



# OPEN FOR BUSINESS: Incentive Expectations and Reality in the Hospitality Industry

As travel restrictions and bans ease, companies are getting back to incentive travel resulting in extraordinary demand on a set of suppliers still largely in recovery mode. While many event owners and planners are ready to get back to business as usual, hoteliers, destination management companies, and tourism boards face very real ongoing challenges. The resulting gap between event stakeholder expectations and the reality of what providers can deliver is significant. Transparency on both sides is required to help set everyone up for success.

### Methodology

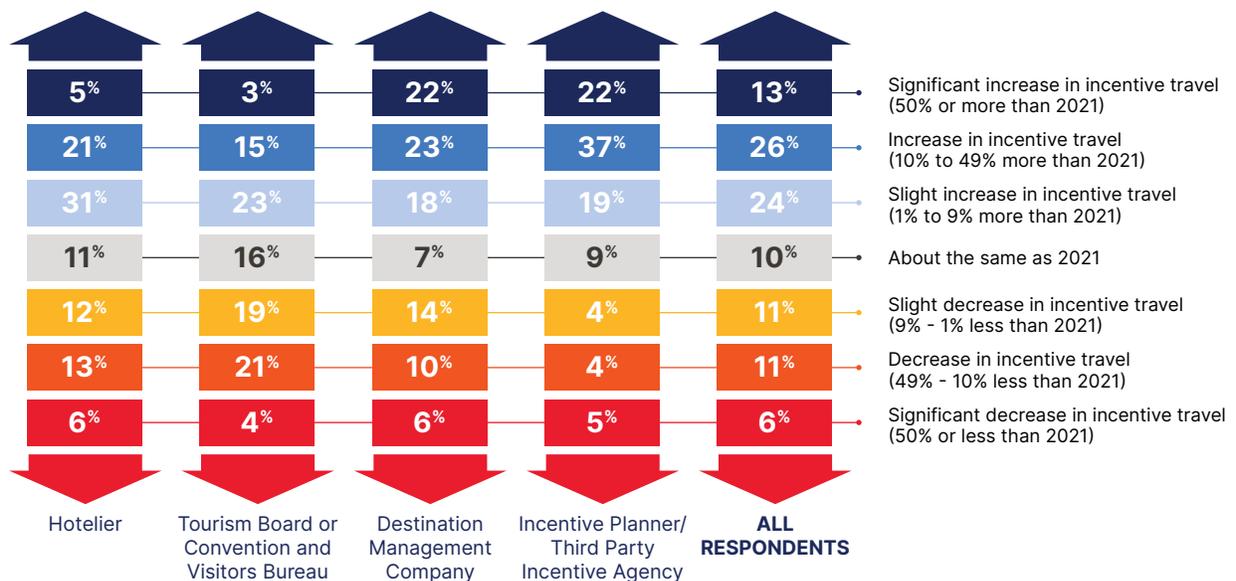
This study was conducted from April 27, 2022 to June 17, 2022. The questionnaire was approximately 10 minutes in length with questions varying based on the respondent type. A total of 710 respondents completed the survey, with 84% from the US, 5% from Canada, 1% from Mexico and the United Kingdom. The balance of the respondents represented a wide mix of countries.

The four stakeholder groups were Hoteliers (n=280), Tourism Board/Convention & Visitors Bureaus (n=75), Destination Management Companies (n=125), and Incentive Planners / Third Party Agency (n=230).

### Executive Summary

The incentive travel business continues to increase in activity after a significant slowdown with 63% of the industry anticipating significant growth. Nearly two-thirds of the industry indicate incentive travel is trending up for 2022 and beyond, with 13% saying incentive travel will increase by 50% over the next 18 months. Incentive planners are the most bullish, with 37% seeing incentive travel spend 10%-49% above 2021, and another 22% seeing incentive travel up 50% or more over 2021. Tourism boards have the most conservative outlook, likely as a result of domestic travel and tourism being brisk throughout the latter part of the COVID pandemic.

#### Outlook for Incentive Travel for Next 18 Months



**Incentive planners:** These respondents are on the front-end of the demand, and rely on partners to deliver the desired experience. Unfortunately, many partners, including hotels, destination management companies, and tourism boards, continue to struggle with labor and readiness challenges.

**Hotels:** Hotels report they are well-poised to deliver on planner needs, with many reporting their full facilities including restaurant outlets, spas, gyms, and outdoor facilities are up and running. However only 49% report being staffed to pre-pandemic levels leading to the service-level challenges many are experiencing.

**Tourism, convention, and visitor bureaus:** This group cites significant competing priorities with the increase in leisure travel activities. Incentive travel is one of many priorities. Bureaus also report being staffed well under pre-pandemic levels, with just 29% staffed at pre-pandemic levels and another 43% noting they will staff up over the next 6 months. Bureaus in “sun and fun” destinations face the most pressure, with 70% of incentive planners targeting beach destinations.

**Destination management companies (DMCs):** Survey responses indicate this group is the most overwhelmed with many grappling with staffing challenges, gas prices, and adapting to changes in venues and other services within the geographies they serve. DMCs are by far the most staff-challenged, with just 26% staffed to pre-pandemic levels and another 12% indicating they are not planning to staff up to pre-COVID levels in the foreseeable future primarily citing identified operational efficiencies.

