

# Industry Outlook for 2021

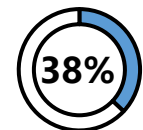
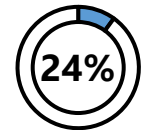
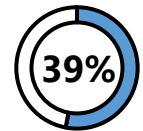
## Merchandise and Gift Cards

December 2020



The Incentive Research Foundation (IRF) sponsors regular trends surveys covering topics of current interest to those in the incentive industry. incentive providers, suppliers to the industry, and corporate incentive merchandise and travel buyers.

This report summarizes findings from data collected in November 2020



**Industry professionals invited to participate in survey by numerous groups and incentive communities including, but not limited to:**

- IRF List
- IESP/IMA List
- Maui Jim

**322 participated**

**Corporate (e.g., Buyer, Planner, Sales, HR)**

**Supplier (e.g. Hotel, Airline, DMC, Merch)**

**Third Party (e.g., Incentive Company, Travel Agency, Consultant)**

# Methodology Considerations

## Audience

As with previous studies, the current IRF Outlook survey was distributed to several industry databases, including those of the IRF, the IMA, and Maui Jim.. Results predominantly represent the outlook of industry professionals for the U.S. market

## Weighting

No weighting is done on the data to control for variances in response counts across the three stakeholder groups – Corporate, Supplier, and Third-Party. Totals reported are simple totals across all survey respondents.

It is important to note when trending that there was a slightly smaller percentage of corporate clients this year (39% vs. 45%) and a slightly larger percentage of suppliers (62% vs. 54%) compared to 2019. However, these shifts are generally not large enough to significantly impact conclusions about trending.

# Sectors Represented (Client Side)

<b>Sector</b>	<b>Percent</b>
Services	21%
Banking/Financial/Insurance	18%
IT/Technology	16%
Manufacturing/Industrial	11%
Pharmaceutical	7%
Retail/Wholesale trade	7%
Automotive	6%
Other	15%

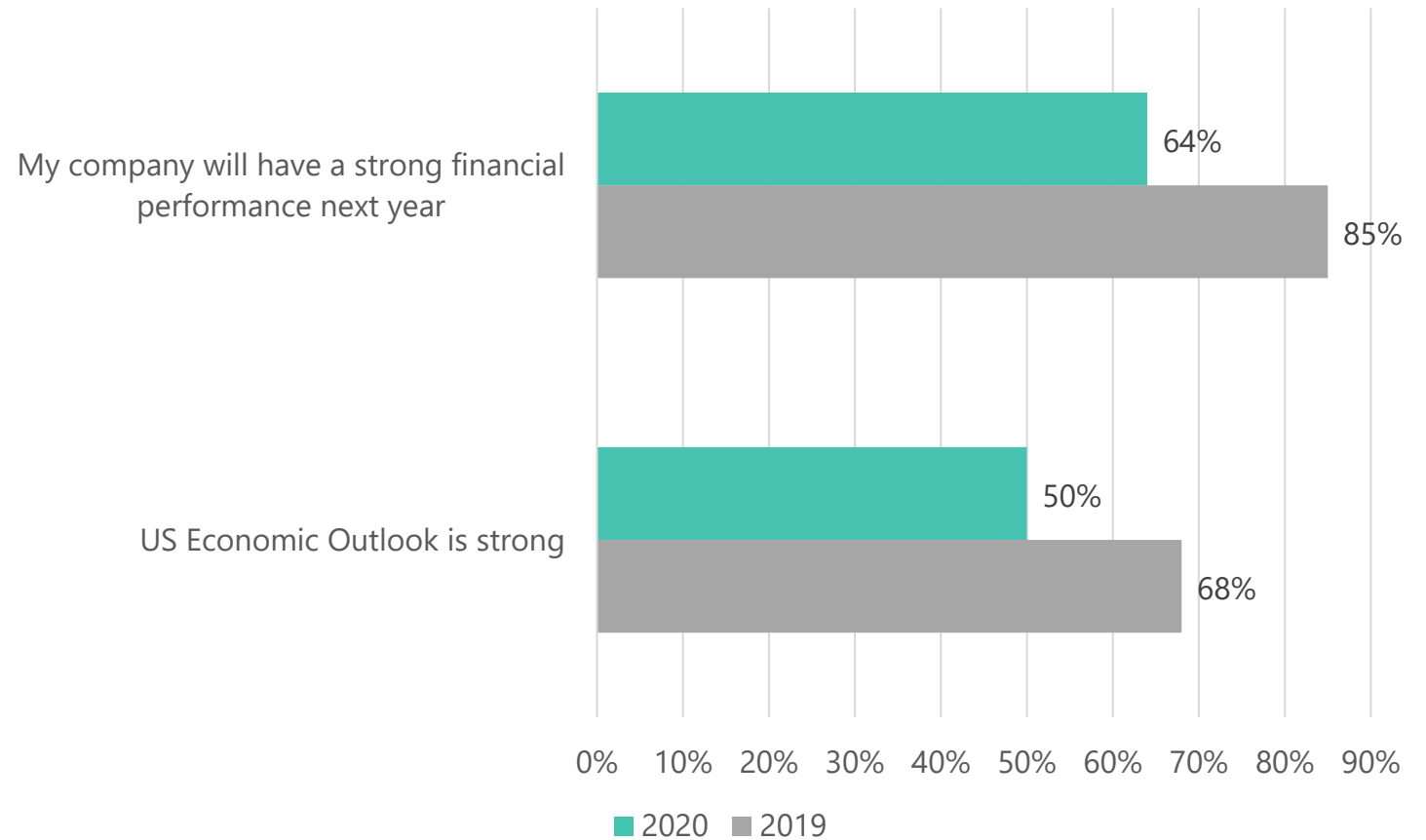
# Sectors Serviced (Supplier Side)

<b>Sector</b>	<b>Percent</b>
Services	37%
Banking/Financial/Insurance	32%
IT/Technology	32%
Manufacturing/Industrial	32%
Pharmaceutical	26%
Retail/Wholesale trade	26%
Automotive	26%
Other	13%

# General Program Outlook

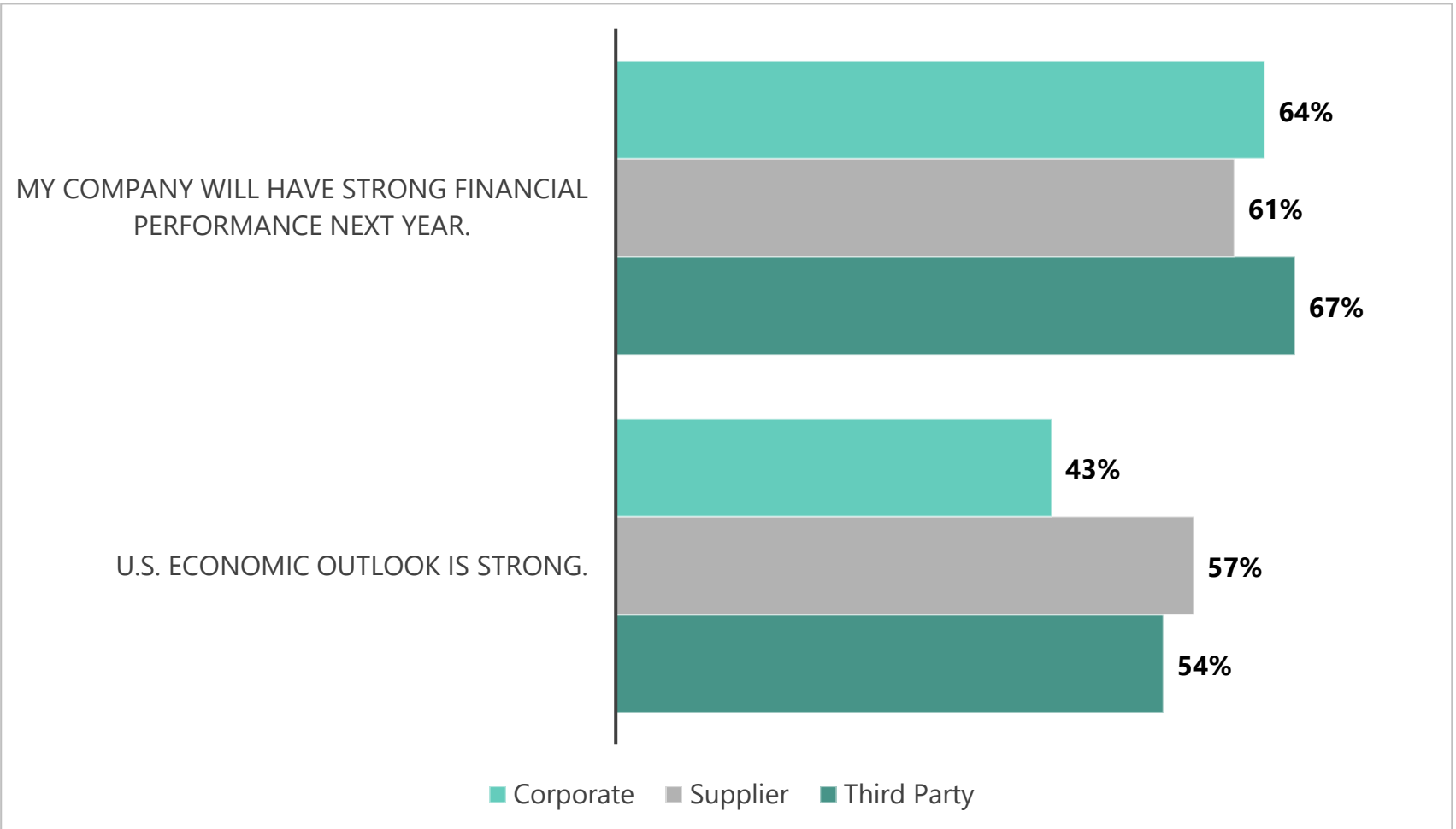
# Overall Financial Outlook 2019 vs. 2020

Not surprisingly, the overall economic outlook, as well as predictions for one's own company performance are significantly lower than 2019.



# Overall Economic Outlook by Type of Respondent

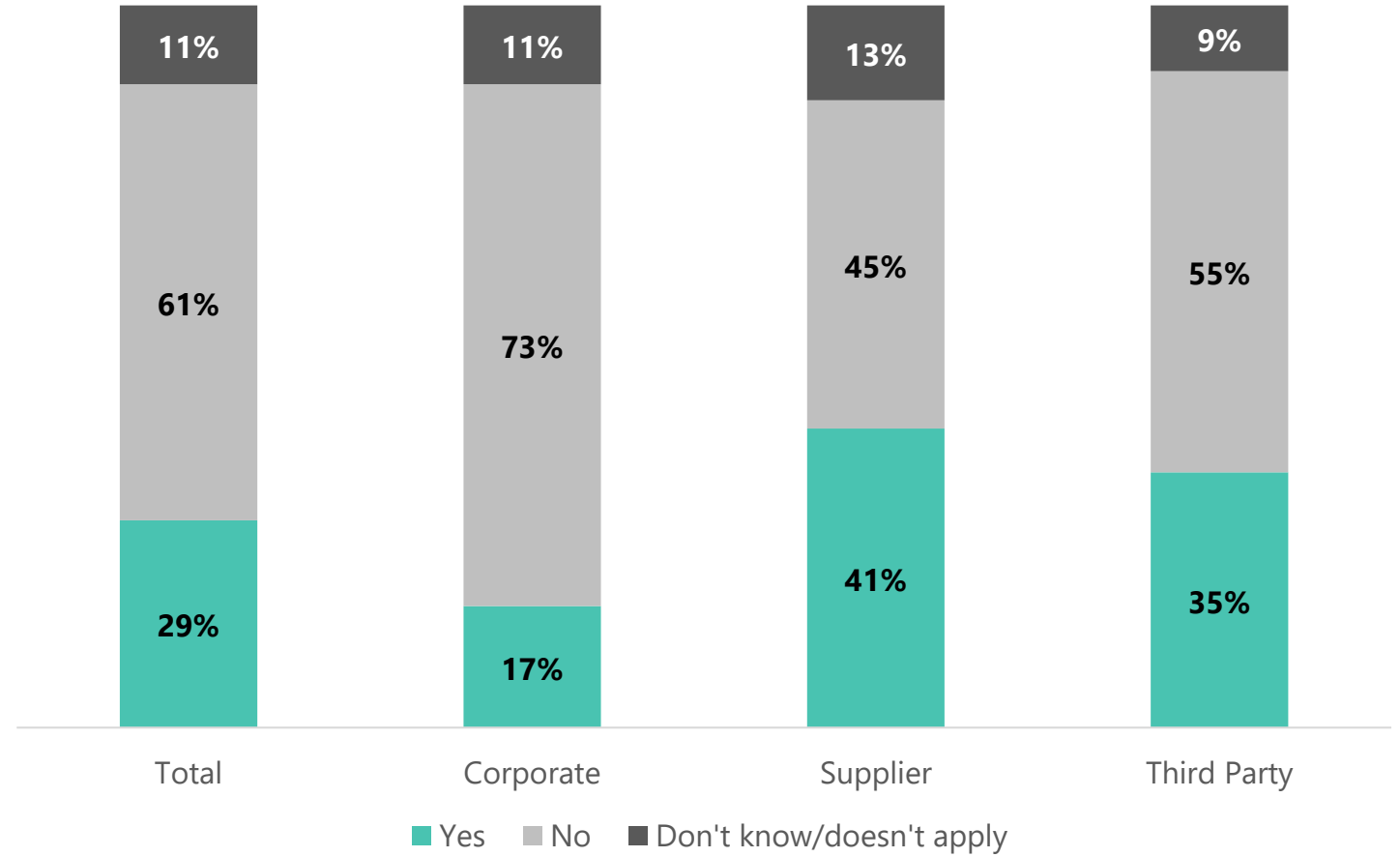
While clients and suppliers are equally likely to believe their companies will have a good year next year, only 43% of clients say the US economic outlook is strong compared to higher percentages of suppliers.





