

Industry Outlook for 2020

Merchandise, Gift Card, and Event Gifting

September 2019



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 July-August 2019

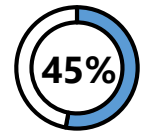


Industry professionals invited to participate in survey by:

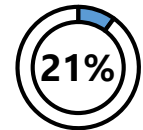
- IRF List
- IESP/IMA List
- Maui Jim
- Independent Research Panel



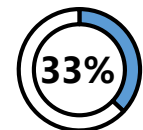
377 participated



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. Additionally an independent research panel was utilized for additional respondents. Results predominantly represent the outlook of industry professionals for the U.S. market

Weighting

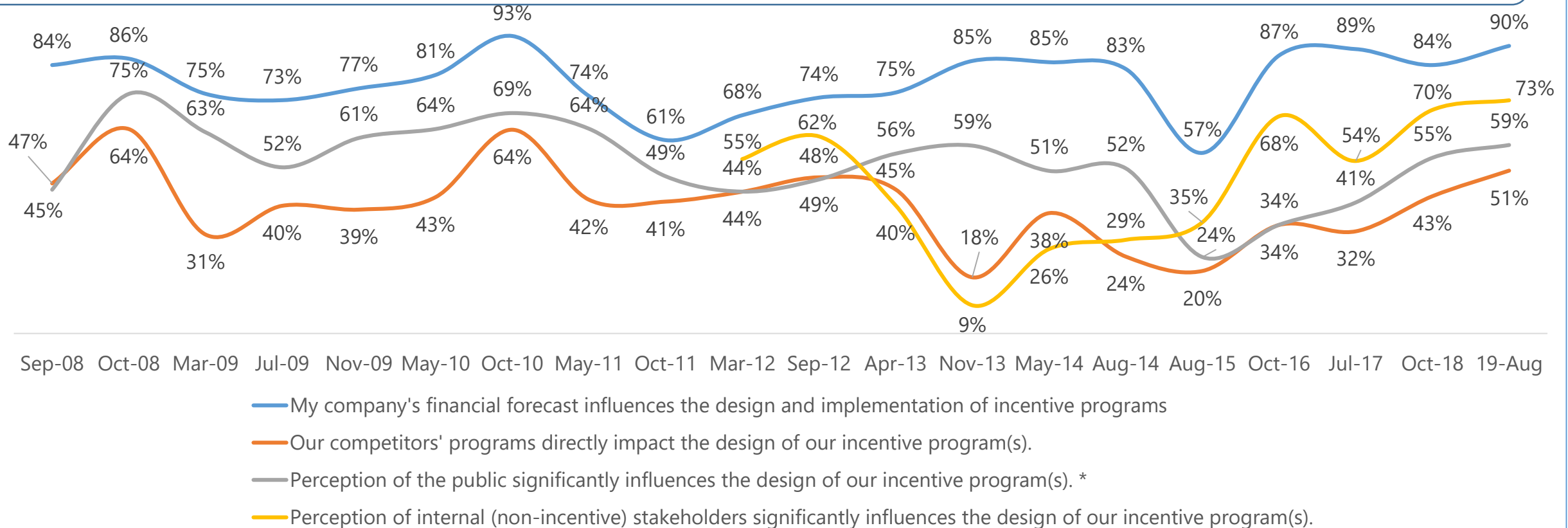
No weighting is done on the data to control for variances in response counts across the three stakeholder groups – Corporate, Supplier, and Third-Party. Totals reported are simple totals across all survey respondents.

It is important to note when trending that there was a smaller percentage of corporate clients this year (45% vs. 53%) and a larger percentage of suppliers (21% vs. 10%) than the previous year.

Non-cash Reward & Recognition: Merchandise/Gift Cards

Considerations for Non-Cash Program Design

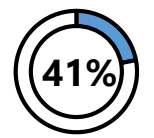
Internal factors, such as financial forecast and opinions held by indirect stakeholders, are much stronger considerations for program managers than external factors, such as public perception and competitive activity, although the latter two are trending upward in importance.



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

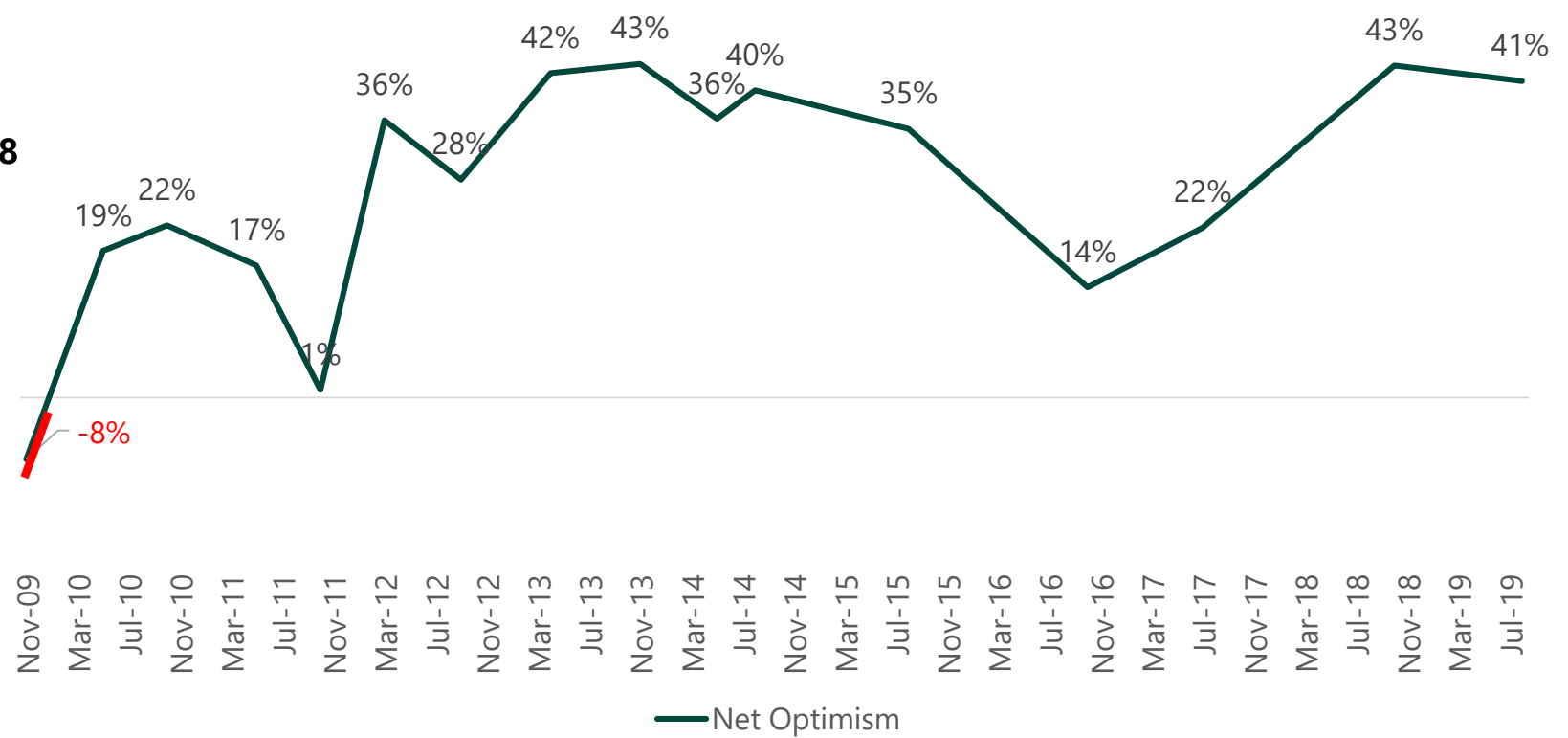


Fall 2019 Optimism Index



Percentage Points from Summer 2018

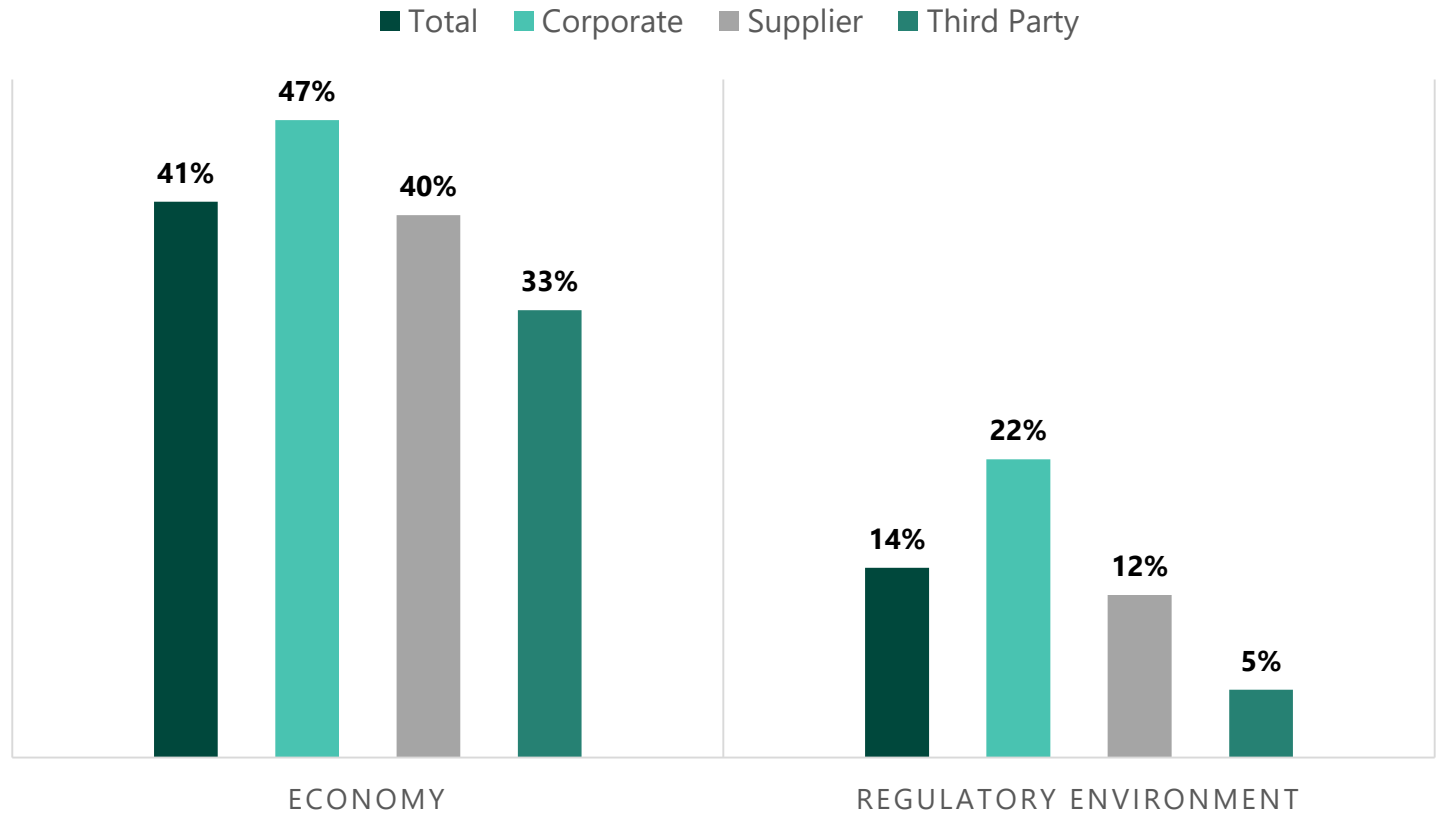
While optimism about the economy is still high, it has flattened out since last year's study.



Net Optimism by Audience

Overall optimism was positive although largely unchanged from the previous year regarding the economy. Corporate users remained the most positive regarding the economy.

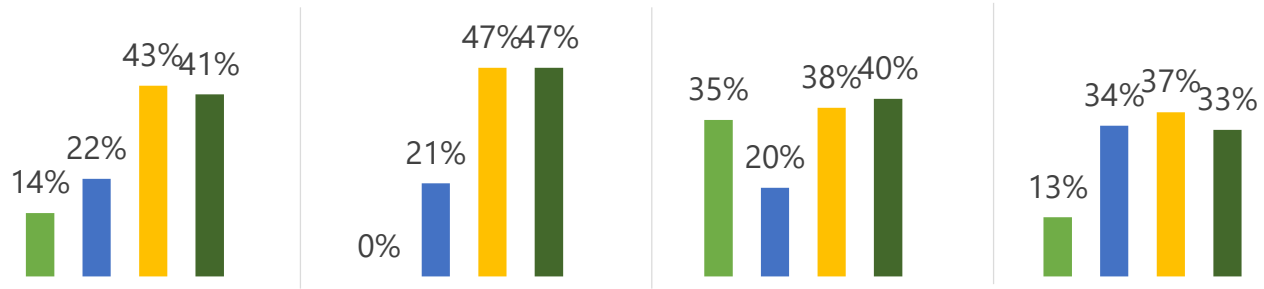
Last year, suppliers and third-parties were negative toward the regulatory environment. Their attitude could be described as more 'neutral'



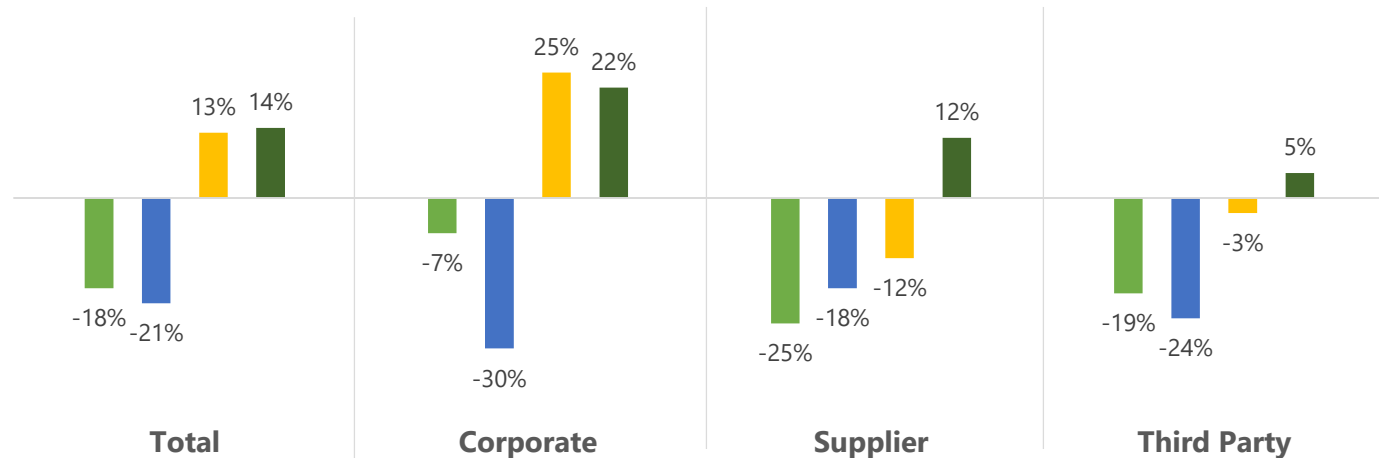
Net Optimism Compared to Prior Year by Audience

Economy

■ Fall 2016 ■ Summer 2017 ■ Fall 2018 ■ Summer 2019



Regulatory Environment



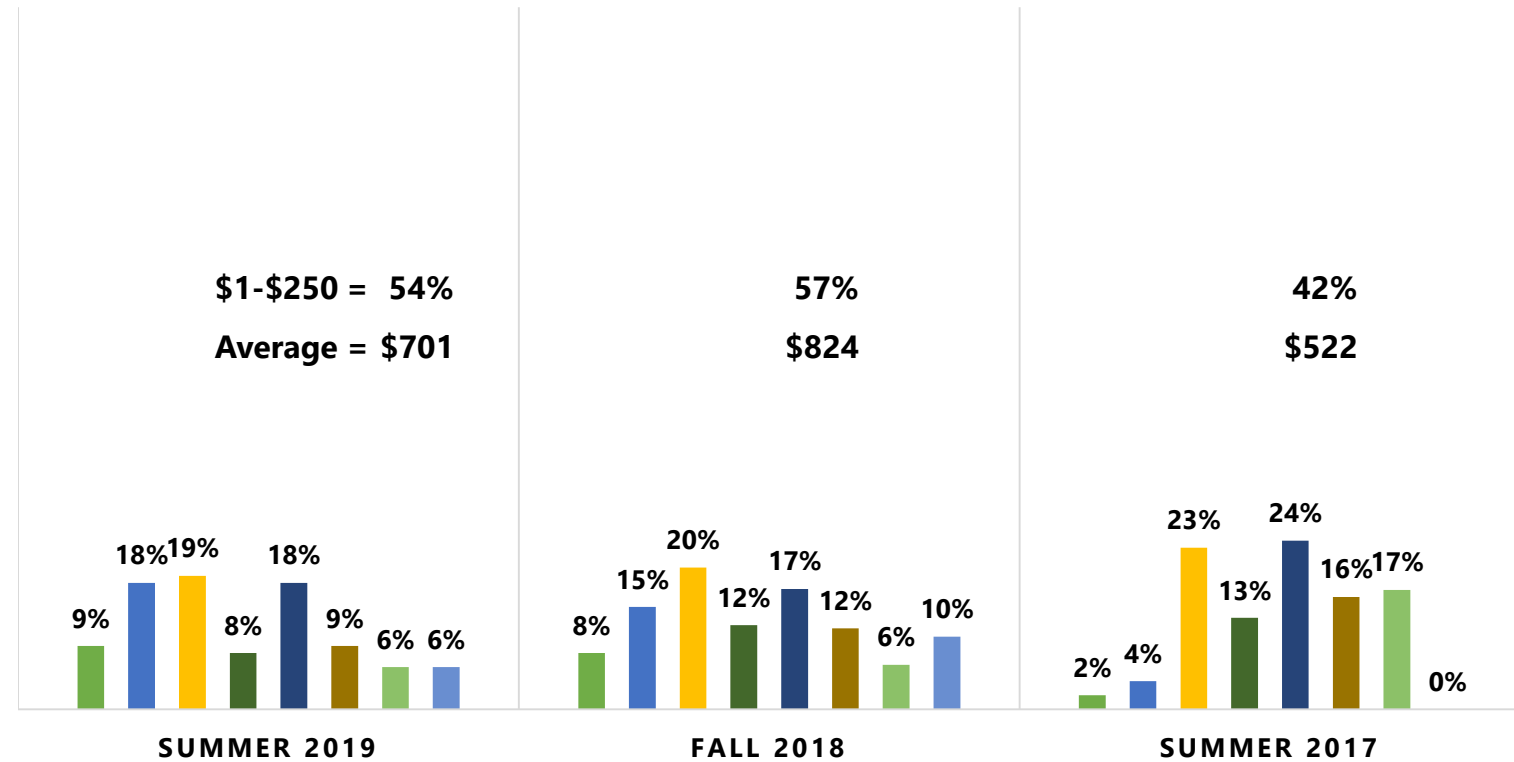
While still not strong, supplier and third-party sentiment toward the regulatory environment has continued to improve over the past several years.

