

Determining The Return On Investment Of Incentive Travel Programs

RESEARCH CONDUCTED BY:

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Ryerson University

IN COLLABORATION WITH:

Duff Shaw -- CITE

RESEARCH FUNDED BY:

The Incentive Research Foundation

SUMMER 2001

The logo for The Incentive Research Foundation features the text "TheIncentiveResearchFoundation" in a bold, sans-serif font. A green swoosh underline is positioned above the text, starting from the left and ending with a small arrowhead pointing to the right.

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Introduction & Purpose

This document presents a study conducted to develop a model by which incentive planning professionals can measure the return on investment of incentive travel programs. In addition, the intent of this report is to advance understanding of measuring the effectiveness of incentive travel in terms of what motivates winners (participants within incentive travel programs) and specifically, which aspects of an incentive trip are most important to them.

How This Report Was Developed

In the spring of 1999, The Incentive Research Foundation commissioned a research study designed to capture why Canadian corporations invest in incentive travel. Input received through in-depth interviews and subsequent surveys revealed various program objectives that provided a foundation for a *“Program ROI Measures Template”* or calculation tool. This tool and the Canadian research upon which it is based are presented here.

In the course of the study, it was important to understand whether corporate planners and winners agreed that employee loyalty and motivation are primary reasons for incentive travel programs.

Questions addressed included:

- Do companies actually measure return on investment as part of their decision to sponsor it?
- If indeed they do measure it, how do they determine it?
- Does it include soft costs, such as employee or customer retention, reduced customer complaints, improved service quality, customer and employee satisfaction, increased morale, and lower absenteeism?
- If return on investment is not measured, why not?
- Do different sectors of the economy use similar or different approaches?

How To Use This Report

This report will help you to understand what motivates program winners, as well as those aspects of programs that are most important to corporate users of incentive travel programs. With the *“Program ROI Measures Template”* provided, you will also have a framework for ROI calculation.

What Is The Incentive Research Foundation?

The Incentive Research Foundation funds and promotes research to advance the science, enhance the awareness and appropriate application of motivation and incentives in business and industry globally. The goal is to increase the understanding, effective use and resultant benefits of incentives to businesses that currently use incentives and others interested in improved performance.

How This Report Is Organized

Shown below are the major sections of this report.

SECTION KEY	PAGE
Background & Approaches to Measuring ROI	1
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Appendix	35

Note: The Appendix includes details on the statistical analyses performed in the course of this study. Highlights are provided in the “Research Findings & Development Approach” section.

We Welcome Your Questions and Comments!

In order to ensure that we fully support your efforts, please feel free to contact us. In addition, we welcome your feedback. Please direct your comments or questions to:

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Background & Approaches To Measuring ROI

Introduction

There are different approaches to measuring ROI. To shed light on these approaches, and to describe some of the challenges incentive planning professionals face, this section provides an overview of existing research on ROI calculation. The information contained here offers basic background regarding ROI measurement approaches used within the incentive travel industry up to this point in time.

IN THIS SECTION ...

- What research exists on the subject of ROI in general?
 - What does the base research indicate?
 - How do corporate decision-makers and program participants view the value of incentive travel?
-

Challenges Of Calculating ROI Effectively

More and more non-sales people are being included in incentive travel programs. With this trend increasing, calculating return on investment has become more challenging still.

In the case of incentive travel for non-sales staff, it is appropriate to estimate the value of their support to the internal customers, which are the sales force and distributors. Even then, however, one must question whether companies can actually place a value on such “soft returns” as customer loyalty, customer satisfaction, employee loyalty and employee satisfaction. For all of these reasons, incentive travel should probably be a “value-added activity” – one viewed as important, but not necessarily measurable.

That is to say, incentive travel as an activity cannot be eliminated without reducing the quantity, responsiveness, or quality of output required by a customer or organization.

Existing Research On Incentive Travel In Canada

Incentive travel is not well known as an industry in Canada. In fact, compared to the tour, travel, and motivation industries, there is little formal training available on incentive travel in Canada. Training that does exist is largely delivered on-the-job. In spite of all this, Canada is very active in the incentive travel industry and has an excellent reputation worldwide when it comes to creativity, product design, and understanding the value incentive travel offers customers.

Corporate Planners Vs. Participant Views

Meetings and Incentive Travel Magazine has been surveying the corporate planners in Canada for a number of years. Their surveys have documented some of the changes occurring in the use and variety of corporate incentive tools, destinations chosen for incentive trips, etc. Corporate and employee perspectives about the benefits of incentive travel are varied, namely:

- **The Corporate View** -- Incentive travel is a business investment that offers profits and motivates employees toward long-term productivity improvements – even after the program is complete.
- **The Employee (Winners) View** -- Incentive travel is a reward for past accomplishments.

1996 FACTS Survey

A 1996 *FACTS Survey* conducted by the Society of Incentive & Travel Executives (SITE) showed that Canadian companies implemented incentive travel programs with the following objectives. The percentages shown represent the number of participants who stated that the objective listed was important.

- Increase overall volume (59%)
- Selling new accounts (46%)
- Introducing new products (43%)

The previous points are clearly tangible objectives. Respondents also stated less tangible objectives as well, including:

- Improve morale/good will (43%)
- Increase loyalty (38%)

Although most respondents felt that their objectives were generally met, they also were cognizant of the importance for upper management to support the program on an ongoing basis if the effectiveness of a program is to be demonstrated.

Additional ROI Research

Meetings & Incentive Travel Magazine

A variety of research has been conducted on ROI measurement-related topics. Following are highlights of certain previous studies.

Meetings & Incentive Travel Magazine has surveyed planners and executives responsible for budgeting and administering travel, corporate events or recognition programs since 1997. Input received regarding incentives used to motivate employees and trends in meeting planning provides important insights. While only a relatively small number replied to the survey in the first year, 1998 saw 130 corporate buyers responding; 163 responded in 1999. Comparing data from these two years provides some interesting findings.

Incentive Travel Trends

According to the 1999 survey, 42% of companies surveyed offer some form of recognition reward to non-sales employees. This is a significant increase from 1998, when only 33% of respondents indicated that they did so. The reason for this increase can be attributed to the expressed opinion of the corporate executives from all levels of American business that were surveyed: Travel and merchandise awards are more cost-efficient and effective than cash (*"Cash no longer King," 1999, p. 3*).

In spite of these findings, incentive travel as part of the mix of rewards decreased significantly from 1998 to 1999:

- 53% of the companies surveyed included it in 1998;
- Only 40% did so in 1999.

In 1998, 85% of companies stated that they had pre-set employee performance goals for their incentive and recognition programs. (*"The Feel Good Factor," 1998, p. 3*). This increased to 87% in 1999 (*"The Recognition Report," 1999, p. 15*). These performance goals tend to be directly related to volume increases.

For example, in 1999, the average volume increase from sales incentives was 21.2%; 19.3% for consumer/user programs; and 18% from dealer programs (*"Cash no longer King," 1999, p. 3*). An in-depth study of a major UK-based insurance company and its salespeople confirmed that incentive travel can indeed help improve sales productivity (*Luton Business School, 1998*).

Nolan & Alonzo Study

The Society of Incentive & Travel Executives (2000) proposes 50 reasons to use incentives -- from introducing new products, to recruiting new employees.

Organizing the 50 reasons into similar themes was the approach taken by a U.S. survey of the incentive industry by Nolan & Alonzo (1999). This study, based on 475 respondents drawn from the mailing list of *Incentive Magazine* and attendees at *The Motivation Show*, revealed that no single program objective resonated unanimously with all respondents. On average, respondents indicated at least 5 objectives pursued by their programs, shown next.

Top Ranked Program Objectives (Nolan and Alonzo – 1999)

Increase Or Maintain Sales	84%
Build Morale	65%
Build Customer Loyalty/Trust	51%
Increase Market Share	51%
Build Employee Loyalty/Trust	49%
Improve Customer Service	49%
Create New Markets	44%
Foster Teamwork	42%
Develop Contacts	40%
Demonstrate Concern For Workers	32%

The same research found that the number of themes that were given as a program objective varied considerably depending on the type of program. These research results are shown in the following table.