# Cancelled a Program Past 12 Mos.

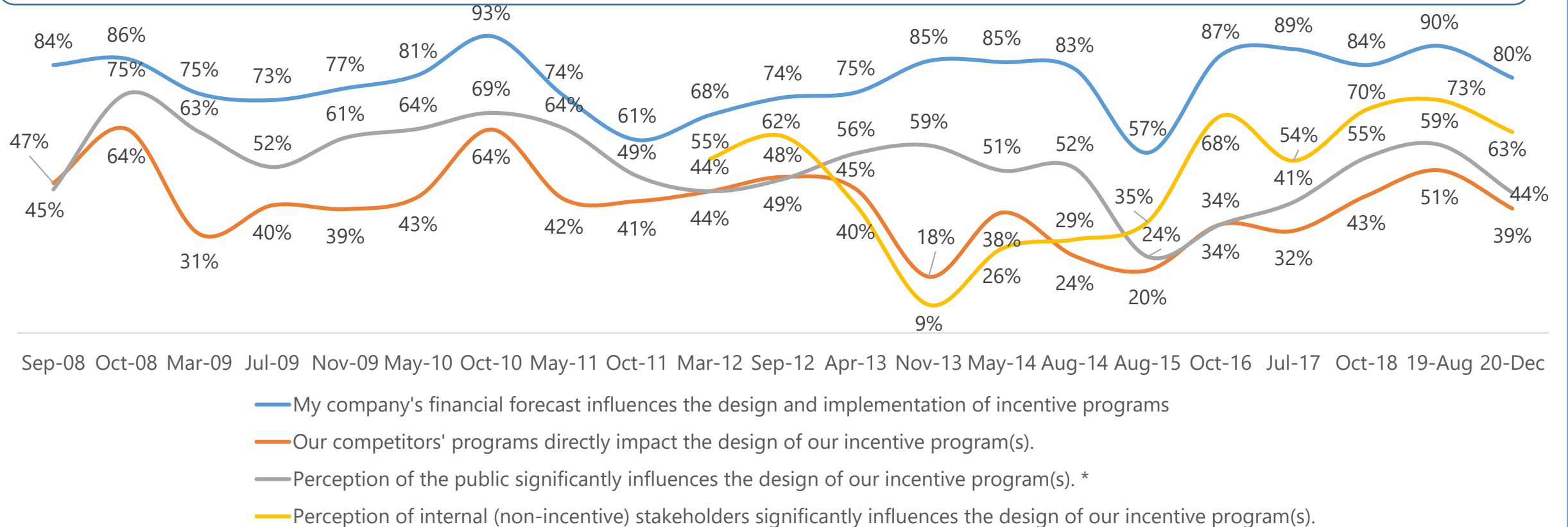
The data for this question are quite curious. Program cancellations already began to increase from 2018 to 2019, rising from 18% to 28%. The percentage of cancellations (29%) in 2020 is not statistically different from the previous year. Only the percentage of suppliers who cancelled a program increased notably from 34% to 41% and even that increase is not statistically significant due to sample size. Corporate cancellations were nearly identical to 2019 (17% vs. 18%) as were third party program cancellations (38% vs. 35%).



# **Non-cash Reward & Recognition: Merchandise/Gift Cards**

# Considerations for Non-Cash Program Design

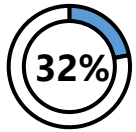
Internal factors, such as financial forecast and opinions held by indirect stakeholders, are much stronger considerations for program managers than external factors, such as public perception and competitive activity, although all of the indicators are trending down in importance from last year.



Please indicate the level of your agreement or disagreement with the following statements as they relate to your most recent incentive program.

Base: Corporate respondents

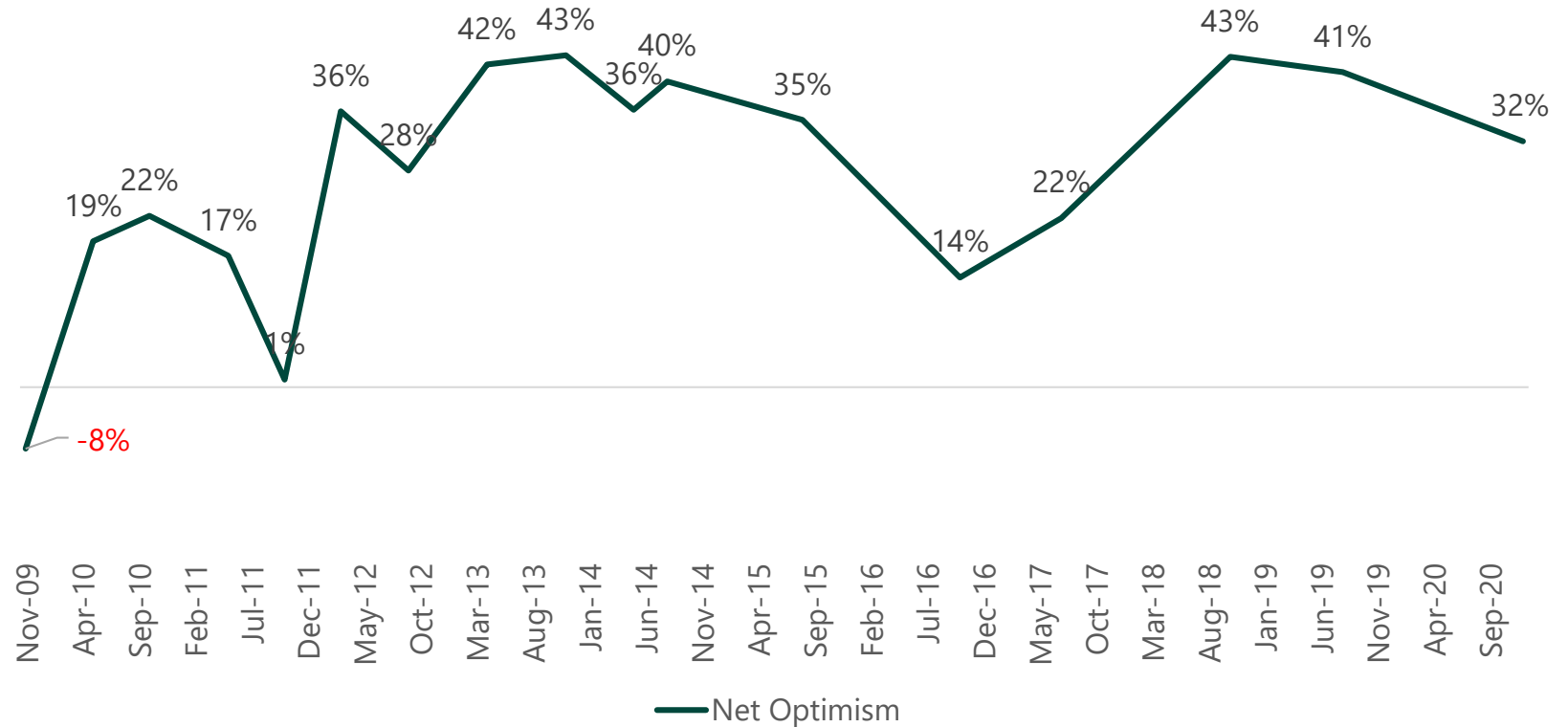
# Net Optimism – Impact of Economy on Programs



**Fall 2019 Optimism Index**

**-9 Percentage Points from Summer 2019**

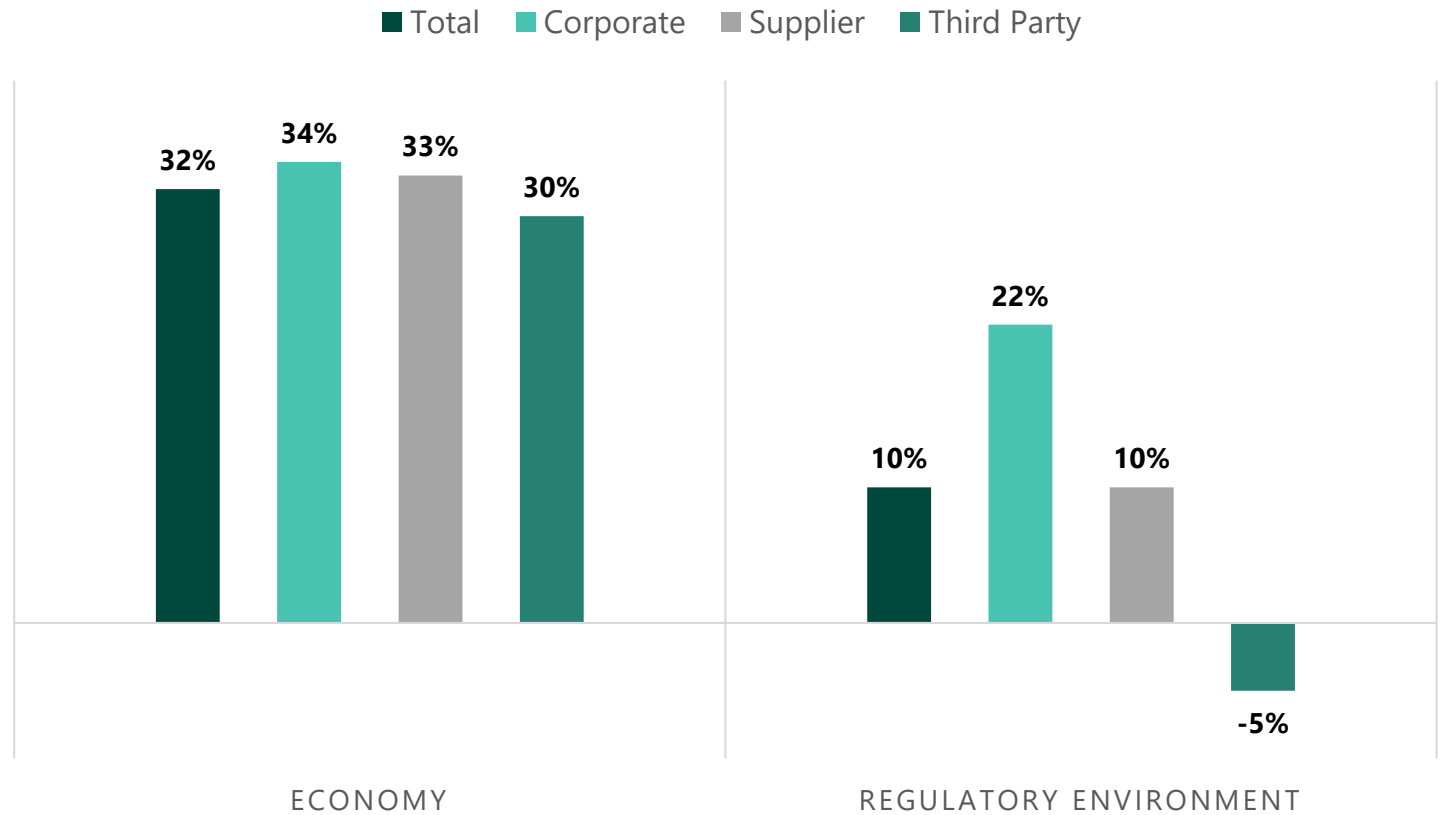
While optimism about the economy has declined since last year, it is still reasonably positive, given the circumstances of the pandemic.