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 Summer 2019 is \$701, down over \$100 from last year, but still higher than 2017

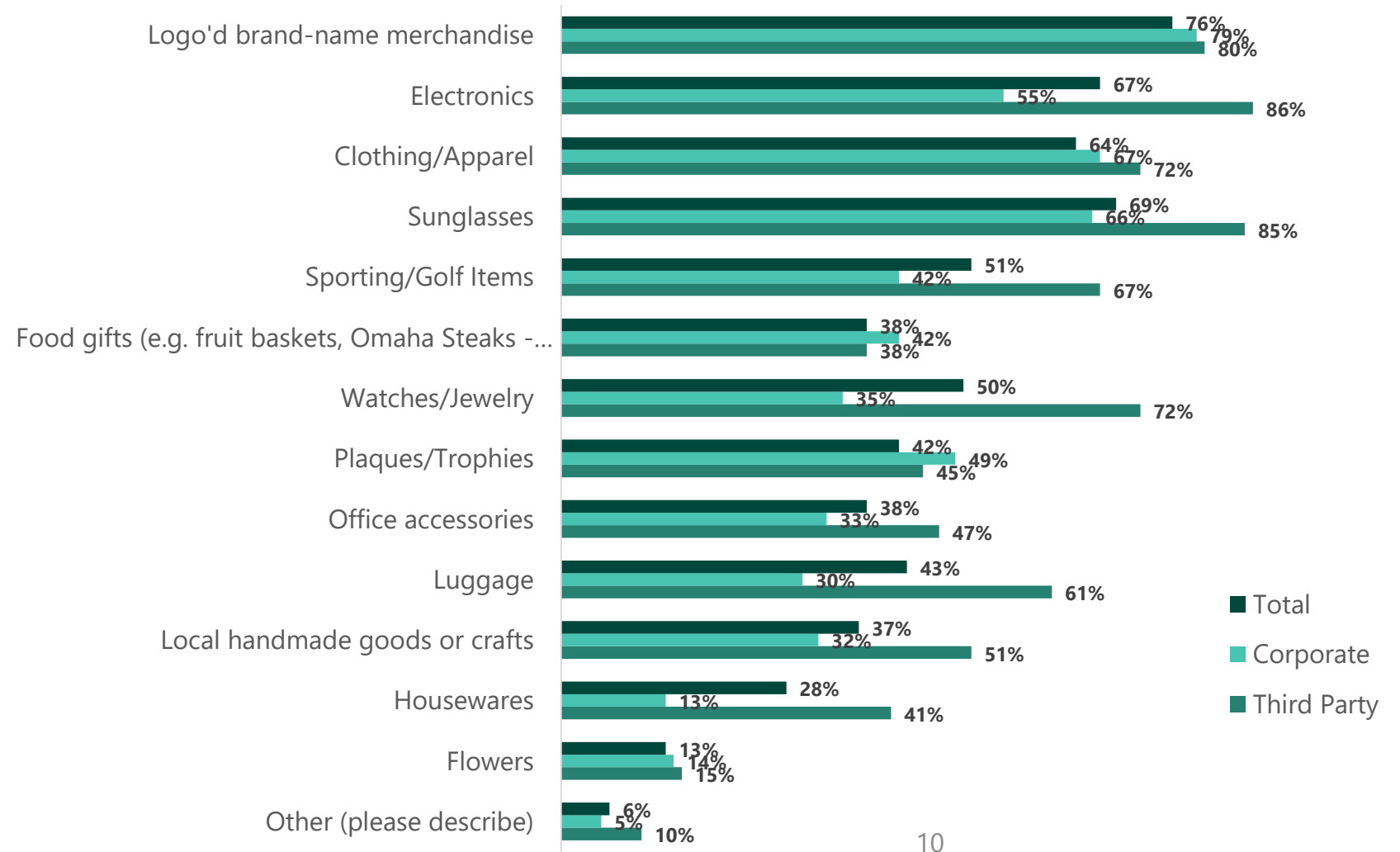
While the proportion of those spending \$1-\$250 per participant remains over 50%, this segment has not changed significantly since last year.



Merchandise Prevalence by Audience

Logoed brand-name merchandise and electronics remain the most common rewards with corporate respondents, while electronics and sunglasses remain the most popular among third-party providers.

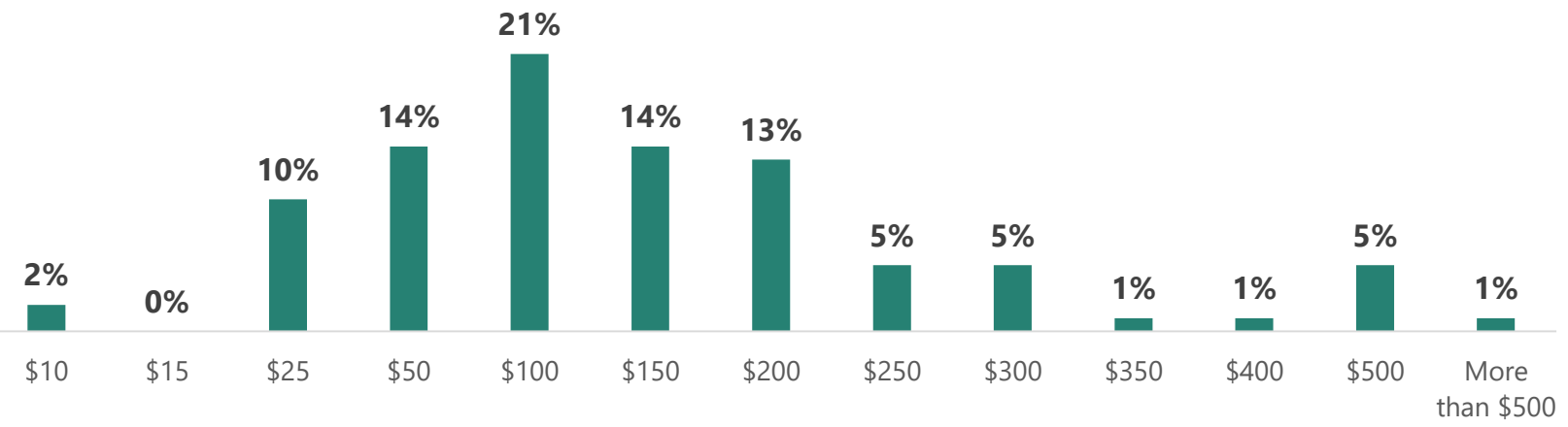
Overall the biggest decline was in food gifts, which declined overall from 52% to 38%. The decline was consistent across both corporate clients and third-party providers.



Average Value of Merchandise Reward

Like the previous wave, slightly more than half spend \$100 on the typical merchandise award. The average value of merchandise rewards is \$160, the exact same average as last year.

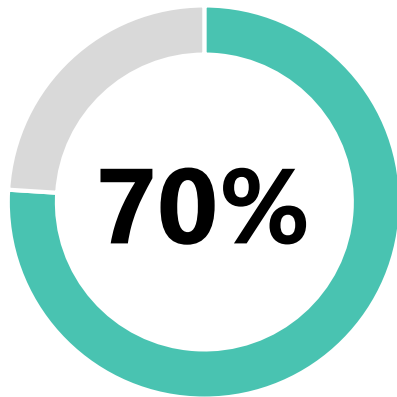
\$1-\$100 = 55%
Average = \$160



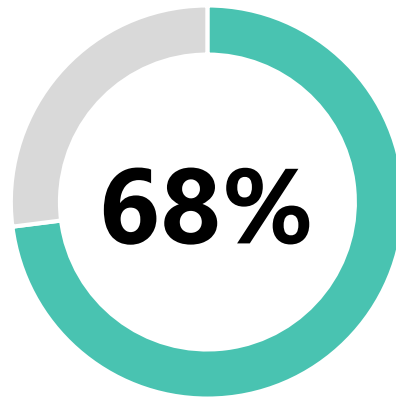
Usage by Gift Card Type

There were slight shifts in the data with declines in open-loop (76% down to 70%) and brand specific cards (73% down to 68%) with an increase in vouchers (24% to 32%). While this could be due to sampling differences, it is an interesting trend as vouchers seem to be growing in popularity.

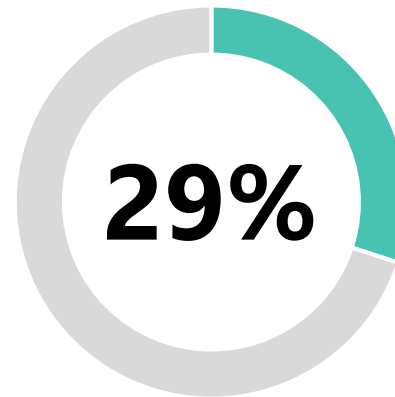
OPEN LOOP



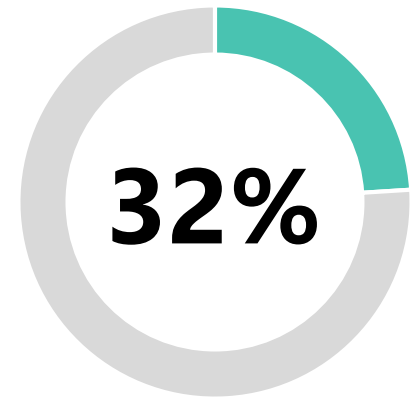
BRAND-SPECIFIC



RESTRICTED USE

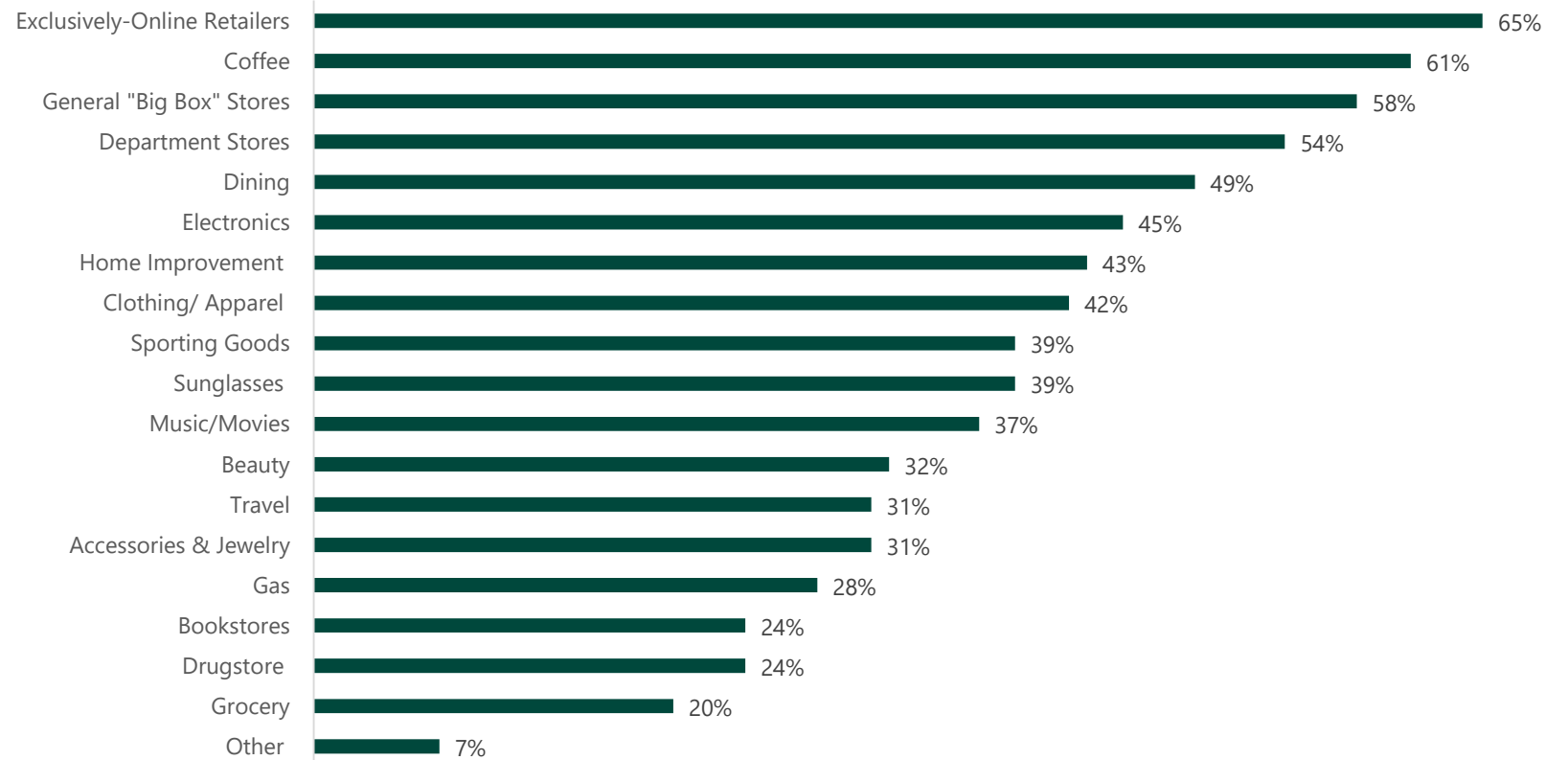


VOUCHER



Brand-Specific Merchant Types

There has been a bit of a shift in gift card preferences where Exclusively-Online retailers like Amazon, are now the most popular form of gift card (65%), followed by coffee (61% declined from 74%) and 'Big Box' retailers (58% up from 47%).