While the climate of flexibility and understanding was required during the early emergence from the pandemic, the sentiment appears to be fading.

**Clients who were once accepting of COVID related issues, are increasingly losing their patience and want services delivered at pre-COVID levels, particularly where costs are higher than pre-pandemic. Every supplier group reported struggling with hiring and retaining staff and managing cost increases resulting from inflation, creating a gap in expectations and ability to deliver.**

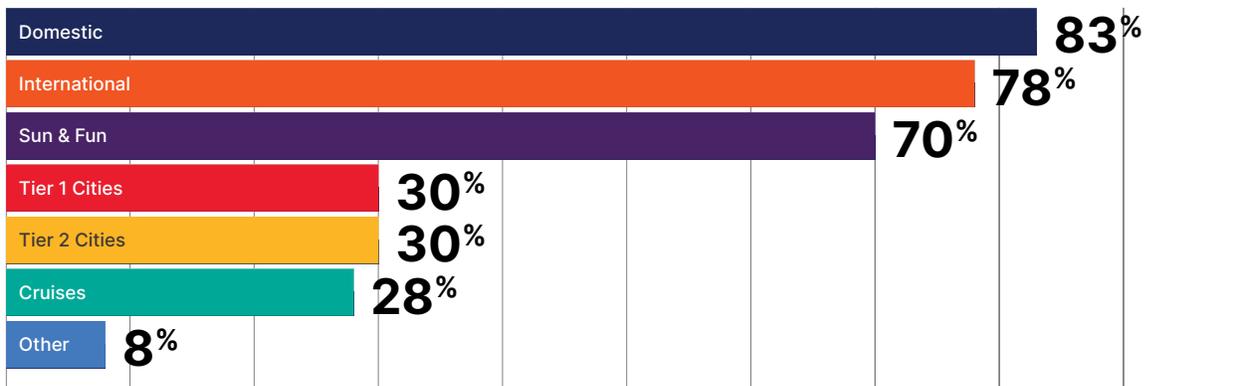
## The Planner Perspective

More than three quarters of incentive planners ran an incentive program over the last 18 months. By and large, the programs have been evaluated as more challenging. Rates, availability of food outlets, response time from Hoteliers and DMCs were all attributes rated as worse when compared to pre-COVID incentive programs.

### Destination Focus

Incentive travel focus for the next 18 months will skew slightly toward domestic travel, with incentive planners almost equally split between domestic and international. Tier 1 and Tier 2 cities are tied for attention at 30% each with some planners citing that Tier 2 CVBs are increasingly working to fill gaps and deliver strong incentive-level experiences.

**Incentive Travel Focus for Next 18 Months**



When considering where to place a program, 93% of planners are most concerned with staffing and service levels, 76% are concerned with food and beverage outlet availability and hours, and 72% are concerned with the cleanliness of properties. All of the issues cited boil down to staffing.

To help mitigate feelings of disappointment, suppliers could benefit from communicating ahead of the program, preferably at the time of contracting, noting where outlets and services may be more limited, and status of housekeeping services.

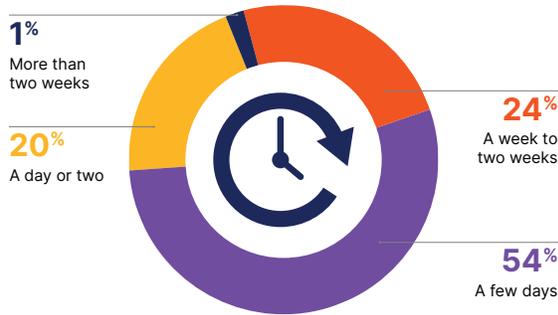
### RFP Response Times

Most planners expect hotels to respond to RFPs within a few days. Hotels report their average response time as slightly faster than what planners expect, with 50% of hotels reporting they respond on average within a day or two. On average DMC response to RFP's is slightly slower than what planners expect with 53% of planners expecting responses within a few days, and 47% of DMCs reporting the ability to meet that expectation. Ten percent of DMCs note their average RFP response time is more than two weeks.

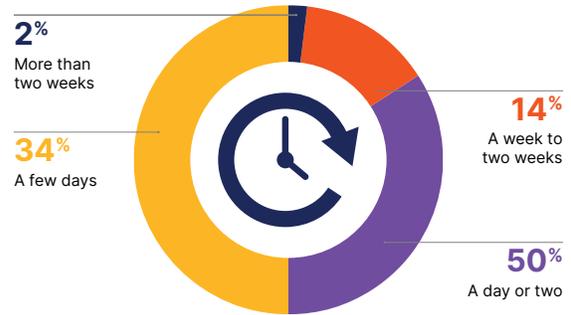
The response time differences are not entirely surprising given the need for creativity, connection into other providers (transportation, furnishings, entertainers, etc.) on the part of DMCs. Hoteliers are a bit more in control of the elements required to respond in a timely manner.

The dynamic at play means, in many cases, responses from vendors will not always be delivered in time for the presentation to the client. To help mitigate delayed supplier response times, planners should consider being as targeted as possible with where they are sending RFPs.