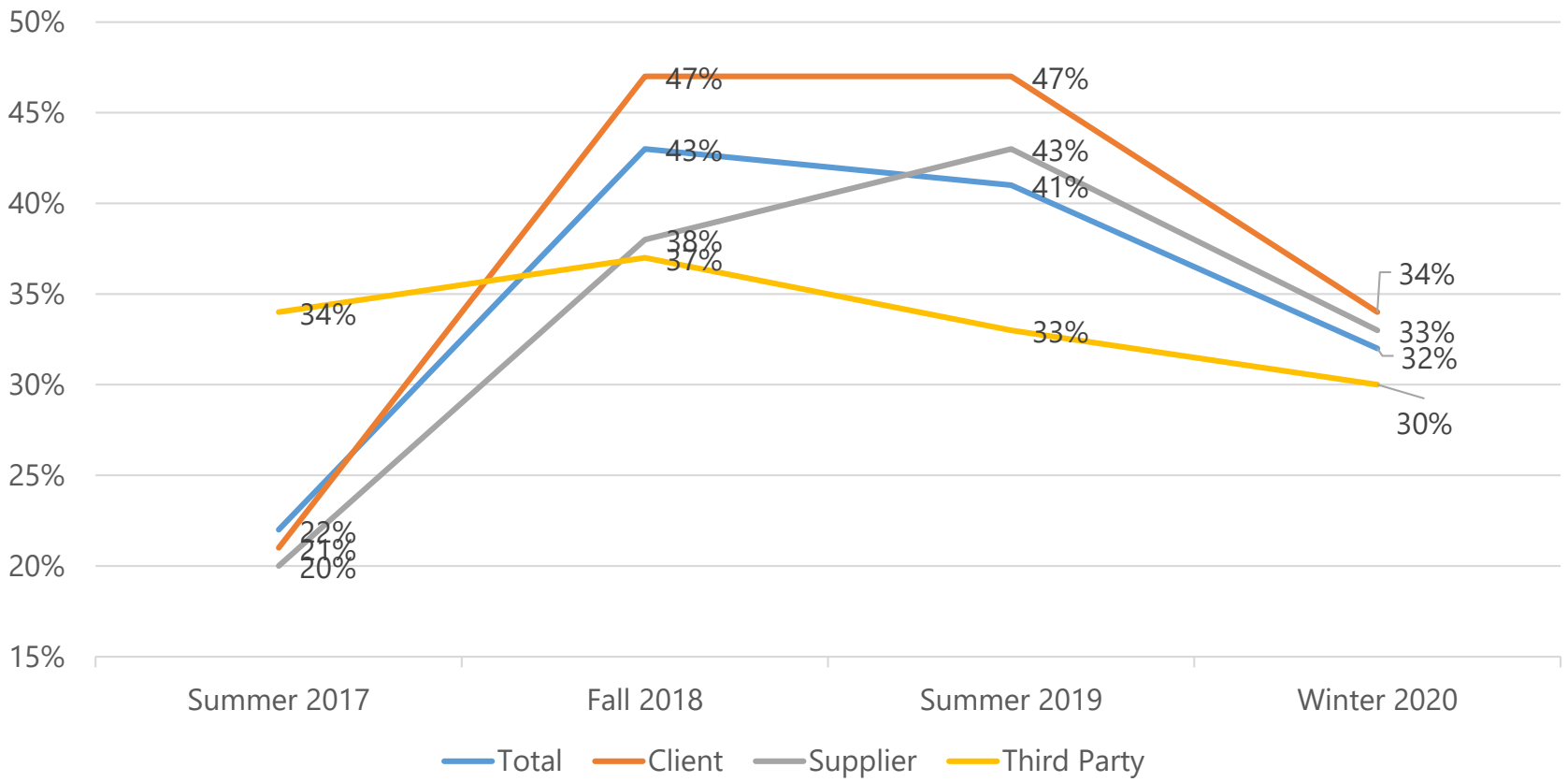
# Net Optimism by Audience

While overall optimism about the economy was down 9 points from last year, there was consistency between clients and suppliers regarding their sentiments toward the economy.

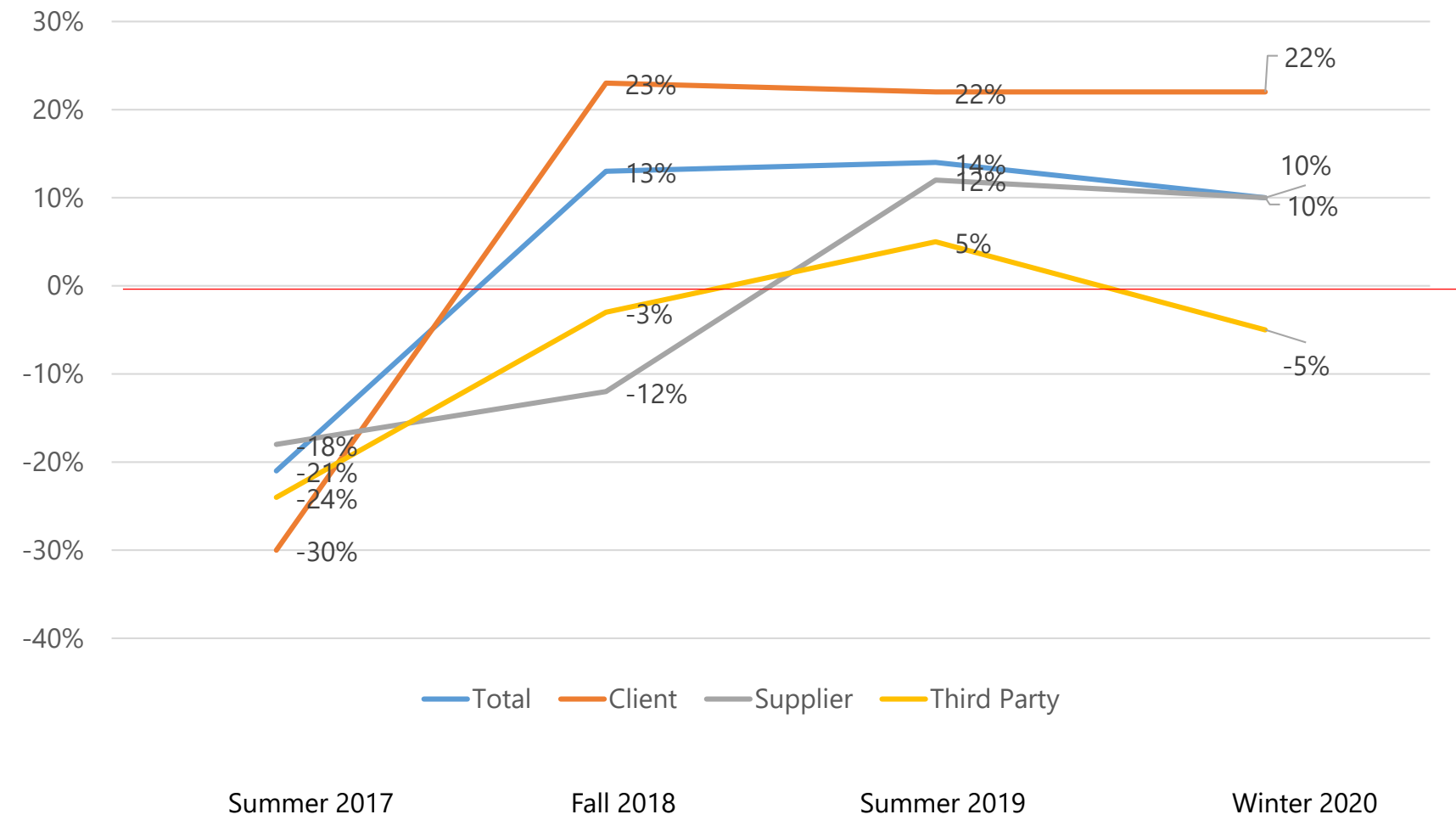
Overall, net optimism toward the regulatory environment was only slightly down from 2019 (10% vs. 14%), there was quite a bit of variance in net optimism ranging from +22% among clients to -5% among third parties.



# Net Optimism Regarding the Economy Compared to Prior Years by Audience



# Net Optimism Regarding the Regulatory Environment Compared to Prior Years by Audience

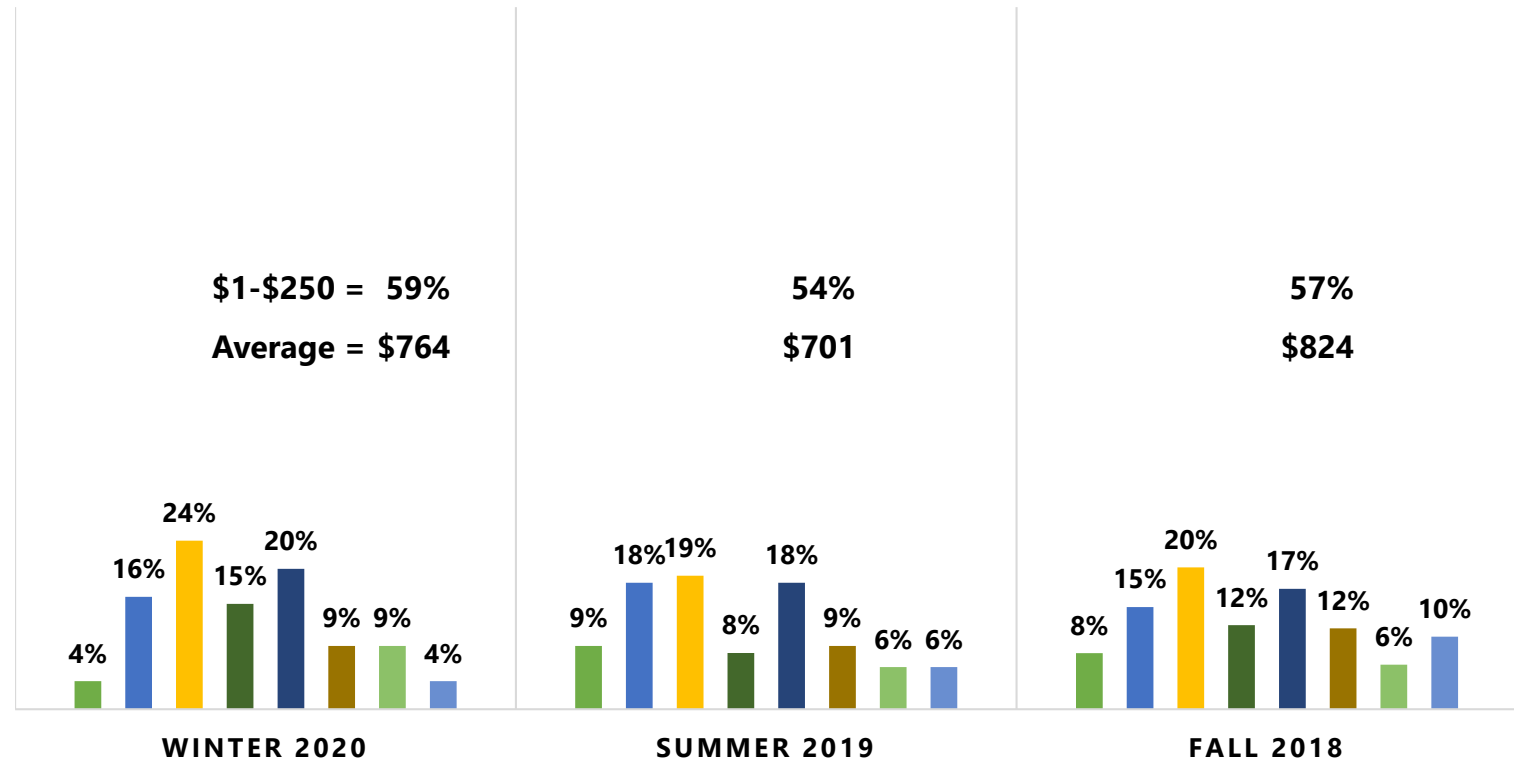


# Average Per-Person Spend – Non-cash Reward & Recognition Programs

■ \$1-\$50 ■ \$51-\$100 ■ \$101-\$200 ■ \$201-250 ■ \$251-\$500 ■ \$501-\$1,000 ■ \$1,001-\$5,000 ■ Over \$5,000

The average per-person spend for Winter 2020 is reasonably consistent with previous surveys, as spending changes are within the margin of sampling differences.