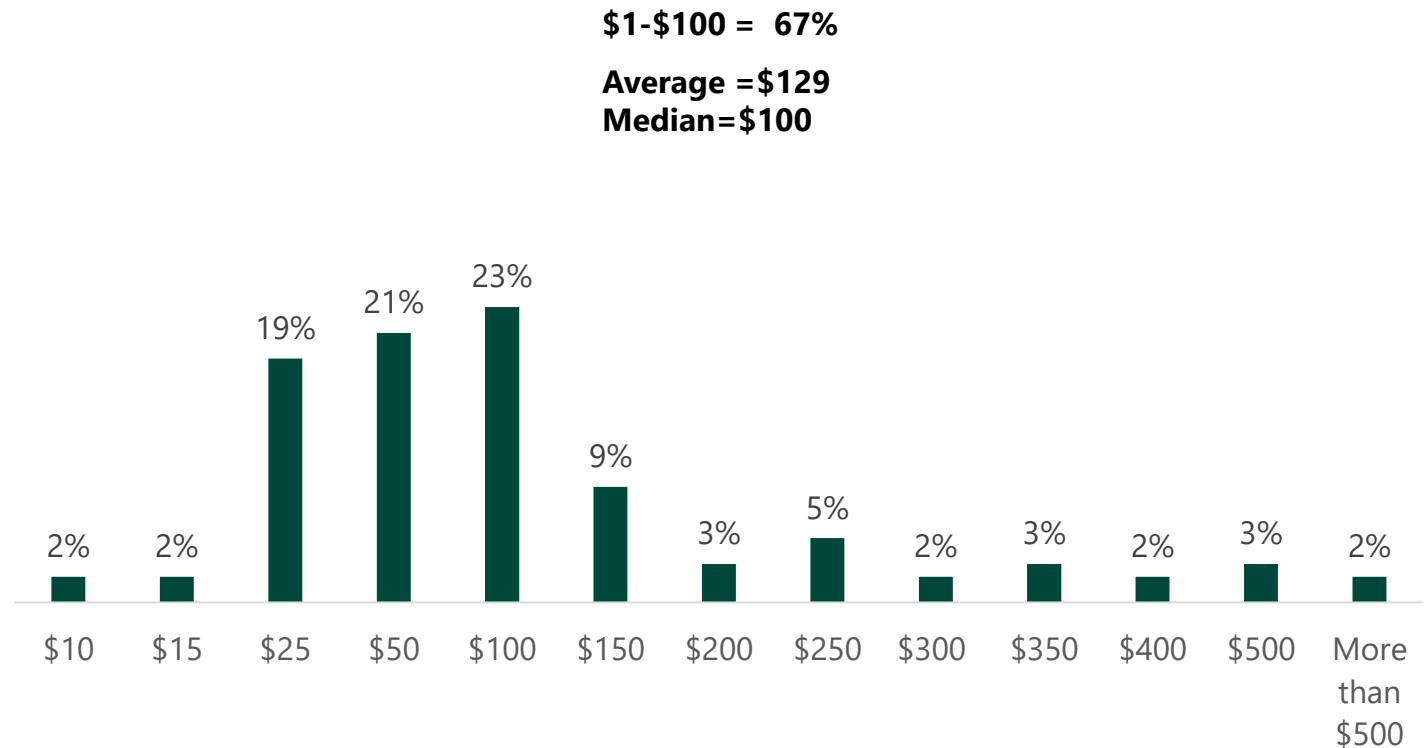


Which of the options below best describes the types of merchants selected when your company buys BRANDED gift cards for your non-cash rewards programs?

Average Gift Card Denomination

The most common denominations for gift card rewards remain \$25, \$50, and \$100 – however, the percentage of those using one of the three denominations has declined a bit from last year. Down to 63%. Last year, 79% were using gift cards of \$100 or less. Today that percentage has declined to 67%.

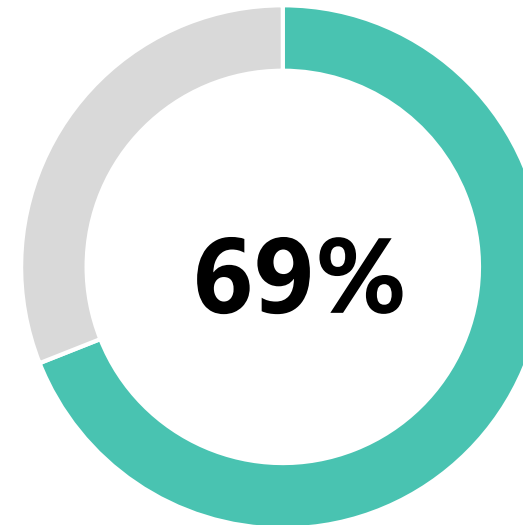
The median gift card amount is still \$100, the same as last year's 'average'. When doing a straight average, however, the typical amount is \$129, although this is not characteristically a gift card denomination.



Local Retail Sourcing for Gift Cards

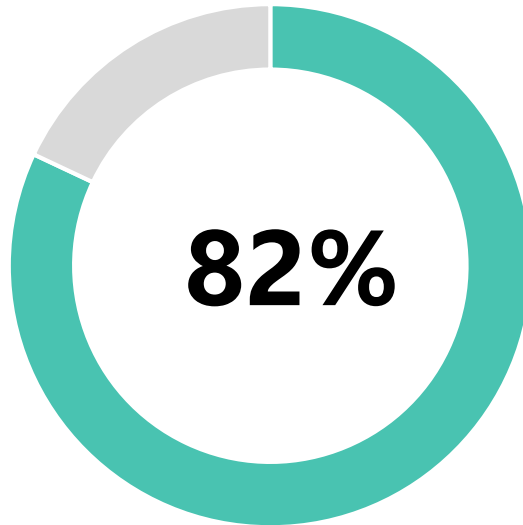
Corporate respondents were asked if people in their organization are visiting local retailers to purchase gift cards for use as employee reward and recognition. Sixty-nine percent (69%) indicate this is occurring in their organizations. This figure is completely unchanged from the prior year.

Purchasing at Retail



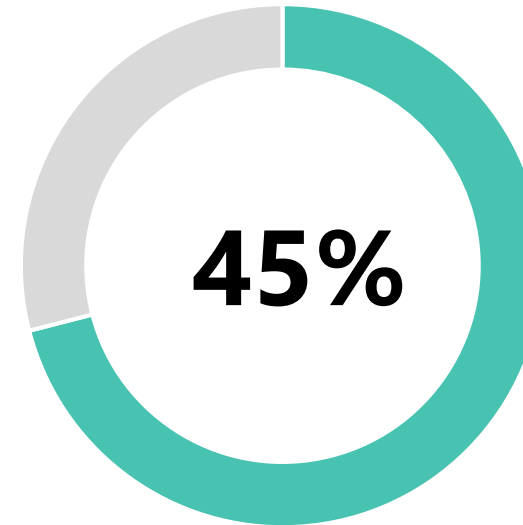
Non-Cash Program Design

Goal-based Rewards



Eighty-two percent (82%) of corporate respondents use goals or objectives to determine non-cash reward earnings. This figure is unchanged from the previous year.

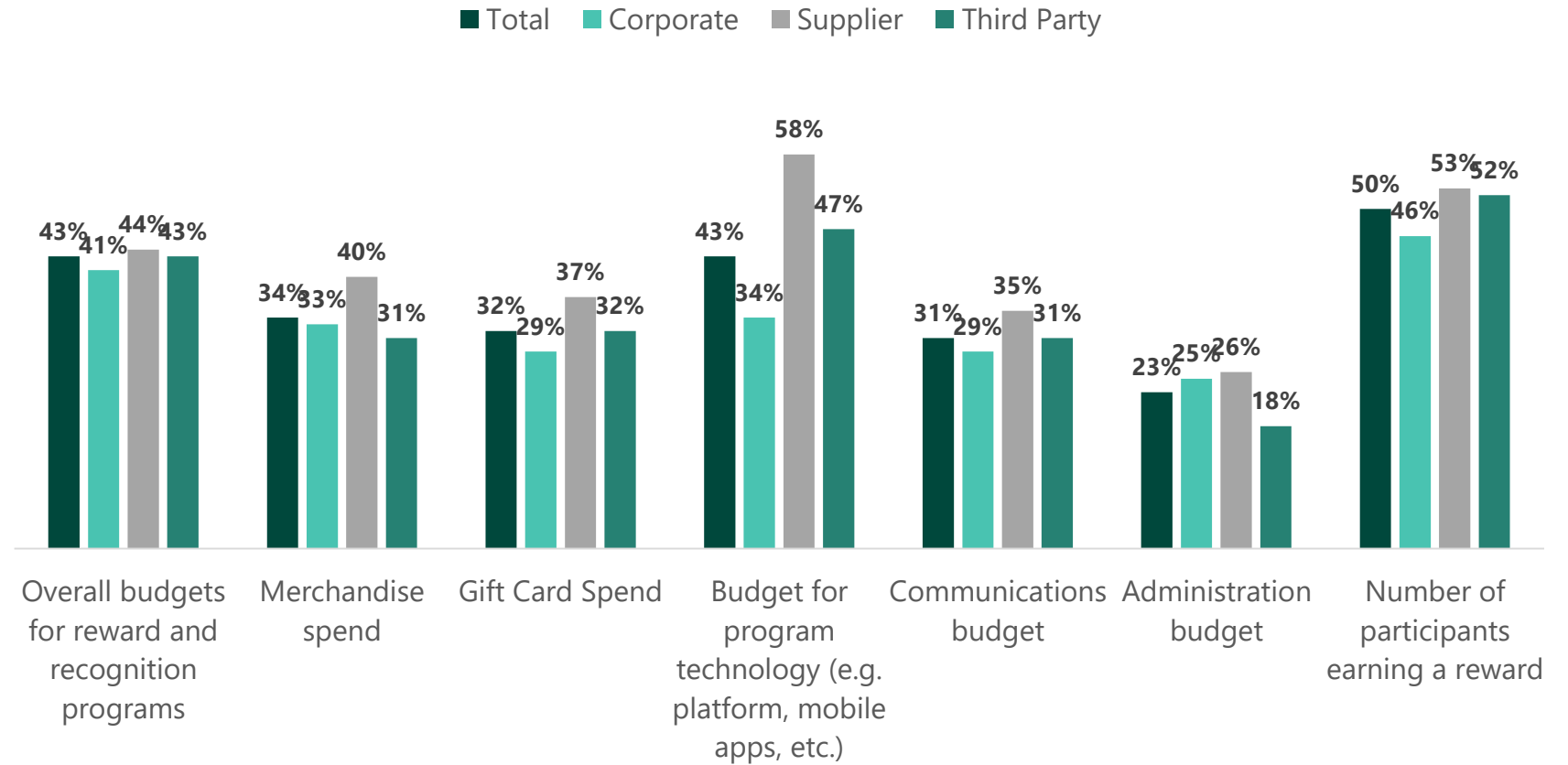
Reward Points



Forty-five percent of corporate respondents are using points systems as the mechanism for issuing rewards. This is up slightly from the previous year (40%)

Outlook for Rewards Budgets – Net Increase

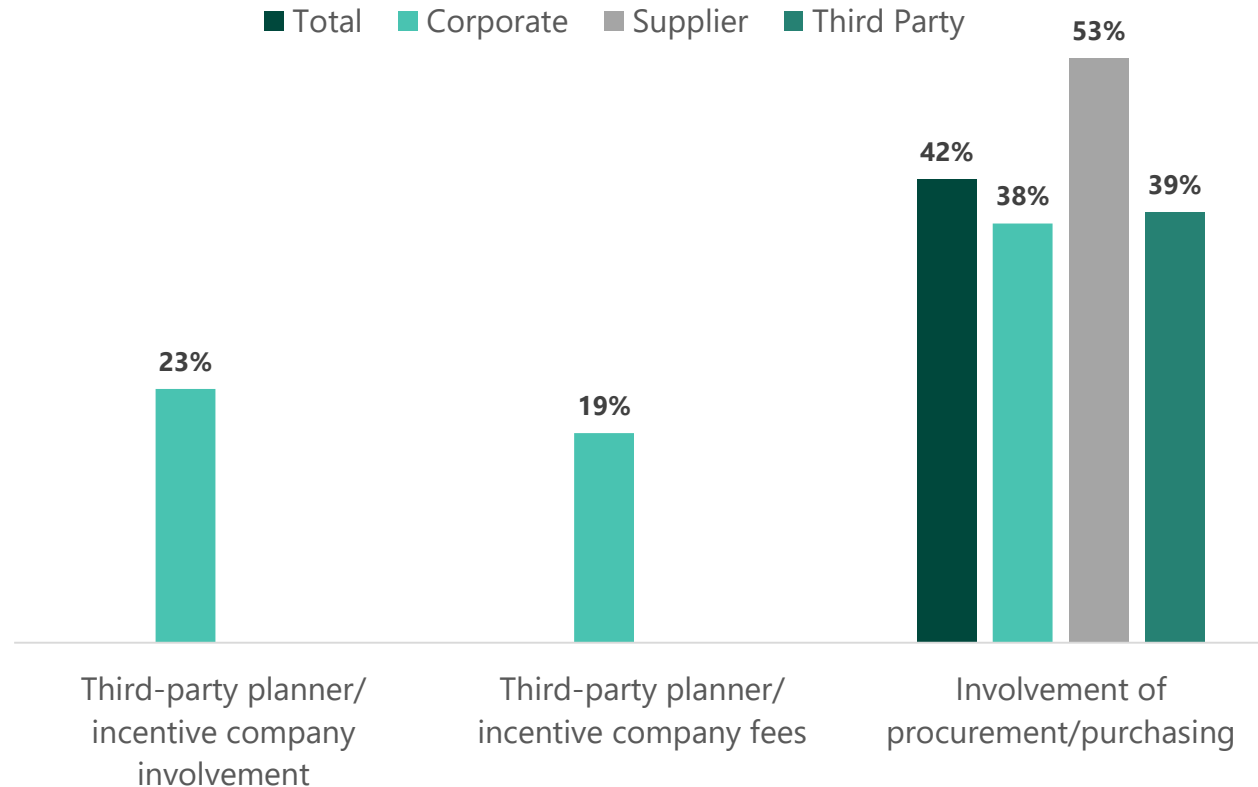
Compared to last year, there are higher percentages that expect spend and budget to increase. The overall net increase jump was greatest for those expecting reward recipients to increase (50% up from 38%) but there are also net increases in overall budget (43% up from 38%), merchandise spend (34% up from 29%), communications budget (31% up from 27%) and administration budget (23% up from 17%).



Outlook for Rewards Partners – Net Increase

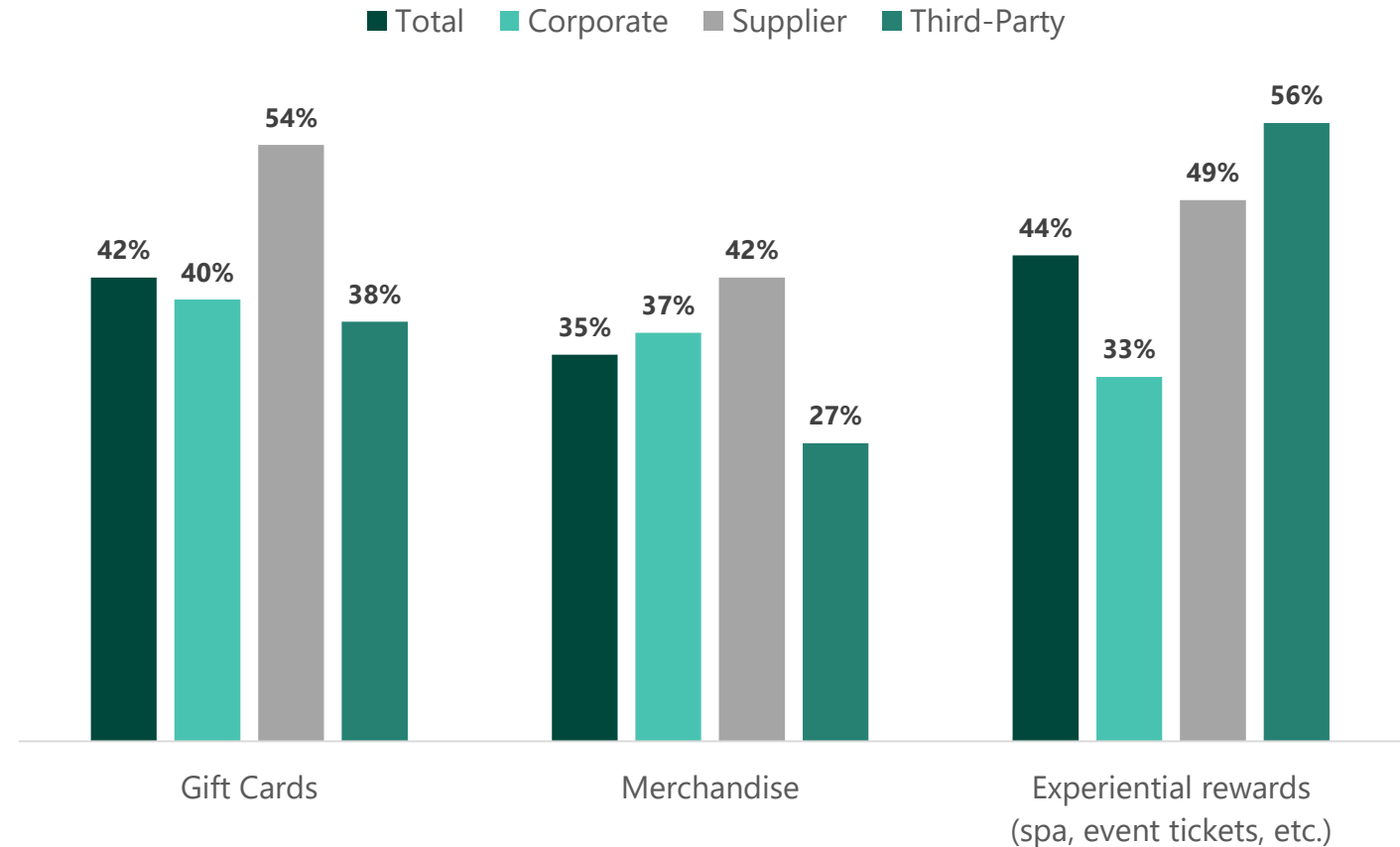
Procurement’s involvement will continue to increase as well. The net increase from 28% to 42% was driven by corporate and third-party incentive respondents.