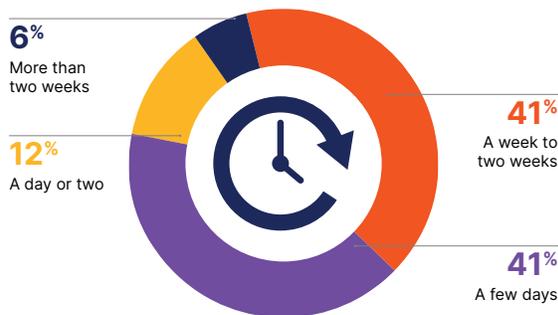
### Time Expected and Average RFP Time



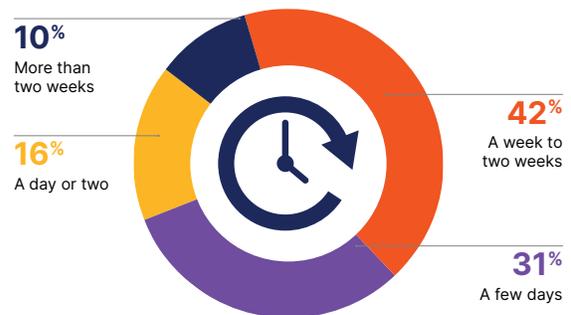
Trip Planner Expectation of Hoteliers



Hotelier Average Response Time



Trip Planner Expectation of DMCs



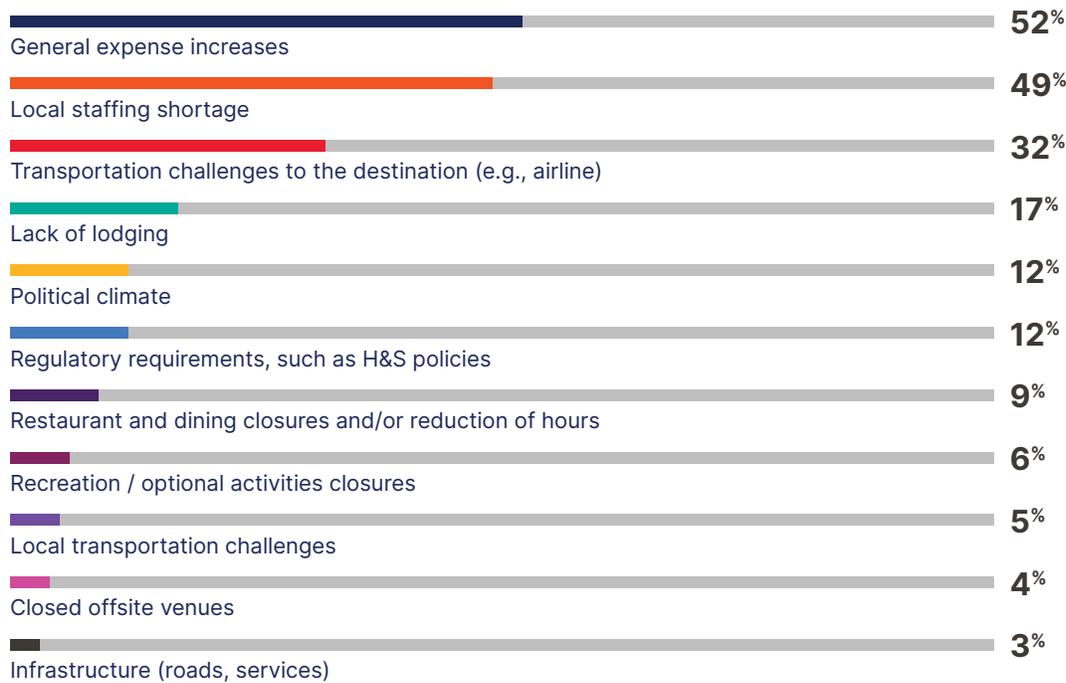
DMC Average Response Time

The number of site inspections has increased for 38% of the respondents over the last 18 months. Approximately two-thirds of those site inspections have been up to planners' standards. Of those not up to standards, primary concerns cited are property maintenance and upkeep, cost increases in room rates, food and beverage, and general readiness for business.

### Performance Concerns

When looking at the ability of DMCs and CVBs to deliver over the next 18 months, incentive planners are principally concerned about rising expenses and staffing shortages. Transportation expenses and infrastructure are also concerns.

**Tourism Boards, DMCs and CVBs**



**Need fair price for services; extra management fees to make up lost income due to COVID puts a strain on the industry.**

- Incentive Planner

Service levels are of great concern when thinking about the next 18 months. 54% of incentive planners cite the ability to maintain and deliver expected service levels as their primary concern. Finding and hiring qualified staff was cited by 28%, and having all hotel venues and services open and available was cited by 26%.