While the proportion of those spending \$1-\$250 per participant remains close to 60%, this segment has not changed significantly from the previous two years (54% in 2019, 57% in 2018).

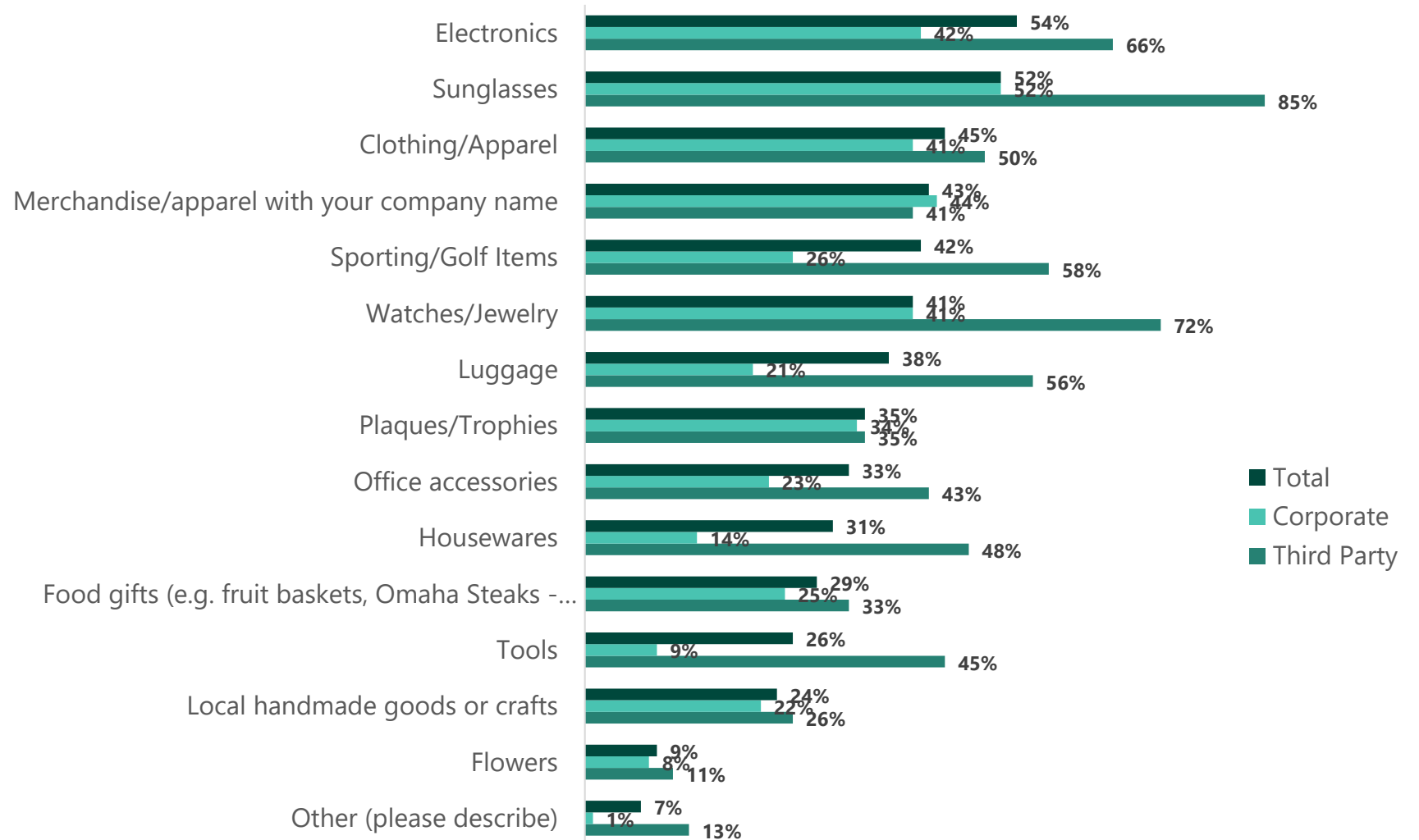




# Merchandise Prevalence by Audience

Electronics and merchandise with the company brand are the most common rewards with corporate respondents, while sunglasses and watches/jewelry are the most popular among third-party providers.

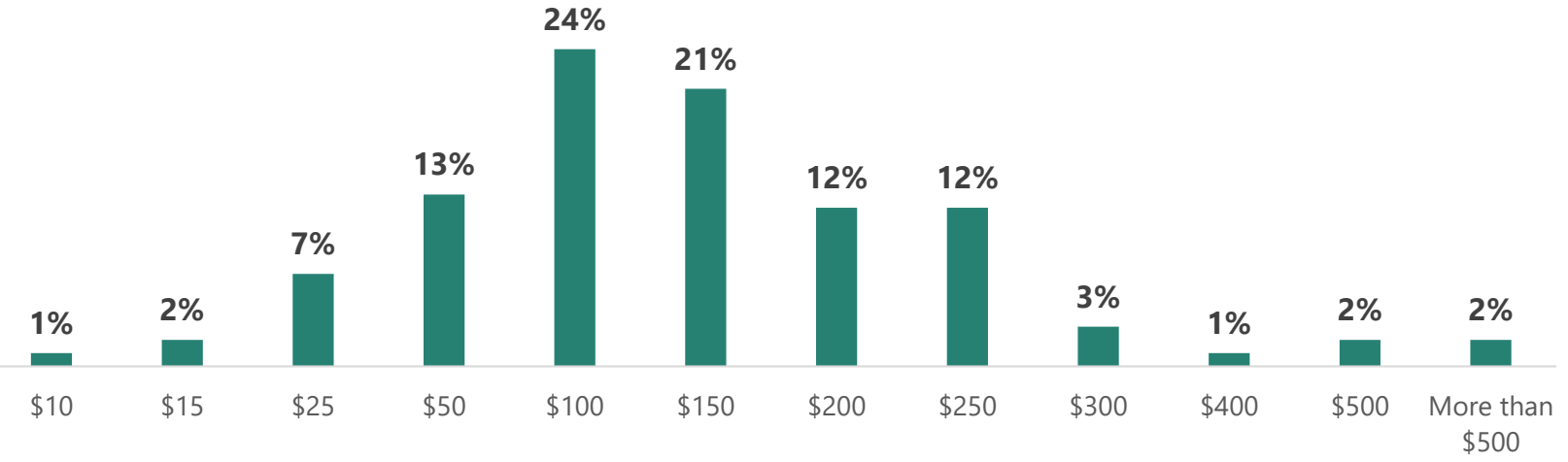
Food gifts continue to decline in prevalence. In 2018, 52% utilized food gifts, 38% in 2019, and 29% in 2020.



# Average Value of Merchandise Reward

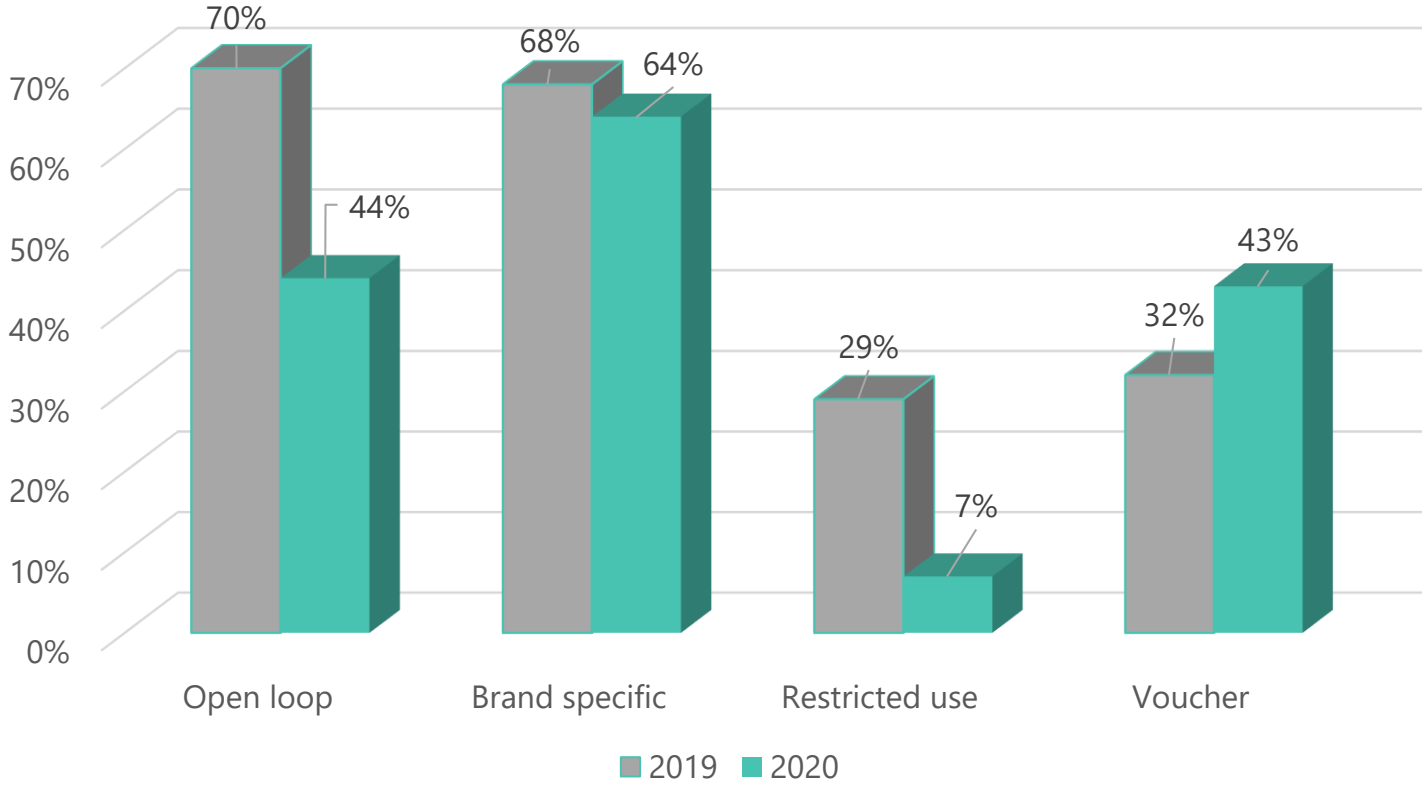
The average value of a merchandise reward is \$160. The last three waves of the study have provided the exact same average amount.

