Summary

1. Positive Impacts on Incentive Travel Design. The incentive travel industry is alive and kicking. In fact, the 2014 IRF Pulse Survey shows a 71% decline in the number of organizations that believe economic conditions are having a negative impact on incentive travel programs.

2. Incentive Travel Budgets Trending Up. Almost 50% of planners in the fall of 2014 say they will be increasing their budgets; additionally, per-person spend is up significantly.

3. International Programs On The Rebound. For the first time since the recession, more planners are considering international destinations over domestic ones. The top destination: the Caribbean.

4. Planners Invest In More Robust Experiences. We’re entering a phase that has been called the “Experience Economy,” with more robust experiences desired by planners.

5. Self-Defining Experiences. Planners today are looking to satisfy different age groups with venues and lodging that affords multiple options. Mixing the needs of the under-35'ers and people 45+ will be an ongoing challenge.

6. An App For Everything. The rise in event-specific mobile devices is pushing the limits of hotel WIFI capabilities at a time when participants are using more of their own applications for access to social media sites of their own choosing.

7. Wellness. Wellness isn’t just an option – it’s an expectation. Differentiation is extremely important – traditional wellness activities are commonplace; multiple generation participants want special offerings.

8. Disruption As A Constant State. Natural disasters, terrorist activities, diseases, and weather changes – all are putting new demands on travel providers and operators like never before. Risk mitigation is central to success.

9. CEOs Need To Attract And Retain Talent. For the first time, CEOs are confronted with a smaller number of people entering the job market than the number of people leaving it. Incentive Travel offers key retention and education benefits to address this challenge.

10. Answering the “Engaged In What?” Question. In the new economy, successful organizations need their employees to be engaged in new (non-core) roles. Incentive travel has been shown to be a key strategy in motivating employees to do more than just their “regular jobs.”
Although the Incentive Travel industry was hit hard by the recession in 2009, current indicators show a thriving $22.5 B industry \(^1\) primed to grow.

Note Figure 1 below. IRF Pulse Surveys show that, unlike the beginning of 2009 where 86% of respondents found the economy to have a decidedly negative impact on Incentive Travel programs, in the fall of 2014, only 15% felt this way.

**Overall Positive Recovery Results**

Alternatively, a full 67% found the economy to have a positive impact on Incentive Travel, with only 19% neutral. As shown in Figure 1 above, the regression line for positivity has trended upward since 2012 and now has tapered off to a solid positive flat line. Barring unanticipated economic calamities, the IRF expects this trend to continue into the foreseeable future.

It’s important to note that different industry stakeholders share this positive view in varying degrees. According to the most recent Pulse Survey, suppliers tend to be more positive than third party incentive houses that are, in turn, more positive than corporate end users. This is most likely driven by the higher diversification present as one moves further from a single organization’s program operations.\(^2\)

Aside from the economy, there are a number of factors that influence the design of incentive travel programs. For example, as shown in Figure 2 below, planners are increasingly asked to strike a balance between budget, corporate culture, public perception and a number of competing inputs in the design of their programs.

The IRF has tracked a number of these influences since the start of the recession. Consistently, our findings reveal that the most important drivers are the company’s financial forecast and public perceptions, competitor reactions and internal perceptions -- in that order.\(^3\)

**Reference**

2. See [www.theIRF.org](http://www.theIRF.org) for the Fall 2014 Pulse Survey
3. See [www.theIRF.org](http://www.theIRF.org) for the Fall 2014 Pulse Survey
As early as 2008, IRF Pulse Surveys showed increasingly high numbers of planners who were cutting their budgets. By the height of the recession in late 2009, Pulse Surveys showed over 80% of planners were decreasing their incentive travel budgets either moderately or significantly, with virtually zero growth from any side of the market.

**Signs of Recovery**

In late 2010, the first signs of recovery were revealed as more planners began to increase budgets rather than decrease them (44% vs. 24% respectively) – a trend the IRF characterized as ‘cautious optimism’ in reference to the market.

Although the numbers showed a return to growth, the prevailing view back then was that these initial market indicators might decline again if the recovery did not proceed swiftly. This came to fruition in 2011 when once again the market righted itself with 24% of planners increasing their budgets compared to 25% who were reducing them.

Note Figure 3 opposite.

Since 2011, budgets have increased precipitously, with 2014 showing the strongest growth to date. In fact, almost 50% of planners in the fall of 2014 said they would increase their budgets with only a little over 10% saying they will decrease them.

**Increasing Per Person Spend**

Per person spend is also up, with an estimated average of $3,440 – up significantly from additional industry studies conducted last year.  