**Program Objectives by Type of Program
(Nolan and Alonzo – 1999)**

Type	Objective	%
Consumer Programs	Build Customer Loyalty/Trust	49
	Increase Or Maintain Sales	40
	Increase Market Share	37
	Improve Customer Service	31
	Create New Markets	30
Dealer Programs	Increase Or Maintain Sales	61
	Increase Market Share	41
	Build Customer Loyalty/Trust	31
	Improve Customer Service	29
	Build Morale	26
Sales Programs	Increase Or Maintain Sales	80
	Build Morale	48
	Increase Market Share	40
	Create New Markets	36
	Build Customer Loyalty/Trust	34
Non-Sales Programs	Safety	62
	Build Morale	61
	Build Customer Loyalty/Trust	49
	Foster Teamwork	43
	Demonstrate Concern For Workers	36

1991 Lewis & Clark Study

A 1991 survey by Lewis & Clark Associates (based on a respondent population of 418 subscribers to *Successful Meetings Magazine*) found that incentive travel programs were used to specifically combat problems within the company. The most important (most important=5 points) were seen to be:

- Low sales (3.4)
- Quality improvement (2.5)
- Low productivity (2.3)
- Poor customer service (1.7)
- Turnover (0.8)
- Absenteeism (0.4)

Measures Used For “Soft Dollar” Campaigns

“Soft-dollar” campaigns, such as when the program objectives include increasing customer satisfaction index (CSI) ratings, training, reducing accidents, etc., require different measures. For example, the following should not be attributed solely to an incentive program:

- Each CSI percentage point increase to an increased amount of repeat business or sales;
- Each percentage point of increased training scores to increased customer confidence;
- Inserting the dollars avoided in a cost of sales situation into an ROI formula as income and dividing it by the program investment.

In each of the situations above, industry professionals advise that a benchmarking investment be made. (*Terrell, 1996, p. 18*)

Allocable and Non-Allocable Results

Soft returns are considered just as important as hard returns for incentive travel programs; however, other factors may have an effect on such situations as those above.

It is generally recognized that there is no way to truly and completely isolate the impact of an incentive travel program from other factors such as the effects of the economy, changing demographics and family structures of the sales force. Overall compensation and other types of incentives and rewards may also be factors (*Bill Wulff in Carey, 1999, pp. 42-43*). In spite of this, incentives have demonstrated a positive impact on sales and non-sales staffs alike.

The following table (ROI Concept Model) shows those monetary and non-monetary returns that can be considered “allocable” (attributable) to an incentive travel program, and those that should be considered “non-allocable” (being influenced by other factors).

ROI Concept Model

	Monetary (Hard)	Non-Monetary (Soft)
Attributable	Incremental Sales Historical Sales Employee Turnover Training Increased Market Share	Customer Satisfaction Employee Satisfaction Word Of Mouth Communication Reference Group Affiliation Mission/Vision Motivation
Non-Attributable	Referral Sales Repeat Business Sales Growth	Loyalty/Good Will Customer/Employee Corporate Image Positioning Relationship Building Promotability/Hirability

Approaches To R.O.I Measurement

The number of companies using a fixed budget to pay for incentive travel programs is decreasing:

- 67% of the respondents to a 1997 survey by *Meetings & Incentive Travel* used fixed budgets;
- 59% used fixed budgets in 1998;
- 52% used fixed budgets in 1999.

Of those companies who do not use fixed budgets, funding is of the self-liquidating type.

In addition, use of a percentage of unit sales is also declining. For example, percentage of sales as the measurement of ROI accounted for 15% in 1999 (down from 18% in 1998). More companies are using budgets based on a percentage of incremental sales. In 1999, 23% of respondents used this approach (*Aster, 199, p. 19*), up from 16% in 1998 (*Charles, 1998*).

Traditional ROI Calculation Methodologies

Up to this point, there have generally been two types of ROI calculation approaches. These approaches are described next.

Dupont Equation

Terrell (1996, p. 18) suggests that it is easy to calculate ROI when the incentive marketing investment is attributed directly to a measurable increase in sales. To do this, he suggests using the “Dupont Equation,” whereby ROI is calculated by dividing the income achieved after deducting expenses or margin by the cost of the incentive program:

$$\text{ROI} = \text{Net income (margin)} / \text{incentive investment}$$

Incremental Sales Method

Bruce Tepper (2000) and other professionals make a strong case for using the “Incremental Sales Method.” With this method, financing of the incentive travel program comes from a percentage of the incremental sales that directly result from the program. This works well for the first program, but is difficult to track for subsequent ones.

It is more difficult when there are other objectives or when non-sales staffs are included in the program. “If you are going to do anything in the area of ROI, you have to do it in phases throughout the meeting planning and execution process, and follow a model that starts with objectives that are return- and measurement-oriented” (Jones as quoted in Carey, 1999, p. 41). The key to calculating ROI is to establish objectives that are highly focused and can be measured. Jones suggests that the specific behavior to be demonstrated must link to the objective in terms that are measurable.

Research Findings & Development Approach

Introduction

Various research was conducted in this study-- from interviews with executives responsible for incentive program planning and “program winners” who have participated in incentive travel programs previously, to additional executive interviews and two detailed surveys. In this section, we provide an overview of the research methodology used, followed by the most significant results of these research efforts. In addition, because this research laid the groundwork for an ROI measurement method, we describe the approach by which the measurement tools provided in this booklet were created.

As a note, a great deal of statistical analysis was performed throughout this process. For detailed information about the research methodology or statistical analyses performed, please refer to the Appendix.

IN THIS SECTION ...

- What research was performed?
 - How does this research relate to an ROI measurement approach?
-

Overview Of Research Methodology

The study began with a review of the ROI research described in the previous section. Following this review, researchers conducted “**Initial Executive Interviews**” with three senior executives from general industry responsible for incentive program planning and financing. “**In-Depth Interviews**” with eight additional program decision-makers and seven incentive travel winners were the next step. The information from these various interviews formed the basis for a detailed survey that was administered twice.

- The first mailing was to 1800 corporate subscribers of *Meetings and Incentive Travel Magazine*, as well as corporate North American SITE members. 26 people responded. This survey is referred to as the **“Corporate Survey.”**
- The second mailing was to 3000 members of the Canadian Automobile Dealers Association (CADA). 278 people responded. This survey is referred to as the **“Winners Survey.”**

The basic process involved fine-tuning a list of 48 attributes of incentive programs into a manageable number of “Objective Themes” which numbered 13. The “Objective Themes” form the basis for an “Importance-Performance Analysis” -- the first step in the ROI measurement process presented in this booklet.

Initial Executive Interviews

Researchers first conducted free-flowing interviews with three senior executives that are (or have been) responsible for the planning and financing of incentive travel programs. In these interviews, researchers probed a wide range of issues that led to more structured interviews with other incentive travel planners, as well as winners (people who had participated in an incentive travel trip previously).

In-Depth Interviews

In-depth interviews were conducted at two levels: (1) with eight executives or planners responsible for incentive travel programs; and (2) with seven program winners interviewed in order to confirm/negate the attributes discussed with the executives and planners. Information from these two interviews follows.

“Executive Level” In-Depth Interviews

In-depth Interviews with the eight executives revealed the following:

- Programs were funded in all traditional ways: fixed budget, incremental sales, and unit based.

- Although all of the respondents recognized the importance of justifying ROI, they were unable to provide an approach that resulted in a numeric calculation.
- Only where programs were financed based on incremental sales were they able to use this as the justification for ROI (even though they recognized incentive travel programs were exclusively responsible for these sales).
- All company executives interviewed reported that incentive travel programs targeted the sales force, not service and/or administrative staffs; however, in some organizations, a selected number of non-sales personnel also went on the trip.