**\$1-\$100 = 47%**  
**Average = \$160**



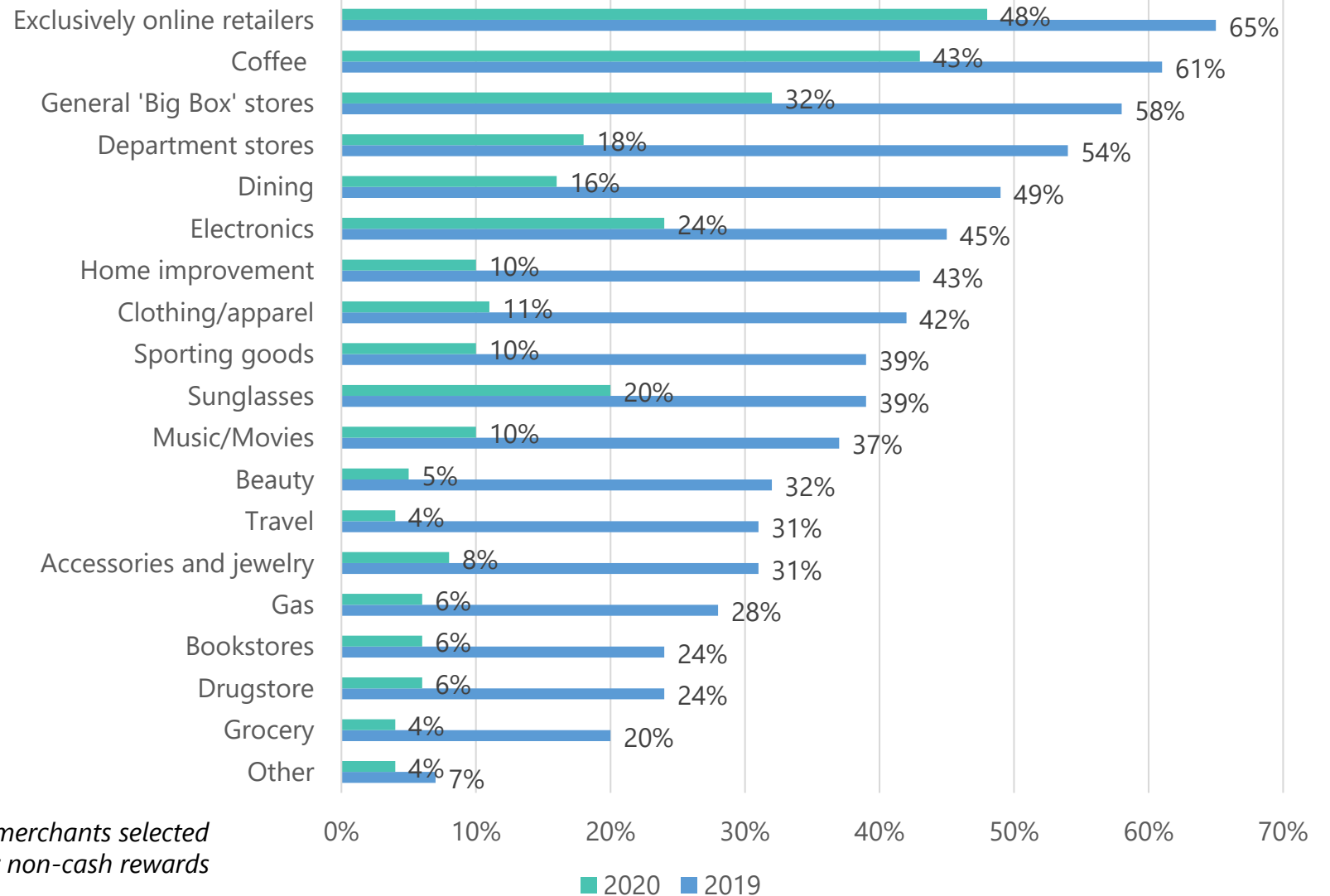
# Usage by Gift Card Type

- The data show large declines within the sample regarding the use of open loop and restricted use cards in 2020. The use of brand specific cards held steady from last year, while vouchers continued to grow in usage.



# Brand-Specific Merchant Types

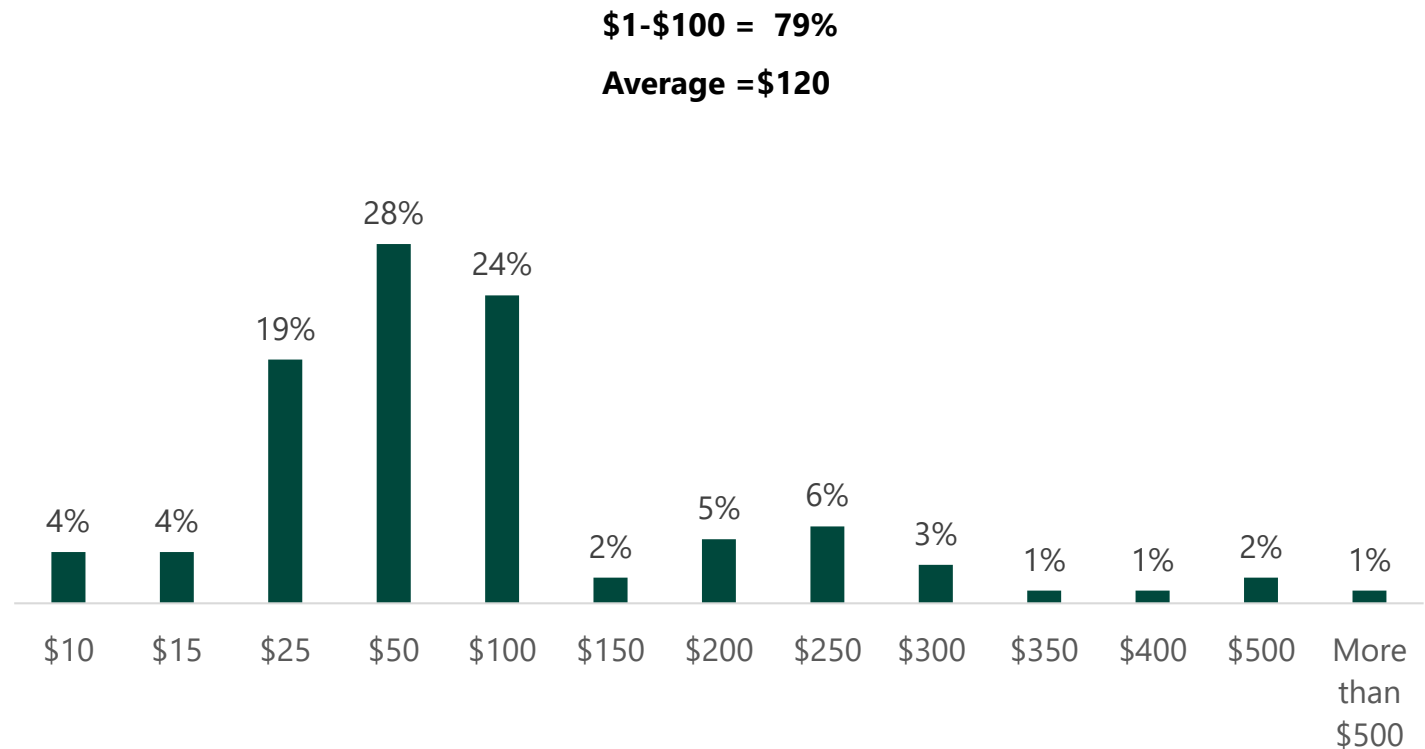
- The data show a decline in brand specific merchants across the board. This may suggest that, rather than using a wide variety of brand-specific cards, there is less variation in 2020 in the gift cards that are utilized.
- The most commonly used gift cards remain online retailers (e.g., Amazon) and coffee gift cards (e.g., Starbucks.)



Which of the options below best describes the types of merchants selected when your company buys **BRANDED** gift cards for your non-cash rewards programs?

# Average Gift Card Denomination

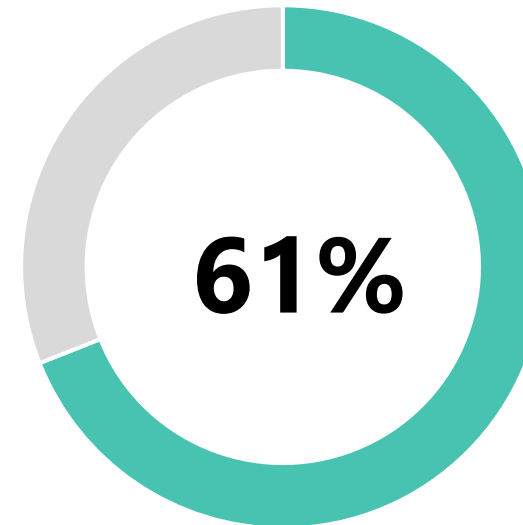
- The most common denominations for gift card rewards remain \$25, \$50, and \$100. 79% use gift cards of \$100 or less, which is up from last year, (67%) but identical to 2018.
- While the media gift card denomination is \$50, the average gift card spend is \$120, nearly identical to last year's average of \$129.



# Local Retail Sourcing for Gift Cards

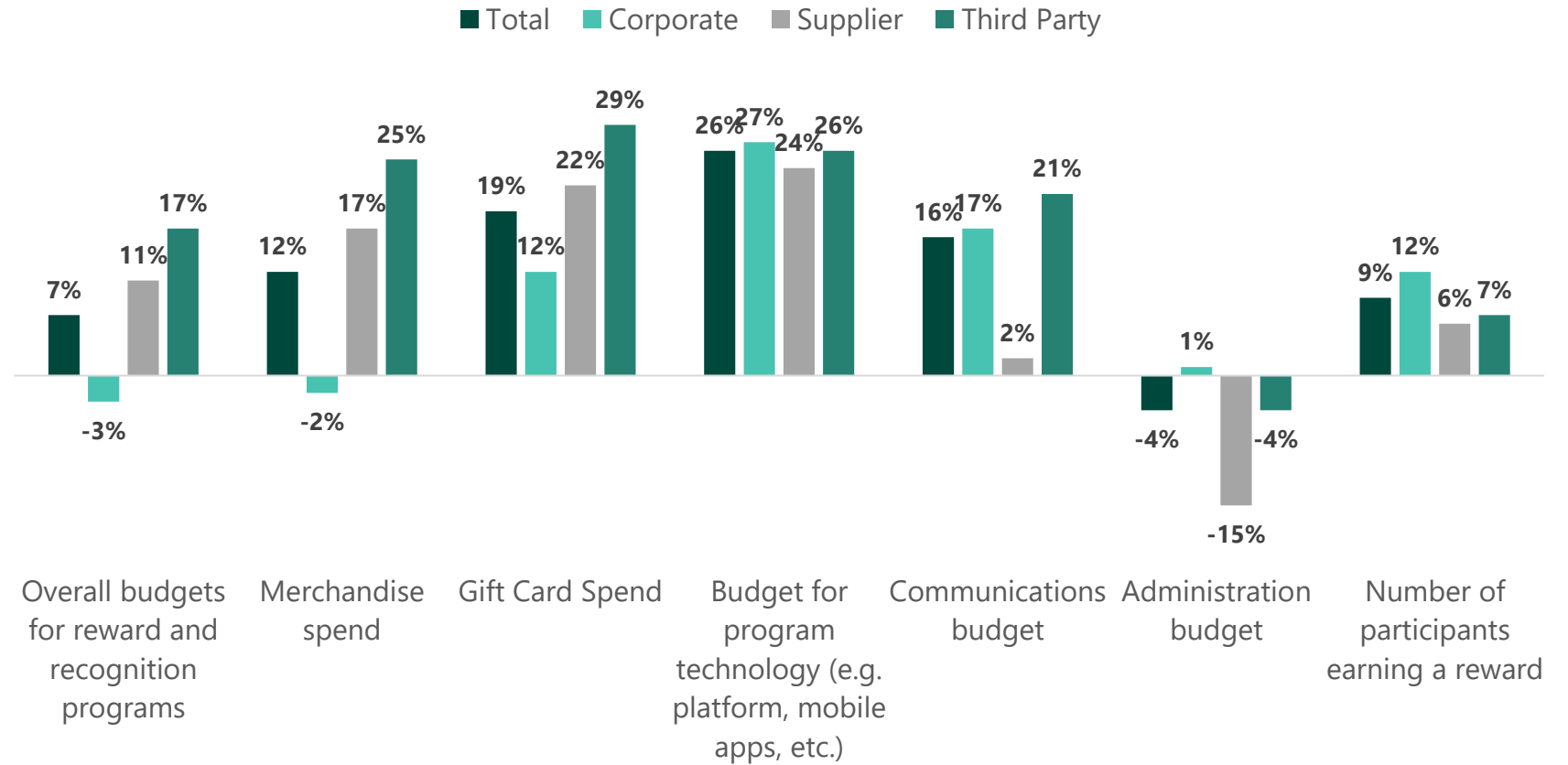
Corporate respondents were asked if people in their organization are visiting local retailers to purchase gift cards for use as employee reward and recognition. Sixty-one percent (61%) indicate this is occurring in their organizations. This percentage is within the margin of sampling compared to the previous two years' estimates which were both 69%.