Even more positive is that more than a quarter of respondents said their budgets would exceed $4,000 per person. While almost 75% of respondents from third-party incentive houses noted that their budgets would be between $2,000 and $4,000 per person, only 55% of corporate buyers put their budgets in the $2,000 to $4,000 per person range.

More corporate buyers (30%) than incentive houses (23%) noted that their budgets would exceed $4,000 per person heading into 2015.

**Reference**

4. See www.theIRF.org for the Fall 2014 Pulse Survey.
What Are The Primary Destinations?

Not surprisingly, the Caribbean and North America lead the pack with 47% of planners taking programs to the Caribbean and 43% to North America.

Corporate planners are more likely than incentive houses to keep their incentive travel in North America (52% vs. 38% respectively) while the opposite is true for the Caribbean.

Europe comes as a popular third option with over a third of planners choosing it for incentive travel. Third parties seem to be driving the push back to Europe with over half of incentive houses using Europe compared to only a quarter of corporate end users doing so.

Although the U.S. will always remain a popular destination for Incentive Travel, the trend lines firmly support a growing international market. In the second tier, between 10 and 20% of planners overall said they would be using Central America, South America or Asia. With the given turmoil and recent outbreaks in Africa and the Middle East, less than 10% of planners overall said they would be using Africa or the Middle East (8% and 2% respectively).

Interestingly, although only 2% of Corporate Planners said their incentive travel programs would go to Africa, 14% of Incentive House respondents were heading programs there.
Changing Strategies

The strategies incentive planners used to accommodate recessionary constraints vacillated significantly in 2009 and 2010, causing a great deal of volatility in the market.

From shifting lead times, to changes in property types, to transfers from land to sea options, Incentive Travel Planners consistently looked for new ways to meet the motivational needs of their groups within budget.

Not surprisingly, cutting the size and duration of their programs was a key tactic. As late as the spring of 2010, IRF research showed more than half of planners were still cutting either the number of nights for their programs or the number of requested rooms.

Volatility in the size and duration of cuts peaked again in the spring of 2012, but has taken a sharp decline since that time.

As shown in Figure 5, the fall of 2014 showed less than 10% of planners saying they would be reducing the number of nights or rooms for their programs heading into 2015. While this is positive news, it is balanced by the realization that a concurrent number of planners are not increasing the size of their programs.

In the latest IRF Pulse Survey:

- Fewer than 10% of planners are increasing the number of days for their programs;
- A little over 13% of third parties will be increasing the size of their programs;
- Only 8% of corporate planners plan to increase them.

Investments

If planners are increasing their budgets, where are these investments going? Early indicators show that planners are investing in more robust experiences for their programs:

- 20% of third party planners said they will be moving some of their programs to “all inclusive” experiences;
- More than 15% of corporate planners said they would be increasing their on-site inclusions.

Investments in non-food aspects of the program (room gifts, excursions, baggage costs, etc.) is the only area in which The IRF has seen consistent increases in investments since 2010. This push strongly reflects the wider market move to an ‘experience economy.’
This is good news for DMC’s, spas, and other aspects of the market, however negotiations will be more difficult given that certain such experiences are not always part of a venue’s revenue stream.

Reference
5. See “The Experience Economy” by Joseph B. Pine and James H. Gilmore.

Multiple Venue Options

The end result is somewhat clear: most planners will be looking for venues and lodging that offer multiple options. Whether it’s balancing the needs of the spa crowd with the club crowd or creating intimate dinners with an option for exuberant behind-the-scenes meet and greets with the chef, planners will be challenged to create places and spaces that create self-defining experiences for multiple demographics.

Reference

“Self-Defining Experiences”

Whether it’s taking the five senses and applying them to meeting design or appealing to multiple generations in a single event space, today’s planners are keenly aware that incentive travel experiences go much deeper than excursions and entertaining speakers.

A recent Wharton 6 study showed that the experiences individuals find meaningful and motivational are a direct reflection of age and how much time we as individuals perceive we have left.

For people under 35, self-defining experiences will be focused on the unusual, unattainable or exciting (e.g. Las Vegas’ Suspended Dining experience 300 feet in the air.) For people over 45, these experiences will center on the familiar or ordinary experiences where close connections are readily available – such as dining with old friends in a quiet venue. Mixing the needs of both of these groups will be an on-going challenge future planners will need to accommodate.

Proliferation of Mobile Devices

Soon there will be more mobile devices on the planet than people. What has stoked a reinvention in ways to communicate and connect has also lit the fire for consumers to demand actionable usable information at every turn, especially when traveling. The modern travel experience could very well be described as “an App for Everything.”

On the positive front, the stark rise in event-specific mobile devices has helped planners reduce paper programs and provide needed data on-demand through apps that address only the details of the current event at hand.
On the negative side, increased proliferation of travel apps -- for air, hotel, or car reservations; and then social connections at the venue -- has driven the attendee to take more and more control of their experience -- with or without the help of planners.