“Winners Level” In-Depth Interviews

Opinions regarding objectives to be achieved were next confirmed/negated with seven incentive travel winners. This step was taken in order to ensure that all attributes of an incentive travel program were covered. Twelve winners were contacted, with seven providing input. The seven respondents represented in-house (5) and non-captive (2) agents. Their input revealed ...

- A clearly expressed role played by peer pressure as a motivator for captive organizations (compared to relationship building in non-captive ones).
- A belief that many factors other than an incentive travel program also contribute to increased sales.

Corporate Survey

A “Corporate Survey” was mailed to 1,800 corporate subscribers of *Meetings and Incentive Travel Magazine*, as well as corporate North American SITE members. Although the total number of respondents totaled only 26, the types of programs used and the measurements used by them is of interest:

- 79.2% operate in a captive distribution system;
- 34.6% (9 out of 26 respondents) indicated that they currently measure ROI for their incentive travel programs;

- On average, participants use 2.5 different measures for ROI, as shown on the following table:

**Measures Used To Calculate Return on Investment
(Corporate Survey Responses)**

Measures Used	F	%
Incremental Over Prior Year	7	87.5
Percentage Of Sales	6	75.0
Employee Satisfaction Measurement	2	25.0
By Products Or Overall Results	2	25.0
On-Time Delivery	1	12.5
Client Satisfaction Measurement	1	12.5
Self Liquidation	1	12.5

Perceptions Of Reasonable Returns

Asked what they would consider a reasonable rate of return on investment to be for their incentive travel programs, eight respondents provided more detail. Of these eight respondents, only five actually dealt with a measurable ROI, either as an actual number (e.g. 15% sales increase) or as a range (e.g. 10-20% increase in sales in the next year). The remainder focused more on delivering the program itself in a satisfactory manner (e.g. meeting objectives or having satisfied employees).

Approaches Used For ROI Measurement

Corporate Survey respondents provided (confidentially) the formula used by their companies to measure ROI. Three respondents gave a numeric approach, either in the form of a straight percentage (e.g. 15% sales increase) or a more detailed analysis (e.g. territory sales analysis, including both the percentage change of the product inventory and sales, or increased asset retention). Others stated success in terms such as “within the allotted budget” or “attendees were satisfied.”

Winners Survey

In order to secure a higher response rate, the 48 attributes survey was mailed a second time – this time to 3000 members of the Canadian Automobile Dealers Association (CADA). Of the 3000 members who received the survey, 278 people responded.

“The 14 Attributes”

Responses were statistically analyzed to determine the extent of differences between winner and corporate planner responses. The result of this analysis revealed fourteen incentive program attributes that were evaluated very differently by the two groups. A t test (that was based on the categories) showed significant differences for the following fourteen attributes. This result is significant from the standpoint of how program planners and winners view incentive travel programs.

14 Incentive Program Attributes

- Clearly identify top performers
- Increase sales for a company
- Strengthen/build organization’s reputation by providing a memorable experience
- Provide networking opportunities to meet other successful people
- Increase revenue for a company
- Create excitement that keeps employees/dealers/brokers motivated
- Increase employee/dealer/broker loyalty by creating lasting memories
- Improve company’s reputation as an employer/company of choice
- Provide opportunities for winners to provide feedback to organization
- Provide opportunity for quality time with spouse/partner
- Shift effort to specific products/services
- Provide non-taxable income/reward to participants
- Direct business to a specific company
- Reduce absenteeism

13 “Objective Themes”

After additional analysis was performed to place like attributes together (through factor analysis) a list of 13 “Objective Themes” was created. These “Objective Themes” form the basis for the ROI measurement approach presented in this document. *To see the complete list of “48 Attributes” that were reorganized into the 13 “Objective Themes” below, please refer to the Appendix.*

13 Objective Themes

- | | |
|---------------------------|--|
| ▪ Bottom-Line | ▪ Peer Pressure |
| ▪ Focusing Sales Strategy | ▪ Compensation Benefits |
| ▪ Networking Benefits | ▪ Employee Loyalty |
| ▪ Performance Levels | ▪ Relationship Benefits |
| ▪ Competitive Advantage | ▪ Employee Motivation |
| ▪ Performance Assessment | ▪ Corporate Values, Objectives, Vision |
| ▪ Building Trust | |

Most Significant Research Findings

From The Corporate Survey...

Taken together, the research efforts just described revealed important results.

Very few companies are currently measuring the return of investment achieved through their incentive travel programs. In some cases, targets – usually numeric ones dealing with bottom line measures such as sales, revenue, market share, etc., are set by the company. As long as they are achieved or surpassed, the performance is attributed to the incentive travel program.

Corporate respondents rate the effectiveness of incentive travel programs higher than do winners. This is true for some of the most critical bottom-line oriented and motivational attributes – attributes that have traditionally been put forward as clear justifications for offering them. These include:

- Increases in revenue and sales for a company;
- Strengthening a company's reputation and fostering loyalty;
- Identification of top performers.

Corporate respondents stated softer, intangible objectives such as:

- Creating excitement to keep sales people motivated;
- Providing networking opportunities for successful people;
- Allowing winners to provide feedback.

From The Winners Survey...

Winners believed more strongly than corporate respondents that incentive travel programs are effective in:

- Shifting effort to a specific product or service;
- Directing business to a specific company;
- Helping to reduce absenteeism;
- Providing the opportunity for quality time with a spouse or partner.

Comparing Overall Planner And Winner Perceptions ...

For the most part, the following less tangible areas are not seen as very important, or as attributes that perform very well:

- Employee retention
- Customer retention
- Reduced customer complaints
- Improved service quality
- Increased morale
- Lower absenteeism

Perceptions as to what incentive travel programs actually accomplish differ between planners and winners in several additional areas. The most significant difference is in the competitive advantage that results from these programs -- specifically, enhancements to the company's reputation. In addition ...

- Corporate planners believe far more strongly than winners do that these programs increase revenue and sales for a company, and that they identify who the top performers are.
- Winners are more skeptical than corporate planners regarding the ability of incentive travel programs to induce loyalty and generate networking benefits.
- Incentive travel is viewed as a business investment, not only by the corporate planners, but also by the winners, who are fully cognizant of the corporate objectives.
- Of least importance in designing an incentive travel program were objectives such as increasing the competitive advantage of a company, increasing compensation benefits, and building trust.

Findings Relative To ROI Measurement

The findings just stated formed the basis for developing a model by which to measure ROI. The process involved additional statistical analysis (see *"Methodology Details" in the Appendix*) in order to generate a tool for use in setting priorities for the objectives to be achieved (and thus to address and measure within the program).

“Importance-Performance Grid”

The “Importance-Performance Grid,” (covered in the next section), applies the 13 “Objective Themes” to a usable tool that allows program planners to set priorities -- because it reliably presents those program attributes that can be measured effectively.

“Program ROI Measures Template” Creation

Given statistically validated objectives organized into a manageable number (the 13 “Objective Themes”) the researchers prepared a “*Program ROI Measures Template*” that can be used for calculating ROI.

Importance-Performance Analysis

Introduction

The research previously described, along with statistical analysis of the 13 “Objective Themes,” revealed that some objectives are more important than others; some are perceived as having more or less value (performing better) than others, and so forth. This is the overall rationale for the subject of this section – an “Importance-Performance” Grid that incentive program planners can use to set priorities for the objectives they want to accomplish through the incentive programs they create.

IN THIS SECTION ...

