward identifying, developing and retaining key talent.

Many are **using existing systems** (like their rewards and recognition platforms) **to align skills** to the changing competitive landscape and to link behavior and values toward the firm's broader business mission. They are also using events such as Incentive Travel to bring key top-performers together to learn from one another, to grow, and to engage them in solving key business issues. Progressive organizations are even using attendees to these events as catalysts and mentors to the next rung of leadership within their organizations.

## 4. Digital Revolution: The Battle For Talent Takes On A New Dimension

### *Rapidly Changing Digital Consumer Trends Will Have Profound Impact on Participant Expectations*

New digital innovations are empowering consumers, leading to changes in what products and services are offered, how they are produced, and how they are consumed. Digital innovations are not just new technologies that replace human effort—the changes are having a transformative impact on the future of business.

Social networking, the cloud and easy to use mobile devices are giving individuals **unprecedented access to information**. Businesses are now faced with increasingly informed customers, who know everything from competitor prices to previous consumer experiences.

The *Future of Business Report* (May 2012) suggests that consumers are the main drivers of trends and that the best business strategies will be those that focus on consumer expectations.<sup>xiii</sup> It confirms that mobility is rapidly changing business and that the digital strategy within organizations must keep pace. In this regard, IT is losing sole ownership, while marketing, finance and senior leadership are playing greater roles.

For example, digital commerce is transforming the retail marketplace, specifically in the space where advertising and marketing meet retail. Growing sophistication in content, mobile integration, comparison-shopping, and the use of reviews are creating new norms for key industry players. Marketers, in areas including consumer electronics, apparel, and consumer packaged goods (CPG), are investing in direct-to-consumer

relationships to drive value across the path to purchase and close the loop between engagement and sales.

During the next two to three years, most tangible investments in e-commerce will be focused on driving more effective digital promotions, developing compelling original content, and using “big data” and analytics in more sophisticated ways.

If history is a predictor, these digital commerce trends will strongly impact the incentive industry. For example, **personalization of the retail experience will be expected with the award fulfillment and travel experience**, requiring that future programs:

- Track previous awards
- Suggest alternative awards based on personal preferences
- Incorporate mining digital analytics to improve the award recipient’s experience
- Connect to the earner’s social network
- Provide 24/7 accessibility on multiple mobile platforms.

To maximize the ever changing and growing technology, the industry will need to continually innovate. Incentive Travel programs will require **increasingly personalized experiences** delivered on-demand through mobile and social applications; meeting planners will demand more bandwidth to accommodate more devices and apps than ever.

The early stages of this innovation are already evident. Social media is being integrated into award platforms and meetings.<sup>xiv</sup> Virtual gift cards have become increasingly prevalent, while mobile apps and gamification are being incorporated into merchandise and travel programs alike. In the

future, these tactical elements of technology will be woven into an overall digital strategy.

The focus will be on continually improving the participants' and sponsors' experience by tapping the power and reach of the technology while driving business goals.

## 5. Big Data: Significantly Greater Expectations For Program Planners

### *All Organizations Will Need To Expand Their Data Access Points and Incorporate Additional Data Streams Into Their Decision Making Process*

There has been a lot written about big data—the collections of data sets so large and complex that it becomes difficult to process meanings, let alone see clear connections. The *Ivey Business Journal* called big data “the new competitive advantage”<sup>xv</sup>, while *McKinsey* called the ability to collect, categorize and comprehend the unprecedented volume and velocity of transitions as, “the next frontier for innovation, competition, and productivity”<sup>xvi</sup>.

The challenges and opportunities posed by big data have huge implications across a wide range of industries groups and business functions. But what does the emerging reality really mean to anyone responsible for sales incentive or employee recognition programs? It means **the game is changing and you need to be prepared.**

Fueled by the role new technologies play in the way we access information, communicate with one another, or even shop, companies are collecting data at unprecedented volumes. All of that has opened up a world of opportunities; however

wading through the reams of information made available is challenging businesses to determine what data sets are important (not just noise) and how to use them to make business decisions.

For sponsors of incentive programs, this raises similar issues (albeit on a more micro level). Companies and providers alike need to be prepared to expand their data access points to match the sources available to them (e.g. not only sales or program data, but social media metrics, mobile platform metrics, individual participant preference and demographic data).

They will need to:

- Incorporate additional data streams (including those captured external to the programs' normal administrative workflow) into their decision trees.
- Widen feedback access so available loops (from colleagues and customers) are incorporated and positioned to provide a more comprehensive view.
- Apply “quick discovery” methods to analyze what the data is telling them so they can sharpen and modify their ongoing messages and offerings.

Big data presents both big challenges and big opportunities for companies sponsoring employee recognition, sales incentives and other travel related promotions. To add value across the enterprise, incentive program practitioners and suppliers must be adept at capturing, screening and analyzing appropriate information.

## 6. Quality Over Quantity: The Key For Incentive Travel In 2014

### *Incentive Travel Budgets Are Up, With Investments Going To Non-Meal Components*

The IRF has tracked incentive travel trends for the last six years through (semi-annual) *IRF Pulse Studies*. The current snapshot shows that incentive travel budgets are finally stabilizing, with more planners increasing (rather than decreasing) their budgets.