## Purchasing at Retail



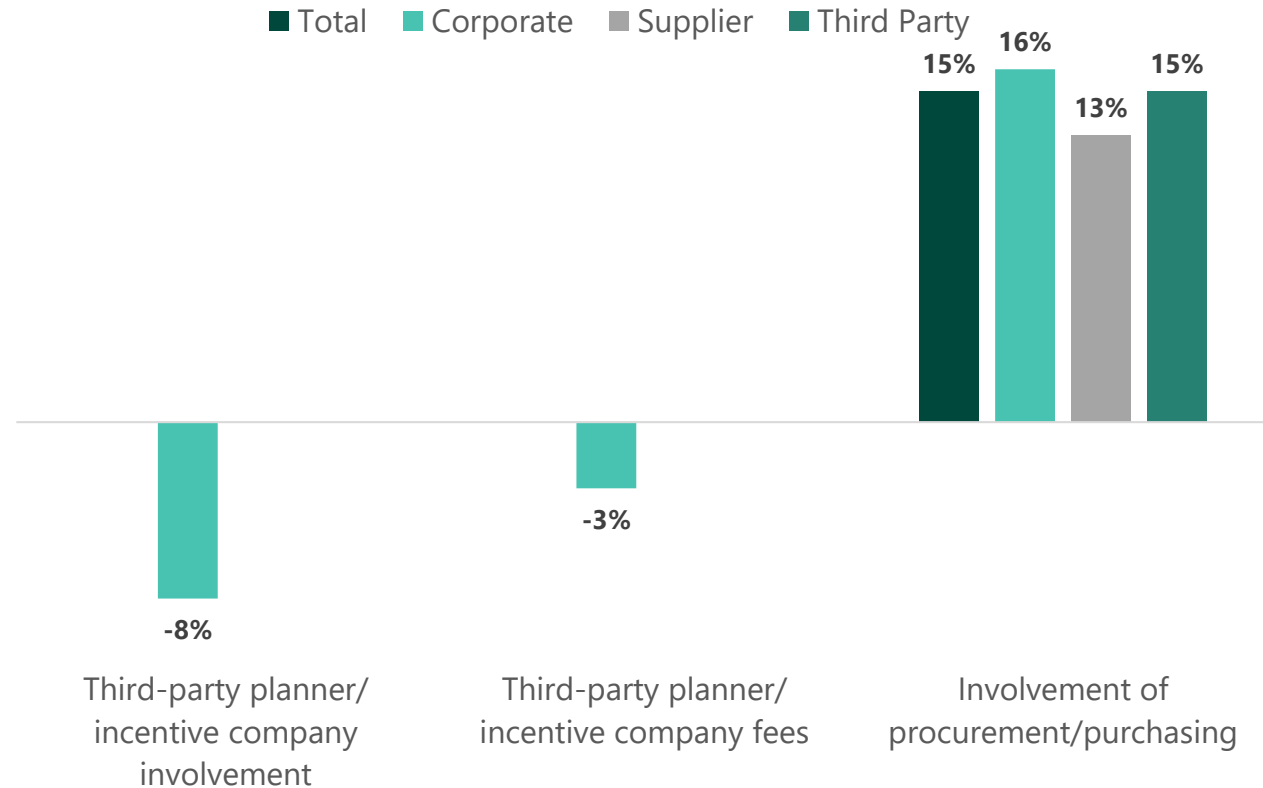
# Outlook for Rewards Budgets – Net Change

In 2019, 2020, budgets were expected to increase significantly across the board. Looking forward to 2021, budgets in most areas are expected to show much more modest increases, and in a few instances, show small net contractions, especially in the administration budgets.



# Outlook for Rewards Partners – Net Change

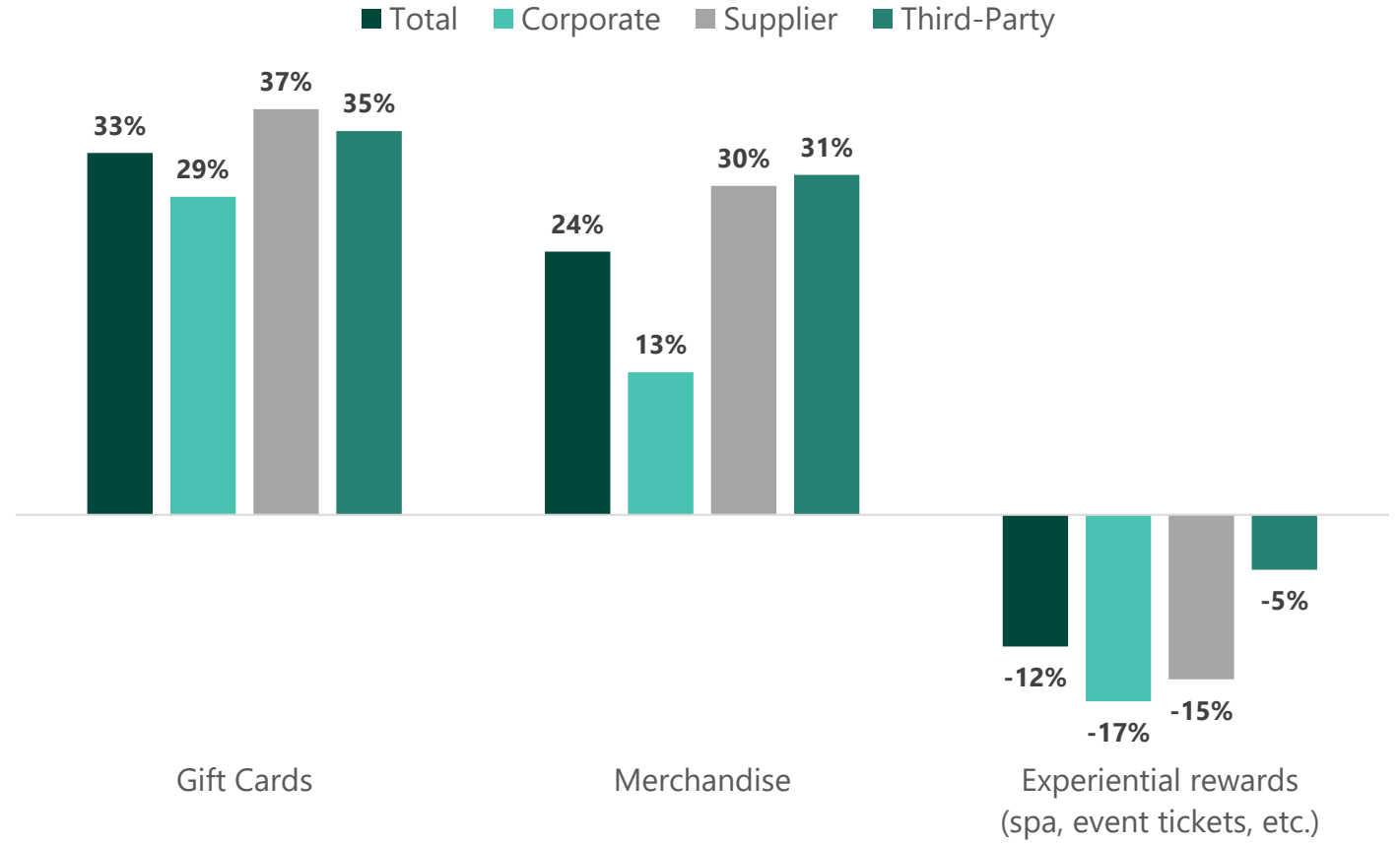
Involvement by third parties is expected to contract in 2021. Budgets for third-party companies are expected to be less than 2020. While there is still expected to be growing involvement by procurement/purchasing departments, the growth trajectory is expected to be less steep than in the past.





# Net Change in the Use of Rewards by Audience

While the use of gift cards and merchandise is expected to increase, experiential rewards are expected to decline significantly in use.



# Use of Partners (Direct Working Relationship)

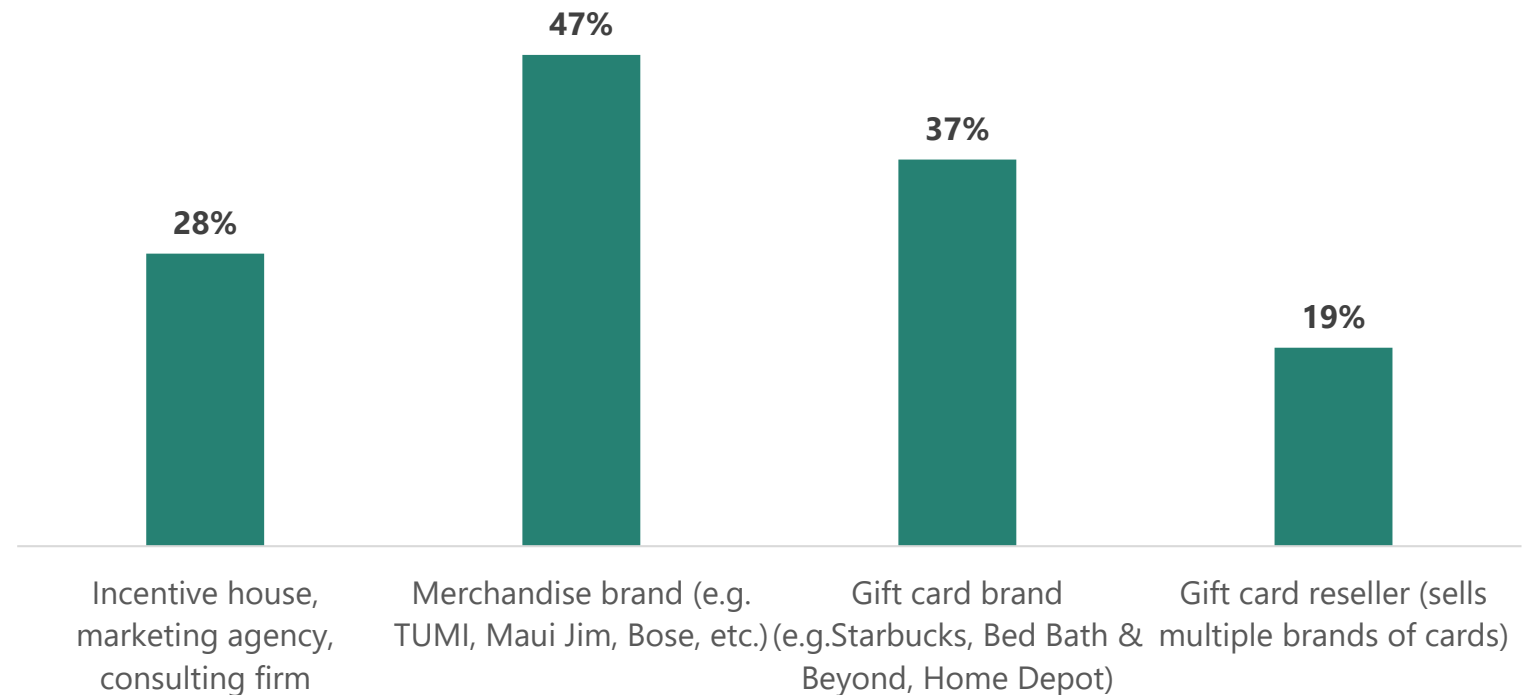
While there was a decline from 2019 in the percentages of direct working partnerships across the board, the use of direct partnerships was usually equal to, if not slightly higher than 2018. For example, 47% worked directly with merchandise brands in 2020, compared to 42% in 2018.

Other comparisons to 2018:

Direct relationships with incentive houses;  
28% vs. 23% in 2018

Direct relationships with gift card brands;  
37% in 2020 vs. 37% in 2018.