**Service Level Concerns: Hotels**



**We can't lower the bar but increase costs, especially if we are selecting a luxury hotel. The COVID, supply chain, or staffing shortage excuses is not something we want to hear today if we are paying the same cost or higher as pre-COVID.**

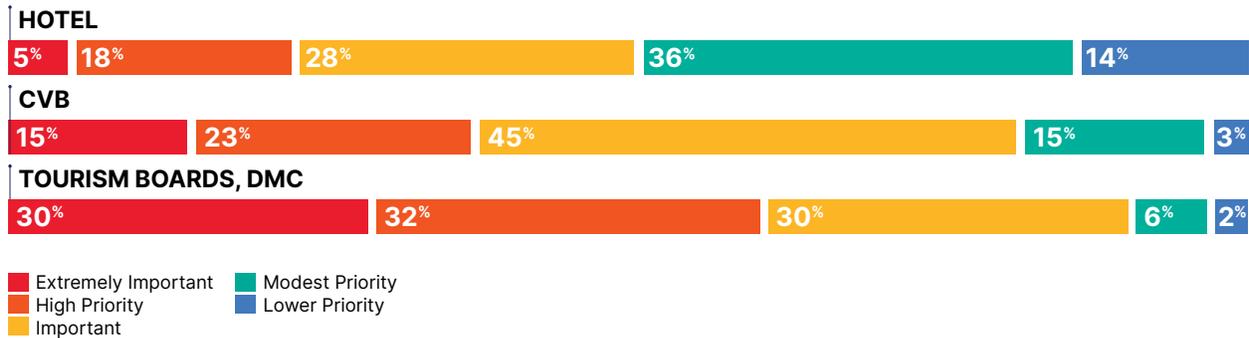
- Incentive Planner

**The Hotel Perspective**

The importance of incentive travel varies by supplier type with destination management companies giving it higher marks for importance to their business than other supplier types. Hotels had much more of a mix, with only 5% noting incentive travel is very important to their profitability, and another 46% noting incentive travel is a high priority or important. This tends to vary by hotel size with larger properties citing increased importance of incentive programs.

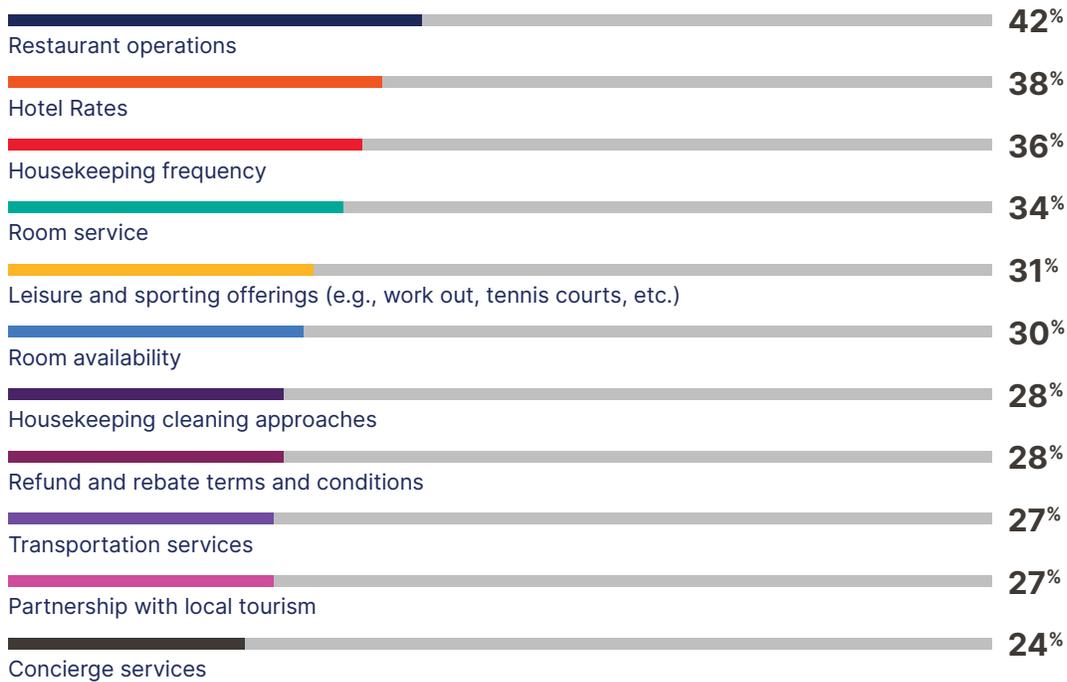
While hotels expect leisure travel to represent 30% of their business over the next 18 months, incentive travel is noted as a close second at 27%. Larger properties have a higher reliance on leisure travel, and they are expecting a strong demand into the future. Incentive travel for properties of all sizes is expected to continue without slowdown, with smaller properties expecting more of an uptake, possibly due to limited availability within larger hotels.

### The Importance of Incentive Travel



As hotels work to fully recover, they are prioritizing restaurants, rates, housekeeping services, and room service to provide customers with what feels like more of a pre-COVID experience. Lower on the priority list are transportation services, partnerships with local tourism, and concierge services which were noted as less likely to be impacted by the pandemic.

### Amenities and Services Returning to Pre-COVID Service Levels in Next 18 Months



When asked about housekeeping services, 84% report offering daily housekeeping services with only 6% reporting they offer it on request only. And 95% of hotels report having all food and beverage outlets available (inclusive of room service). Of the 5% that remain, 86% report they will have some or all outlets available in the next 18 months.