The percentage net increase of those expecting third party planner/incentive company involvement has doubled this year compared to last (23% up from 11%). Similarly, the expected net increase in third-party incentive company fees has also doubled (19% to 9%).



Net Increase in Use of Rewards by Audience

Compared to last year, there is an expectation that all three rewards will increase at a greater rate. Last year, the net increase for gift cards was 38% while this year, the percentage has grown to 42%. The net increase for merchandise has grown from 28% to 35%, while the net increase for experiential rewards has grown from 28% to 44%--the biggest increase of all.



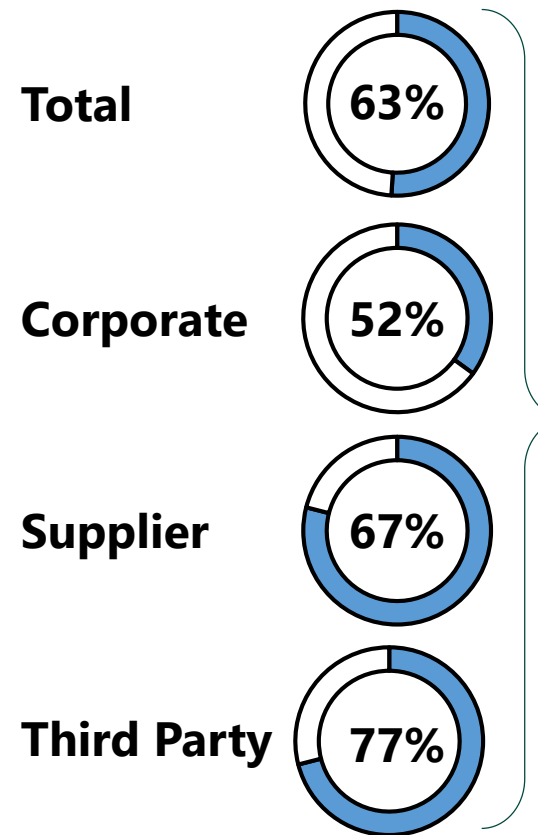


Programs Include Non-U.S. Participants

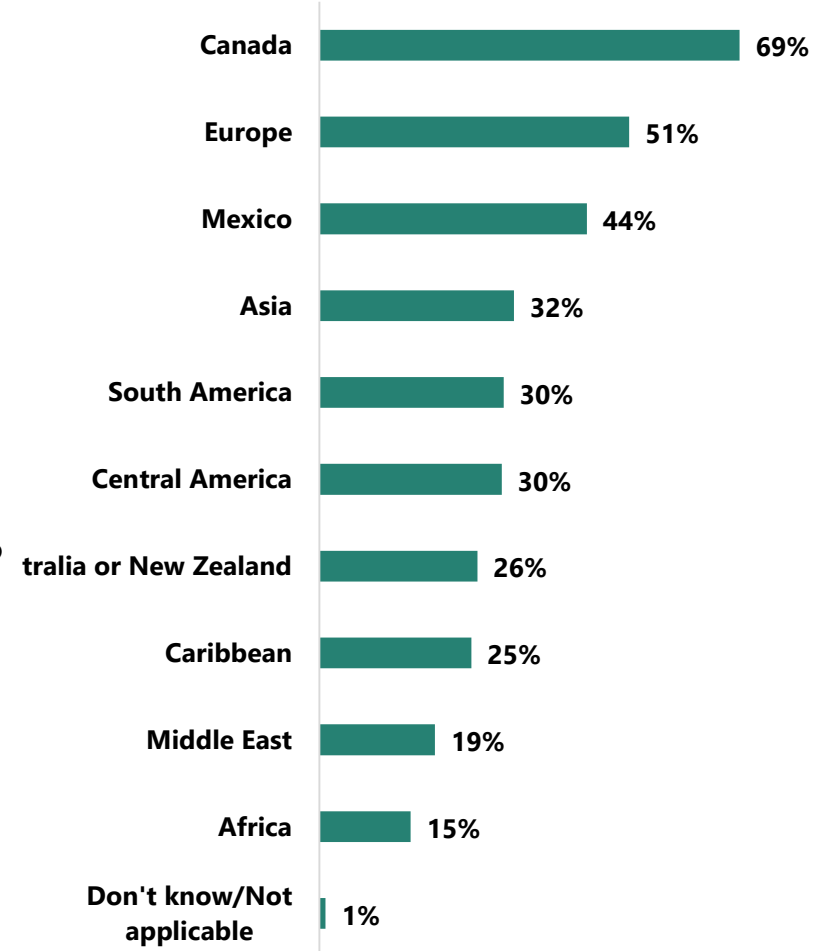
The percentage whose incentive programs reach international participants has grown from 51% to 63%. The increase is primarily driven by corporate clients who increased their international involvement from 35% to 52%;

Canada, Europe, and Mexico remain the most common regions, with Asia, Australia/New Zealand, and South America also prevalent.

All regions have at least some representation in the industry.



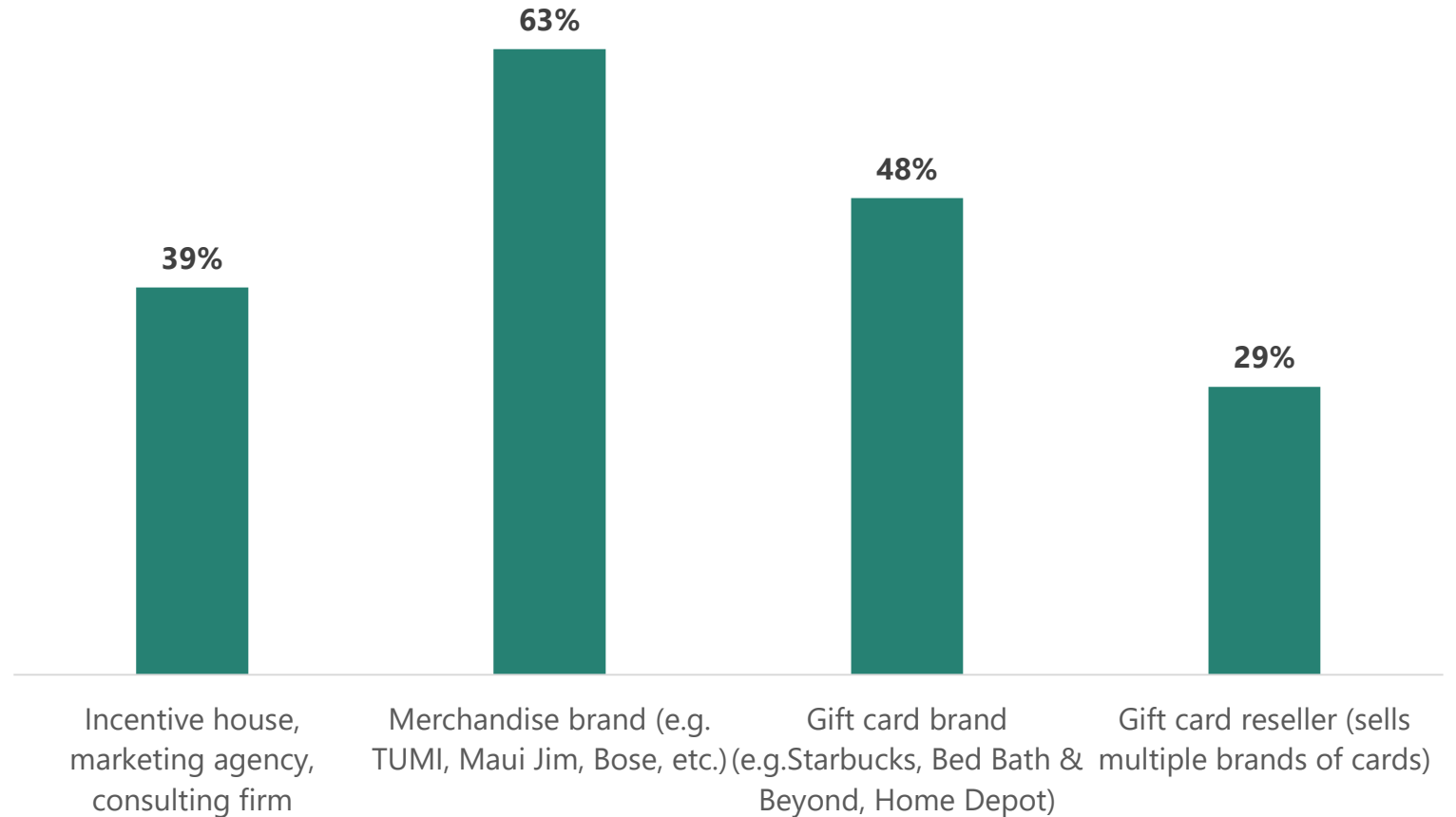
IF YES, WHERE?



Do your/your clients' reward and recognition programs include participants outside of the U.S.? Please indicate which geographic regions your/your clients' non-U.S. participants are in. Check all that apply.

Use of Partners (Direct Working Relationship)

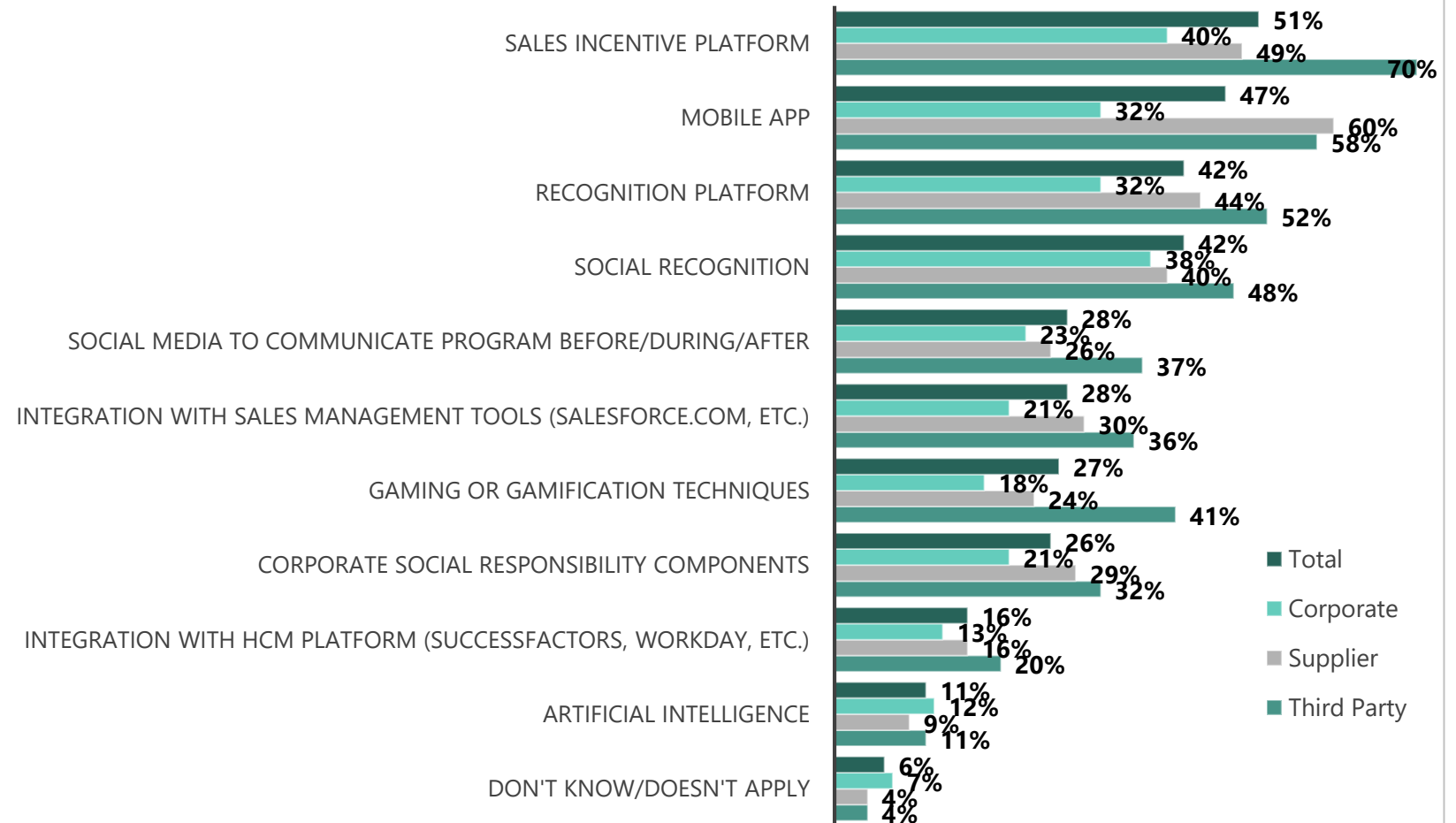
The percentages with direct working relationships increased in all categories. The biggest jump was in those that work with merchandise brands directly (42% up to 63%); those working directly with incentive houses jumped from 23% to 39%; gift card brands increased from 37% to 48% and gift card resellers from 24% to 29%.



General Program Outlook

Program Enhancements

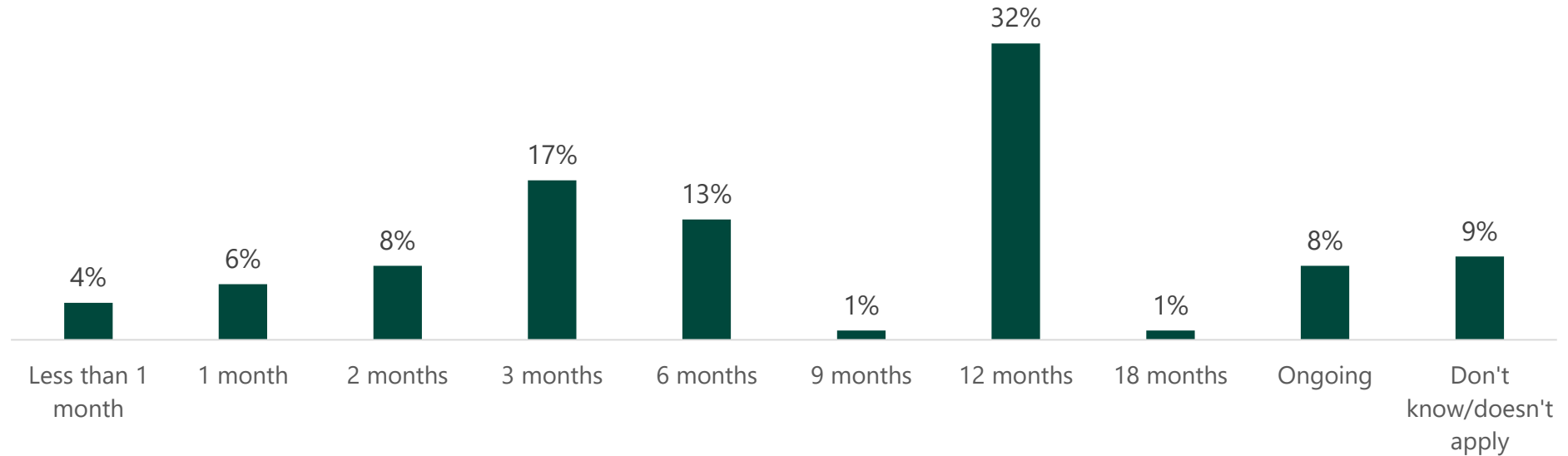
Over half (51%) use a sales incentive platform as part of their non-cash reward and recognition programs, including 70% of third- party suppliers. Mobile apps have also grown in use as now almost half, including a third of corporate programs, use an app as part of their programs.



Typical Length of Program

The most common length of an incentive travel or merchandise program is 12 months.

The percentage of ongoing programs declined from 13% to 8%, otherwise the patterns of program length are very similar to the previous year.