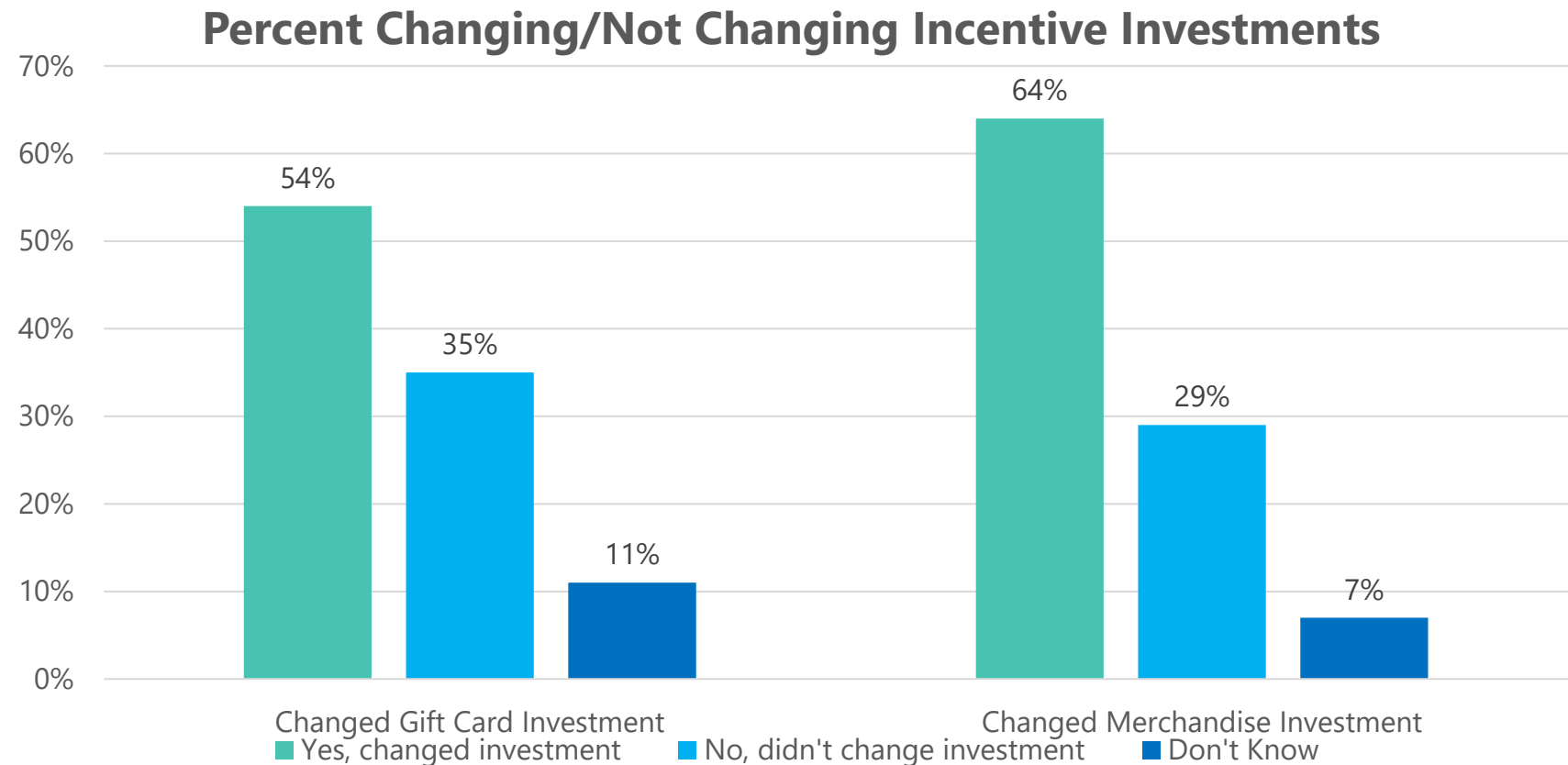
Gift card resellers; 19% in 2020 vs. 24% in 2018.



# Changes Since the Pandemic

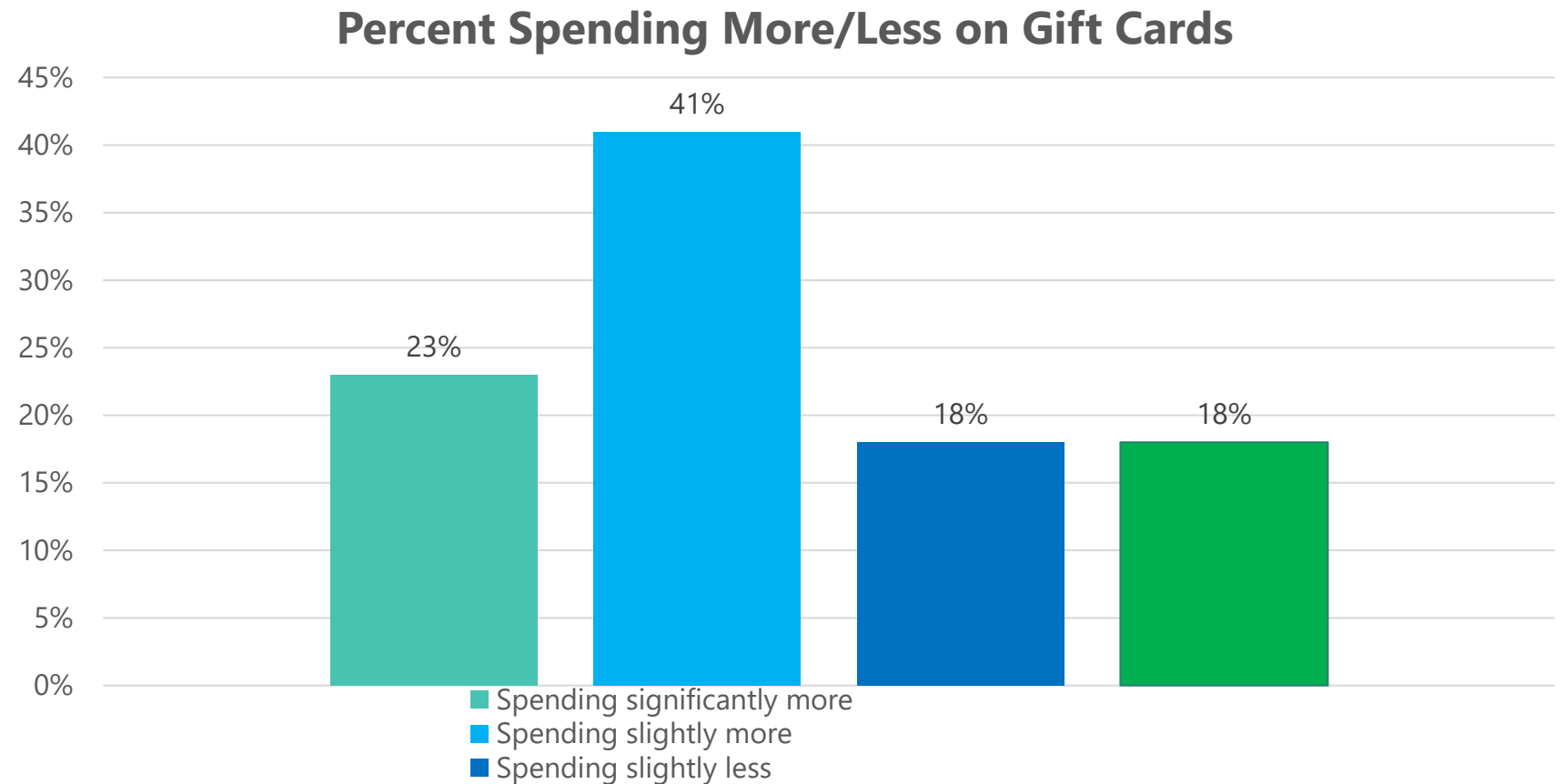
# The Pandemic Has Impacted the Investment in both Gift Cards and Merchandise

Nearly two-thirds (64%) changed their investment in merchandise since the pandemic, while more than half (54%) changed their investment in gift cards.



# Spending on Gift Cards Has Increased Overall During the Pandemic

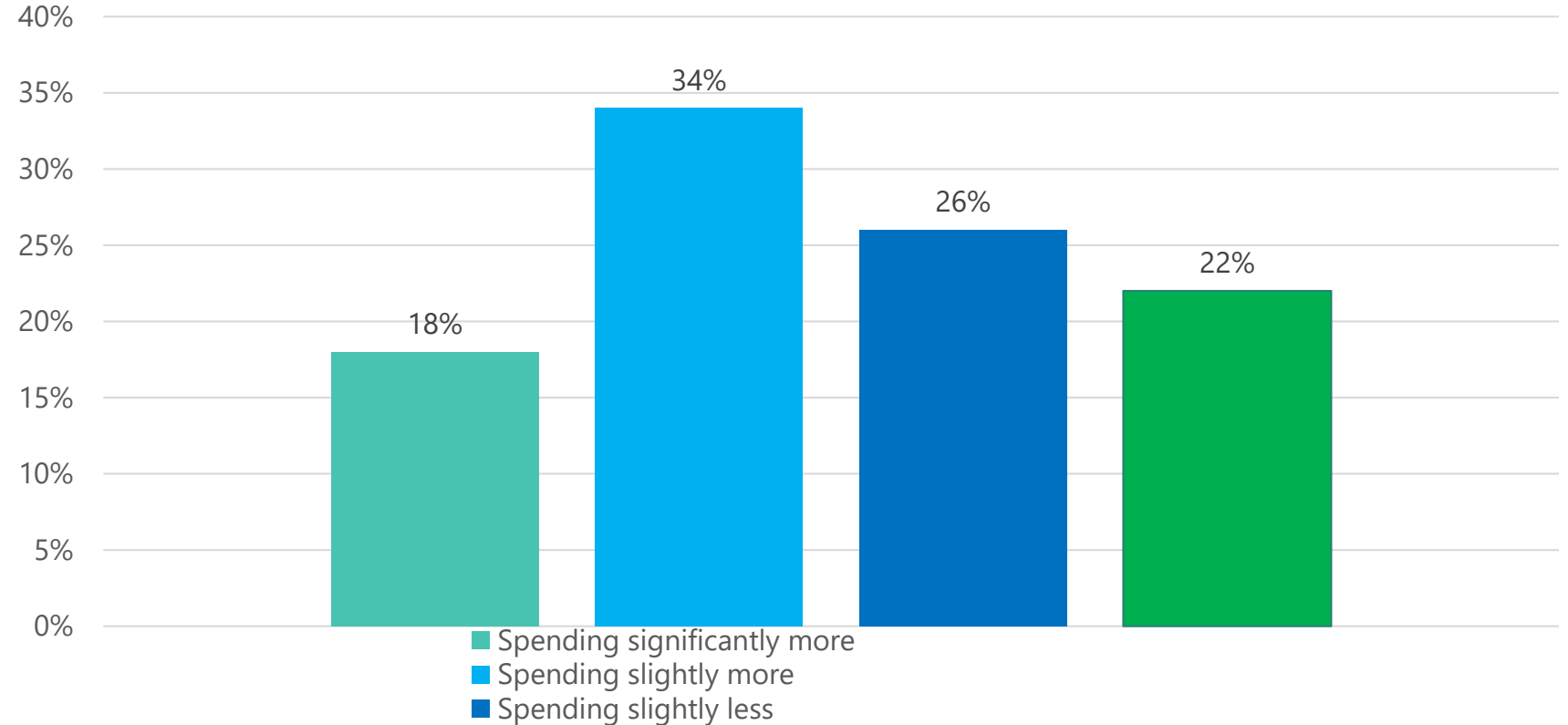
- Among the 54% who changed their investment in gift cards during the pandemic, 64% increased their spend, while 36% spent less.
- Within the overall population, this means 35% increased their gift card spend overall, 19% spent less, with the rest spending about the same on gift cards.