Hoteliers also report they are responsive to RFPs. 86% indicated they are responding within a few days to requests for proposals. Just 14% note it takes a week to two weeks for them to respond.

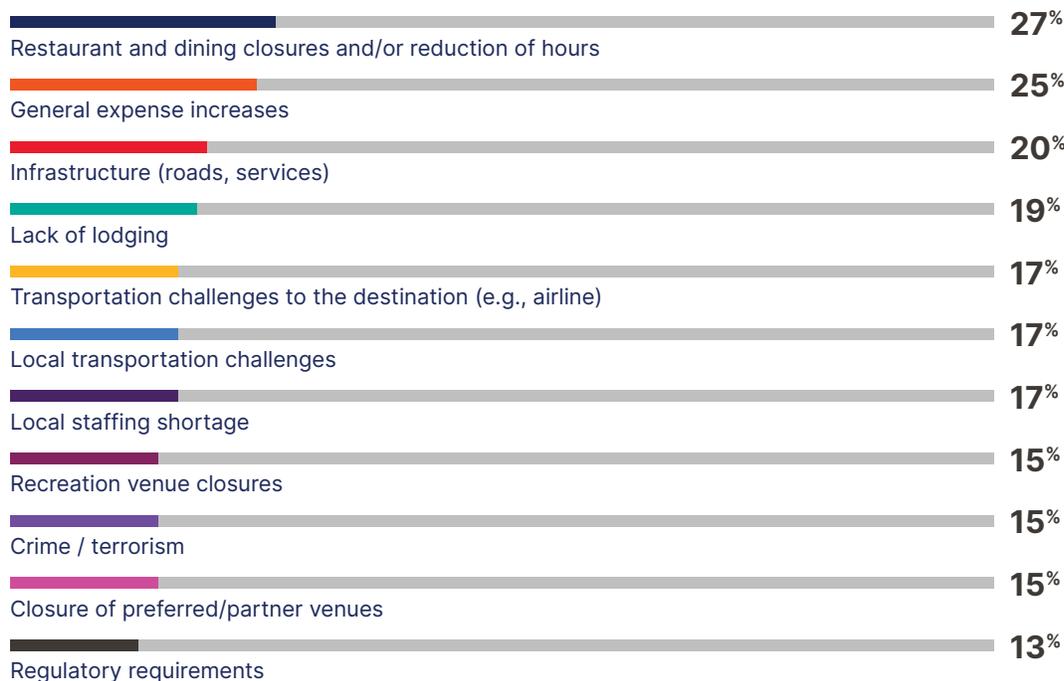
**RFP Response Times: Hotels**



**The Tourism Board / CVB Perspective**

Tourism boards noted restaurant and dining option closures, general expense increases, and infrastructure as their top three challenges related to incentive travel. Regulatory requirements (eg. environmental) are at the bottom of the list as they were perhaps less impacted by the pandemic.

**Challenges Faced by Tourism Boards and CVBs**



The availability of recreation activities, venue changes, hotel service changes, and health & safety protocols are items tourism boards and CVBs want to ensure incentive professionals understand as they consider the destination. Tourism boards and CVBs are in a strong position to help inform planners as they evaluate destinations, and can help fill gaps in knowledge and service in many cases.

**Challenges Event Organizers Need to Understand (Tourism Board and CVB perspective)**



Planners noted that smaller destinations that are willing to go above and beyond have an opportunity to get their attention during this recovery time. Tier 2 destinations that have a strong product, are appropriately staffed, and have funding, are well positioned to win business in the current environment.

Being responsive to RFPs is part of the equation. The majority of tourism boards report they are able to respond within a few days or less. Just one in five note it takes a week or more to respond to a request for proposal.

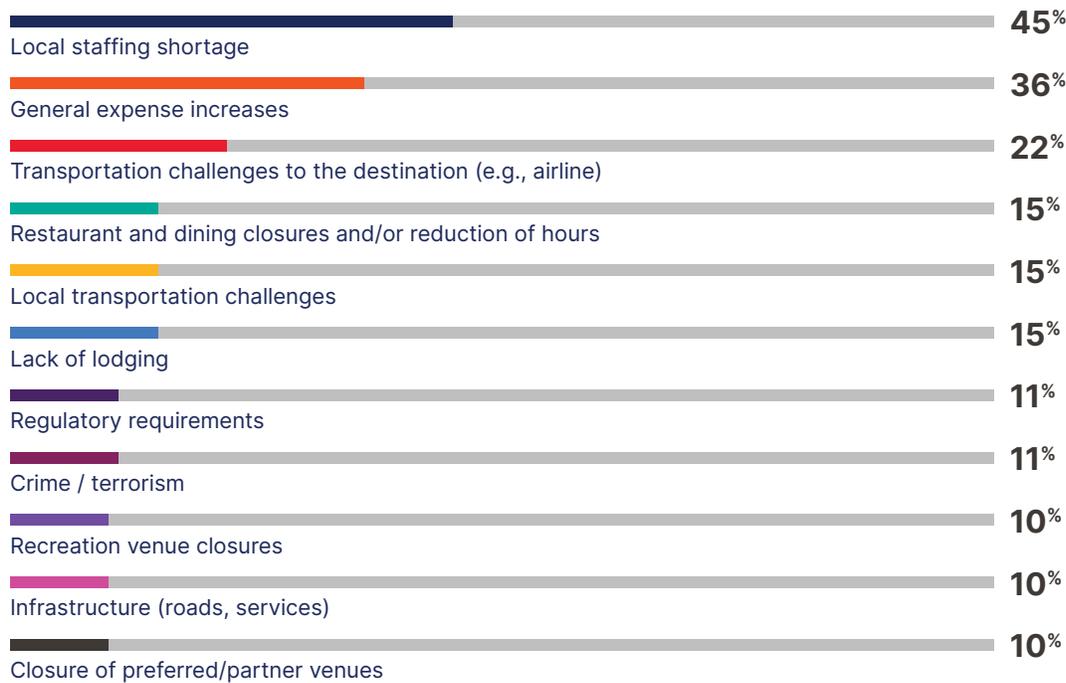
**RPF Response Times: Tourism Boards and CVBs**