**Hotel WiFi Capacity**

IRF research has also shown that the sharp rise in devices per attendee continues to push the limits of WiFi capabilities within hotels.  

For that reason, meeting planners should explore the use of mobile devices for:

- Real time feedback on attendees’ experiences;
- Ways to gamify the experience;
- Connecting event apps to social media

Hotels will be less pressured to find in-room entertainment for guests, and instead, be more pressed to increase bandwidth to meet the needs of those using personal mobile devices to obtain entertainment of their own choosing.

**Reference**

7. See www.theIRF.org for “Technology in Offsite Business Meetings and Incentive Events.”

SRI estimates that wellness tourism accounts for roughly 14% of global tourism and roughly $440 billion in expenditures. Especially in the U.S., where an aging Baby Boomer population (and health-conscious Millennial population) continue to drive multiple health related trends, wellness has started to shift from a “market differentiator” to “table stakes” in most properties.

**Beyond The Commonplace**

Whereas in-room yoga, healthy menus, readily-available spa water, and a nice gym sufficed for “wellness” a few years ago, these offerings are now considered commonplace and expected by most planners and travelers.

While recent IRF Research has shown 30% of planners put a focus on wellness, qualitative research shows that many planners have come to expect wellness options as a basic part of their meeting options -- whether they choose them or not.

Differentiation in the wellness market requires more significant investments into alternative spa treatments, exotic menus, and unexpected treatments. As an example, MGM StayWell rooms were created in combination with Deepak Chopra and the Mayo Clinic; they highlight over 20 amenities including Vitamin C infused showers, aromatherapy, and Dawn Simulation.

**Reference**

8. Travel Weekly “Marketing Wellness” October 2013  
   http://www.travelweekly.com/Travel-News/Hotel-News/Marketing-well-being/
According to the *New England Journal of Medicine*, the incidence of natural disasters worldwide has steadily increased, primarily since the 1970’s. Coupled with the current rise in social, political, and economic crises in the world (including the U.S.) a strong case can be made that disruption is the new normal.

Hurricanes, volcanoes, diseases such as Ebola, terrorists, unpredictable currencies, political fluctuations -- today’s environment poses risks greater than ever before. This would be an issue for many businesses, but is exacerbated by the interconnected and multi-faceted nature of meetings and incentive travel. This on-going geological-societal-economic disruption will lead to disruptive industry advancements as well.

Finding new and creative ways to mitigate these risks will be a key differentiator for incentive travel owners in the future, leading to new tools, processes and partnership dynamics.

At the supplier level, airlines are adjusting to the new rash of extreme weather through technological advancements such as planes that can land in “Zero Zero” conditions (zero ceiling and zero visibility) and global airspace shifts from volatile ground radar based air traffic management to the more stable satellite based air traffic management. Current IRF research has shown the growing strength of DMC partnerships as well. DMC’s function as key allies on the ground when weather or political disruption hits.

Likewise, the role of procurement is changing to deliver not only on cost/value metrics, but risk mitigation as well.

As the need for disaster planning extends beyond backed up servers and redundant data to broad-based understanding and experience in managing potential issues, the IRF expects to see outsourcing and partnerships take on new meaning.

References:
11. Look for the upcoming report from The IRF on the changing role of DMCs to be released in early 2015.
12. Look for the upcoming report from The IRF on “Creating Better Partnerships With Procurement” to be released in early 2015.
We don’t often have a chance to sit with the CEO’s of our respective companies or clients. But when we look for potential business drivers of incentive travel, we must stay focused on Senior Management’s concerns in the near future.

Short of reviewing a company’s annual reports, surveys of CEO’s serve as the best proxy for uncovering leading indicators of what may (or may not) drive their market investments. To that end, the Pricewaterhouse-Cooper’s CEO study in early 2014 noted that the mindset in the C-Suite has shifted from “recessionary” to a focus on “innovation and growth.”

Interestingly, the foremost investment focus for most CEO’s is not marketing or R&D – it’s talent. 81% of CEO’s said they were concentrated on talent, a position rivaled only by technology investments. In fact, 90% of the CEO’s said they were changing their strategies for attracting and retaining talent. Unlike technology however, 61% of CEO’s had not taken the first step to change their current approach. Unfortunately, only 34% feel that HR is prepared to help them.13

As incentives and recognition programs have a long-established history of augmenting the employee value proposition of an organization and providing employee retention benefits to sponsoring companies the executive focus on new talent strategies coupled with their open lack of faith in current HR partnerships will be a strong opportunity for incentives and recognition program providers to provide value at the highest organizational level.