# While Merchandise Spending Changed For 2/3 During the Pandemic, Increases in Spending were Largely Offset by Decreases

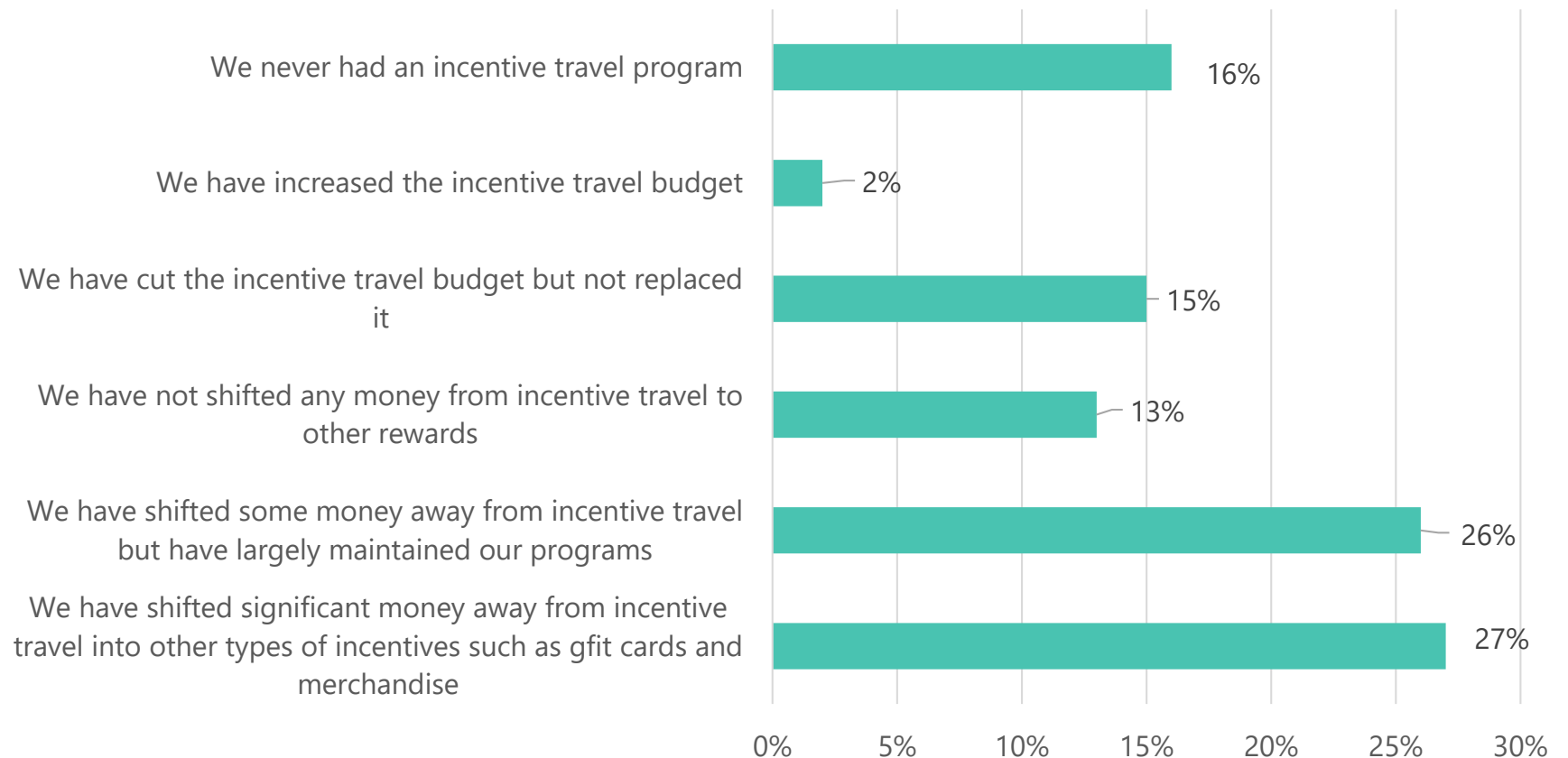
- Among the 64% who changed their investment in merchandise during the pandemic, 52% increased their spend, while 48% spent less.
- Within the overall population, this means 33% increased their merchandise spend overall, 31% spent less, with the rest spending about the same on merchandise.

### Percent Spending More/Less on Merchandise



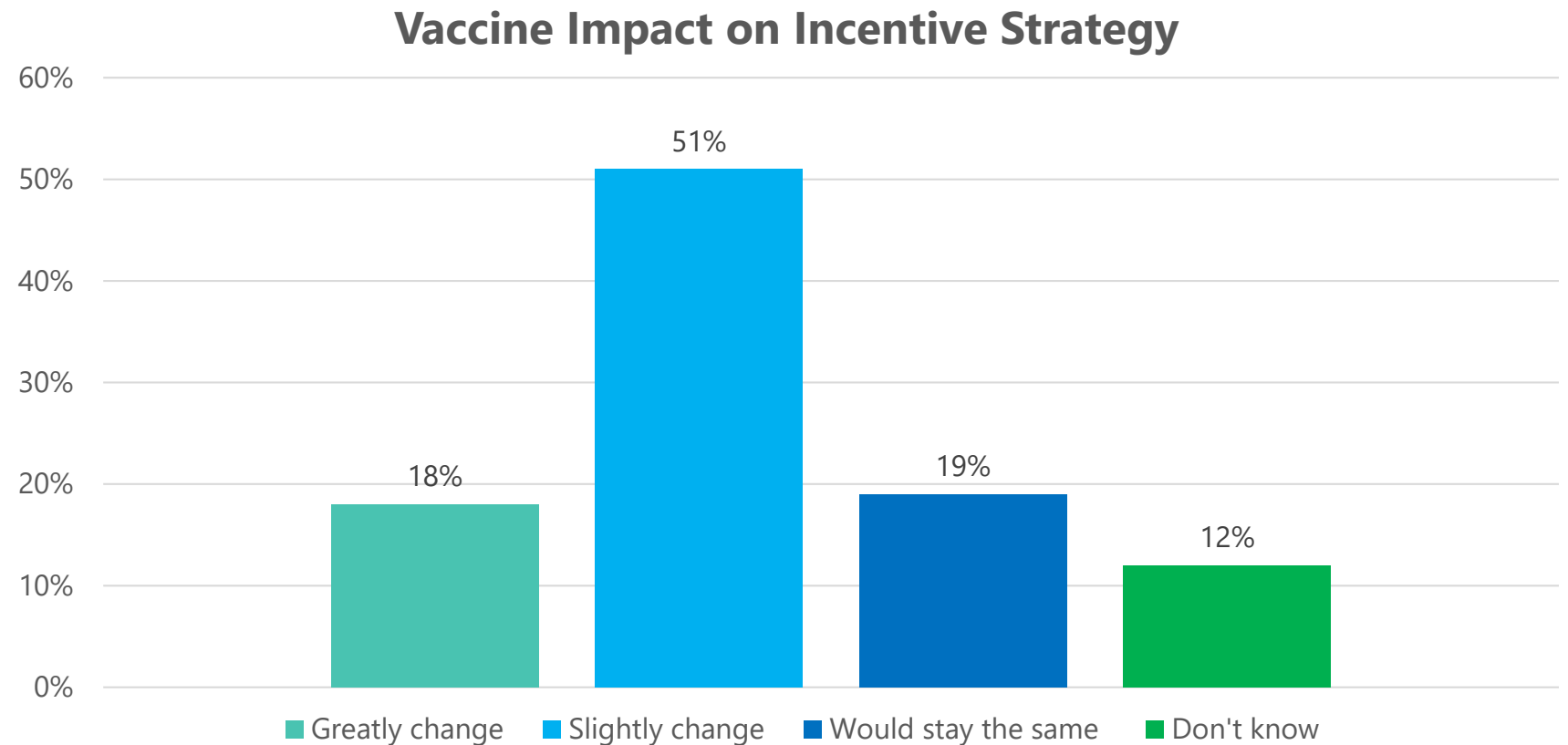
# Only About Half (51%) Dramatically Reduced or Cut their Incentive Travel Programs

- Eighty-three (83%) had an incentive travel program prior to the pandemic. Around half (51%) either eliminated their program or shifted significant money away from travel programs. However, almost the same number (49%) largely or fully maintained their travel programs.



# A Vaccine Potentially Impacts Incentive Strategy

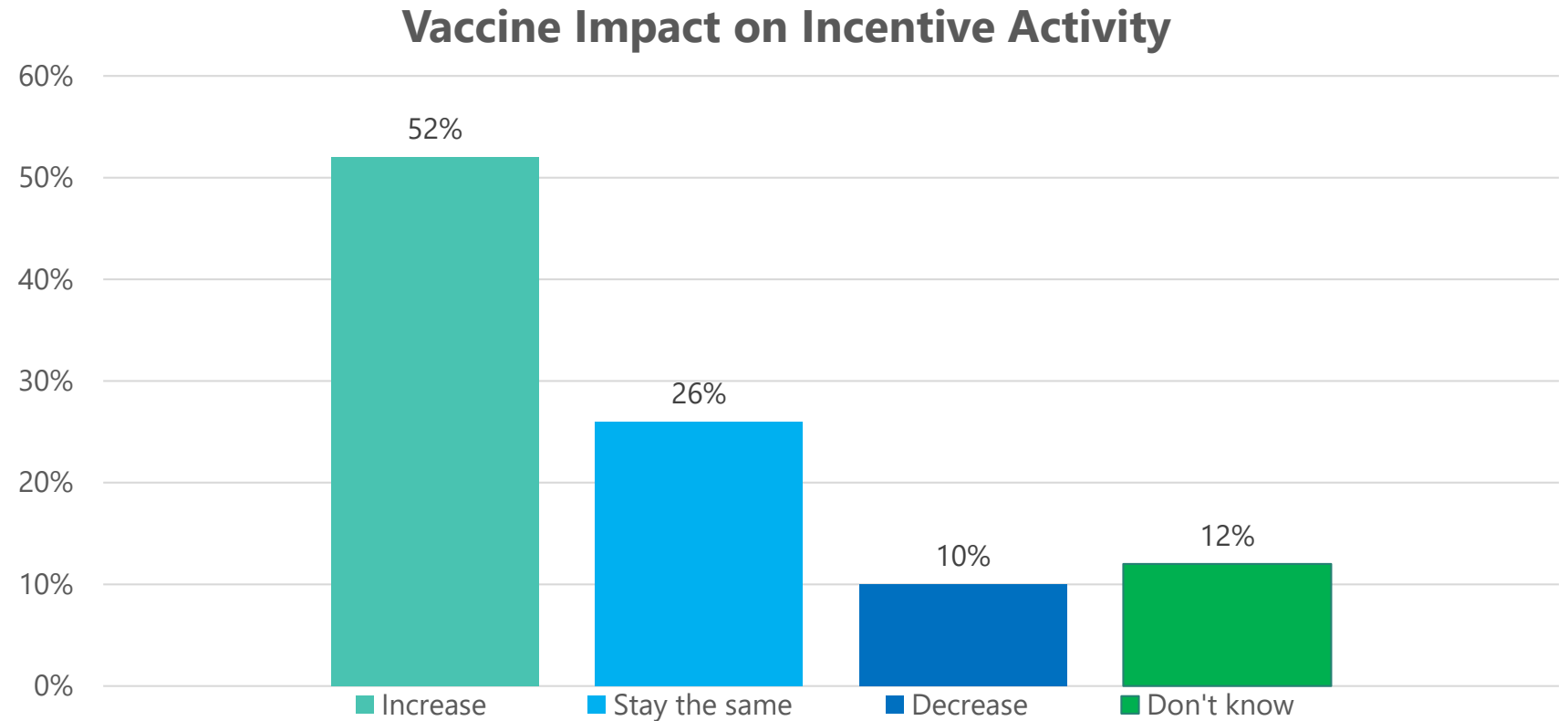
- Nearly seven-in-ten (69%) say their incentive strategy would change either 'slightly' or 'greatly' if an effective vaccine for COVID-19 is developed within the next six months.





# Over Half (52%) Say They'd Increase Incentive Activity if a Vaccine is Distributed in the Next 6 Months

- The development and distribution of an effective vaccine could be a potential boon for the incentive industry as 52% said they would increase their incentive activity for the second half of 2021. .



*Based on your best guess, assume an effective vaccine is developed and distributed for COVID-19 within the next six months, would your overall incentive activity increase, decrease, or stay the same for 2021?*

## Thank you to the following organizations for their support of this research:

- Incentive & Engagement Solution Partners (Incentive Marketing Association SIG) – survey distribution
- Maui Jim – survey distribution



**Thank you to our Research Advocacy Partner**