**The Destination Management Company (DMC) Perspective**

Incentive travel is a priority for 92% of DMCs, with about one in three saying it is their top priority. Unfortunately, DMCs are also the hardest hit by staffing, increases in expense, and transportation challenges.

### Challenges Faced by DMCs



This group was also the hardest hit by the pandemic, with almost a third temporarily closing shop, and 6% permanently closing (likely underreported due to sample). The balance survived by shifting their focus to COVID support, digital events, and localized short-term travel. Among DMCs, 67% report staff reductions over the last 18 months. The road to recovery for DMCs is simply longer than for other supplier types, with more staffing and expense challenges due to the nature of their business.

For DMCs, it is important that incentive professionals understand there may be a reduction in the services they can offer and successfully deliver over the next 18 months. They are inundated with requests to service programs, which pulls them away from being able to appropriately staff up to serve the full scope of demand. It’s a viscous cycle.



**...we are inundated with requests at all levels and still getting back to needed staffing.**

- Destination Management Company Respondent

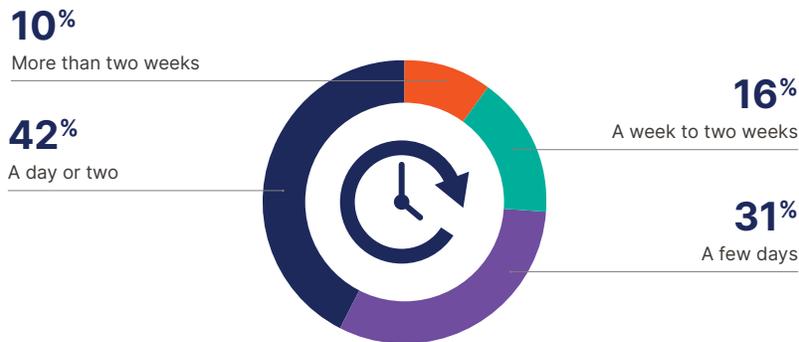
All parties involved may also benefit from sticking with what is “tried and true” during this time to help deliver the experience desired. If the materials exist, DMCs are clear on the labor and cost required to deliver, and it meets the client needs, these known themes and experiences can wow attendees and create more of a sense of certainty for all involved. However, this isn’t always practical as planners need to demonstrate creativity and provide new experiences for well-traveled audiences.

**Challenges Event Organizers Need to Understand (DMC perspective)**



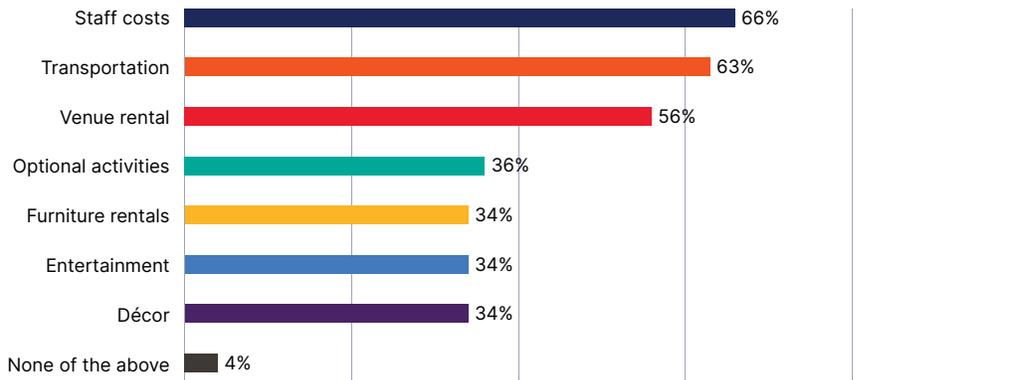
The average response time for RFPs is, not surprisingly, slower given the staffing challenges with 42% reporting they need a week to two weeks for proposals. A full 10% noted they need more than two weeks to appropriately respond to RFPs. Where this is the case, communicating a realistic delivery date for a proposal and sticking to it is important to remain part of the consideration set for the planner.