- What is the “Importance-Performance Grid”?
 - How can it be used to prioritize the objectives for an incentive travel program?
 - With objectives prioritized, what is the next step in the ROI measurement process?
-

Purpose Of An Importance-Performance Analysis

“Importance-Performance Analysis” allows one to consider perceptions about the importance of salient attributes and their performance from the perspective of the customer. This analysis has been adapted for the purposes of this study by using the relative importance attributed to the thirteen “Objective Themes” of incentive travel programs and the factor analysis results (or overall mean) to indicate the level of performance regarding each of them. *(Note: The Factor Analysis used in this study is described in the Appendix within the “Factor Analysis” section.)*

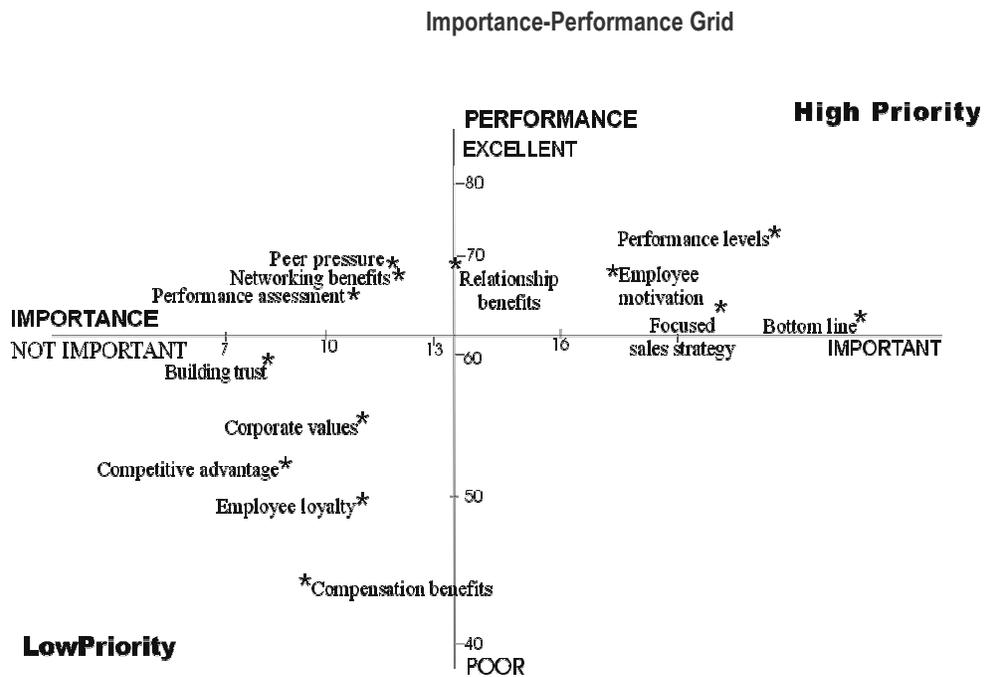
How The Importance-Performance Analysis Works

The “Importance-Performance Analysis” method consists of a two dimensional grid that is referred to as the “Importance-Performance Grid” (shown below).

The horizontal axis indicates the importance of the objective in designing travel incentive programs, ranging from "not important" to "very important."

The vertical axis indicates the respondents' perceptions of the objective's performance ranging from "poor" to "excellent". Respondents' performance and importance values are plotted on the grid.

The grid is divided into four quadrants formed according to mean scores on the *Importance And Performance/Satisfaction Attribute Ratings* (see Appendix). These values are then evaluated according to their quadrant on the grid. Each quadrant suggests a different marketing strategy. Shown below is the “Importance-Performance Grid.”



A Note About The Rankings

As you can see, the thirteen “Objective Themes” have an importance and performance ranking assigned to them. These rankings are based on the statistical analyses performed on data received from the “Corporate” and “Winners Survey.” *For details on how this analysis was performed, please refer to the Appendix.*

How To Use The “Importance- Performance Grid”

High Importance – High Performance

Attributes that rated high in importance and high in performance suggest that the objective should be considered an important outcome and is achieving the return on investment. The attributes that make up the objective should be accorded a high priority, and should be pursued with targets set in measurable terms.

Low Importance – Low Performance

On the other hand, objectives having a low importance rating and low performance rating suggest that the attributes making up these objectives may have little strategic advantage – they should be given a low priority.

High Importance – Low Performance

Objectives that are rated high in importance but low in performance are those that an organization should pay particular attention to, since they are not accomplishing what the corporation set out to do.

Low Importance – High Performance

Finally, objectives that perform well (but are not considered important) should be treated almost as negligible indicators when determining ROI.

Statistical Basis

The “Importance-Performance Grid” positions the grand means for importance (mean=13.66) and performance (mean=61.95), which determines the placement of the axes on the grid. The placement of each objective on the “Importance-Performance Grid” was accomplished by using the means of importance and performance as the coordinates.

Each of the thirteen objectives on the grid can then be analyzed by locating the appropriate quadrant in which it falls.

Four of the objectives fell into the high importance/high performance quadrant: Performance Levels, Bottom Line, Focused Sales Strategy, and Employee Motivation. The highest importance was attributed to the Bottom Line objective, but it performed less well than any of the other three.

Although the attributes of Increasing Sales, Market Share, Revenue, and Value are critical from a corporate perspective, winners are less convinced that they are actually achieved through incentive travel programs alone.

Measurement Tools For High Priority Attributes

In reviewing the attributes that were rated as most important in designing incentive travel programs (and that are also seen as performing well) it is obvious that there is no single measurement or approach to measurement that is going to be the answer in determining ROI for corporations. While it should be possible for corporations to develop very specific goals for hard measures such as sales, revenue, market share, and even productivity, non-monetary or softer measures usually require surveys of some kind or other.

The following table provides an overall guideline for measurement according to the objectives and attributes shown.

Measurement Guidelines

Objective	Attributes	Measurement
Performance Levels	Push To Reach Higher Sales	Numeric Goals Based On Specific Targets
	Increase Productivity	
	Increase Team Performance	Customer/Broker/Dealer Satisfaction & Complaints
Bottom Line	Increase Sales For Company	Numeric Goals Based On Specific Targets
	Increase Market Share	
	Increase Revenue For Company	
	Increase Value For Company	Increase In Stock Prices
Focused Sales Strategy	Refocus Sales Initiative	Numeric Goals Based On Specific Targets, Focus Groups
	Shift Sales Effort	
	Improve Top-Of-Mind Awareness	Advertising Tracking, Focus Groups
Employee Motivation	Increase Personal Pride In Job	Employee Survey
	Create Excitement	
	Increase Status	
	Increase Morale	
	Build Team Spirit	
Relationship Benefits	Provide Senior Management Opportunity To Know Top Performers	Management Survey
	Provide Quality Time With Partner	Employee Survey
	Build Relationship With Senior Executives	Management Survey
	Increase Recognition	Employee Survey
	Increase Spousal Pressure To Reach Sales Objectives	
	Strengthen Reputation Through Providing Memorable Experience	Customer/Broker/Dealer Survey
	Increase Loyalty By Creating Lasting Memories	Employee Survey

ROI Measurement By Objective

It is thus important that corporations first determine the objectives that are truly important, then review the specific attributes that compose that objective, and finally determine the appropriate tool for measuring the degree to which the objective is being achieved.

The “Program ROI Measures Template”

Introduction

Based upon the “*Importance-Performance Grid*” in the previous section and the detailed Factor Analysis performed on the 48 attributes (followed by organizing the attributes into 13 common “Objective Themes”) a usable ROI measurement tool can be presented. This tool actually consists of two instruments: The “*Attribute Evaluation Tool*” and the “*Program ROI Measures Template*,” covered in this section.

IN THIS SECTION ...

- What are the steps in calculating ROI?
 - What model has been developed for incentive planning professionals?
 - How can I use this model?
-

Steps To Follow In Calculating ROI

From the corporate perspective, there are essentially ten steps that will allow for the calculation of return on investment for incentive travel. These steps include:

- 1: Review the attributes
- 2: Review corporate goals
- 3: Identify all potential incentive program goals
- 4: Divide all potential ‘yes’ attributes into ‘short-’ and ‘long-term’ goals
- 5: Assign a priority rating to all applicable short-term goals
- 6: Prioritize short-term primary goals from most to least important
- 7: Identify and show specific pre-program objectives in real terms
- 8: Calculate and reflect actual results
- 9: Calculate the ‘Program Impact’
- 10: Calculate the ROI

The “Attribute Evaluation Tool”

The “Attribute Evaluation Tool” described next puts these activities into an organized and easy-to-use format for analysis.