**On average, 36% of planners are increasing their budgets year over year with only 14% decreasing.**<sup>xvii</sup>

This trend of increased budget growth and easing budget reductions is expected to continue, leading to emerging growth in the sector. This may not necessarily mean, however, that suppliers will immediately experience elongated meetings or increased room nights.

The IRF's last four pulse surveys have shown that only an average of 7% of planners are increasing the duration of their programs and 9% (on average) are increasing their program's size (measured in room nights).

On the positive side, there have been very stark *decreases* in the number of planners who were previously cutting their program's size and duration. The percent of planners *decreasing these elements* has dropped over the last four surveys from more than 40% to now about only 11% decreasing them on average.<sup>xviii</sup>

This slowing of program reductions will have a positive influence on the industry's size, but will not create the same immediate momentum as top

line growth. If budgets are increasing more rapidly than the number of nights and size of programs, where are planners investing?

IRF research has shown that many planners are continuing their investments in the additional non-meal components of their programs such as including all airline fees, offsite excursions, transfers, gifts, etc. The non-meal components portion was the only program area to have seen *both* an increasing number of planners investing and fewer planners cutting in the last two years.

Put all the feedback together and it seems quality over quantity will be the key for incentive travel planners in 2014. These trends tell us that, barring any extreme government action or economic event:

- Program contraction will dissipate
- Slight program expansion will continue
- Planners will continue investing in more robust programs

The result? A more prosperous environment for all involved.

## 7. The Total Incentive Travel Experience: The Top Trend

### *Authentic Experiences, Social Media, Wellness and Food Tourism Top Incentive Travel Trends*

According to IRF research, North America, the Caribbean, and Europe are still the top destinations for incentive travel (more than a third of planners reported using these destinations). The second tier of locations includes Central America, South America and Asia. And although only between 10-



20% of U.S. planners reported using these destinations currently, the IRF sees the most emerging destinations within this tier. Top targets for planners looking beyond more commonly chosen locales include China, Bali, Vietnam and Peru.

Planners and media continuously highlight these destinations as strong options citing their increasing number of luxury hotels, continuously improving infrastructure and boundless opportunities for authentic, cultural experiences. South Africa is also a widely used destination, but overall less than 10% of planners reported using Africa (and the Middle East) as destinations for incentive travel.<sup>xix</sup>

**Social media, CSR, and wellness** still top the list of emerging incentive travel trends. The insertion of social media into the total experience (onsite as well as within pre and post event communications) is one of the biggest developments. In fact, over 60% of planners are using social media in this fashion. About a third of planners reported integrating gaming techniques and/or virtual elements into their programs as well.

The inclusion of **mobile apps, social media, and game mechanics** techniques into meeting structures is putting a greater strain on hotel suppliers to deliver higher and more secure levels of Wi-Fi bandwidth. (See the IRF's Report on *"Technology in Incentive Travel and Offsite Business Meetings"* for more Information.)

**Corporate Social Responsibility** continues to be a hot topic for incentive planners. In fact, our last survey showed that 47% of them are integrating CSR components into their programs, an element rivaled only by the emergence of wellness. Note that 62% of respondents in the IRF's last survey say they are interested about wellness as a part of their

programs, are reviewing how to incorporate it, or have actually implemented a series of changes to integrate wellness into their programs.

Driven by **increasing corporate health initiatives and growing consumer interest in health and wellness**, we expect this trend to increase substantially in the upcoming years.

As more participants demand unique, engaging culinary experiences, **Food Tourism** will also increase in the upcoming years. As examples, *FoodTourist.com*, *WorldFoodTravel.org*, and *WholeJourneys.com* are solely dedicated to helping individuals explore various food origins and connect more deeply to cultures through food experiences.

## 8. The Economy And New Technologies Benefit Merchandise/Gift Card Programs

### *Budgets For Card/Merchandise Programs Increase, With Wellness and Aware Devices Key Trends*

The economy is having an extremely positive impact on merchandise programs. According to more than 56% respondents in the *IRF's Pulse Study (Fall 2013)*, financial conditions were having either a moderate or significantly positive impact on their ability to plan and implement merchandise incentive programs (the highest positive response since the study began). Conversely, only 14% of planners reported the economy was having a negative impact.

Most importantly, the last four IRF surveys have revealed an increasing trend in planners reporting the economy as having a positive impact on their incentive programs. Overall, 42% of planners are increasing their budgets in 2014 and only 9% decreasing them. Even better, of the top two anticipated changes listed by incentive planners, all revolved around positive investments. In this survey, about one-fifth of planners either anticipated including **experience-related products in the future or increasing the use of gift cards** in their programs.

So what are the most popular award products?

- Luxury goods are back in vogue and can be considered once again as core elements of merchandise reward and recognition programs.
- Electronics still top the charts, with 40% of program owners incorporating them into their programs.
- Jewelry, watches, open cards, and luggage are also popular, with about a third of planners incorporating one or more of them into their programs.