Changing Demographics

The impetus of this focus will not be short lived either. Since the dawn of industrialization, the U.S. population pyramid had been decidedly triangular, with each generation outstripping the previous generation in size.

Compare Figures 7 and 8 shown on the next page. In Figure 7, the triangular shape of yesteryear has given way to the hourglass shape shown in Figure 8 -- the Baby Boomer population of 74M now far surpasses the dwarfed Generation X of 44M and is on par with the Millennials that are 83M 14 strong.

Talent Investments Becoming The Focus

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A Different Way Of Thinking

As many outlets attest, Millennials think much differently about work and consumerism than do preceding generations. For example, most Millennials will gladly give up pay for a flexible work schedule.\(^\text{15}\)

It’s a significance already seen. Millennials, who generationally control the largest percentage of discretionary spend (21%)\(^\text{16}\) are the impetus behind commercials where daddies do the laundry and women bail hay and sip whisky.

Next Eligible Working Population Smaller

Apart of the strength of Millennials, CEO’s are also now confronted for the first time with a smaller generation coming behind retiring senior leaders.

On the sheer size difference alone between Generation X and Baby Boomers, the working population is set to shrink by 30%. Leaders must now not only attract and retain high performing Gen X’ers, they must also entice Baby Boomers to stay longer and “train up” Millennials to fill the gaps.

The growing number of highly skilled jobs in the U.S. economy only exacerbates these issues. This issue can already be seen in the labor data.

In August of 2014, 4.4M individuals separated from their jobs, and 4.6M individuals switched jobs – all at a time when 4.8M jobs went unfilled.\(^\text{17}\)

Given the need to attract and retain top performers AND the underlying need to “train up” a generation of Millennials, Executives are looking to proven tools such as Incentive Travel programs for transferring best practices from top employees to the up-and-coming.

For the first time in modern business history, organizations are faced with the issue of not only attempting to retain 100% of top performing baby boomers and Gen X’ers for as long as possible, they must also train high potential Millennials faster than ever before.
Incentive and Recognition programs have, likewise, a long history of providing one of the only systems available in modern business that allows organizations to:

- Quickly identify who the top performing individuals are;
- Catalog the behaviors that have made them successful;
- Reward and recognize them so that they stay longer;
- Communicate and reward the cataloged behaviors that lead to success.

For example, at one staffing organization’s annual incentive trip, top performers were asked to identify the one key personal attribute that had made each of them successful. These attributes were then displayed at the meeting, discussed broadly, and later compiled to determine the most common attributes. The top five attributes and values that made sales people successful were then made into mementos and sent throughout the year to both top performers and high potentials alike.

Reference

Answering the “engaged in what?” question, non-cash reward and recognition programs have:

- Helped create brand advocates resulting in a 35% increase in customer service; 19
- Helped diminish the valley of despair to increase change adoption and a 63% increase in productivity; 20
- Created better and more profitable ideas. 21

Top performing organizations already understand these aspects. According to research by Aberdeen, top-performing companies in 2013 (i.e. those with the highest customer retention and year-over-year growth rates) were slightly more likely (12% respectively) to give lip service to reward and recognition, saying recognition and verbal praise were vital.

They were also significantly more likely than all others to actually make investments in reward and recognition and were:

- 90% more likely to invest in public recognition for top performers; and
- 95% more likely to offer peer-to-peer recognition schemes.
- Significantly more likely to use Incentive Travel. In fact, 100% of top-performing companies used incentive travel to motivate sales teams. 22

As organizations continue to attract and retain top performers, agile non-cash programs like incentive travel will be key strategic tools. In fact, research shows that 100% of top performing organizations use incentive travel.22

Reference
18. “Engaged in What: Creating Connections to Performance with Rewards, Recognition, and Roles.” Theresa Welbourne PhD, and Steven Schlachter PhD
22. Aberdeen Group “Non Cash Incentives: Best Practices to Optimize Sales Success.”

2. See [www.theIRF.org](http://www.theIRF.org) for the Fall 2014 Pulse Survey.

3. See [www.theIRF.org](http://www.theIRF.org) for the Fall 2014 Pulse Survey.

4. See [www.theIRF.org](http://www.theIRF.org) for the Fall 2014 Pulse Survey.

5. See “The Experience Economy” by Joseph B. Pine and James H. Gilmore.


7. See [www.theIRF.org](http://www.theIRF.org) for “Technology in Offsite Business Meetings and Incentive Events.”


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18. “Engaged in What: Creating Connections to Performance with Rewards, Recognition, and Roles.” Theresa Welbourne PhD, and Steven Schlachter PhD


22. Aberdeen Group “Non Cash Incentives: Best Practices to Optimize Sales Success.”