Step 1: Review The Attributes

The thirteen “Objective Themes” represent all of the various attributes on which incentive travel can have an impact. By reviewing these attributes, many can be found that are supportive of a company’s organizational goals. Alternatively, the review could be limited to the high priority attributes, as identified by this study, only.

The “Attribute Evaluation Tool” is shown below and on the following pages. Versions of this tool include the overall form, as well as a ‘Short Form.’

Program: _____
 Qualification Duration: _____

Attribute Evaluation Tool

Attribute	Applicable		Term		Priority										
					Secondary					Primary					
	Yes	No	Short	Long	1	2	3	4	5	6	7	8	9	10	
Performance Levels															
Push To Reach Higher Sales															
Increase Productivity															
Increase Team Performance															
Increase Peer Pressure															
Increase Competitiveness															
Increase Peer Pressure															
Employee Motivation															
Increase Personal Pride In Job															
Create Excitement															
Increase Recognition															
Increase Status															
Increase Morale															
Build Team Spirit															
Performance Assessment															
Identify Top Performers															
Assess Employee Performance															

Attribute Evaluation Tool (Continued)

Attribute	Applicable		Term		Priority														
	Yes	No	Short	Long	Secondary					Primary									
					1	2	3	4	5	6	7	8	9	10					
Focused Sales Strategy																			
Refocus Sales Initiative																			
Shift Sales Effort																			
Improve Top-Of-Mind Awareness																			
Bottom Line																			
Increase Sales For Company																			
Increase Market Share																			
Increase Revenue For Company																			
Increase Value Of Company																			
Corporate Values																			
Improve Communication Of Corporate Objectives																			
Instills Corporate Values																			
Achieve Buy-In To New Direction																			
Competitive Advantage																			
Improve Reputation As Employer Of Choice																			
Increase Knowledge																			
Promote Development Of New Ideas																			
Increase Quality Of Service																			
Encourage Non-Sales Personnel																			
Increase Cross-Selling																			
Improve Retention																			
Increase Accuracy Of Work																			
Direct Business To Specific Company																			
Employee Loyalty																			
Reduces Turnover																			
Reduces Absenteeism																			
Compensation Benefits																			
Improve Benefit Package																			
Improve Employee's Promotability																			
Provide Non-Taxable Reward																			
Building Trust																			
Increase Relationship Building																			
Maintain Customer/Dealer/ Broker Relationship																			
Relationship Benefits																			
Provide Senior Management Opportunity To Know Top Performers																			
Provide Quality Time With Partner																			
Build Relationship With Senior Executives																			
Increase Spousal Pressure To Reach Sales Objectives																			
Strengthen Reputation Through Providing Memorable Experience																			

Attribute Evaluation Tool (Continued)

Attribute, Continued	Applicable		Term		Priority												
	Yes	No	Short	Long	Secondary							Primary					
					1	2	3	4	5	6	7	8	9	10			
Relationship Benefits (Continued)																	
Increase Loyalty By Creating Lasting Memories																	
Networking Benefits																	
Provide Networking Opportunities																	
Provide Informal Access To Senior Management																	
Provide Opportunity For Winners To Provide Feedback																	

Attribute Evaluation Tool (Short Form)

Program: _____
 Qualification Duration: _____

Attribute	Applicable		Term		Priority												
	Yes	No	Short	Long	Secondary							Primary					
					1	2	3	4	5	6	7	8	9	10			
Performance Levels																	
Push To Reach Higher Sales																	
Increase Productivity																	
Increase Team Performance																	
Increase Peer Pressure																	
Increase Competitiveness																	
Increase Peer Pressure																	
Employee Motivation																	
Increase Personal Pride In Job																	
Create Excitement																	
Increase Recognition																	
Increase Status																	
Increase Morale																	
Build Team Spirit																	
Performance Assessment																	
Identify Top Performers																	
Assess Employee Performance																	
Focused Sales Strategy																	
Refocus Sales Initiative																	
Shift Sales Effort																	
Improve Top-Of-Mind Awareness																	
Bottom Line																	
Increase Sales For Company																	
Increase Market Share																	
Increase Revenue For Company																	
Increase Value Of Company																	

Step 2: Review Corporate Goals

This review should include all of the goals; however, those pertaining to marketing and sales should be concentrated on if the incentive travel program is targeted to that area.

Step 3: Identify All Potential Incentive Program Goals

Next, identify those attributes that match and are applicable to the company goals by checking either ‘Yes’ or ‘No’ in the column ‘Applicable’.

Step 4: Divide All Potential ‘Yes’ Attributes Into ‘Short-Term’ Or ‘Long-Term’ Goals

Short-term goals are defined as those objectives that can be impacted by the program within the qualification period. Long-term goals will only be partially impacted by the program within the qualification period.

Step 5: Assign A Priority Rating To All Applicable ‘Short-Term’ Goals

Using a scale of 1 to 10 (1 is the lowest and 10 the highest rating of priority) assign a value to all short-term goals identified in Step 4. Secondary goals are those that would be “nice to achieve” but not critical to the financial success of the program. Based on the research performed, these goals received scores from 1 to 7. Primary goals are those that are critical to the financial success of the program -- they received scores of 8 or higher.

The “Program ROI Measures Template”

With attributes evaluated, the next step is to complete the “Program ROI Measures Template,” shown on the next page.

Program ROI Measures Template

Program Measures	Corporate Goal	Actual Performance	Program Impact
(Prioritize Short-Term Primary Goals From The Attribute Evaluation Tool)	(Identify Program Objectives)	(Identify Post-Program Results)	(Calculate Program Impact)

Total Program Impact _____
Total Program Cost _____
ROI _____

Steps 6-10 of the ROI calculation process are completed using the above form. The following describes these steps.

Step 6: Prioritize Applicable Short-Term Primary Goals From Most To Least Important

From the "Attribute Evaluation Tool," transcribe those attributes deemed short-term primary goals by order of importance into the "Program ROI Measures Template" within the 'Program Measures' column.

Step 7: Identify And Show Specific Pre-Program Objectives In Real Terms

The column 'Corporate Goal' should show specifically how each attribute translates into actual objectives. Hard objectives should be created wherever possible. These items reflect the company's goals before the implementation of a program.

Step 8: Calculate And Reflect Actual Results

Review the company goals for the program and calculate the actual results into the 'Actual Performance' column above.

Step 9: Calculate The Program Impact

Program impacts are calculated by taking the company goals before the implementation of the program and subtracting (or adding) the actual results. Where hard objectives were used, an actual amount of money can be shown. Soft objectives require an estimated money impact.

Step 10: Calculate The ROI

Compare the total program financial impact to the total program cost. The difference between these two figures is the return on investment. The actual cost of the program may or may not be an additional expense to the company depending on the method of incentive travel program funding used.

Example Of ROI Calculation – “SITE Inns and Resorts”

Site Inns and Resorts is a mid-sized chain managed by a larger well-known hotel company. They operate eight Swiss Chalet style resorts in various Canadian Rocky locations in Alberta and British Columbia. Each property is quite remote, has 100 guest suites, and operates on a full board (Full American Plan) basis.

The Site Inns Market

Their traditional market has been skiers in the winter and family nature holidays in the summer. There has been some activity in corporate meetings and team building. Some small incentive programs were held last year that were extremely well received.

According to the Rocky Mountain Hotel and Motel Association, Site Inns is growing in occupancy, but not up to that of the market. In fact, rooms at Site Inns are virtually sold out with skiers from November up to the first of April, and then soft to the summer when school is out. Summer traditionally has run in the area of 80% occupancy. Following the summer, business is slow from September to snowfall in early December.

Site Inns Occupancy Rates

Last year’s total occupancy percentages were as follows:

- Ski packages 60%
- Family Nature Vacations 25%
- Corporate Meetings 10%
- Incentives & Team Building 5%

Additional Information

Each of eight Site Inns has one dedicated sales person on staff. The parent company sells them through its regional sales offices (although with limited success). There are several contracts with hotel representation companies in areas not covered by the regional offices. Remuneration to the representation companies is on an earned-commission basis only.