**RPF Response Times: DMCs**



DMCs report that their biggest challenges are related to achieving / maintaining profitability, finding and hiring qualified staff, and destination infrastructure including transportation, drivers, and available venues. It is important to note that there is a perception among incentive professionals that DMCs are charging higher prices to make up for lost COVID revenue, while DMCs point to cost of talent, transportation / fuel surcharges, and venue rental costs as the primary drivers of price in today’s economy. Increased transparency into cost could provide program owners with the information they need to justify budget increases to their clients.

### Biggest Cost Increases Impacting DMC Pricing

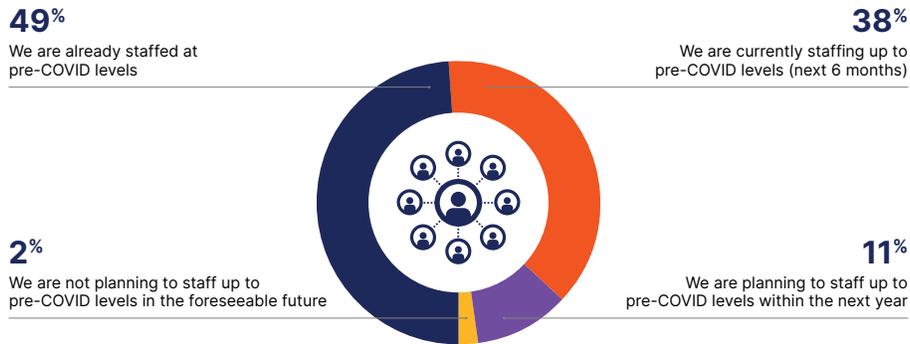


### The Staffing Challenge

#### Hotels

While hotels report the most success in staffing to pre-COVID levels, only 49% of properties report they have achieved pre-COVID staffing levels. Another 38% are working to staff up over the next 6 months.

#### Staffing Levels: Hotels



The top three challenges faced by hotels working to hire staff are:

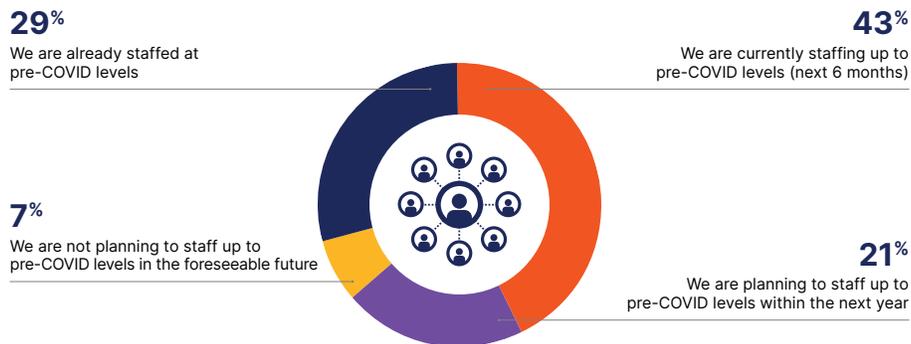
- Increased variability due to COVID surges and other unforeseeable factors 58%
- Time to train and upskill staff 54%
- Not enough qualified applicants 52%

COVID surges creating unpredictability is more acute for hotels perhaps due to the sheer scale of their hiring needs.

## Tourism Boards / CVBs

Within tourism boards / CVBs, less than one third report being staffed at pre-COVID levels with another 43% working to achieve pre-COVID staffing levels in the next 6 months. Interestingly, 7% note they are not planning to staff up to pre-COVID levels in the foreseeable future. Among that 7%, the key reasons for holding back include concern that business will not return to pre-COVID levels, and identification of operational efficiencies that allow them to operate with fewer staff.

### Staffing Levels: Tourism Boards and CVBs



The top three challenges faced by tourism boards / CVBs include:

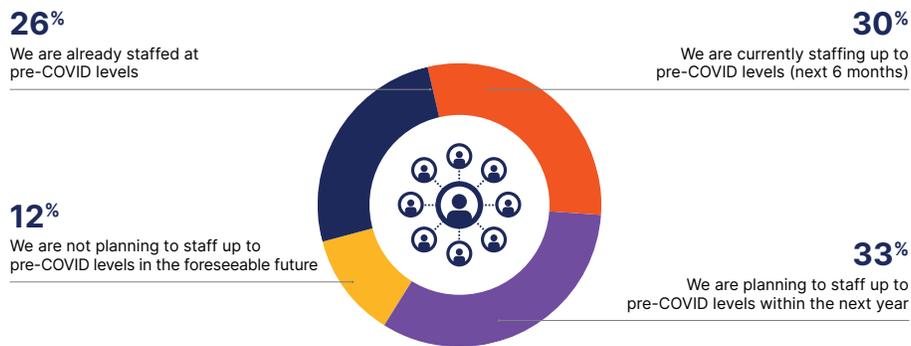
- Competitive wage offerings 59%
- Not enough qualified applicants 59%
- Time to train/upskill new hires 56%

Competitive wage offerings lead the challenges perhaps due to the funding structures and government ties within many tourism boards and CVBs.