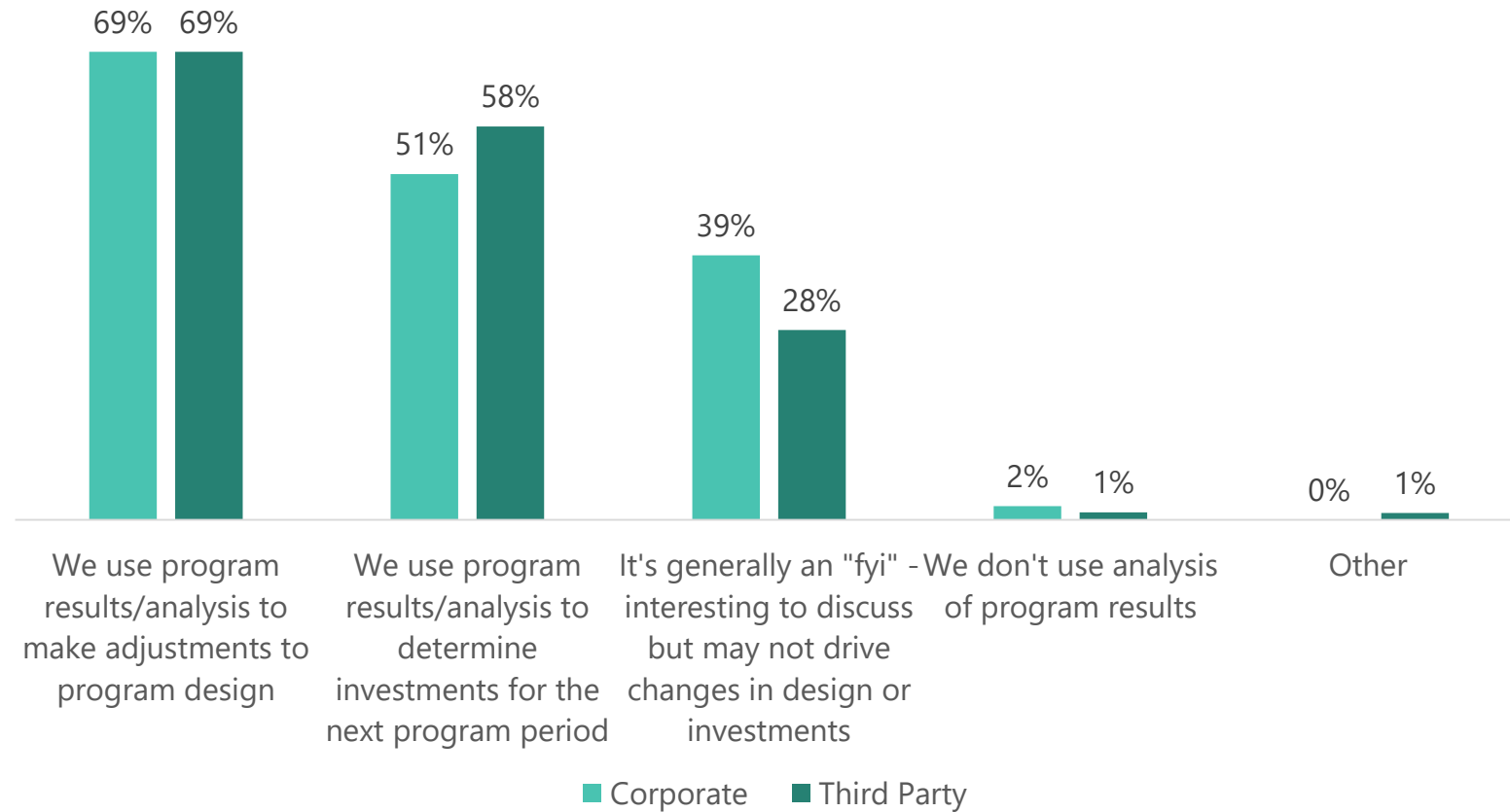
Reporting & Analysis - Types

Reporting and analysis has dramatically increased since last year., particularly for corporate users. Last year, over half (53%) said they don't use reporting and analysis; this year the number has dropped to 27%. The percentage that look at participation reports has risen from 27% to 40% among corporate users. Corporate users examining earning/redemption points increased from 24% to 40%, and corporate users conducting the analysis on program impact increased from 25% to 44%.



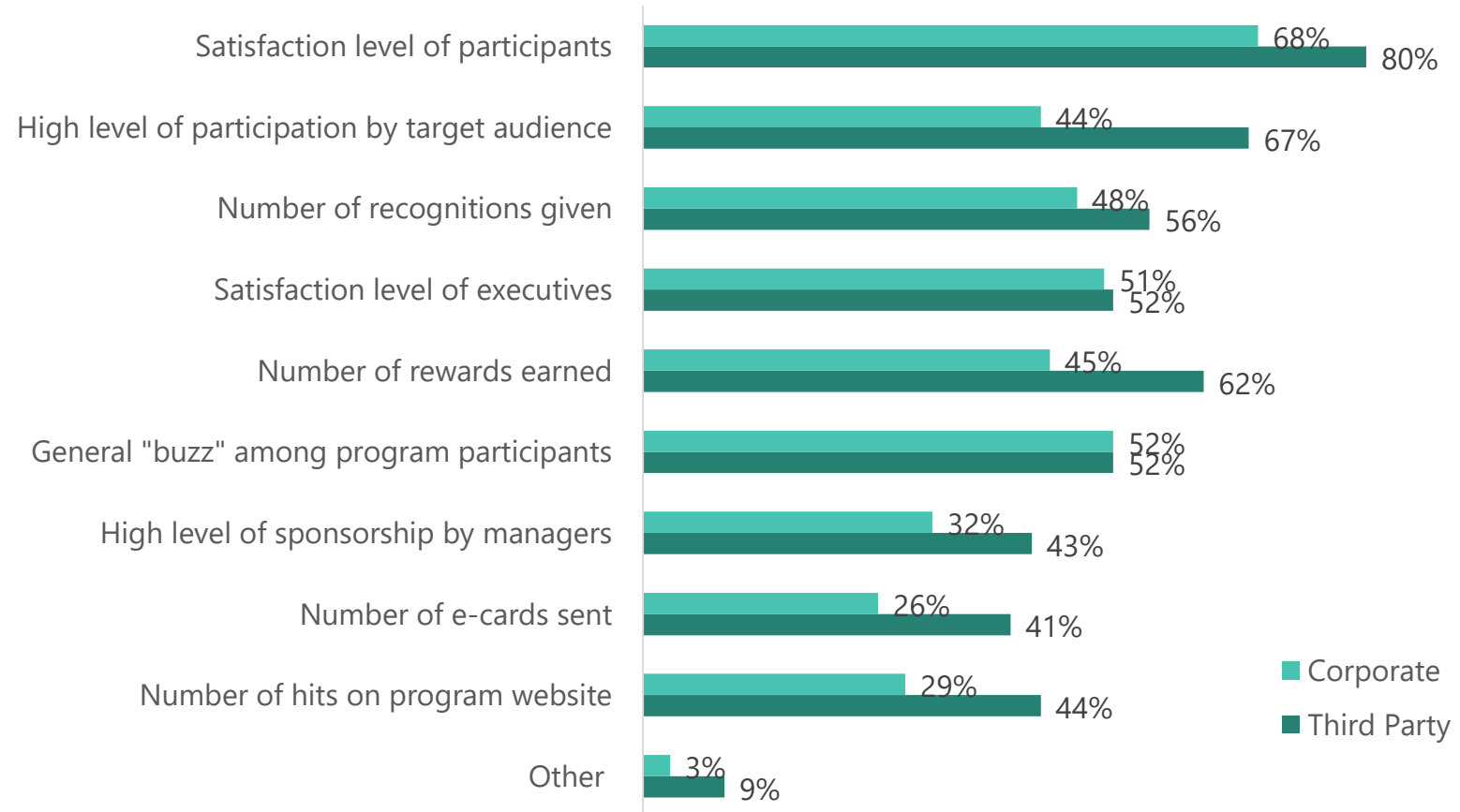
Reporting & Analysis - Usage

Almost everyone uses some type of analysis, primarily to make adjustments to program design. Last year, 8% of corporate users didn't use analysis of program results, this year, the number declined to 2%.



Program Metrics - Activity

Satisfaction level of participants is the most commonly used activity used by both corporate and third parties to measure the success of a program. Last year, level of participation was more common as an activity measured, declining from 57% to 44% among corporate users and 87% to 67% by third parties. This shows a shift from simple participation to satisfaction as the key metric.



Below are some activity metrics which might be measured by a program owner. Which of the below is information that you have used to assess your program's success? Select all that apply.

Program Metrics - Outcomes

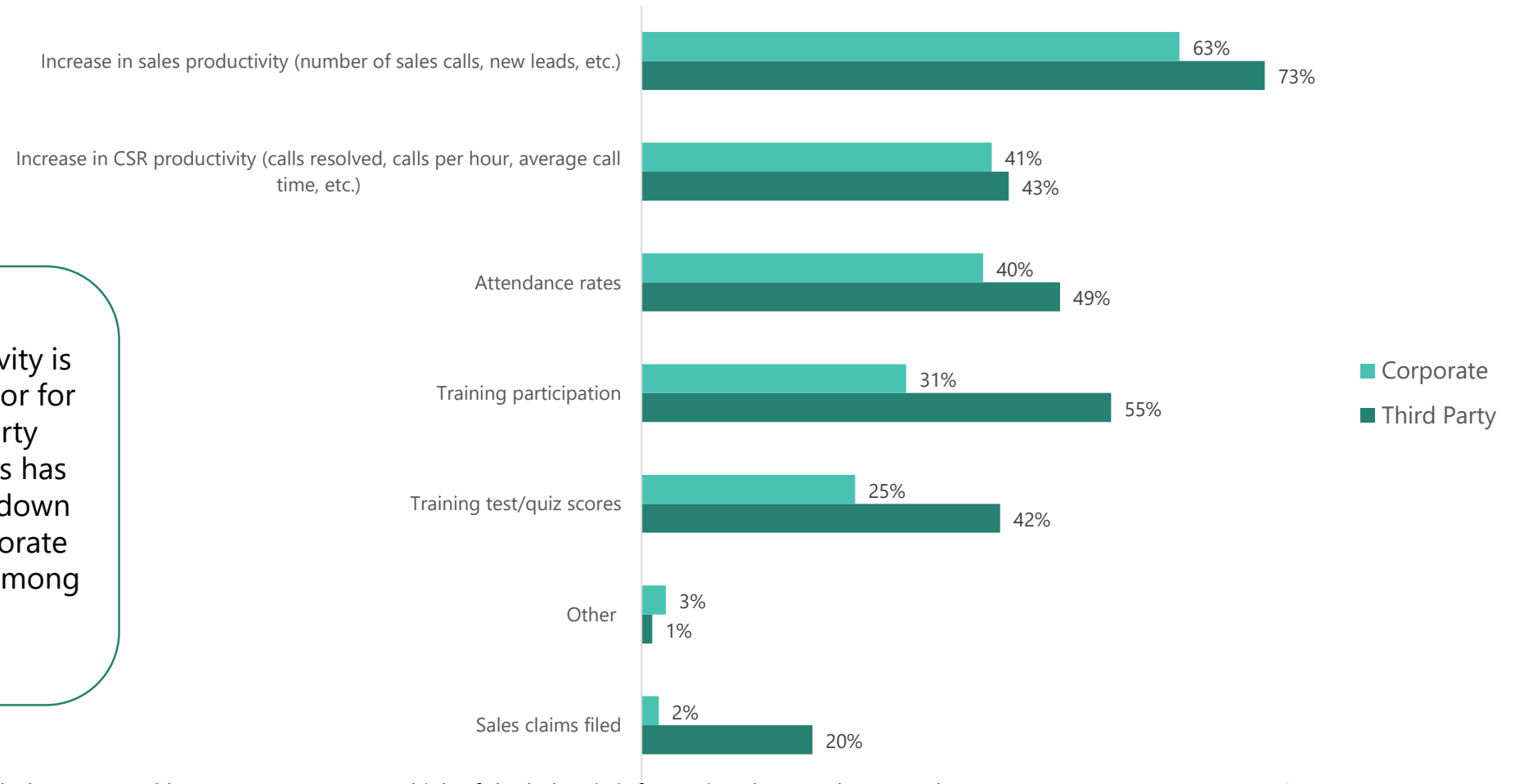
Like last year, corporate audiences focus primarily on customer satisfaction and employee engagement survey results, while third-party providers also place high focus on overall lift in overall sales and product sales, as well as revenue improvement.



Below are some outcomes which might be measured by a program owner. Which of the below is information that you have used to assess your program's success? Select all that apply.

Activity Metrics – Leading Indicators

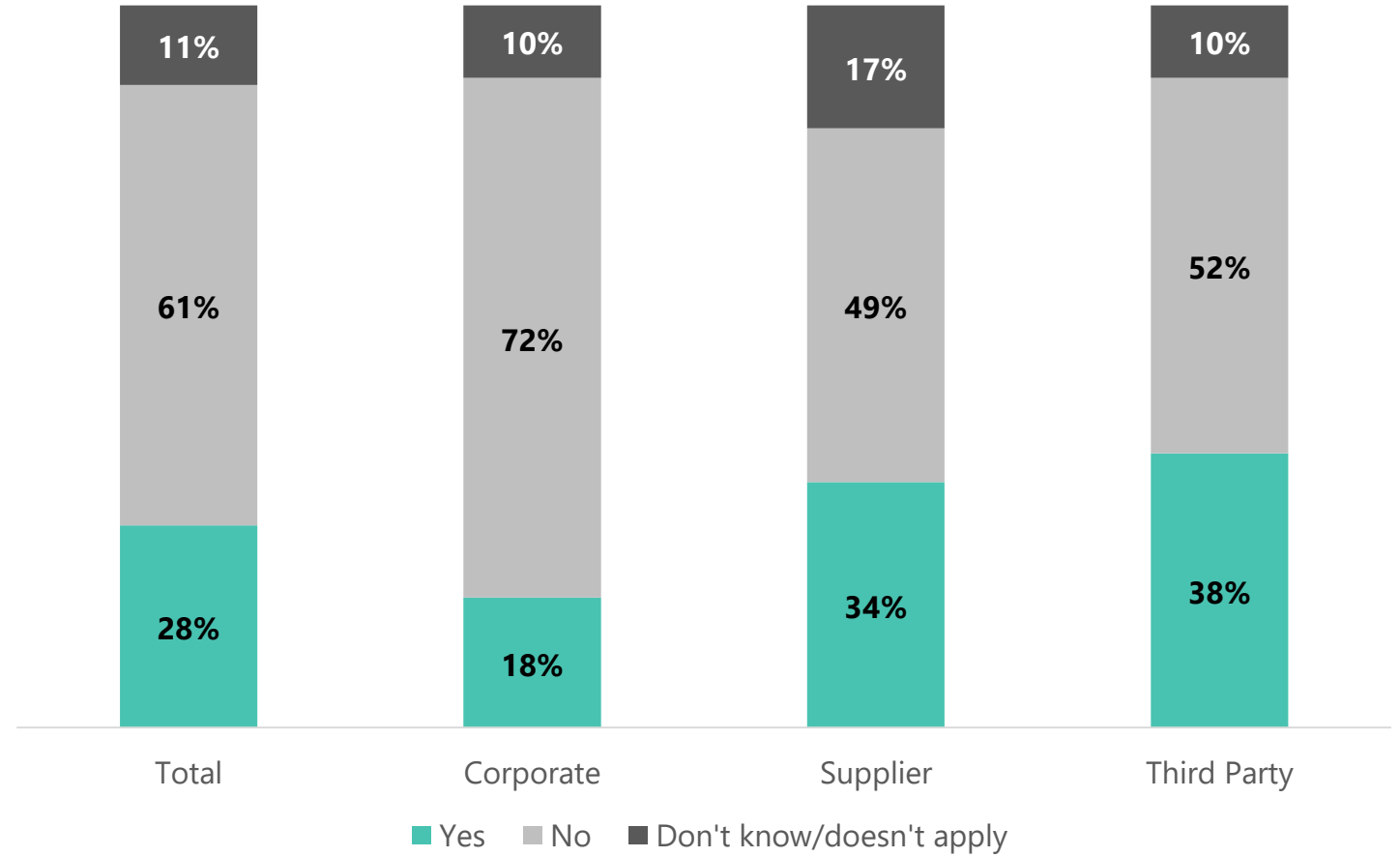
While increased sales productivity is still the primary leading indicator for both corporate and third-party providers, the emphasis on this has declined from last year, going down from 73% to 63% among corporate clients and 93% down to 73% among third parties.



Below are some leading indicators which might be measured by a program owner. Which of the below is information that you have used to assess your program's success? Select all that apply.