Site Inns Objectives

At an annual plan review session, the senior management and owners agreed on next year’s plan. Highlights of this plan are:

- Increase gross revenues by 10% through rates and food & beverage sales;
- Increase gross revenues by 3% through occupancy
- Re-direct selling activities more to the incentive and corporate meeting market;
- Develop better relations between property sales staffs and the parent regional offices.

Site Inns Incentive Travel Plans

To help achieve these objectives, Site Inns decided to implement a travel incentive program for the top seven representatives and their spouses at a cost of \$6,000/couple or \$84,000.

“Attribute Evaluation Tool” Used @ Site Inns

Based on the program objectives and a review of all thirteen “Objective Themes,” Site Inns management decided that the “Attribute Evaluation Tool” (Short Form) would be sufficient to calculate the return on investment. Their completed “Attribute Evaluation Tool” is shown on the next page.

Attribute Evaluation Tool
(Completed For Site Inns & Resorts -- Qualification Duration: 1 Year)

Attribute	Applicable		Term		Priority										
					Secondary							Primary			
	Yes	No	Short	Long	1	2	3	4	5	6	7	8	9	10	
Performance levels															
Push to reach higher sales	X		X												X
Increase productivity	X			X											
Increase team performance	X		X										X		
Increase peer pressure															
Increase competitiveness		X													
Increase peer pressure		X													
Employee motivation															
Increase personal pride in job		X													
Create excitement		X													
Increase recognition	X			X											
Increase status		X													
Increase morale		X													
Build team spirit	X		X								X				
Performance assessment															
Identify top performers	X		X							X					
Assess employee performance		X													
Focused sales strategy															
Refocus sales initiative	X		X										X		
Shift sales effort	X		X										X		
Improve top-of-mind awareness		X													
Bottom line															
Increase sales for company	X		X										X		
Increase market share	X			X											
Increase revenue for company	X		X											X	
Increase value of company	X			X											

Steps 1-5 of “The Site Inns Attribute Evaluation”

Steps 1-2: Site Inns completed the “Attribute Evaluation Tool” above.

Step 3: The attributes applicable to the company goals are checked either ‘Yes’ or ‘No’ in the column ‘Applicable.’

Step 4: All potential “yes” attributes are divided into short-term or long-term goals within the ‘Term’ column above

Step 5: All goals are assigned to the priority columns (columns 1-10).

Site Inns ROI Calculations

After completing the "Attribute Evaluation Tool," Site Inns was able to enter data into the "Program ROI Measures Template," shown below.

ROI for Site Inns Incentive Travel Program

Program Measures	Corporate Goal	Actual Performance	Program Impact
(Prioritize Short-Term Primary Goals From Attribute Evaluation)	(Identify Program Objectives.)	(Identify Post-Program Results)	(Calculate Program Impact)
1.Increase Gross Revenues	Plan: 10% Inc. = \$5,110,000 Gross Op. Profit = 30%=\$1,533,100	Actual: 15%=\$7,665,000 Gross Profit = *30% =\$2,299,500	Program Impact= \$2,299,500 -\$1,553,100= \$746,400
2.Higher Individual Sales	Increase Volume But Not Expenses Or Staff	Net 5% Increase: Sales Expenses Flat	Reflected In Revenue Increase
3.Refocus Sales Initiative	Rely More On Reps & Regionals	Less Travel, More On Site Time For Property Sales	Est. Travel Expense Saving: \$25,000
4.Shift Sales Effort	Build Corporate & Incentive In Low Season	Value Of Future Con-Tracts: \$2,300,000	30% Of New Revenue = \$690,000
5.Increase Company Sales	Plan 3% Increase. (Occupancy)	Actual 6% (3% More Than Plan)	6,120 Additional Room Nights Sold Reflected In Revenue
6.Increase Team Performance	Build Relationships With Regional Offs'	Effective Staff Increase Of 2 Full Time Staff	Net 1 st Year Savings For 2 New Sales Associates = \$75,000
		Total Impact \$	\$1,536,400
Cost Of Program	14 Couples	\$6000 / Couple	\$84,000
			ROI \$1,452,400

Site Inns Steps 6-7

Step 6: All short-term primary goals were transcribed in order of importance into the 'Program Measures' column above.

Step 7: The column 'Corporate Goal' shows specifically how each attribute translates into actual objectives. Shown are the company's goals before the program was implemented.

Step 8 -- Calculation Details For Site Inns

Step 8: The actual results of the program are calculated within the 'Actual Performance' column. The following describes these calculations.

1. Increase Gross Revenues

Gross revenues reflect room rate increases as well as occupancy increases. To show the program impact, Gross Operating Profit (GOP) -- which excludes fixed costs and management fees -- is used. Site Inns agreed that any GOP that exceeded the plan would be considered an impact of the program. Since actual results exceeded the plan by \$746,000, it can be argued that the GOP percentage on the program portion is in fact higher than 30%, because fixed and management costs have already been covered.

2. Higher Individual Sales

Sales increased by 5% with no increased expenses. The extra credits for the sales increase are reflected in objective 1.

3. Refocus Sales Initiative

In the past, Property Sales Managers traveled extensively. The plan called for using the local regional sales offices and representative companies more effectively. As a result, actual travel expenses were reduced by \$25,000.

4. Shift Sales Effort

The goal was to concentrate more on the corporate and incentive markets to fill space during slow periods. Much of the incentive program qualification focused on this area. Future revenue has been accounted for in the ROI calculations.

5. Increase Company Sales

The company objective was actually doubled, but the increased occupancy is reflected in the revenues in objective 1.

6. Increase Team Performance

To get more market coverage, Site Inns had planned to hire two additional Sales Managers. Instead, the company chose to build a stronger relationship with the regional and representative offices -- which became an integral part of the incentive program. Since it takes time to get new Sales Managers into the market, the estimated savings of not hiring two new Sales Managers equals \$75,000 (once cost of sales credits are paid to the regional and representative offices).

Step 9: Program Impact @ Site Inns

The program impacts (shown in the ‘Program Impact’ column) are calculated by taking the company goals before the implementation of the program and subtracting (or adding) the actual results. Where hard objectives were used, an actual amount of money can be shown. Soft objectives require an estimated money impact.

Step 10: The ROI Calculations @ Site Inns

Compare the total program financial impact to the total program cost. The difference between these two figures is the return on investment. The actual cost of the program may or may not be an additional expense to the company depending on the method of incentive travel program funding used. As a note, the ROI shown for Site Inns represents an immediate return only – it does not take into consideration residual values such as ongoing and future benefits.

Appendix

Research Methodology Details

The methodology used to develop the “Importance-Performance Grid” and the “Program ROI Measures Template” involved, essentially, organizing the 48 most important attributes for incentive travel into 13 “Objective Themes.” The process by which the 48 attributes were defined and statistically managed however, may be of interest. For that reason, information about the process used is provided in this section.

Initial Executive Interviews

Three senior executives were selected by the SITE-Canada Research Committee. These executives were chosen based on their knowledge of the approaches used to measure hard and soft return on investment for incentive travel programs. The executives included:

- The VP Administration responsible for incentive planning for a major international finance company (who is also a chartered accountant and sat on the SITE Corporate Advisory Board);
- The President and CEO of Insurance Services for a major Canadian bank (an actuary responsible for the financial calculation of their incentive program);
- A retired senior executive with broad experience in a number of life insurance companies (also an actuary).

These executives were interviewed about the objectives pursued in offering incentive travel and their approaches to measuring them. They were familiar with (and had used) both open and close-ended programs, tiered and non-tiered programs, and programs aimed at captive and non-captive agents.

Interview Guide

The discussions with these three executives helped to shape an Interview Guide that was used to probe objectives pursued in setting up incentive programs, as well as approaches used to measure the success or return on investment of these programs.