What other trends do we see? Driven by an increasingly older population, health-conscious younger consumers, and public and private wellness initiatives, the **multi-billion dollar wellness market in the U.S continues to grow.**

Consumers are increasingly reflecting their desires for a healthier body in many aspects of their purchases, whether that is fitness apps, apparel that doubles as work out gear, healthy cooking tools, or even wearable devices that sense and monitor one's overall fitness in real time.

These "aware" devices such as *Jawbone Up* and *Fitbit One*, highlight a second important merchandise trend: "everywhere computing."

As the capability to insert ever-increasing computing functionality into devices increases, the world is quickly moving from a mobile computing society with an "app *for* everything", to a society with an "app *in* everything." For example, sensor-enabled, wearable technologies in cameras, sunglasses and watches are already a reality in many circles.

## 9. The Role of Procurement Is Morphing

### *Procurement Engagements Broaden, Shift Focus To "Value" Vs. "Cost"*

Procurement remains active in the incentive and rewards buying process, but is shifting in some corporate environments to an embedded function.

On a practical level, that means procurement-driven buying exercises (like on-line auctions) have shown signs of decline. But another trend is emerging in its place—receptivity to an incentive vendor's **complete value proposition**. This shift has made for better "advisor-driven, value-added" selling opportunities.

According to IRF polls, 52% of Planners expect the role of procurement to increase in the next year. This upward trend has continued on this trajectory for the last 3 years. As the sourcing function expands, it's important to note that it is also changing.

Across the board, major consultancies continue to work with procurement departments on **transforming them from a functional necessity**



**to a strategic partner.** Chief Procurement Officers are continually pressed to use current resources to create ever increasing and on-going cost-savings and value. The difficulty for most procurement organizations right now, however, is that the major cost-cutting efforts enacted during the depths of the recession are difficult (if not impossible) to sustain in the post-recession economy.

To sustain the levels of cost savings realized in years past, procurement will be forced to work through fundamental transformations in the upcoming years.

Although some organizations may be forced to return to lower-level cost tactics (such as reverse auctions) in the short term, the purchasing function will be forced to **migrate beyond cost valuations to one that engages both internal stakeholders and external suppliers in partnerships that drive value** and fundamentally change the cost-to-return ratios.

Expect procurement to remain active, but to also permeate the entire decision spectrum. As procurement departments work toward better service delivery for their organizations, expect those moving up the value curve to look not only to the lowest cost options, but to how each option:

- Fits within their overall business strategy
- Aligns with external benchmarks
- Reinforces internal metrics
- Creates deeper, more innovative partnerships

According to *Bain and Company*, 82% of executives considered such efforts to be very difficult.<sup>xx</sup> So what does this all mean for our industry?

As procurement sits alongside buyers of incentive and recognition services, they should be more receptive to concepts and pricing models that are predicated on “best value” vs. lowest cost. Both

program owners and suppliers should be aware of where the sponsoring organization’s procurement department sits on the value curve and deliver proposals accordingly.

## 10. Selling Sales Incentives Has Become More Complex

### *Changes To The Global Sales Compensation Role Are On The Horizon*

As competition for customers intensifies, the collective contribution of sales teams in any organization has been more likely to fall short of expectations than to impress.

In a recent study by *CSO Insights*, business leaders acknowledged that 37% percent of all their sales people missed making their numbers last year. Yet, just about every one of the 1,200 firms polled planned on raising quotas—an average of 16% moving forward.<sup>xxi</sup> The gap between desired results and reality has prodded executives everywhere to search for answers.

The smartest companies have already implemented structural changes designed to help streamline sales planning and administrative functions and to sharpen the force’s focus on desired outcomes. For some time now, sales operations departments have been charged with maintaining their sales team’s alignment. They match incentive offerings to the prevailing needs of the corporate forecast and they work to grow aggregate production by incentivizing and rewarding “core” performers—not just top producers. They attempt to do more with the resources they have.

The goal of making both cash and non-cash compensation more relevant and more motivating has resulted in **new positions being formed within the sales management suite.**

*Workspan Magazine (World at Work, 2013)* references “*The Emergence of The Global Sales Compensation Manager*”<sup>xxii</sup>, and suggested that their mission would be to configure sales compensation plans that better serve the people within their business units. According to the article, leveraging and modifying existing programs will more effectively address the unique challenges and opportunities their groups face.

Both sales ops and sales compensation share a common calling—to find more ways to make the investment in sales talent more efficient and impactful. To that end, both should be called upon by providers of incentives whether they use contest, trips or meetings.

Over the years, noted thought leaders (including the *Harvard Business Review*, *McKinsey* and *Aberdeen*) have all suggested that non-cash awards—offered in the right situations and under the right circumstances—can be more appealing to sales people than cash alone. That power to motivate is the reason why non-cash awards have had an increased role in driving everyday business results—including sales performance.

As that type of sale becomes more complex, this is the same message our industry will need to bring to this new level of sales incentive buyer. Incentive program owners and suppliers need to be aware of where the buying organizations sit within the global compensation discussion and craft proposals and outcomes accordingly.

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