Cancelled a Program Past 12 Mos.

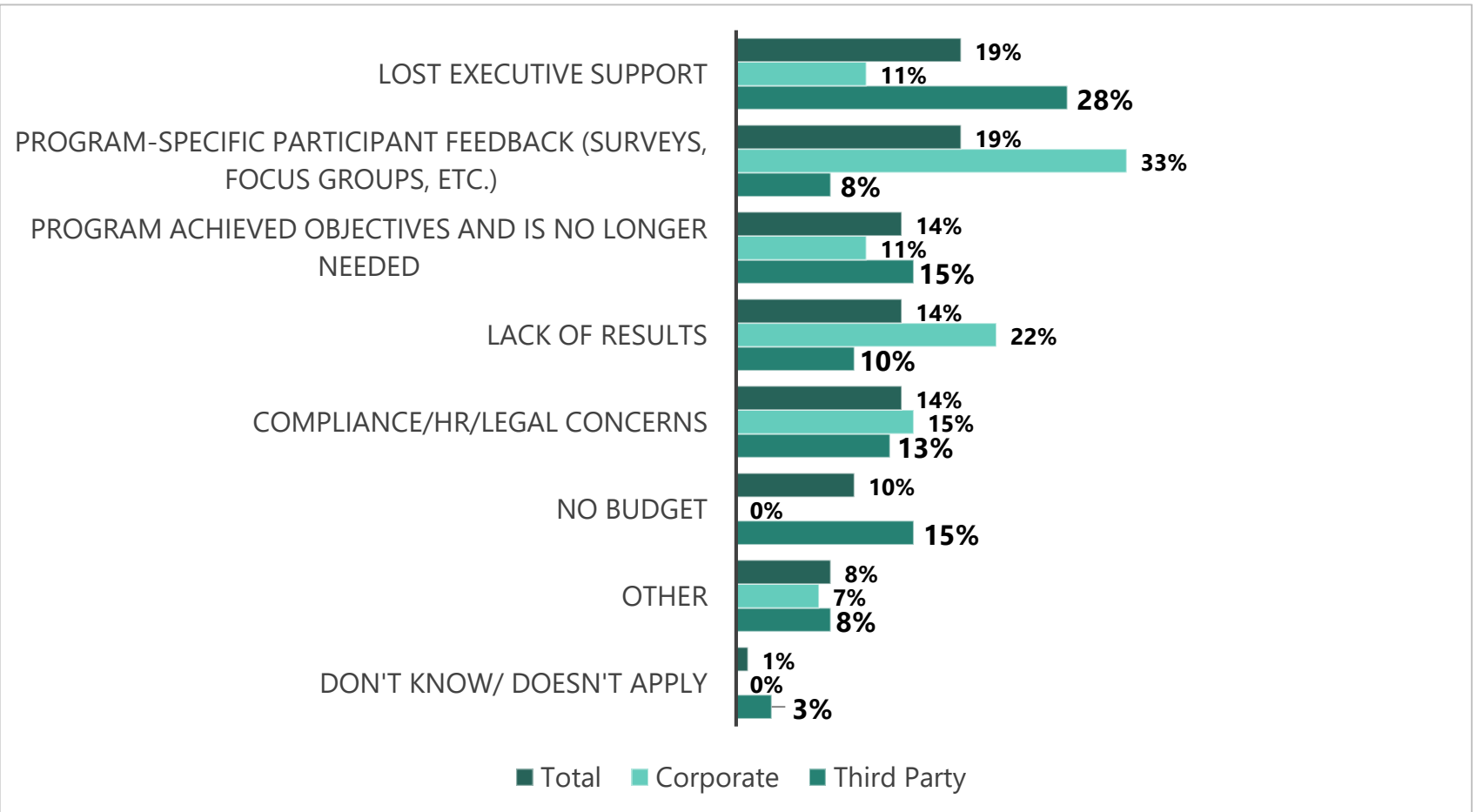
There has been a slight uptick in the percentage who have discontinued programs in the past month. Corporate discontinuation increased from 13% to 18%, suppliers from 31% to 34%, and third-party discontinuation showed the greatest increase from 25% to 38%. Overall, the unweighted total increased from 18% to 28%.



Top Reason Program Discontinued

Although there has been a slight uptick in the percentages that have reported program discontinuation, the data suggest it is less likely to be because of budget losses and lack of executive support this year compared to last. While the sample sizes in the individual categories are generally too small to report, it seems that participant feedback has taken on a more important role, particularly among third parties compared to the previous year.

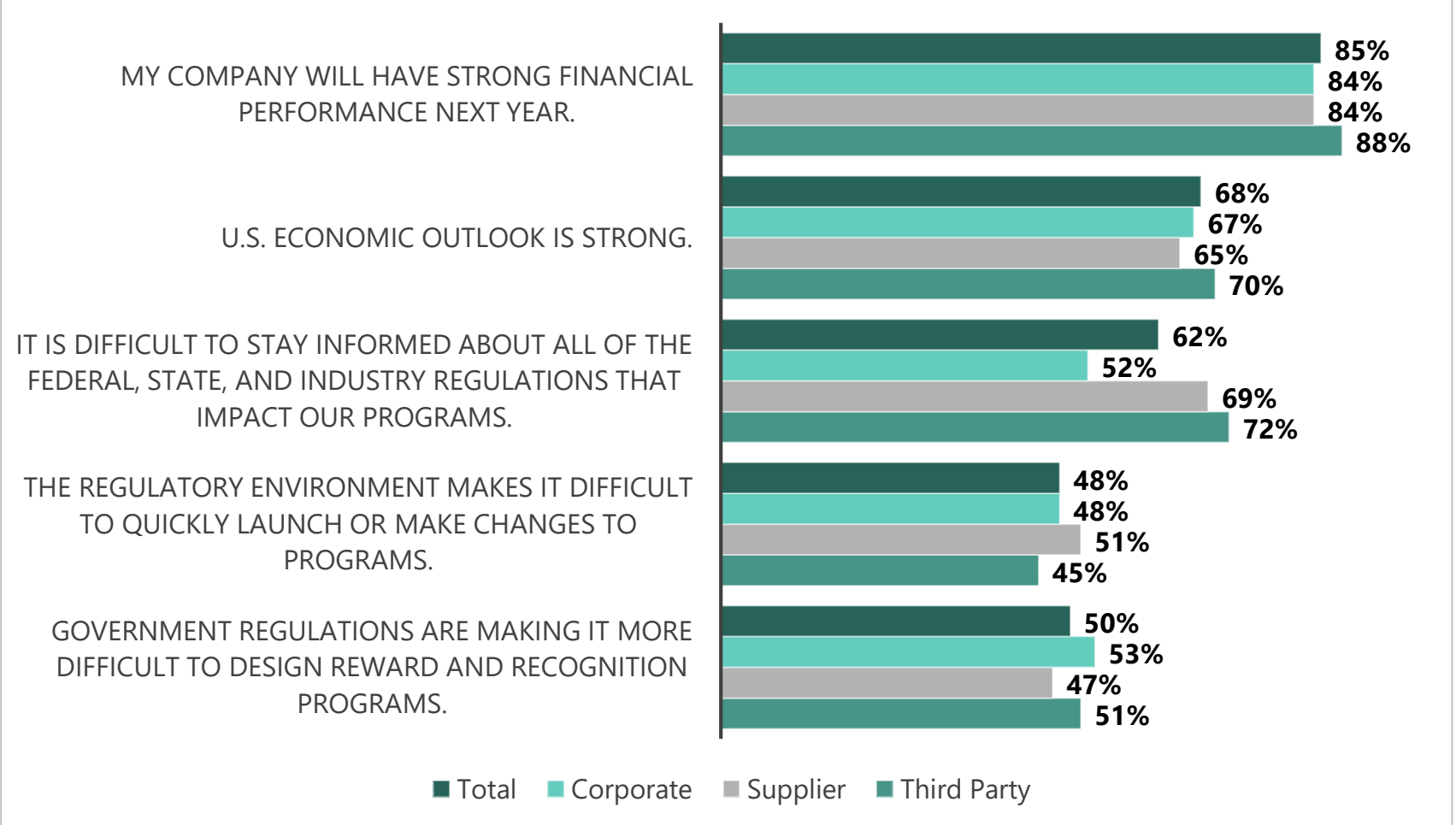
*Supplier sample size too small to report on.



Overall Outlook

The outlook for both individual companies and the US economy are both very positive. These numbers have not changed much from the previous year.

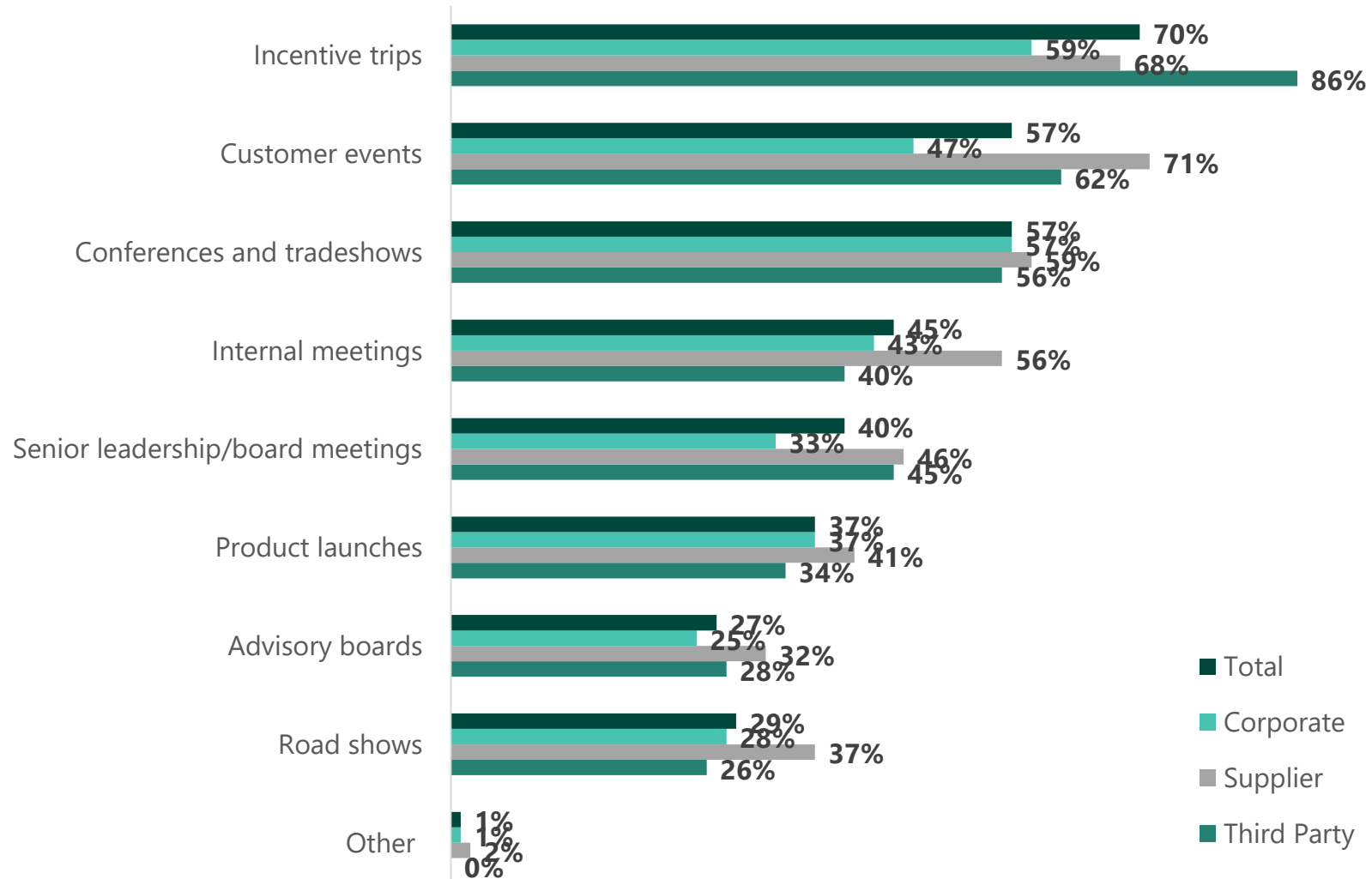
The regulatory environment continues to be challenging to be informed about requirements that impact incentives programs.



Event Gifting

Event Gifting – Meeting Types

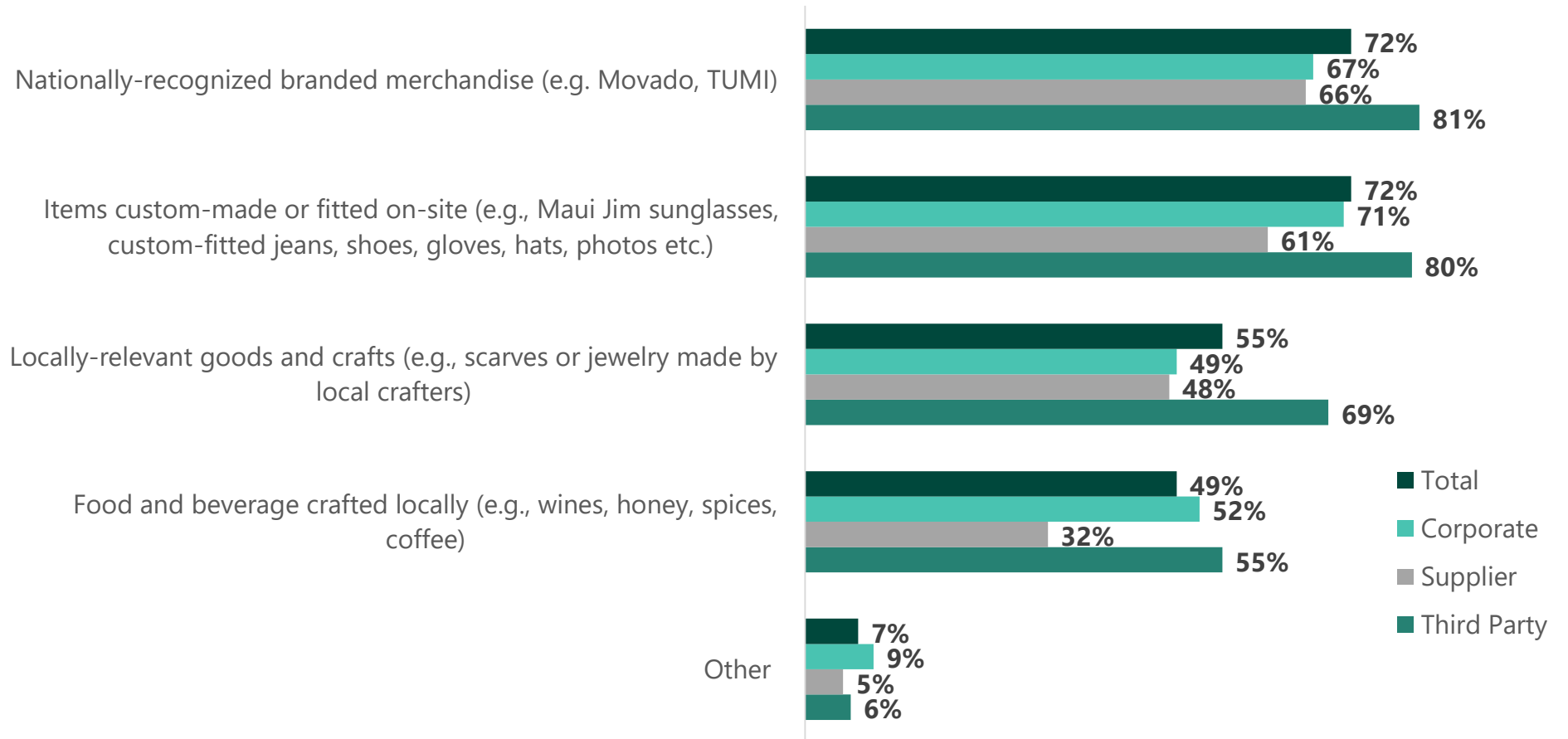
While suppliers see event gifting across a broad range of meeting types, corporate audiences are most likely to be using gifts for incentive trips, internal meetings, customer events, and conferences and tradeshows. Event gifting at advisory boards increased from 19% to 27% and product launches from 28% to 37%.



For what types of meetings and events are you/your clients using attendee gifts? Select all that apply.