In-Depth Interviews

Additional interviews were held with eight executives or planners responsible for incentive travel programs. These executives were drawn from a variety of industries, including automotive, hospitality, high tech/communications, and manufacturing. In these executive interviews, objectives for the incentive programs for which they are responsible were discussed.

Opinions regarding objectives to be achieved were then confirmed/ negated with a selected number of incentive travel winners. This was done to ensure that all attributes of incentive travel programs were covered. Twelve winners were contacted from references provided by several of the planners and executives from the initial executive interviews. Seven of these winners agreed to be interviewed, representing both in-house (5) and non-captive (2) agents.

Corporate Survey

A survey was developed and mailed to 1,800 corporate subscribers of *Meetings and Incentive Travel* magazine. In addition, the survey was sent to corporate North American SITE members (taken from the membership directory). Respondents represented a wide variety of industrial sectors:

Automotive	3
Insurance	5
Banking/Finance	2
High Tech/Communications	2
Pharmaceutical	3
Hospitality/Tourism	1
Manufacturing	5
Publishing	2
Real estate	1
Power tools	1
Sales	1
Total	26

Response Rate

In spite of a cover letter that positioned this study as being undertaken by Ryerson University on behalf of the Incentive Research Foundation -- and stressing the importance of their participation in this relative short survey (approximately 15 minutes) -- the resultant response rate was too low to be exploitable (n=26) on its own. Unfortunately, due to the proprietary nature of the mailing list and the guarantee of anonymity, it was not possible to personalize the letters, nor was it possible to send reminders.

This type of response rate should not be surprising in light of earlier surveys done in Canada, and because the research was only interested in incentive travel, not all types of incentives. (As previous research has shown, only about 40% of corporations are using incentive travel as part of the incentive mix.)

Winners Survey

To obtain a sufficiently high response rate to be able to construct at least a conceptual model for ROI, a second mailing occurred. The list for this mailing consisted of a 3000-member list from the Canadian Automobile Dealers Association (CADA). The survey was accompanied by a cover letter from the Executive Director, and translated into French for the Quebec membership.

- In total, 278 people responded to the CADA survey. Of these, 78.4% (n=218) currently work for a company that offers vacations as part of an incentive program. 194 (or 69.8%) indicated that they had won an incentive trip in the last three years.
- 11% of the respondents who had won a trip were employees, with the remainder being brokers or dealers. 160 respondents (81.6% of those who responded to the question) indicated that they only sell or represent one company.

Overall Considerations

The low participation rate by corporate respondents, and the single-industry focus of the incentive travel winners, did not allow for the building of a definitive model for the calculation of return on investment for incentive travel without further testing. In addition, the fact that the Canadian automobile sector does not systematically design its incentive travel programs to be a non-taxable benefit, thereby angering some of the winners, could detract from the objective evaluation of targets achieved using this motivational tool.

Additional Survey Questions

Respondents to the corporate survey were also asked whether they are currently measuring return on investment for their incentive travel programs. If they responded in the affirmative, they were asked which measures they are using to do so. The options provided included:

- Percentage of sales
- Incremental over prior year
- Self liquidation
- By products or overall results
- Safety
- On-time delivery
- Client satisfaction measurement
- Employee satisfaction measurement
- Savings in operating expenses
- Other (please specify)

Survey Statistical Variances

Methodology

All survey respondents were asked to rate the 48 attributes on a 10-point Likert scale from 1 (strongly disagree) to 10 (strongly agree) or 'not applicable' (N/A). The data was normalized, whereby the scores from 1 to 10 were multiplied by 10, such that 1 = 10 and 10 = 100, with N/A = 0. The series means was applied to attributes that were not scored.

Respondents were provided with statements that reflected objectives a company might expect to achieve through an incentive travel program, and were asked to allocate a total of 130 points to indicate the relative importance that these objectives might play in designing such programs for their company. Where respondents allocated less or more than 130 points, the

relative proportions were re-calculated on a base of 130 (with the exception of those respondents who clearly misunderstood the instructions and ranked the objectives by order of importance).

“The 48 Attributes”

The following presents the 48 attributes organized into the 13 “Objective Themes.”

<p style="text-align: center;">Bottom Line</p> <ul style="list-style-type: none"> ▪ Increase revenue for company ▪ Increase sales ▪ Increase value of company for shareholders ▪ Increase market share of sales 	<p style="text-align: center;">Peer Pressure</p> <ul style="list-style-type: none"> ▪ Increase aggressiveness of sales force ▪ Increase peer pressure ▪ Increase rivalry among sales force ▪ Increase spousal/partner pressure to reach sales objectives
<p style="text-align: center;">Focusing Sales Strategy</p> <ul style="list-style-type: none"> ▪ Increase cross-selling/promotion of other departments ▪ Improve company's top of mind awareness ▪ Re-focus organizational sales initiative ▪ Shift effort to specific product ▪ Develop new ideas for products/services ▪ Direct business to a specific company ▪ Company to showcase (new) product(s)/service(s) 	<p style="text-align: center;">Compensation Benefits</p> <ul style="list-style-type: none"> ▪ Improve benefit package ▪ Expand compensation plan
<p style="text-align: center;">Corporate Value/Objectives/Vision</p> <ul style="list-style-type: none"> ▪ Instill new corporate values ▪ Achieve corporate sense of purpose ▪ Improve communications of corporate objectives 	<p style="text-align: center;">Networking Benefits</p> <ul style="list-style-type: none"> ▪ Provide informal access to senior management ▪ Provide networking opportunity ▪ Provide opportunities for winners to give feedback to organization ▪ Provide opportunities to meet with elite sales group ▪ Provide senior management with opportunity to get to know top performers ▪ Cultivate relationship with other successful people
<p style="text-align: center;">Performance Levels</p> <ul style="list-style-type: none"> ▪ Sales force reach and maintain targets/new ▪ Psychological levels ▪ Push salesperson to reach higher level of sales ▪ Increase team performance ▪ Increase productivity of sales personnel ▪ Increase productivity of non-sales personnel ▪ Increase production of non-sales personnel ▪ Encourage non-sales personnel to make extra effort ▪ Encourage sales force to make extra effort 	<p style="text-align: center;">Employee Loyalty</p> <ul style="list-style-type: none"> ▪ Create lasting memories ▪ Decrease turnover ▪ Demonstrate that company values employees ▪ Improve company's reputation as employer of choice ▪ Increase loyalty to company ▪ Reduce absenteeism ▪ Increase morale ▪ Increase motivation of workers ▪ Keep motivation high ▪ Reward outstanding sales effort/work

Competitive Advantage

- Build company's reputation by providing a
- Memorable experience
- Increase employee/broker/dealer satisfaction
- Increase accuracy of work
- Increase knowledge of sales force
- Increase speed/timeliness of response to client
- Improve company's reliability/do it right the first time
- Improve customer/agent/broker retention
- Improve knowledge base of sales force
- Improve service quality
- Provide competitive advantage when dealing with equal products

Relationship Benefits

- Build camaraderie
- Build relationship with corporate senior management
- Provide opportunity for quality time with spouse/ partner
- Provide closer relationship with executives
- Increase spousal/family/friend recognition

Performance Assessment

- Assess performance
- Clearly identify top performers
- Highlight performance on resume
- Improve chances of promotability and hirability

Employee Motivation

- Build team spirit
- Create excitement that keeps sales force motivated
- Increase status of employee in organization
- Make non-sales personnel feel part of a team
- Increase pride in job well done

Building Trust

- Build trust between company + employee/ broker/dealer
- Build recognition of organization
- Create goodwill to overcome problems/conflicts/errors
- Create synergy among departments/dealers/ business units
- Improve relationship with client/customer
- Increase relationship building amongst peers/departments
- Reduce perceived risk of doing business with company

Attributes had to address a number of different objectives:

- Corporate and marketing
- Hard and soft
- Primary and secondary
- Long-term and short-term

Factor Analysis

Questions referring to incentive travel program attributes were categorized through factor analysis using varimax rotation that resulted in a three-factor solution. Three general types of "dimensions" or overall themes were revealed:

- Strategic Performance Measures (19 attributes)
- Employee-based Measures (19 attributes)
- Relationship-building Measures (10 attributes)

Based on a sample size of 303, only measures loading at .47 and above were used to determine the factors. The measures ranged from .47 to .811.