## Destination Management Companies

DMCs are struggling to staff up, with just 26% at pre-COVID levels. Another 30% report they are staffing up over the next 6 months. And 33% intend to fully staff within the next year. What is most surprising is 17% of DMCs are not planning to staff up in the foreseeable future. The primary reasons given include identification of operational efficiencies at 47%, and not anticipating business will return to the same level for 33% of respondents. Another 13% report reducing the scope of their businesses and service offerings.

## Staffing Levels: DMCs



Primary staffing challenges facing DMCs are:

- Not enough qualified applicants 54%
- Time and effort to train/upskill new hires 49%
- Unreliable hires 46%

The challenge of unreliable hires ranks higher for DMCs than other supplier types. This indicates that DMCs are going through the hiring process, only to end up needing to repeat the cycle in an environment where time is precious.

When considering the common themes of “not enough qualified applicants” and “time to train/upskill new hires” that are hiring challenges for all three segments, it seems the industry overall has an opportunity to increase awareness of the opportunities in the space and put programs in place to retain talent. Turnover is always an expensive proposition, but is even more costly in the current environment.

### Gaps in Understanding and Perspective

Incentive professionals were asked to report what they feel would be important for each supplier group to know. Likewise, each supplier group was asked to report what they would like planners to know. When placed side-by-side, the gaps in understanding and perspective become clear.

Overarching themes include:

- The need for honest, transparent conversations during the sourcing and planning process
- The need for increased responsiveness to win and keep business
- A desire for more clarity around pricing and service availability

Beyond the overarching themes, there are fundamental differences and, in many cases, a lack of understanding for the challenges of the other party. For example, timelines are often dictated by clients and planners are trying to live into those timelines. Suppliers unable to staff up and deliver timely responses will likely lose business as a result in the near term.

<p><b>Hotel: Transparency is Key</b></p> <ol style="list-style-type: none"> <li>1. Be specific, transparent and honest</li> <li>2. They are open for business, but still not at 100%</li> <li>3. There is very high demand - expect that rates will be higher</li> <li>4. Book early!</li> </ol> <p>“” Stop casting vague, wide nets for availability. Come to the table with specific questions so we can supply specific answers.</p>	<p><b>Planner Perspective</b></p> <ol style="list-style-type: none"> <li>1. Patience for COVID-related ‘excuses’ for staffing and preparedness is waning</li> <li>2. It’s hard to justify higher cost and lower service to our clients</li> <li>3. Hotels need faster response and staff back-up as quickly as possible</li> </ol> <p>“” We can’t lower the bar but increase costs, especially if we are selecting a luxury hotel. Be upfront in the beginning regarding the shortfall so we can make an informed decision instead of hitting us with it right before the program or when the program starts.</p>
<p><b>CVB: Responsiveness Expected</b></p> <ol style="list-style-type: none"> <li>1. Destinations are open with limited restrictions</li> <li>2. Destinations are largely safe</li> <li>3. Tourism boards are prepared - they can help you navigate what is open and closed where applicable</li> <li>4. They are largely well-funded</li> </ol> <p>“” It’s important that planners know our destination is well-financed and has tremendous infrastructure support and this is more important to program success than finding somewhere new to experience.</p>	<p><b>Planner Perspective</b></p> <ol style="list-style-type: none"> <li>1. Tourism boards need to be responsive</li> <li>2. Intermediate cities have an opportunity to promote themselves as a new destination as they are perceived to treat planners better</li> </ol> <p>“” We can’t lower the bar but increase costs, especially if we are selecting a luxury hotel. Be upfront in the beginning regarding the shortfall so we can make an informed decision instead of hitting us with it right before the program or when the program starts.</p>
<p><b>DMC: Pricing and Service Challenges</b></p> <ol style="list-style-type: none"> <li>1. Staffing is in short supply - expect longer response times</li> <li>2. Expect surcharges for fuel</li> <li>3. Transportation and driver shortages are challenging</li> <li>4. Stick with the tried and true for now</li> </ol> <p>“” We need patience and understanding and as much lead time as possible when putting budgets and proposals together.</p>	<p><b>Planner Perspective</b></p> <ol style="list-style-type: none"> <li>1. DMCs need to be responsive</li> <li>2. Want better pricing for services and concerned about “making up for COVID”</li> <li>3. Opportunity for up and comers to “set up” and fill a void</li> </ol> <p>“” We will be shopping more DMCs and we need to see why you deserve the business. Many DMCs lost so many staff and are trying to pass the buck... We need to see the drive and ...If you don’t love it, neither will we.</p>



It is important to note that every group is feeling the pressure to deliver. Budget, talent, infrastructure, and more are significant challenges in the current environment and are expected to continue over the next 18 months.

This study points to the need for planners to present clear, specific program goals and requirements early in the process to help suppliers strapped for resources and talent focus on excellence in delivery of those elements.

In return, suppliers must be transparent, noting where they are able to deliver and where they simply do not have the infrastructure, talent, or resources to meet program needs. Doing so early in the process so planners can set expectations with their clients can prevent this gap in expectations and delivery.

Open for Business: Incentive Expectations and  
Reality in the Hospitality Industry was done in partnership with