Event Gifting – Gift Types

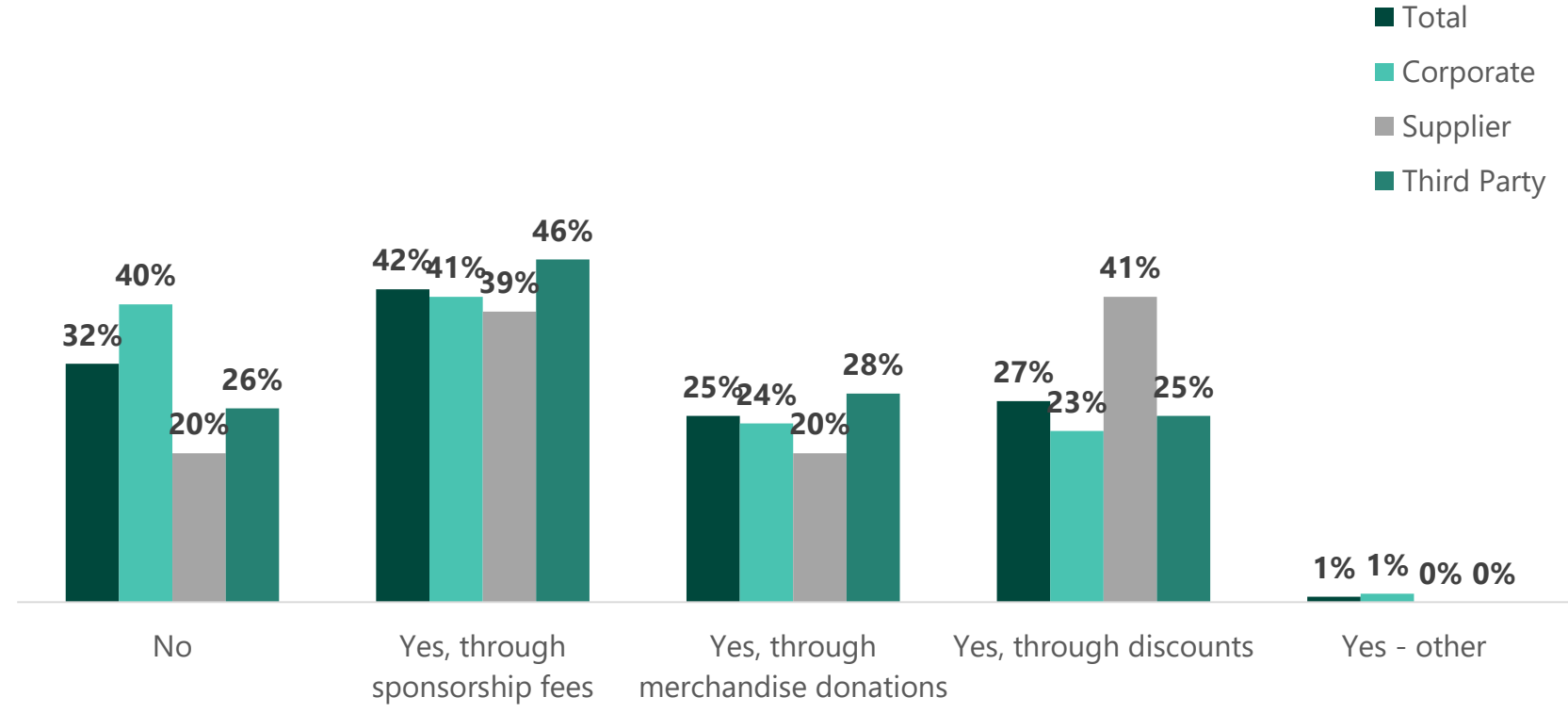
The prevalence of items custom-made or fitted on-site, increased dramatically from 59% to 72%, particularly among corporate clients where the increase went from 47% to 71%. Overall, custom made, or fitted items now match nationally branded merchandise as the most prevalent type of event gift.



Which of the below do you/your clients use as part of your/your clients' meeting/event gifting? Select all that apply.

Event Gifting – Gift Types

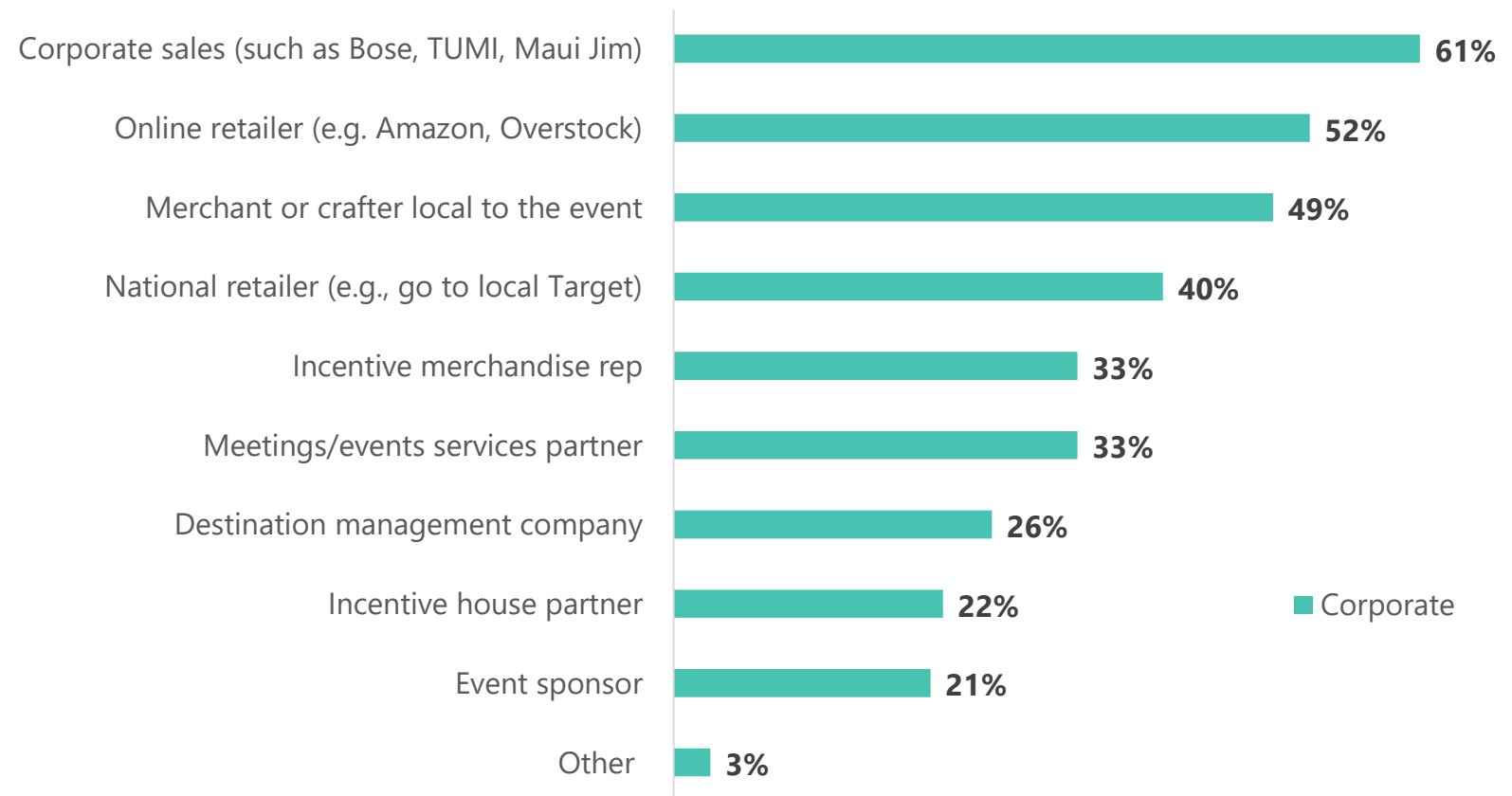
The percentage whose sponsors cover the cost of event gifts has increased last year overall from 55% to 68%, with the biggest increase coming through sponsorship fees (35% in 2018; 42% in 2019.)



Do sponsors cover some of the cost of your/your clients' event gifts?

Event Gifting – Gift Sources

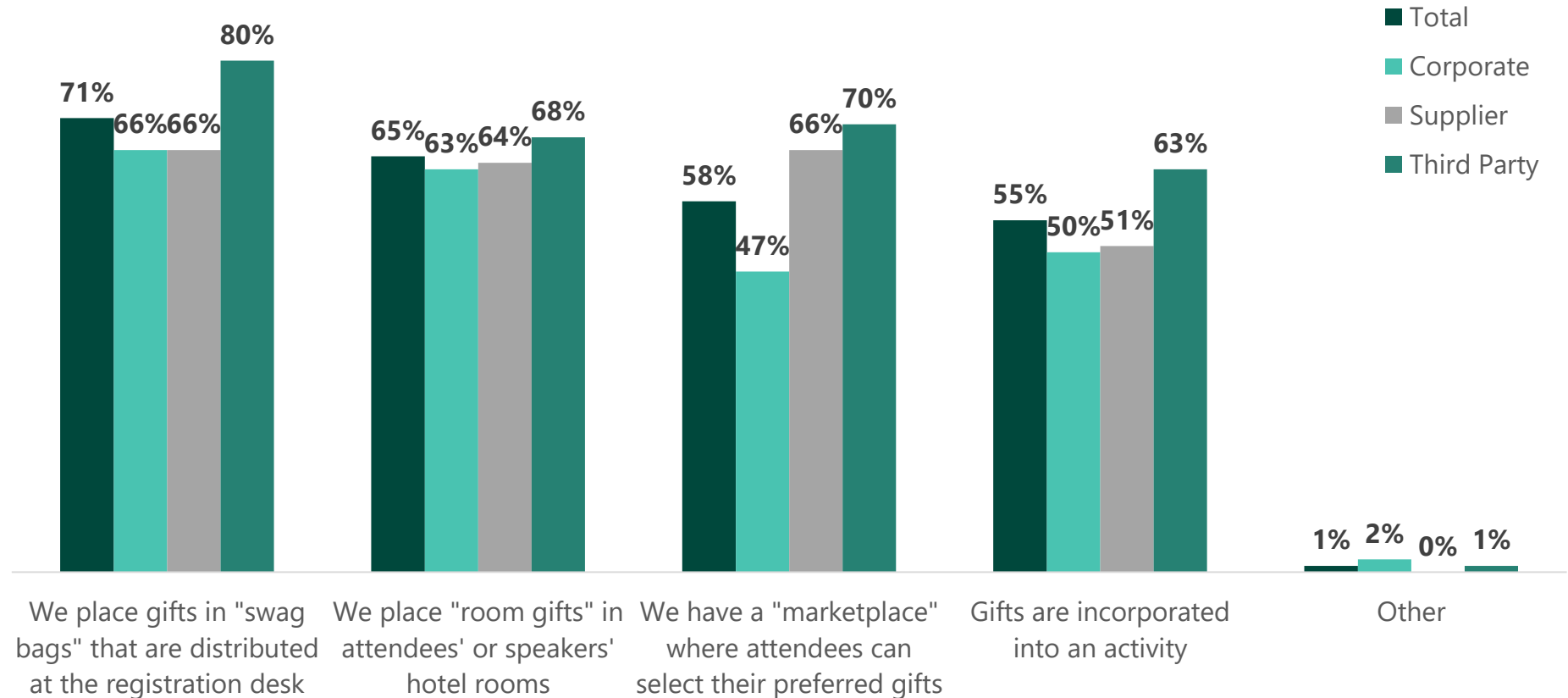
While the sample sizes are small, there are some shifts in the data. Corporate sales is now the leading source for event gifts climbing from 51% to 61%. Local merchants also increased from 37% to 49%. National retailers showed the biggest decline going from 54% down to 40%.



Event Gift Distribution

The 'marketplace' experience has grown quite a bit since last year, going up from 43% to 58%.

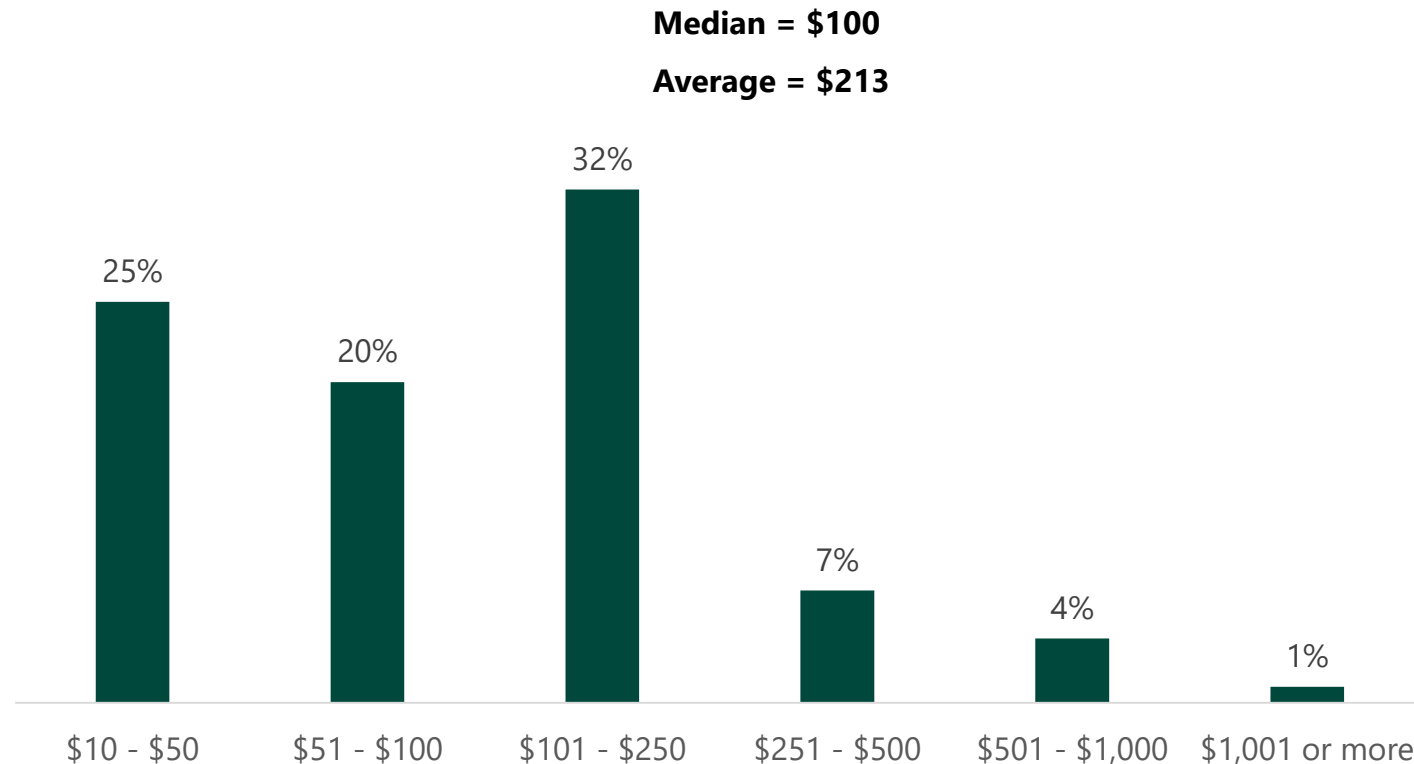
Almost half of corporate audiences have incorporated a gifting "marketplace" experience into their event, while 70% of third parties offer this experience.



Which of the following describe(s) how you/your clients distribute event gifts?