Note: Varimax Rotation is a statistical extracting principal used to further validate the data received in the process of grouping similar attributes.

t-test

The t-test is the most commonly used method to evaluate the differences in means between two groups. In the SITE-Canada Study, these two groups were planners and winners. Theoretically, the t-test can be used even if the sample sizes are very small (e.g., as small as 10, with some researchers claiming that even smaller n's are possible), as long as the variables are approximately normally distributed and the variation of scores in the two groups is not reliably different. **Variations in the Canadian survey referenced in this report met these criteria.**

Cronbach Alpha Coefficients

The Cronbach Alpha (α) Coefficient is a statistical reliability index that was run on the data received from survey respondents. When there are several subjects who respond to an item, Cronbach Alpha can be used to compute the variance for each item, and the variance for the sum scale.

Cronbach's Alpha (α) for each factor in our study was as follows:

- Strategic Performance Measures $\alpha = .9353$
- Employee-based Measures $\alpha = .9197$
- Relationship-building Measures $\alpha = .8860$

The Eigenvalues revealed that the most important factor is Strategic Performance Measures accounting for 23.75 of the variance followed by the factors Employee-based Measures (2.69) and Relationship-building Measures (2.20). *Note: Eigenvalues relate to the variances extracted by the factor analysis.*

Factor Analysis Results

As stated, the questions referring to incentive travel attributes were categorized through factor analysis using varimax rotation, resulting in a three-factor solution. Three themes arose:

- Strategic Performance Measures (19 attributes)
- Employee Based Measures (19 attributes)
- Relationship Measures (10 attributes)

Shown in the next series of tables are the factor analysis results for the three factors above.

Factor 1 -- Strategic Performance Measures (Attributes)	
Increase sales for a company	.811
Push sales personnel/dealer(s) / broker(s) to reach higher level of sales	.799
Increase the company's market share of sales	.773
Create excitement that keeps employees/dealers/brokers motivated	.745
Increase revenue for a company	.743
Increase recognition from spouse/family/friend	.741
Increase productivity of sales personnel/dealers/brokers	.730
Increase team performance	.712
Re-focus a company's sales initiative	.695
Increase personal pride in job well done	.687
Increase competitiveness of sales force	.674
Clearly identify top performers	.655
Increase morale of employees/dealers/brokers	.637
Build team spirit	.614
Increase professional and personal status of employees/dealers/brokers	.605
Improve a company's top of mind awareness	.592
Assess performance of employee(s) / dealer(s) / broker(s)	.585
Increase the value of a company for shareholders	.475
Shift effort to a specific product(s) / service(s)	.475
Increase peer pressure	.470
Eigenvalue	23.75

Factor 2 – Employee Based Measures (Attributes)	
Increase accuracy of work	.799
Reduce turnover of employees/dealers/brokers	.737
Reduce absenteeism	.709
Improve employee/dealer/broker retention	.683
Improve employee/dealer/broker benefit package	.679
Improve employee(s) chances of being promoted or hired elsewhere	.675
Increase quality of service	.649
Promote the development of new ideas for products/services	.641
Increase cross-selling of a company's products/services.	.629
Achieve buy in to new company direction	.628
Encourage non-sales personnel to make an extra effort	.621
Increase knowledge of employee(s)/dealer(s)/broker(s)	.560
Instill corporate values	.545
Direct business to a specific company	.524
Increase relationship building amongst employees/departments/dealers/brokers	.516
Improve communication of corporate objectives	.510
Improve company's reputation as employer/company of choice	.510
Maintain customer/dealer/broker relationships	.479
Provide non-taxable income/reward to participants	.452
Eigenvalue	2.69

Factor 3 – Relationship Building Measures (Attributes)	
Provide informal access to senior management	.785
Provide networking opportunities to meet other successful people	.698
Build relationship with senior executives of organization	.682
Provide senior management with opportunity to get to know top performers	.676
Provide opportunities for winners to provide feedback to organization	.626
Provide opportunity for quality time with spouse/partner	.573
Increase employee/dealer/broker loyalty by creating lasting memories	.571
Increase spousal/partner pressure to reach sales objectives	.559
Strengthen/build organization's reputation by providing a memorable experience	.442
Eigenvalue	2.20

Attribute Rankings

Although the objectives had been determined using critical incidence technique, the results from the factor analysis indicate that some of the attributes had to be assigned to a different objective from their original assignments through critical incidence. Factor analysis also allowed each of the objectives to be assigned to one of the three themes based on the loading of each of the attributes.

Cronbach α was run on each of the newly formed objectives to determine how highly these attributes correlated to describe it. All objectives resulted in very high alpha scores.

In the following tables, each of the objectives is reported in descending order of importance, determined through the mean, within the theme to which they were assigned. Similarly, attributes in the objective were listed in descending order of importance as determined through their means. The tables also show a ranking score based on the total point value assigned by all respondents to the particular objective. This ranking indicated the relative importance attributed to each of them.

Theme One: Strategic Performance Measures

Objective	Mean	Cronbach α	Attribute	Mean	Ranking
Performance Levels	71.63	.8693	Push to reach higher sales	76.45	4576.81
			Increase productivity	72.18	
			Increase team performance	66.27	
Peer Pressure	68.98	.6389	Increase competitiveness	69.33	2255.62
			Increase peer pressure	68.63	
Employee Motivation	68.58	.9363	Increase personal pride in job	73.67	3520.80
			Create excitement	70.70	
			Increase recognition	69.83	
			Increase status	69.25	
			Increase morale	66.18	
Performance Assessment	65.02	.7800	Build team spirit	63.44	1708.34
			Identify top performers	68.77	
			Assess employee performance	61.27	
Focused Sales Strategy	64.93	.7827	Refocus sales initiative	66.97	4049.60
			Shift sales effort	64.71	
			Improve top-of-mind awareness	63.10	
Bottom Line	64.90	.8893	Increase sales for company	74.76	4727.19
			Increase market share	69.66	
			Increase revenue for company	65.26	
			Increase value of company	51.36	

Theme Two: Employee-Based Measures

Objective	Mean	Cronbach α	Attribute	Mean	Ranking
Corporate Values	56.48	.8750	Improve communication of corporate objectives	63.40	1852.66
			Instills corporate values	56.73	
			Achieve buy-in to new direction	49.27	
Competitive Advantage	53.40	.9093	Improve reputation as employer of choice	61.60	1543.95
			Increase knowledge	58.38	
			Promote development of new ideas	54.58	
			Increase quality of service	53.89	
			Encourage non-sales personnel	53.85	
			Increase cross-selling	53.70	
			Improve retention	53.17	
			Increase accuracy of work	44.38	
Employee Loyalty	50.23	.8366	Reduces turnover	46.28	1697.52
			Reduces absenteeism	42.80	
Compensation Benefits	42.71	.6554	Improve benefit package	47.24	2743.57
			Improve employee's promotability	42.18	
			Provide non-taxable reward	38.38	
Building Trust	60.80	.9197	Increase relationship building	60.58	1177.86
			Maintain customer/dealer/broker relationship	59.00	

Theme Three: Relationship-Building Measures

Objective	Mean	Cronbach α	Attribute	Mean	Ranking
Relationship Benefits	69.73	.8562	Provide senior management opportunity to know top performers	75.61	2743.57
			Provide quality time with partner	73.51	
			Build relationship with senior executives	70.23	
			Increase spousal pressure to reach sales objectives	65.18	
			Strengthen reputation through providing memorable experience	63.44	
			Increase loyalty by creating lasting memories	64.04	
Networking Benefits	66.94	.7768	Provide networking opportunities	74.57	2323.60
			Provide informal access to senior management	66.19	
			Provide opportunity for winners to provide feedback	60.06	

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