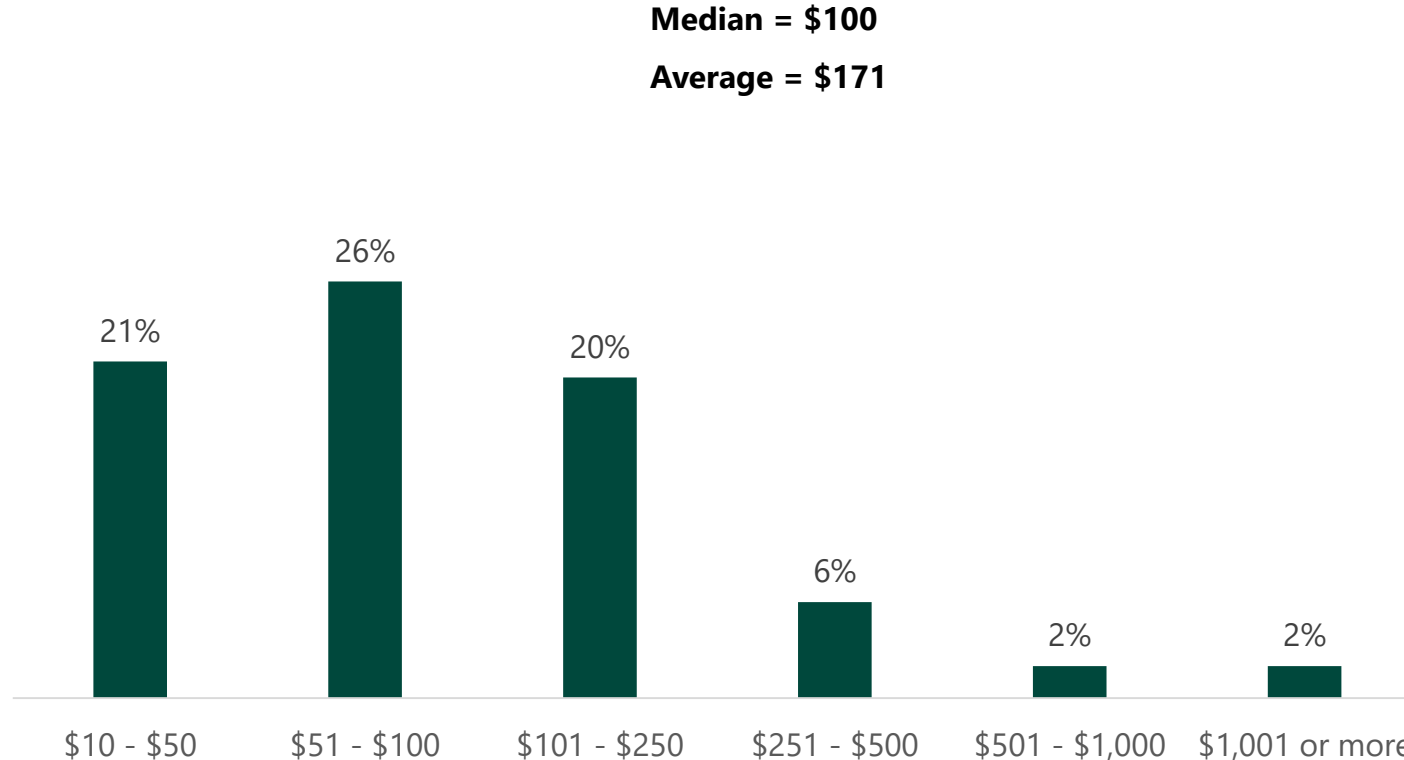
Average Per-Attendee Gifting Spend

The typical spend for attendee gifts remains consistent with the previous year, with a median of \$100, and an average of \$213 (last year \$210). Slightly more than one-in-ten (12%) make investments of over \$250 in attendee gifts.



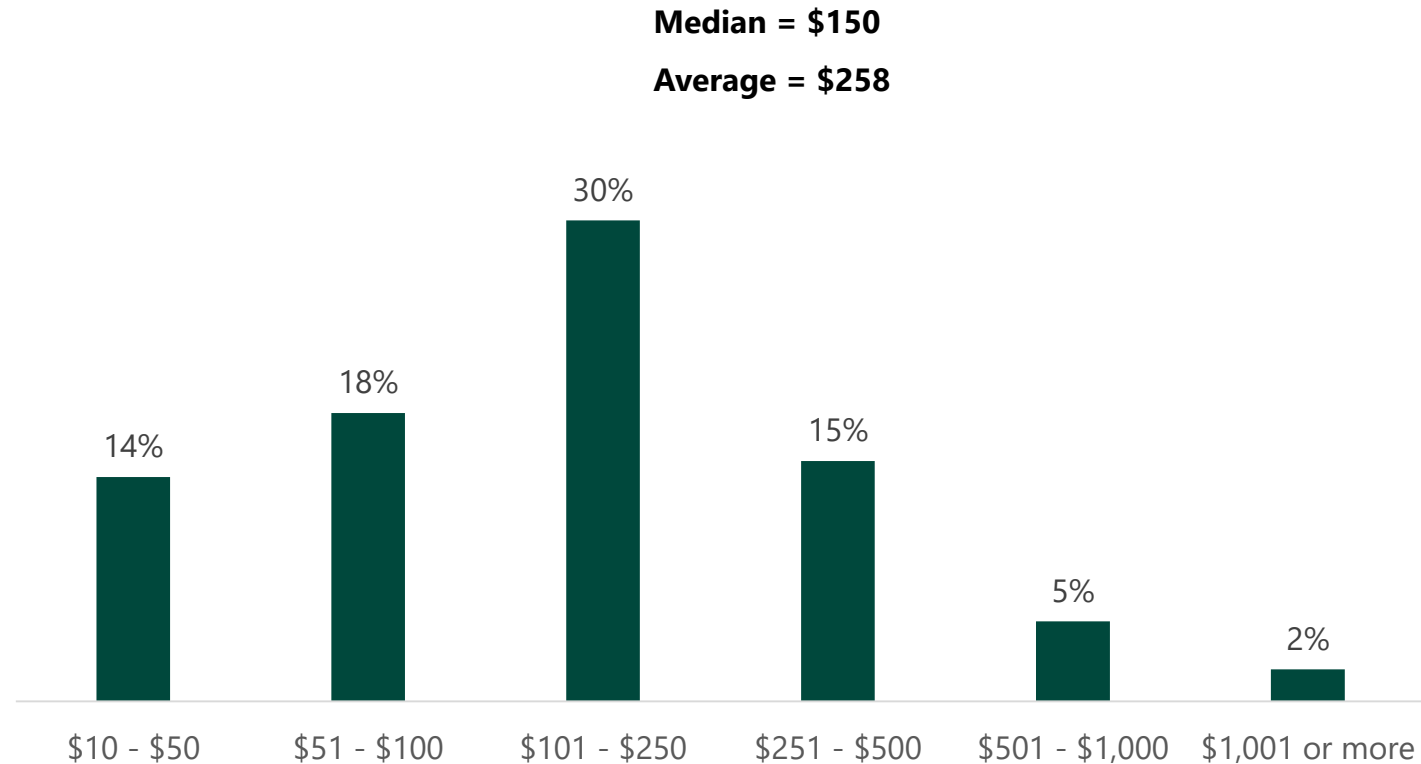
Average Per-Speaker Gifting Spend

The median per-speaker spend is \$100 and average spend is \$171. This is down significantly from last year when the median spend on speaker gifts was \$150 and average was \$270.



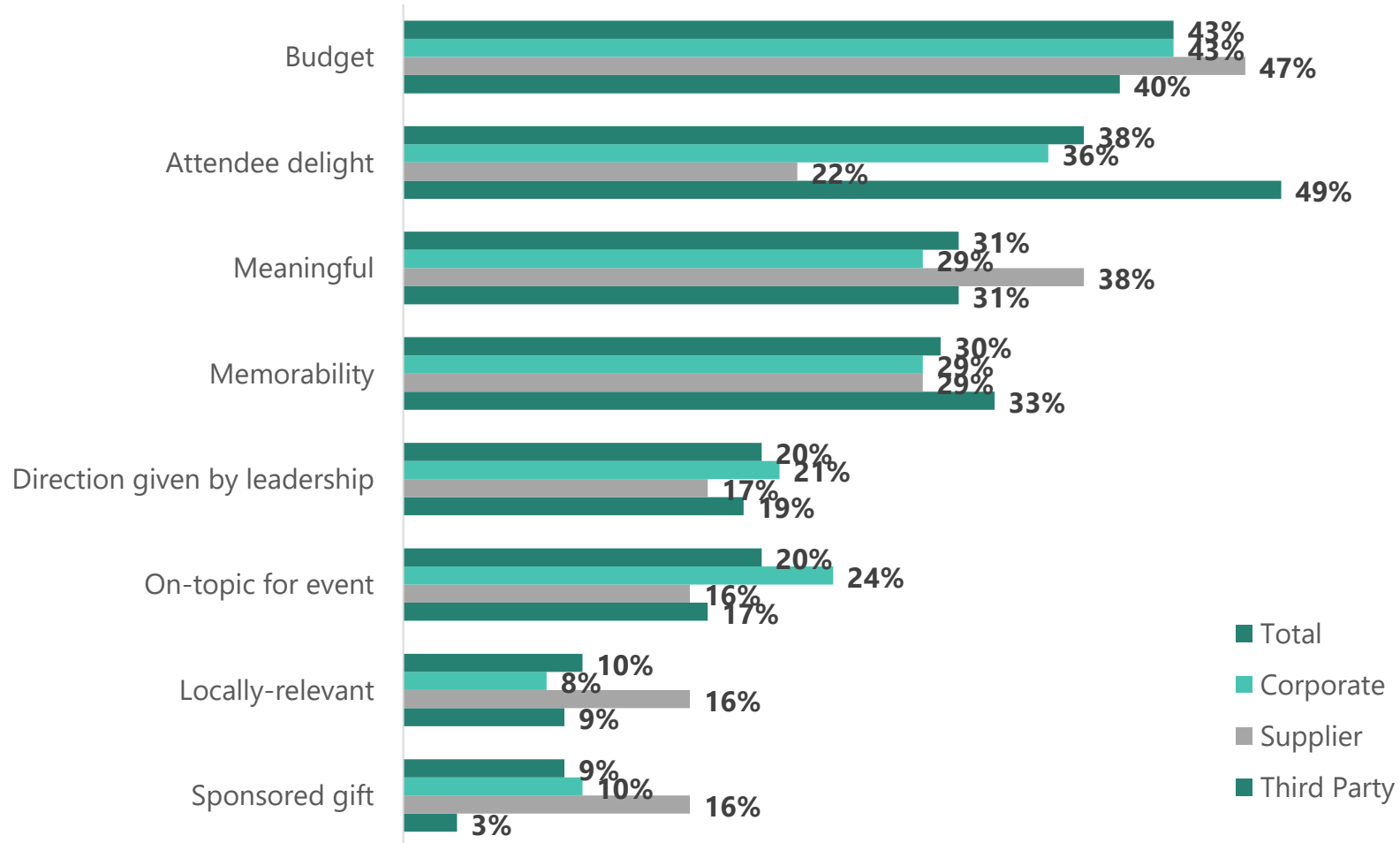
Average Per-VIP Gifting Spend

While VIP attendees still command a higher spend rate than regular attendees – the typical VIP spend has declined significantly since last year, going down from a median spend of \$200 down to \$150, and an average spend of \$375 down to \$258. The percentage of high spenders (\$250+) declined from 34% to 22%.



Priorities When Selecting Event Gifts

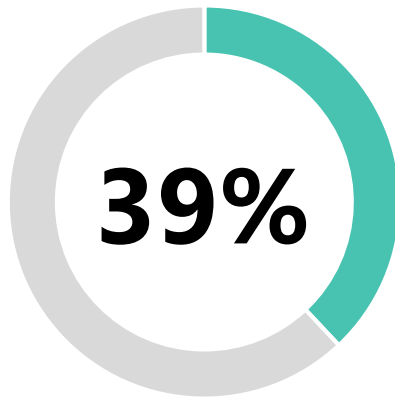
While budget is still the top priority overall, its importance has declined. Last year, budget was a top two priority for 50%, this year it declined to 43%. The biggest decline was for third parties, for whom 60% placed as a top two priority last year, while only 40% did so this year.



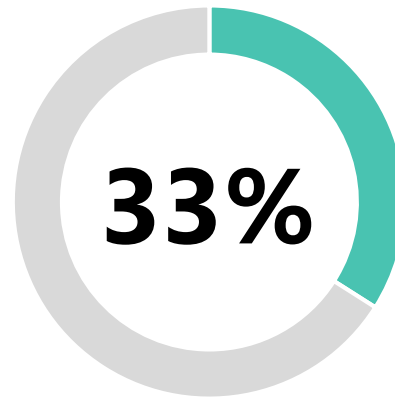
Event Gifting Budgets - Net Increases for 2020

With overall figures very comparable to last year, all segments show a strong net increase in event gifting budgets for next year.

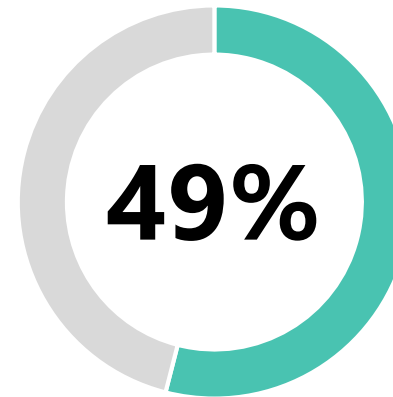
TOTAL



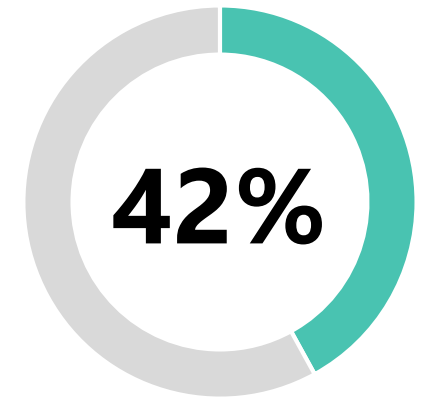
CORPORATE



SUPPLIER

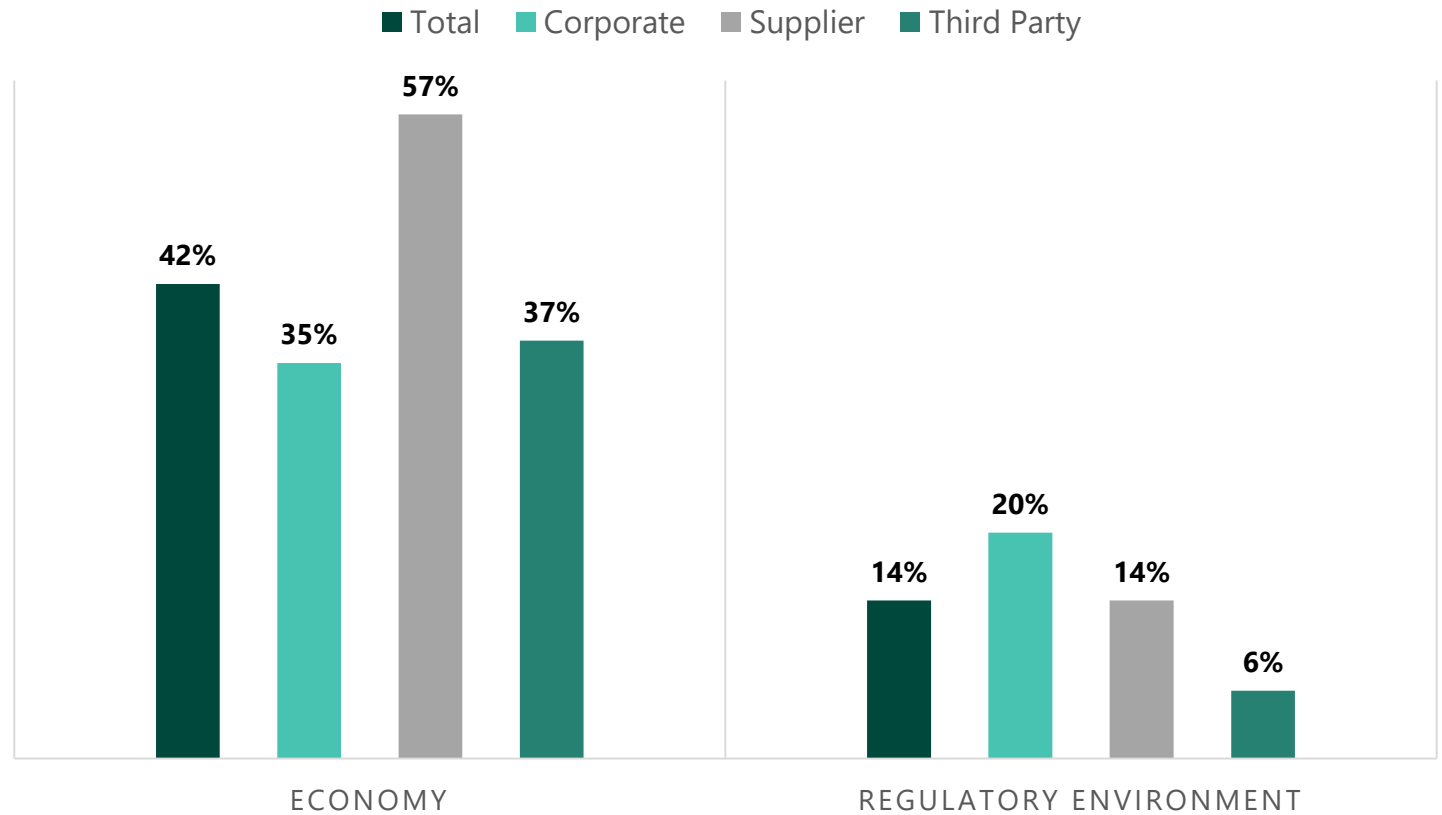


THIRD PARTY



Net Optimism by Audience

Net optimism for both the economy and regulatory environment have both improved since last year. Net optimism for the economy improved from 36% to 42%, while net optimism for the regulatory environment increased from 7% to 14%. Particularly noteworthy was net optimism for suppliers which went from -14% to positive 14%.



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

